红星·美凯龙
MACALLINE

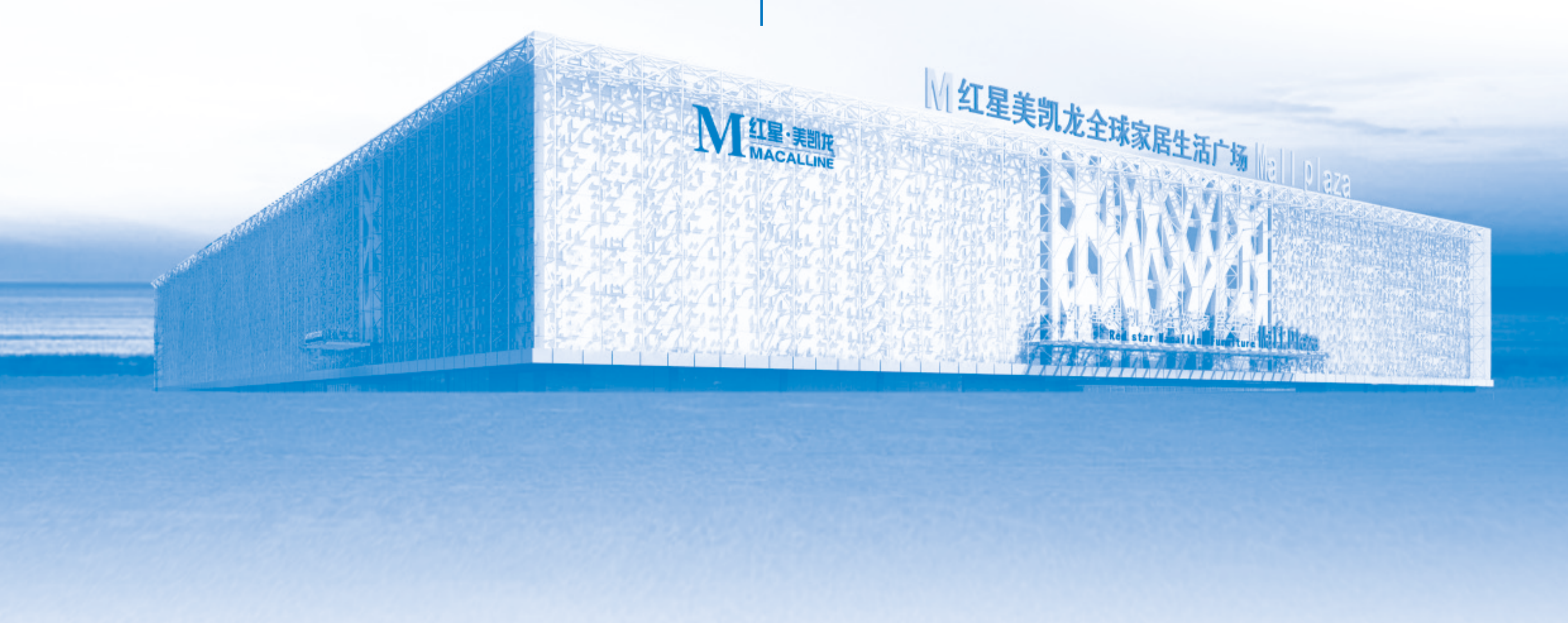
紅星美凱龍家居集團股份有限公司
Red Star Macalline Group Corporation Ltd.

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

STOCK CODE : 1528

Annual Report 2015

Contents



Company Profile

The Company was founded in 2007, and its shares was listed on the Main Board of the Hong Kong Stock Exchange in June 2015 (Stock Code: 1528).

As a leading home improvement and furnishings shopping mall operator in China, the Group mainly engages in the business of offering comprehensive services to the merchants, consumers and partners of the home improvement and furnishings shopping malls under “Red Star Macalline” through the operation and management of both Portfolio Shopping Malls and Managed Shopping Malls. The Group is also involved in O2O platform business, bulk procurement, sale of pre-paid cards, internet finance, home design and decoration, as well as logistics and delivery services.

According to the statistics of Frost & Sullivan, the Group is a nationwide home improvement and furnishings shopping mall operator in China which ranks first in terms of area of operational premises, the number of malls, and the geographic coverage. As of the end of the Reporting Period, we operated 177 shopping malls with a total operating area of 11,660,468 sq.m. in 126 cities in 28 provinces, municipalities and antonomous regions in China, which offer more than 18,000 brands in the malls. According to the statistics of Frost & Sullivan, in 2015, the Group had a 11.1% market share in the chain home improvement and furnishings retail mall sector and a 4.1% mall sector market share, the largest in China’s rapidly growing home improvement and furnishings retail industry in terms of retail turnover.

The Group has been committed to “building warm and harmonious homes and enhancing taste for consumption and home life”, and will continue to follow the operation and management mode of market-oriented and shopping-mall-based management. The Company will further strengthen its cooperation with home improvement and furnishings manufacturers and distributors, and persistently optimize the structure of brands operated by us in home improvement and furnishings shopping malls. By means of precision marketing and cross industry cooperation, we are able to provide consumers with better services and better understandings of the home culture philosophy.

In the future, the Group will continue to implement the two-pronged business model, with a focus on continuing development of our asset-light business model and strategically expanding our shopping mall network nationwide in order to further enhance our market share, and thereby persistently strengthening our market leadership in China’s home improvement and furnishings industry. Meanwhile, we will gradually expand the application of the Internet in home improvement and furnishings business based on our physical shopping malls network and strengthen the “Red Star Macalline” brand as the expert of home living in the minds of consumers with integrated online and offline operations. As such, the Company aims at becoming China’s most professional and advanced “omni-channel platform provider in home improvement and furnishings industry”.

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. CHE Jianxing *(Chairman)*
Ms. ZHANG Qi *(Vice Chairman)*
Ms. CHE Jianfang
Mr. JIANG Xiaozhong

Non-executive Directors

Ms. CHEN Shuhong
Mr. XU Guofeng
Mr. Joseph Raymond GAGNON
Mr. ZHANG Qiqi

Independent Non-executive Directors

Mr. ZHOU Qinye
Mr. LI Zhenning
Mr. DING Yuan
Mr. LEE Kwan Hung

SUPERVISORS

Mr. PAN Ning *(Chairman)*
Ms. NG Ellen Hoi Ying
Ms. CHAO Yanping
Mr. ZHENG Hongtao
Mr. CHEN Gang

AUDIT COMMITTEE

Mr. DING Yuan *(Chairman)*
Mr. ZHOU Qinye
Mr. LI Zhenning

REMUNERATION AND EVALUATION COMMITTEE

Mr. ZHOU Qinye *(Chairman)*
Mr. CHE Jianxing
Mr. LI Zhenning

NOMINATION COMMITTEE

Mr. LI Zhenning *(Chairman)*
Mr. CHE Jianxing
Mr. LEE Kwan Hung

STRATEGY AND INVESTMENT COMMITTEE

Mr. CHE Jianxing *(Chairman)*
Ms. ZHANG Qi
Mr. JIANG Xiaozhong
Mr. ZHANG Qiqi
Mr. LI Zhenning

COMPANY SECRETARY

Mr. GUO Binghe

ASSISTANT COMPANY SECRETARY

Ms. LEUNG Suet Lun

AUTHORIZED REPRESENTATIVES

Mr. CHE Jianxing
Mr. GUO Binghe

REGISTERED OFFICE

Suite F801, 6/F
No. 518, Linyu Road
Pudong New District
Shanghai PRC

HEADQUARTERS IN THE PRC

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Putuo District
Shanghai PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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Times Square
1 Matheson Street
Causeway Bay
Hong Kong

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

LEGAL ADVISORS

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

COMPLIANCE ADVISOR

Anglo Chinese Corporate Finance, Limited
40/F, Two Exchange Square
8 Connaught Place
Central
Hong Kong

AUDITOR

Deloitte Touche Tohmatsu
Certified Public Accountants
35/F, One Pacific Place
88 Queensway
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

STOCK CODE

1528

COMPANY'S WEBSITE

www.chinaredstar.com

Financial and Operational Highlights

FINANCIAL HIGHLIGHTS

	For the year ended 31 December 2015 (in thousands of RMB, except otherwise stated)	2014
Revenue	**8,756,120**	7,935,131
Gross Profit	**6,514,139**	5,881,061
Gross profit margin	**74.4%**	74.1%
Profit attributable to owners of the Company	**4,098,068**	3,632,917
Profit margin attributable to owners of the Company	**46.8%**	45.8%
Core net profit attributable to owners of the Company[1]	**2,552,735**	2,125,396
Core net profit margin attributable to owners of the Company[2]	**29.2%**	26.8%
Earnings per share (basic)	**RMB1.22**	RMB1.21
Dividend per share (tax inclusive)	**RMB0.47**	RMB0.83

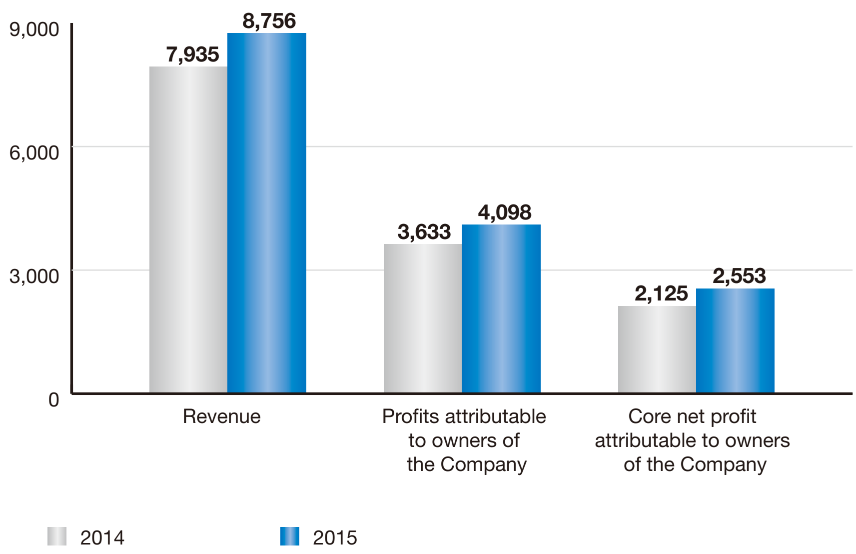
Notes:

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

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

Key Financial Performance Indicators

In RMB million



OPERATIONAL HIGHLIGHTS

	As at 31 December 2015	As at 31 December 2014
Number of shopping malls	**177**	158
Operating area of shopping malls (sq. m.)	**11,660,468**	10,752,853
Number of Portfolio Shopping Malls	**55**	52
Operating area of Portfolio Shopping Malls (sq. m.)	**4,386,128**	4,033,458
Average occupancy rate of Portfolio Shopping Malls	**94.1%**	96.1%
Number of Managed Shopping Malls	**122**	106
Operating area of Managed Shopping Malls (sq. m.)	**7,274,340**	6,719,395
Average occupancy rate of Managed Shopping Malls	**92.7%**	95.5%

Chairman's Statement

Dear shareholders:

In March, Red Star Macalline Group Corporation Ltd. welcomed its first annual report upon its listing on the Hong Kong Stock Exchange. In the 30 years since our establishment, the vigorous support from our shareholders, employees, customers, business partners and the broader society is essential for our rapid development from a regional private enterprise to an industry-leading listed company under standardized corporate governance and with business scope spread nationwide. I would like to take this opportunity to thank, on behalf of all my colleagues, you for your long-term care and support.

AT PRESENT: 2015 IS DESTINED TO BE AN EXTRAORDINARY YEAR IN OUR HISTORY OF DEVELOPMENT

SUCCESS IN ENTERING INTO THE INTERNATIONAL CAPITAL MARKET. Our listing plan was highly recognized in the international capital market, and certain famous international and domestic investors and business partners turned to be our H shareholders. The Company issued 543.6 million shares at the price of HKD13.28 per share through global offering, and was successfully listed on the Hong Kong Stock Exchange on 26 June 2015. Net proceeds from the global offering amounted to RMB5,573.3 million, which laid a solid foundation for the Company to further expand and strengthen the business of Portfolio Shopping Malls, enhance the business application of information technologies, and effectively reduce financial costs.

CONTINUOUS GROWTH IN FINANCIAL RESULTS AND RETURN TO SHAREHOLDERS A HIGH DIVIDEND PAYOUT RATIO. The rapid growth trend for the past few years is maintained in financial results in 2015. The Company's revenue amounted to RMB8,756 million in 2015, representing an increase of 10.3% from RMB7,935 million in 2014; profit attributable to owners of the Company amounted to RMB4,098 million in 2015, representing an increase of 12.8% from RMB3,633 million in 2014; core net profit attributable to owners of the Company amounted to RMB2,553 million in 2015, representing an increase of 20.1% from RMB2,125 million in 2014; core net profit margin attributable to owners of the Company was 29.2% in 2015, representing an increase of 2.4 percentage points over 2014. We never forget to share our development outcomes with shareholders while enjoying the rapid growth in financial results. It was pleased to announce at the 2015 Board meeting that the 2015 cash dividend per share was RMB0.47 (tax inclusive), representing a 66.7% dividend payout ratio of core net profit attributable to owners of the Company.

STABLE DEVELOPMENT OF OUR NETWORK OF SHOPPING MALLS AND ESTABLISHMENT OF ABSOLUTE MARKET LEADERSHIP. As of the end of the Reporting Period, we operated 177 shopping malls (including 55 Portfolio Shopping Malls and 122 Managed Shopping Malls) with a total operating area of 11.66 million sq.m. in 126 cities in 28 provinces, municipalities, and autonomous regions in China. The Portfolio Shopping Malls and Managed Shopping Malls have an occupancy rate of 94.1% and 92.7% respectively, and the same mall growth of mature Portfolio Shopping Malls was 6%. We have adopted the two-pronged business model of Portfolio Shopping Malls and Managed Shopping Malls to strategically locate our portfolio properties in prime locations in Tier I and Tier II Cities, especially in municipalities. At the same time, we have accumulated extensive experience in operating shopping malls, constantly strengthened the brand value, and set a relatively high barrier of entry for other companies. As of the end of the Reporting Period, the managed revenue share of the Company amounted to 36%, representing an increase of 0.8 percentage points over 2014. As of the end of the Reporting Period, the number of shopping malls under our operation exceeded the sum of Easy Home and Yuexing Home ranking second and third respectively in the industry. The Company continued to establish its absolute market leadership in the home improvement and furnishings industry.

IN THE PAST: IN THE 30 YEARS SINCE ITS ESTABLISHMENT, SPIRIT OF CRAFTSMAN AND STRONG SENSE OF SOCIAL RESPONSIBILITY ALWAYS URGE US TO MOVE FORWARD

SPIRIT OF CRAFTSMAN IS ALWAYS THE SOUL OF OUR DEVELOPMENT. We firmly believe that it is our previous efforts and existing achievements that lay a foundation for our future development. In 1986, I set foot on the journey of entrepreneurship and became attached to home furnishings industry since then. In 1992, we opened our first home improvement and furnishings shopping mall in Changzhou, Jiangsu Province. In 2000, we opened Shanghai Zhenbei Mall under our "Red Star Macalline" brand, which was our first home improvement and furnishings shopping mall. In 2007, the Company was established as a limited liability company in Shanghai, PRC under the name of Red Star Macalline, and we entered into the first shopping mall management agreement with our business partners. In 2008 and 2009, we accepted the capital contribution in U.S. dollars equivalent to RMB995 million made by Warburg Pincus, which provided financial support to our rapid development. In 2011, we converted into a sino-foreign joint stock limited company and was renamed as Red Star Macalline Group Corporation Ltd. (紅星美凱龍家居集團股份有限公司). In 2012, we became the first company to operate 100 home improvement and furnishings shopping malls in the home improvement and furnishings industry. In 2013, we started to expand into new businesses, including home design, and prepaid cards. In 2015, we listed on the Main Board of the Hong Kong Stock Exchange. We worked steadily through the whole journey in the home improvement and furnishings industry with care and diligence, and developed rapidly from a regional private enterprise to an industry-leading listed company under standardized corporate governance and with business operations across the nation. All of those are inseparable from the "spirit of craftsman" we always adhere to in the entrepreneurship process. Since our participation in the home improvement and furnishings industry, we constantly consider market demands and improve our management standards. We consistently adhere to professional and dedicated entrepreneurial spirit to focus on details, keep improving and encourage innovation, in order to create the first-class enterprise brand. Spirit of craftsman is always the soul of our development.

STRONG SENSE OF SOCIAL RESPONSIBILITY FACILITATES OUR HEALTHY GROWTH. We have been devoted to fulfilling our value to become a responsible company, taking delight in sharing with our shareholders, employees, customers and business partners, and giving back to society and general public. As the ancient saying "a just cause enjoys abundant support" goes, it may also be one of the important reasons why we developed healthily into a listed company through the waves and winds in the 30 years since our establishment. We always attach great importance to employee benefits and provide our staff with highly competitive compensation and social benefits in the industry according to the market-oriented principle. We see integrity as the soul of the enterprise, do business in good faith, practice to a profound extent and play a leading role in the industry. We create and implement the "race for green" campaigns, and become the only representative good-faith enterprise in implementing "the core values of Chinese socialism" elected by the Ministry of Commerce. We advocate the philosophy of "energy conservation and environment protection", and make utilization of modern energy-saving technologies to improve our administration system of energy conservation and build new green shopping malls. In addition, we lead to organize a series of ecological and public welfare activities such as "Mother River Protection Action" (保護母親河行動). In 2015, we were selected as one of the "Most Respected Enterprises in China"(中國最受尊敬企業) by the Economic Observer, and become the only enterprise operating in the home improvement and furnishings industry in the list.

LOOKING FORWARD TO THE FUTURE: WE WILL GRASP THE TIME-HONORED OPPORTUNIES TO ACHIEVE GREATER PROSPERITY IN THE COMING DECADE

SEIZING OPPORTUNITIES OF THE ERA. At present, the market scale of home furnishings amounting to RMB3,700 billion in mainland China, which is expected to maintain room for growth of 10% per year in the following three years, especially in the mid-to-upper market represented by large-scale home furnishings shopping malls. In terms of market shares, taking U.S. home furnishings industry for example, the market shares of HOME DEPOT and LOWE'S ranking first and second respectively aggregates to 43% in the whole industry; however, market concentration of home furnishings industry in mainland China is significantly lower, and the chain home improvement and furnishings shopping malls only take up 23% of the total market shares. As one of the home furnishings enterprises with largest brand influence in mainland China, we have not only absolute market superiority, but also great room for growth and integration potential.

UNIQUE INDUSTRY CHARACTERISTICS AND COMPETITIVE ADVANTAGES HAVE MODELED OUR "WIDE MOAT". Compared with general commercial circulation industry, home improvement and furnishings industry has certain unique industry characteristics. The goods circulated in the home improvement and furnishings industry are usually non-standard goods with high unit price and involvement of customers, because the customers are required to have an-depth experience and feeling for the color, texture, size, material and other properties of home furnishings in person; however, consumers usually visit the home furnishings shopping malls once every three to five years, and such low-frequency consumption leads to extremely high learning cost and less professional knowledge in the process of selecting home furnishings or purchasing home decoration services. In this context, consumers need a reliable circulation platform which may integrate enough home improvement and furnishings industry brands to provide selecting and screening services, and safeguard the whole sales process. In addition, the non-standardization and regional differentiation of goods in home improvement and furnishings industry also make its logistics transportation and distributor system different from general goods. Due to the reasons above, compared with the pure e-commerce models in the home improvement and furnishings industry, the physical shopping malls combined with online and offline operation in a good condition will maintain its significant competitive advantages for quite a long period of time in the future. In addition, it is difficult for competitors to imitate and copy our two-pronged development model of "Portfolio Shopping Malls and Managed Shopping Malls" which has good stability and growth, and enabled us to further strengthen the first-mover advantage and network scale advantage, establish a reputable brand in the domestic home improvement and furnishings industry, and become the most valuable third-party platform in the home improvement and furnishings ecosystem; it is even more commendable that we have powerful innovation genes and a management team with extensive experience in the industry, which has enabled us to iterate and develop in the fierce market competition, and to grow continuously and steadily. All of those have made the "wide moat" for the Company in the competition of the home improvement and furnishings industry.

FACING CHALLENGES AND CREATING GREATER PROSPERITY. Even in an era full of opportunities and with strong competitive advantages, we consistently adhere to the "spirit of craftsman" to constantly challenge and improve ourselves through diligence and care in the home improvement and furnishings industry. We persistently adhere to our mission of "building a warm and harmonious home, enhancing consumption and living taste", and strengthen the Red Star Macalline brand as the expert of home living in the minds of consumers. As such, the Company aims at being China's most professional and advanced "omni-channel platform provider in home improvement and furnishings industry" in the long term. In the future, we will continue to implement the two-pronged business model of Portfolio Shopping Malls and Managed Shopping Malls, vigorously develop our asset-light business model, enhance our market share through strategic expansion of shopping mall network and brand portfolio, increase our market shares, and thereby persistently strengthen our market leadership in China's home improvement and furnishings industry. As a platform operator, we get hold of the two important ends of shopping mall operation: aiming at consumer end, we will focus on constructing O2O platform and continue to develop our membership program, to provide customers with superior and omni-channel consumption experience; aiming at supplier and distributor end, we will continue to closely cooperate with home improvement and furnishings brands and establish a green alliance, in order to carry out joint marketing activities and enhance the cross-industry cooperation. Meanwhile, we will gradually expand the application of the Internet-related products and services in home improvement and furnishings business based on our shopping malls network, and introduce the O2O platform, online home decoration, consumer financing and other expanding businesses, so as to enhance the O2O experience of consumers. We will also vigorously explore the supply chain-related products and services: with respect to logistics and distribution services, we plan to provide standardized and professional logistics and distribution services for merchants in home furnishings shopping malls to reduce their operating costs, and establish a closer cooperation relationship for a win-win situation; with respect to bulk procurement, we will develop a centralized procurement platform. We will also actively seek suitable investment and acquisition targets and deeply integrate upstream and downstream resources of the home improvement and furnishings industry, thus to enlarge our scale of operation and enhance our strength. In addition, we attached great importance to the basic management works, and support the efficient business growth by actively carrying out information technology construction and promoting human resources management reform.

THE NEXT DECADE WILL ALSO BE A GOLDEN TIME FOR THE HOME IMPROVEMENT AND FURNISHINGS INDUSTRY. As one of the enterprises with the largest appeal and influence in the home improvement and furnishings industry in mainland China, we have full confidence and capability to grasp the time-honored opportunities, face the challenges and achieve a greater prosperity to gain more returns to our shareholders.

THE ACHIEVEMENTS MADE BY THE COMPANY WERE REFLECTIVE OF THE EFFORTS OF ALL OUR MANAGEMENT AND SUBORDINATED TEAMS. I would like to take this opportunity to thank, on behalf of the Board, all staff for their hard work such that shareholders of the Company, consumers and business partners can together share the fruits of the Company's development.

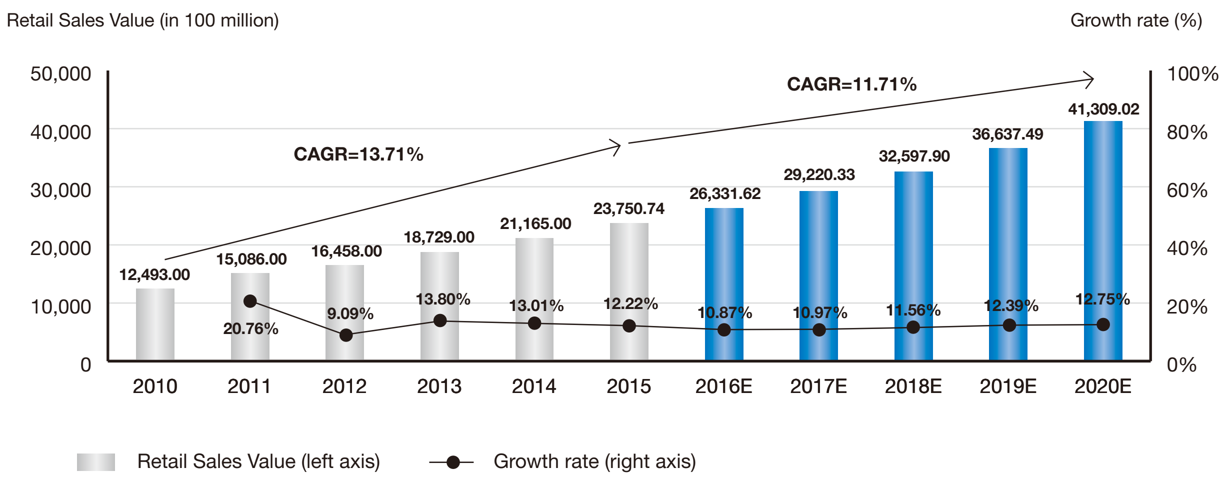
Che Jianxing
Chairman
21 March 2016

Management Discussion and Analysis

INDUSTRY REVIEW

During the Reporting Period, in view of the complex and volatile domestic and overseas economic situation and the ever-increasing economic downturn pressure, China's social and economic development, as a whole, remained reasonable. Under a series of macro-control policies of stabilizing growth, adjusting structure, benefiting people's living and preventing risks, the key economic indicators were increasing steadily each month, and positive factors continued to emerge. China's economy maintained an "overall stable and getting better" development trend.

According to the statistics of the National Bureau of Statistics of the People's Republic of China, in 2015, China's GDP achieved RMB67,670.8 billion, grew by 6.9% on a year-on-year basis, while the national disposable income per capita increased by 8.9% on a year-on-year basis, with an actual growth rate of 7.4% after deducting price factors, which is 0.5 percentage points higher than the economic growth rate. During the same period, the total retail sales of social consumer goods amounted to RMB30,093.1 billion, increased by 10.7% on a year-on-year basis. According to the statistics of Frost & Sullivan, during the Reporting Period, the retail sales of the home improvement and furnishings retail market increased to RMB2,375.1 billion, grew by 12.2% on a year-on-year basis. The CAGR is expected to be 11.7% in the coming five years, and the growth in the industry will be higher than that of China's macro economy.



Source: Frost & Sullivan

According to the statistics of Frost & Sullivan, in 2015, in terms of sales, we dominated 11.1% of the chain home improvement and furnishings retail mall sector and 4.1% of the mall sector, and the largest market share in China's rapid-growing home improvement and furnishings retail industry.

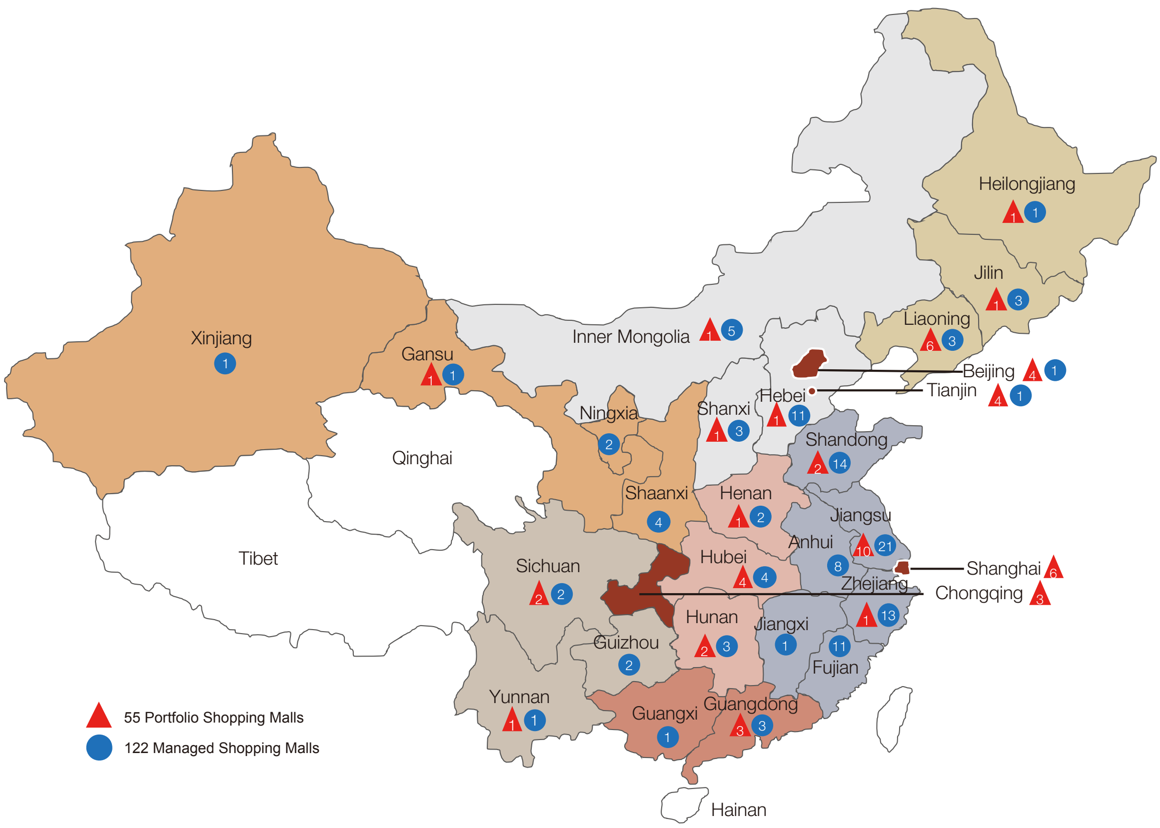
Continuous promoting of urbanization process in China, expectation on stable development of the property industry and the ever-improving level of residents' income provide favorable conditions for the continuous development of the home improvement and furnishings industry in China. Meanwhile, secondary improvement and consumption upgrading of households also bring room for constant development of the industry.

BUSINESS REVIEW

1. Business development and presence: stable development of shopping malls and strategic presence with a nationwide coverage

As at the end of the Reporting Period, we operated a total of 177 shopping malls with a total operating area of 11,660,468 sq.m in 126 cities in 28 provinces, municipalities and autonomous regions in China. Through the two-pronged business model of Portfolio Shopping Malls and Managed Shopping Malls, we have occupied the properties in the prime locations of Tier I and Tier II Cities, at the same time accumulated extensive experience in operating shopping malls, constantly strengthened the brand value, and set a relatively high barrier of entry for other companies.

The following map sets forth the geographical distribution of our shopping malls as at the end of the Reporting Period:



The following table sets forth the number and operating area of our Portfolio Shopping Malls and Managed Shopping Malls in operation by region as at the end of Reporting Period:

Color	Region[1] (Municipality/ Administrative Region)	Portfolio Shopping Malls No.	Portfolio Shopping Malls Sub-total Operating Area (m^2)	Managed Shopping Malls No.	Managed Shopping Malls Sub-total Operating Area (m^2)
	Beijing	4	270,082	1	81,003
	Shanghai	6	629,715	0	0
	Tianjin	4	289,502	1	29,109
	Chongqing	3	260,335	0	0
	Northeast China	8	641,656	7	326,949
	North China (excl. Beijing, Tianjin)	3	172,339	19	1,148,657
	East China (excl. Shanghai)	13	1,060,826	68	3,987,946
	Central China	7	608,542	9	498,719
	South China	3	178,206	4	289,193
	Northwest China	1	65,977	8	540,793
	Southwest China (excl. Chongqing)	3	208,948	5	371,970
	Total	**55**	**4,386,128**	**122**	**7,274,340**

Note:

(1) The information disclosed above is obtained according to the following statistic standards. The provinces, municipalities and autonomous regions of the PRC are divided into 7 large regions and 4 municipalities (excl. Hong Kong, Macau and Taiwan regions), among which, Northeast China includes Heilongjiang Province, Jilin Province, Liaoning Province; North China (excluding Beijing and Tianjin) includes Shanxi Province, Hebei Province, Inner Mongolia Autonomous Region; East China (excl. Shanghai) includes Shandong Province, Jiangsu Province, Zhejiang Province, Anhui Province, Jiangxi Province, Fujian Province; Central China includes Hunan Province, Hubei Province, Henan Province; South China includes Hainan Province, Guangdong Province, Guangxi Zhuang Autonomous Region; Northwest China includes Shaanxi Province, Gansu Province, Qinghai Province, Ningxia Hui Autonomous Region, Xinjiang Uygur Autonomous Region; Southwest China (excluding Chongqing) includes Yunnan Province, Sichuan Province, Guizhou Province, Tibet Autonomous Region; 4 municipalities are Beijing, Shanghai, Tianjin and Chongqing respectively.

During the Reporting Period, we continued to strategically locate our Portfolio Shopping Malls in prime locations in Tier I and Tier II Cities, especially in municipalities. As at the end of the Reporting Period, we operated 55 Portfolio Shopping Malls covering a total operating area of 4,386,128 sq.m. with an average occupancy rate of 94.1%. Among these Portfolio Shopping Malls, 17 Portfolio Shopping Malls, representing 30.9% of the total number of Portfolio Shopping Malls, were located in the four municipalities of Beijing, Shanghai, Tianjin and Chongqing. The operating area of the aforesaid Portfolio Shopping Malls was 1,449,634 sq.m., representing 33.1% of the total operating area of the Portfolio Shopping Malls. The same mall growth[(1)] during the Reporting Period was 6.0%.

During the Reporting Period, we opened six new Portfolio Shopping Malls, and one Managed Shopping Mall was converted into a Portfolio Shopping Mall. Four Portfolio Shopping Malls were closed. As at the end of the Reporting Period, we had 26 pipeline Portfolio Shopping Malls, with a total estimated gross floor area of approximately 3,500 thousand sq.m.; among which, nine shopping malls were expected to be open by the end of 2016. We will continue to focus on the prime locations of Tier I and Tier II Cities to strategically expand our Portfolio Shopping Malls network in the future.

Note:

(1) "Same mall growth" is the growth in income from operation for a particular accounting period compared with the same period last year for all Portfolio Shopping Malls that are in operation for at least 24 months as at the end of the second year and remain in operation.

In addition, with a reputable brand name in home improvement and furnishings industry and extensive experience in shopping mall development, strength in tenant sourcing and managing operations, we continued to rapidly develop Managed Shopping Malls in Tier III and Other Cities. We also established a strict internal screening and reviewing mechanism to ensure steady and rapid development of our Managed Shopping Malls. As at the end of the Reporting Period, we had 122 Managed Shopping Malls in operation covering a total operating area of 7,274,340 sq.m., with an average occupancy rate of 92.7%. Among these Managed Shopping Malls, 87 Managed Shopping Malls, representing 71.3% of the total number of Managed Shopping Malls, were located at East China and North China. The operating area of the aforesaid Managed Shopping Malls was 5,136,604 sq.m., representing 70.6% of the total operating area of Managed Shopping Malls. During the Reporting Period, we opened 20 new Managed Shopping Malls and closed three Managed Shopping Malls. In addition, one Managed Shopping Mall was converted into a Portfolio Shopping Mall.

As at the end of the Reporting Period, we had 440 pipeline Managed Shopping Malls, among which, we had 35 shopping malls which had secured land parcels and were expected to be open by the end of 2016, and 205 shopping malls which had secured land parcels and were expected to be open after 2016, and signed the contracts for 200 pipeline Managed Shopping Malls which had not secured land parcels. Along with steady social and economic development of the country, further development of urbanization strategy, and stable growth in disposable income per capita, we will speed up the development of Managed Shopping Malls business on a priority basis throughout China.

2. Business management: Continuous improvement of shopping mall operation and management

2.1 Tenant sourcing management

Setting up an analysis model for rent determination, and fully implement classified pricing of exhibition space to lean rental management

In terms of the establishment of new projects, we will set up an analysis model for rental pricing, through the multi-dimensional analysis and calculation, to provide application tools for regional project teams to scientifically develop tenant sourcing policy. As to the existing shopping malls, during the Reporting Period, we further optimized rental management of exhibition space within the shopping malls, guided the pricing of shopping mall regarding different levels exhibition space and products categories, and promote the rent level of the shopping malls with a lean and scientific rental management model.

Synchronizing contract management with tenant sourcing business management system to achieve financial and business integration

We will continue improving contract management, such as increasing the return mode of quality assurance deposit, the lowest limit of the discount rate of merchandise and other terms, modifying and improving the terms of the contract in accordance with the experience of major events.

Introducing international brands, opening international pavilions and developing a multi-business operation mode to meet the customers' demands of one-stop shopping experience

During the Reporting Period, we proactively introduced international brands, constructed international pavilions in key cities including Beijing, Shanghai, Shenzhen, Chongqing, Chengdu, Shenyang, Nanjing and Jinan, etc.. As at the end of the Reporting Period, the number of international brands we introduced amounted to 1,809, representing an increase of 25% compared to that as the same period last year.

In addition, in order to enhance consumers' one-stop shopping experience, we introduced more diversified businesses such as interior design, home decoration design, catering, etc. to our traditional home improvement and furnishings malls. Some shopping malls also introduced separate interior design pavilions and maintained a relatively high level in sourcing tenants for new shopping malls. As at the end of the Reporting Period, the operating area of interior design, home decoration design, and catering increased by 17% as compared to 2014.

Providing customized business analysis and recommendations for the brand factories to achieve management of brand resources and value-added services for key customers

We regularly studied the spending trends in the home improvement and furnishings industry, and analyzed competitive pattern of every plant in accordance with these consumption trends and issue reports on the development of brand management, aimed at the operating status of the plant, gave suggestions on customized product innovation, market development and upgrade of terminal operating mode of the dealers in order to promote innovation in product development and the transformation and upgrading of the marketing mode. These measures have been widely recognized and praised by many cooperation brands, and thus we have become the benchmarking enterprise that is truly able to provide value-added services in the home improvement and furnishings industry. During the Reporting Period, we signed strategic cooperation contracts with 89 brand factories, representing an increase of 7.8% as compared to the year of 2014.

In April 2015, the Company participated in Milan Design Week for the fourth time to explore the cross-border presentation of the household and fashionable arts together with eight brands, leading the trend in household design; the forum themed at "dialogue with an overthrowing heart on peak design" was grandly held in the main exhibition hall.

At the same time, leveraging on the Milan Furniture Fair in April, the Company organized a high-quality professional study tour in Europe. Within 16 days, the Company invited more than 30 key dealers nationwide, held five brand campaigns, visited 10 brand factories and carried out full explanation at the exhibition area of more than 50 brands. The event triggered enthusiastic response in domestic and overseas industry, provided a platform for brands and dealers to achieve seamless connection, and directly promoted potential high-quality dealers to bring in premium imported brands.

In December 2015, the Third Session of Joint Summit of the Global Home Industry was grandly held by us, which was the highest level annual event in the industry. It highlighted the style of leading brands in the industry.

2.2 Operational management

Improving customer satisfaction through projects of "word of mouth advertising" and "quality shopping mall operations system"

Regarding operational management, we launched a "word of mouth advertising" system, with specific requirements on five aspects, i.e. "price, quality, service, environment and employees". Meanwhile, we established a non-operating profit index system featuring "quality shopping mall operations system" based on five aspects, i.e. "environment quality, product quality, service quality, operation quality and personnel quality", aiming to improve customer satisfaction by setting high standards for and strict requirements on shopping mall operation, and at the same time to meet the multiple demands of the Company's internal management, Managed Shopping Mall partners, tenants and suppliers.

Our "credit classification management of tenants" was nominated by the Publicity Department of the CPC Central Committee and recommended by the Ministry of Commerce of the People's Republic of China as one of the "100 Renowned Experiences of Cultivating and Practicing the Socialist Core Values" cases, which was broadcasted in the "Morning News" CCTV; it was selected by the Ministry of Commerce as one of the 18 "Key Propulsion Units of Business Integrity Construction" in China, and participated in the drafting of laws and regulations of "Guiding Opinions of the Ministry of Commerce on Promoting and Standardizing the Construction of Credit Rating Mechanism for Marketization".

In terms of pricing, we launched the first "price control with thirty percent discount limit" in the industry to guide the factory and dealers to adjust the inflated price and rectify the "high pricing, high discount" phenomenon, promote reasonable pricing and guide valuable sales. In addition, our price comparison system has been successfully operated, achieving online and price monitoring search of the products same as the bestsellers in order to guide reasonable pricing.

In terms of quality, leveraging on the Ministry of Commerce, the General Administration of Quality Supervision, Inspection and Quarantine of the PRC, together with the China Quality Certification Center and 20 brand factories, we launched the "query platform of Chinese household certified products" in December 2015 to realize the detection of counterfeit household products. At present, we have joint forces with six powerful brands of major categories and completed online system training and the platform has entered into trial operation stage. In addition, we have visited 195 factories to complete sampling inspection of source goods, evaluation of production quality control system and successfully launched the third session of "the list of green leading brands". We have also organized 12 external national standard compiling experts and seven internal experts to complete the industry-category commodity quality standard including 13 categories — Environmental Quality Assessment Standard of Red Star Macalline Commodities.

In terms of services, we have launched the first "15-minute refund" service in the industry which can be completed in 15 minutes when the customer puts forward the refund demand until all the refund formalities are completed. In addition, the Company has set up a unified image of the national service personnel, established the unified service standard for staff in eight positions of the shopping mall (including service counter, security officer of parking lot, security officer of the gate, cleaner, cashier, building manager, salesperson, designer) and trained a total of 12,000 people from 59 pilot shopping malls. In addition, the "Qingsonggou" shopping guide system independently designed by us have been comprehensively applied in 20 shopping malls, which has substantially increased conversion rate of customers to the shopping malls.

In terms of operating standards, we completed two sets of comprehensive SOP standard system, including "the Shopping Mall Operation Management SOP Assembly" and "the Management Handbook of Word of Mouth Advertising" during the Reporting Period, successfully applied for the patent for Innovative Children's Footstool Device. The development of RedStar Management Online APP, Home Design Shopping Guide, Collection and Analysis of Price Information of Household Goods and Query Platform of Chinese Household Certified Products obtained the national software copyright certificates. In addition, we completed the compilation of Environmental Quality Assessment Standard of the Red Star Macalline Commodity and applied for the industry standard for record.

Continually promote the "leading green" campaign to ensure the quality of green home life consumers' home

In terms of environmental protection, we continued to promote the campaigns of "leading green" brand appraisal, and initiated an omni-directional quality management system for pre-sales, in-sales and after-sales, to ensure the standard of healthy living of each consumer. During the Reporting Period, over 200 famous home furnishings brands had proactively participated in the campaign of green home life appraisal. Our shopping malls provide "leading green brands appraisal of home improvement and furnishings" manuals as professional guidance for consumers to buy healthy and environmental-friendly products. At the same time, the "Green Household Consumption Festival" campaign was launched across our shopping malls on an ad-hoc basis.

2.3 Marketing management

We are committed to improving the brand value, popularity and sales of Red Star Macalline, and maintaining an amicable relationship with the consumers by means of brand promotion, membership management, digital marketing, joint marketing and cross-industry cooperation.

Focusing on brand communication, and promoting the corporate positioning as "Home Life Professional"

We carried out large-scale promotional campaigns during festivals and holidays, such as "March 15", "Lu Ban Cultural Festival", "The Two Days" and "Family Day" to promote the Company as a "Home Furnishings Expert". We raised the concept of "Home Life Aesthetic" and deeply communicated and interacted with the 1980s and 1990s generations to lead the value of home furnishings consumption. With the management of public opinion of the Company and the spend of corporate image, we formed an environment of positive reputation and public opinion. We also used we media platforms such as "WeChat" to maintain brand promotion, and created public IDs and service IDs to provide brand promotion and membership services of different functions.

Establishing membership service system to meet consumers' core values and propositions

During the Reporting Period, we officially started an online membership program to meet the core values and demands of consumers. As at the end of the Reporting Period, through shopping malls, community marketing, cross-industry cooperation programs, WeChat promotion and other channels, we had recruited more than five million membership holders and the average amount of consumption by the individual consumer member was approximately RMB34,000, who contributed to a total purchase amount of RMB18.2 billion. Through the membership system, we effectively categorized the customer base and improved members' sales conversion rate, total purchase volume and repurchase rate. We believed these consumers are of our core value. Through membership services, we made it easier for consumers to obtain the products they need and enjoy exclusive services, which enhanced our brand value and contributed to our business performance in the long run.

Building O2O marketing platform through digital marketing

During the Reporting Period, we established an all-round, digital marketing platform including the official website of the enterprise, WeChat subscription ID, and WeChat customer service ID to fit into the requirements for corporate image and brand promotion, home culture philosophy and customer service in the "Internet era".

Under the wave of Internet+, the number of fans of our WeChat service ID during the Reporting Period rose substantially to 480,000 compared with last year. Based on the membership system and "online to offline" integration of WeChat membership rights; during the Reporting Period, through the campaign, named "Dream of Beijing" held at four of our shopping malls in Beijing (Beijing East Fourth-ring Mall, Beijing North Fourth-ring Mall and Beijing North Fifth-ring Mall and Beijing West Fourth-ring Mall).

We have set up a "we media" subscription account "Yudao" and positioned it as the "research center of living aesthetics". By "Yudao", we created "we media" position and ultra-flow entrance. "Yudao" not only spreads high-quality content of household aesthetics, but also gradually gets through O2O, sub-divide the home category and carries out interaction and sales using pictures, text, language and other content forms. In 2016, the subscription account of "Yudao" will become one of the main positions of our online marketing.

Joint marketing

In terms of market change and demand, we integrated a variety of resources and makes marketing linkage in many ways, in order to share resources and achieve cooperation and win-win situation in terms of joint marketing.

During the Reporting Period, our joint marketing team created six patterns on the basis of traditional large-scale promotion, including joint promotion, member customization, and brand home shopping festival, as well as brand day, alliance preference and individual demand. With collaboration with best brands of the industry, organization of membership-only marketing activities and initiation of large-scale regional marketing activities, we cooperated with famous brands, explored customer demands, and helped customize marketing activities for the brand, consistently enhanced the depth and scope of cooperation and thus became the market icon.

Furthermore, joint marketing business reinforced the resource integration and restructured the cooperation brand during the Reporting Period, and thus more construction material brands participated in joint marketing. We served over a hundred of well-known brands on construction materials, including Power Dekor, Dong Peng, DeRucci, Right Home and Beson, etc., and thus established good reputation in the market.

We held a series of presentation and cross-border cooperation through resource integration. In March 2015, we released Sleemon Sleep Quality Index. In April 2015, we initiated Holike World Formaldehyde-free Day. All these events caused a good market response.

Expanding cross-industry channel and carrying out precision marketing

By means of cross-industry cooperation and precision marketing, we further expanded the marketing channels of home improvement and furnishings shopping malls. On 25 November 2015, Red Star Macalline successfully entered into strategic cooperation partnerships with E-house China, SINA Leju, HAOWU China and XKhouse.com platforms, in the real estate top 100 strategic alliances and the top 50 cities signing conference, created and gained access to the high-precision channel to the owners.

In addition, we also actively discussed the possibility of cooperation with a number of banks, home appliance manufacturers and social intermediary and agency. During the Reporting Period, we developed a large number of potential customers through interaction across different industries and precision marketing, and achieved a high potential customer to customer conversion rate.

2.4 Property management

Advocating energy saving and environmental protection to build green shopping malls

Our Company advocated our belief in energy saving and environmental protection, and devoted itself to constructing energy-saving and environmental properties and "green" shopping malls. We carried out energy management and pollution source control relying on the scientific-technological progress and wide use of LED energy reformation, which not merely preserved the image of the shopping mall but also kept energy conservation declined. During the Reporting Period, the power consumption in our 38 major shopping malls has been saved about 4.5% as compared to the same period in 2014 and the lamp loss rate has been declined from 21% to 0.8%. In addition, we updated services related to floor maintenance, landscaping and elevator maintenance, and took various actions to create environmental shopping malls. Chongqing Jiangbei Shopping Mall and Chengdu Jinniu Shopping Mall have been honored as CCFA "Low-carbon Demonstration Shopping Mall" by China Chain Store & Franchise Association.

Improving store environment to enhance customer experience

Through measures such as control of decoration materials for shopping malls, timely discharge of garbage and pollutants from the shopping malls, and guarantee of indoor ventilation, we have improved the air quality of shopping malls effectively. For the purpose of enhancing customers' experience, 23 parking lots have been reformed across the country to alleviate the difficulty in car parking at weekends and holidays.

Appreciating employee quality and ensuring security of shopping malls

We attached great importance to the personal quality and performance of property management employees, regularly provided specialized technical training, and fully implemented performance appraisal on all employees, as well as encouraged the application and promotion of innovative tools and technology to improve work efficiency. No accident has occured for the past year, including fire, personal injury and key equipments and facilities, effectively monitored safety-related risks and continued to raise safety standards in shopping malls.

3. Extensibility business: robust development

3.1 Focusing on the construction of O2O platform: to provide customers with superior and omni-channel consumption experience

We are constantly committed to being the industry leader for consumer experience. Online platform is a significant strategic measure which aims to expand communication between consumers and us and increase overall consumer satisfaction. In March 2015, O2O platform started trial run in Shanghai, Nanjing and Suzhou. As at the end of the Reporting Period, there have been more than 2,800 online merchants. Technology & Development Team has completed O2O system development and construction including APP, PC and background server.

The offline shopping malls still constitute an integral part of consumer experience and purchasing decisions. Therefore, online platforms will most likely succeed only by combining with the offline shopping malls. Our O2O platform focuses on the consumer experience and enhances consumer loyalty through online and offline interaction.

3.2 Developing pre-paid cards: to achieve synergies in development with other businesses

During the Reporting Period, the overall limit of pre-paid cards issued by us achieved an amount of approximately RMB2.502 billion, which brought an operating income of RMB30.5 million and boosted the sales of shopping mall tenants' products. In addition to self-owned distribution channels, we put more efforts in promoting pre-paid card business through multiple channels. We established good cooperation relationships with commercial banks and consumer financing companies to jointly promote the home loan business based on pre-paid cards business, which pinned consumption in advance. During the process, we engaged in extensive interaction with real estate developers and agents. Our pre-paid card business also brought good synergies with our bulk procurement, home design, E-commerce and other businesses and enhanced consumers' loyalty to us.

3.3 Emerging Internet finance

As an important part of the Group's Internet strategy, one of our subsidiaries, Shanghai Jiajinsuo Financial Information Service Co. Ltd ("**HomeFax**") was officially established on 28 August 2015, and HomeFax website, www.homefax.com, was in trial use on 8 October 2015. HomeFax is an Internet financial information service platform catering to financing demands of our shopping mall partners, houseware factories, tenants, etc. The Company earns income from charging procedure fee against the borrower and service charge and management fee against the investor. Such platform also makes strict risk appraisal through professional risk control system of the Company, credit information of cooperative factory, central bank credit reference system and the Nebula system. As at the end of the Reporting Period, more than 20,000 users registered at HomeFax.

In addition, to further leverage on our extensive consumer base and also appeal to the increasing need for consumer financing in the high-end home improvement and furnishings retail industry, we cooperate with large commercial banks to provide consumer loans and installment services for consumers.

3.4 Home design and decoration service

Home decoration business is an extension from home improvement and furnishings retail industrial chain. In general, due to the high level of overlapping between home furnishings consumers and home decoration consumers, it is easy for us to reach potential home decoration consumers, and then reduces the cost of customer acquisition and marketing for developing home decoration business. As the industry pioneer in transformation and upgrade, our home design and decoration business aims to integrate the upstream and downstream industrial chain in home decoration industry using the home furnishing shopping malls as a platform and our great brand impact. We provided full services integrating home furnishing design proposals, sale of materials and furniture and construction service for consumers, in order to improve the shopping experiences of consumers, and drive sales in our shopping malls. As at the end of the Reporting Period, we have operated 25 home decoration stores across the country, which were located in our shopping malls in cities such as Beijing, Tianjin, Shanghai, Nanjing, Shenyang and Chengdu, etc.

We advocate environmental protection and carry out merchant and supplier access qualification examination system against the main and auxiliary materials and furniture for decoration. Meanwhile, we also prevent indoor air and drinking water against secondary pollution by the use of standard construction technology. In addition, we also provide fully considerate service, so that all home decoration projects have their own project managers to coordinate and supervise the progress and quality of the construction, and fully assist customers to handle the delivery, collection and return of materials as well as improve the services in-sale and after sale.

During the Reporting Period, we were granted "China Top 10 Home Decoration Leading Enterprise in Home Furnishings Industry" of Da Yan Award by China National Interior Decoration Association and "Star Benchmarking Enterprise in National Residential Decoration Industry" by China Building Decoration Association. We were also issued Certificates for Utility Model Patents by State Intellectual Property Right Bureau, such as Nosing Process between Floor and Marble, and Interface Structure of Window Frame, Lower Edge of Landing Window Frame and Wall.

3.5 Providing Bulk Procurement service: to meet customers' multiple needs and achieve resources sharing

By relying on years of long-term relationship with suppliers, professional experience in home improvement and furnishings industry and the advantage of having bargaining power in bulk procurement, we provide regional real estate developers, hotels, enterprise and institutions with bulk procurement service, to meet customers' multiple needs and achieve resources sharing.

3.6 Uniform logistics service

To improve the distribution, installation and after-sale service, namely "the last kilometer", for the purpose of integrating upstream and downstream segments of the industry and enhancing customer satisfaction, we established Shijiazhuang Xinghe Home Furnishing Service Co., Ltd. in October 2015, and set up logistics trial center in Shijiangzhuang, Hebei Province, to provide one-stop professional service for customers from purchase to professional product distribution and installation. At present, 45 tenants have commenced operation, with a storage area of 5,000 sq.m in total.

We have formulated a mature and reliable business process and owns professional distribution, installation and maintenance technicians. Through WMS + TMS system (Warehousing Management System + Transportation Management System), professional background consultation partner, informatization distribution, professional installation and follow-up maintenance service, a salesman in a shopping mall can place an order with one click, make immediate query of inventory and customer feedback, and we also provide three-year warranty for products sold by us and free disassembly and cleaning services, so as to effectively achieve customer experience and improve service performance.

4. Commercial usage of Information technology: commercial application facilitates the operation development

During the Reporting Period, regarding information technology application, we continued to promote the Star Cloud, referring to the first ERP system used in home improvement and furnishings industry. At present, there are 136 shopping malls of which all necessary information has been entirely uploaded onto the Star Cloud. Through the Star Cloud, we collected, analyzed and utilized information regarding the customers, transactions and consumer behaviors by the "big data technology", so as to adopt more targeted and competitive operational strategies, enhance lean management, effectively increase income and save costs, and push forward the Group to achieve business innovation and resource sharing.

Regarding operation management, we have optimized and upgraded a series of modules including realization of warranty deposit, merchant demobilization through optimizing OMS system process, we also realized the management of national service standardization, normalization and sustainability through service reputation management system online and provided better consumption safeguard experience for users with "Full Web Price Comparison System" and "Quality Tracking System". During the Reporting Period, we have completed the construction of membership system realized supervision, management and appraisal of member activities along in the entire process, completed the construction of development and management 2.0 system and realized development of integrated management of business and finance and mobile approval.

We researched and upgraded the tenant sourcing system and strengthened and refined management. We regulated the brand access, rent pricing management and lease contract management for exhibition area. With the integration of data precipitation of existing system, we displayed KPI indicator and abnormal management condition more transparently and directly, including occupancy rate, collection rate, budget achieving rate, abnormal lease area, abnormal rental pricing, abnormal rent preference and abnormal booth grade, so as to monitor, manage and make early warning at any time.

In addition to supporting our core business, we also achieved business innovation and resource sharing, assisted Shanghai Betterhome Decoration Engineering Co., Ltd ("**Betterhome**") to reform its home decoration business in terms of internet, and realized the payment function of O2O platform to offline business, as well as supported the financial business, i.e. the construction of HomeFax P2P platform construction, to achieve big data-based financial risk control system.

Meanwhile, we positively carried out "Smart Shopping Mall" IT project. At present, the infrastructure of WIFI and positioning system for several shopping malls has been completed, such as Shanghai Zhenbei Flagship Shopping Mall to further enhance the customer's shopping experience, promote sales, and generate profit from value-added services.

5. **High efficiency human resources management policies: efficiently support the Group's growth**

During the Reporting Period, our human resources policies were strictly in line with our strategies and achieved success in a number of aspects, such as optimization in overall performance, employee incentivization and talent development and support, as well as industry talent training.

Regarding the performance optimization of all employees and employee incentive, applying the principle of Amoeba, we made performance management work entirely, daily and systematically as an important management tool for the management at different levels, as well as implemented downsizing, improved work efficiency, and kept optimizing the pay structure. Moreover, the increased performance bonus incentive has greatly released the personnel passion and energy for creating performance.

Regarding talent development and support, we continuously reserve the outstanding personnel to guarantee the backup personnel's succession ability, propose the plan of "New Youth" to make great efforts to create a more dynamic management team with strong consciousness of innovation, and establish "New Business Boosting Team" to set up the new business management team and core professionals team, assist the growth of new business.

Regarding professional talent cultivation, in addition to continuously improving the ability of team management and reinforcing the team of internal trainers, we have also established "Lu Ban Home Design School" and carried out several training plans in order to improve the comprehensive quality of employees who engage in the home improvement and furnishings industry.

We had a total of 17,086 employees as at the end of the Reporting Period.

FINANCIAL REVIEW

The key financial performance indicators of the Company can generally be categorized into revenue, profits attributable to owners of the Company and core net profit attributable to owners of the Company. These indicators provide a measure of our performance against the key drivers of the Company. For details of the financial performance indicators, please refer to "Revenue" and "Profit, core net profit attributable to owners of the Company and earnings per share" on pages 28 to 29 and page 32.

1. Revenue

In 2015, the Group's revenue was RMB8,756.1 million, representing an increase of 10.3% from RMB7,935.1 million in 2014. The stable growth in our revenue was primarily due to an increase in revenue from our Owned/Leased Portfolio Shopping Malls and Managed Shopping Malls.

The following table sets forth our revenue by business segment

	For the year ended 31 December			
	2015 (RMB'000)	2015 %	2014 (RMB'000)	2014 %
Owned/Leased Portfolio Shopping Malls	**5,259,961**	**60.1**	4,883,838	61.5
Managed Shopping Malls	**3,141,708**	**35.9**	2,786,354	35.1
Sales of merchandise and related services	**115,838**	**1.3**	140,896	1.8
Others	**238,613**	**2.7**	124,043	1.6
Total	**8,760,120**	**100.0**	7,935,131	100.0

- *Owned/Leased Portfolio Shopping Malls:* The income of Owned/Leased portfolio shopping malls rose from RMB4,883.8 million in 2014 to RMB5,260.0 million in 2015, representing an increase of 7.7%, mainly due to the increase of operating area, the average rent and management fee. As at the end of 2015, the number of portfolio shopping malls opened by the Group was more than that at the end of 2014 by 3, with the corresponding increase in the total operating area of 352,670 sq.m. At the same time, we used centralized management and scale effect to make all shopping malls have marketing synergy, and offered merchants promotions and other value-added services, enhanced the operation and management level of the mall, then ensured that the level of rent and management fees could increase when the already opened mall renewed the agreement with merchants. In 2015, the average operating income of real unit of portfolio shopping malls opened by the Group was RMB114/ sq.m per month, which fell slightly compared with RMB115/sq.m per month in 2014, mainly due to lower operating income of the newly opened shopping malls during the reporting period; since the beginning of 2014, the operating income of the already opened mall kept growing, and the same mall growth rate was 6.0% in 2015.

- *Managed Shopping Malls:* The income of Managed Shopping Malls rose from RMB2,786.4 million in 2014 to RMB3,141.7 million in 2015, representing an increase of 12.8%, mainly because we accelerated the expansion of managed business according to two-wheel driven development strategy of portfolio shopping malls and managed shopping malls. As the managed mall project was implemented and the number of the already opened managed shopping malls increased in the preparation of signing a contract by the Group during the year, the initial entrance fees and annual management fee we obtained also rose correspondingly.

2. Cost of sales and services

The cost of sales and services of the Group mainly included staff salary; malls rent and fixed expenses etc. that were directly related to the operation of our owned/leased portfolio shopping malls. The cost of sales and services of the Group increased from RMB2,054.1 million in 2014 to RMB2,242.0 million in 2015, representing an increase of 9.1%, mainly because the number of operational staff and the salary and welfare increased due to the expansion of the shopping mall network of the Company.

The following table sets forth our cost of sales and services by business segment:

	Year ended 31 December			
	2015 (RMB'000)	2015 %	2014 (RMB'000)	2014 %
Owned/Leased Portfolio Shopping Malls	**1,224,836**	**54.6**	1,266,181	61.6
Managed Shopping Malls	**823,170**	**36.7**	673,007	32.8
Sales of merchandise and related services	**90,003**	**4.0**	95,062	4.6
Others	**103,972**	**4.7**	19,821	1.0
Total	**2,241,981**	**100.0**	2,054,070	100.0

- *Owned/Leased portfolio shopping malls:* The cost of sales and services of owned/leased portfolio shopping malls were reduced by 3.3% from RMB1,266.2 million in 2014 to RMB1,224.8 million in 2015, mainly due to the reduction of the rent and fixed expenses because part of leased portfolio shopping malls were closed during the reporting period, and decline of wage costs due to strengthening control.

- *Managed shopping malls:* The cost of sales and services of managed shopping malls increased from RMB673.0 million in 2014 to RMB823.2 million in 2015, representing an increase of 22.3%, mainly due to the increase in the number of our managed shopping malls.

3. Gross profit and gross profit margin

In 2015, the Group's gross profit was RMB6,514.1 million, representing an increase of 10.8% from RMB5,881.1 million in 2014. In 2015, the Group's integrated gross profit margin was 74.4%, representing an increase of 0.3 percentage points from 74.1% in 2014.

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

	For the year ended 31 December	
	2015	2014
Owned/Leased Portfolio Shopping Malls	**76.7%**	74.1%
Managed Shopping Malls	**73.8%**	75.8%
Sales of merchandise and related services	**22.3%**	32.5%
Others	**56.4%**	84.0%
Total	**74.4%**	74.1%

- *Owned/Leased portfolio shopping malls.* Gross profit increased from RMB3,617.7 million in 2014 to RMB4,035.1 million in 2015 representing an increase of 11.5%; gross profit margin increased from 74.1% in 2014 to 76.7% in 2015, mainly because as the income scale expanded, we enhanced operational efficiency through reasonably controlling the cost and optimizing the allocation of resources.

- *Managed shopping malls.* Gross profit increased from 2,113.3 million in 2014 to 2,318.5 million in 2015 representing an increase of 9.7%; gross profit margin decreased from 75.8% in 2014 to 73.8% in 2015 mainly due to the increase in the number of our managing shopping malls.

4. Other incomes

Other incomes of the Group mainly include interest income from bank deposits, other loans and receivables, government grants and received and receivable compensatory payment. Other incomes were RMB194.3 million in 2015 (other incomes were RMB169.7 million in 2014), of which the interest incomes were RMB100.8 million and government grants were RMB67.6 million.

5. Other gains and losses

Other gains and losses of the Group mainly include the change in net of the provision for doubtful debts, disposal of property, gains and losses of plant and equipment and gains and losses of disposal of subsidiaries. Other losses were RMB206.3 million in 2015 (other losses were RMB187.2 million in 2014), of which the net increase of the provision for doubtful debts was RMB198.6 million, mainly because we reviewed the trade receivables related to the income of Managed Shopping Malls according to the more conservative standards.

6. Sales and distribution expenses

The sales and distribution expenses of the Group mainly include advertising and marketing expenses, energy and maintenance costs, environmental costs, salary costs of marketing personnel and new business related staff, after-sales service expenses, etc. The sales and distribution expenses increased from RMB1,054.9 million in 2014 to RMB1,196.9 million in 2015 representing an increase of 13.5%; the proportion of the sales and distribution expenses in the revenue of the Group dropped from 13.3% in 2014 to 13.7% in 2015, mainly because we correspondingly and strategically increased advertising and promotional expenses to further strengthen the efforts for market expansion and brand promotion after the Company was listed on the Main Board of the Hong Kong Stock Exchange.

7. Administrative expenses

Administrative expenses of the Group mainly include the salary and welfare expenses of the administrative personnel, office expenses, property tax, other miscellaneous taxes, and professional fees. Administrative expenses were reduced from RMB922.6 million in 2014 to RMB882.4 million in 2015 with a decline of 4.4%; the proportion of administrative expenses in the revenue of the Group dropped from 11.6% in 2014 to 10.1% in 2015, which was mainly because we strengthened the control of wage costs and daily office expenses.

8. Finance costs

The finance costs of the Group mainly include interest on bank and other loans, interest on finance lease and interest on bonds. Finance costs were reduced from RMB856.2 million in 2014 to RMB854.3 million in 2015 with a drop of 0.2%. The total interest expenses increased from RMB1,061.4 million in 2014 to RMB1,250.7 million in 2015, representing an increase of 17.8%, which was mainly because the expansion of the scale of operation and capital demand of the Company resulted in the increase of the amount of total loan, but the efficiency in the use of funds also increased.

The finance costs of the Group were mainly affected by relevant interest-bearing bank loans and bonds balance required by property investment. With the completion of the investment property and the opening of the relevant malls, we will no longer capitalize interest expense associated with the investment properties and record it as the cost. Capitalized interest expenses increased from RMB205.2 million in 2014 to RMB396.4 million in 2015, representing an increase of 93.2% mainly because the increased completion schedule of the construction of shopping mall by the Company in the reporting period resulted in an increase in the amount of capitalization.

The average cost of borrowing of the Group dropped from 7.3% in 2014 to 6.9% in 2015, mainly because during the reporting period, the Group optimized the loan structure, broadened the financing channels and issued the bonds of domestic companies with lower rates. With the development of the Group, we are able to obtain funds with more favorable conditions.

9. Income tax expense

In 2015, the income tax expenses of the Group were RMB1,572.6 million representing an increase of 10.1% compared with RMB1,428.2 million in 2014, which was in line with the increase of the pre-tax profit. Through effective tax planning, the rate of the effective income tax decreased from 26.7% in 2014 to 26.5% in 2015.

10. Profit, core net profit attributable to owners of the Company and earnings per share

In 2015, profit attributable to owners of the Company amounted to RMB4,098.1 million, representing an increase of 12.8% from RMB3,632.9 million in 2014; core net profit attributable to owners of the Company amounted to RMB2,552.7 million, representing an increase of 20.1% from RMB2,125.4 million in 2014. The above was a result of the blended contributions from the increase in our revenue and the simultaneous strengthening of cost control, increase in operational efficiency together with reasonable cost planning.

	For the year ended 31 December		
	2015 (RMB'000)	2014 (RMB'000)	Growth
Profit attributable to owners of the Company	**4,098,068**	3,632,917	12.8%
Profit margin attributable to owners of the Company	**46.8%**	45.8%	1.0 ppts
Core net profit attributable to owners of the Company	**2,552,735**	2,125,396	20.1%
Core net profit margin attributable to owners of the Company	**29.2%**	26.8%	2.4 ppts

In 2015, the Group's earnings per share was RMB1.22, comparing with RMB1.21 in 2014.

11. Trade and other receivables

As of the end of the Reporting Period, the trade and other receivables of the Group were RMB1,627.6 million, of which the trade receivables were RMB968.8 million, which were mainly the first entrance fee and annual management fees we have not taken back and will be paid by the partners of managed shopping mall. And it rose by RMB335.4 million at the end of 2015 compared with that at the end of 2014. And it was mainly because of the increase of the business revenue of Managed Shopping Malls within the Reporting Period.

12. Investment properties and changes in fair value of investment properties

As at the end of the Reporting Period, the Group's book value of investment properties amounted to RMB70,593.0 million, representing an increase of 12.1% from RMB62,966.0 million as at the end of 2014, In 2015, the Group gained RMB2,381.7 million due to the increase in fair value of investment properties mainly because the rise of rent and management fees of owned malls and completion and opening of several shopping malls under construction in some developed cities during the reporting period resulted in the increase in fair value of investment properties.

13. Capital expenditures

The Group's capital expenditures were primarily related to acquisition and construction expenditures for investment properties. In 2015, the Group's capital expenditures amounted to RMB3,288.1 million (in 2014, the Group's capital expenditures amounted to RMB3,040.6 million), primarily due to advancement of the construction progress of investment properties under development.

14. Bank balances, cash and cash flow

As at the end of the Reporting Period, the Group's bank balances and cash were RMB5,954.1 million (of which, cash and equivalent were RMB5,848.5 million and fixed deposits for more than three months were RMB105.6 million), representing an increase of RMB2,289.2 million from RMB3,664.9 million (of which, cash and cash equivalents were RMB3,592,4 million and fixed deposits for more than three months were RMB72.5 million) as at the end of 2014.

	For the year ended 31 December	
	2015 (RMB'000)	2014 (RMB'000)
Net cash from (used for) operating activities	**3,309,333**	3,247,292
Net cash from (used for) investment activities	**(3,912,985)**	(2,564,096)
Net cash from (used for) financing activities	**2,859,712**	(895,717)
Net increase/(decrease) in cash and cash equivalents	**2,256,060**	(212,521)

In 2015, the Group's net cash inflow from operational activities was RMB3,309.3 million, representing an increase of 1.9% from RMB3,247.3 million in 2014, mainly due to sustained operating scale and revenue growth of the Group during the Reporting Period.

In 2015, the investment activities of the Group generated a net outflow of RMB3,913.0 million, representing an increase of 52.6% compared with an net outflow of RMB2,564.1 million in 2014, which was mainly due to the increase of investment property purchase and construction spending, purchase price of subsidiary company and receivable loans paid by the Group during the reporting period.

In 2015, the financing activities of the Group generated a net inflow of RMB2,859.7 million, representing an increase of RMB3,755.4 million compared with a net outflow of RMB895.72 million in 2014, which was mainly because during the Reporting Period, the Group completed the initial public offering of H Shares, issue of Corporate Bonds to raise funds and the distribution of dividends.

15. The debt situation and debt ratio

As of the end of the Reporting Period, the total amount of debt of the Group was RMB17,156.8 million, of which banks and other borrowings were RMB9,324.6 million, and bonds were RMB7,832.2 million. Banks and other borrowings and bonds of the Group shall be denominated in RMB.

The following table sets out our specific debt:

	As at 31 December 2015 (RMB'000)	As at 31 December 2014 (RMB'000)
Bank and other borrowings		
Bank loans, secured	**8,349,819**	9,970,829
Bank loans, unsecured	**535,000**	114,700
Other loans, secured	**439,733**	1,323,470
	9,324,552	11,408,999
Fixed-rate borrowings	**839,733**	1,703,470
Variable-rate borrowings	**8,484,819**	9,705,529
	9,324,552	11,408,999
The borrowings are repayable:		
Within one year or on demand	**2,297,382**	2,325,523
More than one year, but not exceeding two years	**2,192,768**	1,727,965
More than two years, but not exceeding five years	**3,339,116**	4,163,599
More than five years	**1,495,286**	3,191,912
	9,324,552	11,408,999
Actual interest rate range		
Fixed-rate borrowings	**6.15–7.59**	6.15–7.80
Variable-rate borrowings	**5.89–7.38**	5.89–8.64
Bond		
Unsecured medium-term notes		
— Bonds due in 2015	**—**	597,681
— Bonds due in 2017	**889,791**	884,966
— Bonds due in 2018	**495,449**	494,012
— Bonds due in 2016	**497,195**	494,600
Private placement medium-term notes		
— Private placement bonds due in 2017	**989,277**	987,739
Corporate Bonds		
— Corporate bonds due in 2018	**4,960,494**	987,739
	7,832,206	3,458,998

Among the total debt of the Group, portion to be repaid in a year or required to be repaid was RMB2,794.6 million; the portion to be repaid more than one year but not more than two years was RMB4,071.8 million; the portion to be repaid more than two years but not more than five years was RMB8,795.1 million; the portion to be repaid over five years was RMB1,495.3 million; the Group shall timely repay the above loans at the expiration date of the same.

The following table sets out our major debt ratio:

	As at 31 December 2015	As at 31 December 2014
Asset-liability ratio(1)	**45.6%**	48.0%
Net gearing ratio(2)	**25.5%**	30.9%

	For the year ended 31 December	
	2015	2014
Interest expenses coverage ratio(3)	**3.65**	3.79

Notes:

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

(2) Represents the 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.

(3) Interest expense coverage ratio is our adjusted EBITDA divided by our interest expenses before capitalization for each period. 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.

16. Credit rating

As at the end of the Reporting Period, the main credit rating of the Group was rated as BBB+ by Fitch Ratings, Inc. and BBB by Standard & Poor’s Financial Services LLC, and its outlook and prospects were rated as stable by both of them.

17. Pledge of assets of the Company

As at the end of the Reporting Period, the Group had pledged investment properties with book value of RMB45,009.0 million and restricted bank deposits of RMB69.1 million for obtaining loans and providing guarantees.

18. Contingent liabilities

As at the end of the Reporting Period, the Group 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. The joint venture had utilized RMB178.0 million of such loan as at 31 December 2015 (31 December 2014: RMB258.0 million).

As at the end of the Reporting Period, the Group issued financial guarantees to the financial institutions in respect of a loan up to RMB1,500.0 million granted to an associate company together with its cooperative partner, of which the Group provided corresponding guarantees for the above financial commitments based on the 25% shareholding (RMB375.0 million); as at 31 December 2015, RMB1,000.0 million of which was utilized by the associate company.

The Directors considered that the amount of the above financial guarantees are not significant and the financial position of the guaranteed joint venture and associate company are in good condition.

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 the date of this report, the Group failed to register 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 are of the view that risk that the Group will be penalized is remote.

19. Material acquisitions and disposals

During the Reporting Period, the Company had no material acquisitions and disposals in relation to our subsidiaries or associates/joint ventures.

20. Future plans for major investments

Our future major investments of the Group are primarily capital expenditures in respect of acquisition and construction of investment properties (including through acquisition of subsidiaries). 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. As at the end of the Reporting Period, the amount of which the Group has contracted for but not provided in the financial statements was RMB2,483.6 million. The capital commitment as disclosed in Note 45 to the Consolidated Financial Statements on page 204 was primarily in relation to the development of our Portfolio Shopping Malls. It is one of our strategies, and we expect to strengthen our market leadership through strategic expansion of our shopping mall network and brand portfolio.

The source of the Group's future major investment funds will mainly come from the cash of business operation, bank loans, issuing bonds and the equity capital contributed by the Shareholders. We will adhere to a prudent and rational financial management strategy, plan and arrange the investment and operating expenses based on the cash inflow, expand financing channels while maintain a reasonable financial condition and debt ratio level to provide better funding for business development in the future.

21. Foreign exchange risk

The Group is operating in China. All income and almost all expenditure of the Group are in RMB. The Group owns a small amount of bank deposit in Hong Kong dollars, and the dividend will be paid in HK dollars. The company directors believe that the Group's foreign currency risk is relatively small, and the Group implements no foreign currency hedging policy currently. The Group manages foreign exchange risks by regularly checking foreign currency exchange rates. The Group will consider hedging policies to deal with material foreign exchange risks where necessary.

22. Human Resources

As at the end of the Reporting Period, the Group has employed 17,086 full-time employees (31 December 2014: 15,536 full-time employees). The Group signs labor contract with employees according to the Labor Law of the People's Republic of China and the relevant provisions of the employee's locality. The Group will determine the employee's basic wage and bonus level according to the employee's performance, work experience and the market wage standard, and shall pay social insurance and housing provident fund for the employees. In 2015, the Group has paid a total of RMB1,730.3 million for salary expenditures (2014: RMB1,633.7 million). Meanwhile, the Group also kept investing resources to provide various education and training opportunities for the staff, aiming to standardize the management work and improve the operation performance, and continuously improved the knowledge and technology level as well as professional practice competence of the employees.

RISKS

1. Risks caused by slackened macro-economy and cyclical fluctuation of real estate industry

The recent years has witnessed China's persistent slackened macroeconomic growth trend. In 2015, China's GDP showed 6.9% in year-on-year growth, which was the lowest growth rate for the past 25 years, and it may be further reduced in the future. The slowdown in macro-economic growth may make slow down the expected process of urbanization in China, and pose the adverse effect to the improvement of residents' disposable income and standard of living. Meanwhile, the real estate industry, as the basic industry under the continued regulation of China, is closely related to the country's macroeconomic development with the manifestation of the strong cyclical characteristics. The potential adverse changes of factors caused by slower growth of the macro-economy and cyclical fluctuation of real estate industry may weaken the demand for home improvement and furnishings retail industry, and thus posing certain negative impact on the Company's operating performance.

According to the data of Frost & Sullivan, the sales amount achieved in Chinese home improvement and furnishings industry in 2015 was RMB3,704.1 billion, representing an increase of 9.7%. The industry growth rate was significantly higher than that of China's macroeconomic overall growth. The Company will actively seize the favorable opportunities of the rapid development in home improvement and furnishings industry and increase the market share by the fast and steady expansion of the shopping mall network; while improving economies of scale and operational efficiency and strengthening the sustained stability of profitability, so as to better cope with and withstand the Risks associated with macroeconomic and industry volatility.

2. Risks associated with talent shortage and loss

As our business scale is under continuous development and expansion, demands for high-level management talents and professionals are also on the constant increase. If the Company's reserve of talents cannot keep up with the rapid development rate of the Group's business, then it will pose an adverse impact on the Company's operation stability.

We have set up the different personnel training and reserve plans for the fresh graduates, excellent employees and supervisory employees, and we continue to invest resources to provide various types of education and training opportunities so as to enhance their knowledge and technical level as well as the ability of business practices. Meanwhile, the Company will continue to strengthen information construction so as to improve the efficiency of business, and thus providing guarantee for the talents team building required for business expansion.

3. Risks associated with development of expansible business

Based on the nationwide retail platform and the largest database of businesses and consumers in the Chinese home improvement and furnishings industry, we plan to further develop the attractive Internet-related products and services as well as the supply chain related products and services. Compared with our shopping mall business, the business model and risks of expansible business may vary, but we may not have enough experience to effectively manage such expansible business and the related risks. Such expansible business may bring us new challenges and risks. If the expansible business failed to achieve the expected results, then our business, financial condition, results of operations and prospects as a whole may be adversely affected.

By relying on a strong industrial influence in the existing business accumulation, rich management experience and national distribution network system, we will provide high-quality brand, market, customer and product resources support for the implementation of the above-mentioned expansible business. It will flexibly select and adjust the operating mode of operation and based on the market changes and business needs, so as to reduce the uncertainty of expansible business and other related risks.

OUTLOOK AND PROSPECTS

We have persistently adhered to its mission of "building a warm and harmonious homeland, enhancing consumption and living taste". Starting from 2016 and afterwards, we will continue to follow the operation and management mode of "market-oriented management and shopping mall management", so as to continuously deepen cooperation with the home improvement and factories in furniture industry and distributors, and persistently optimize the structure of brands entering into our home improvement and furnishings shopping malls. By means of the methods of precision marketing and cross-sector cooperation etc., it can provide consumers with better services and better understanding of home culture.

In the future, we will continue to vigorously develop the asset-light managed business model and expand the network of shopping malls nationwide strategically to further enhance market share, and thereby persistently to consolidate the Company's market leadership in China's home improvement and furnishings industry. Meanwhile, the Company will gradually expand the application of the Internet in the home business based on the offline home shopping mall business and consolidate the Red Star Macalline brand status as the expert of home living expert in the minds of consumers with the combination of the online and offline operations. Ultimately, it can realize its enterprise development goal of building China's most advance and professional all-channel platform provider of "home improvement and furnishings industry". Our future development plans are as follows:

1. **Continue the implementation of two-wheel drive business model of Portfolio Shopping Malls and Managed Shopping Malls; consolidate the market leadership through strategic expansion of shopping mall network and brand portfolio**

   In terms of shopping mall network construction, we will further strengthen the market leading position in Tier I and II Cities through self-operation mode, and continue to selectively open new home shopping malls in the core cities; at the same time, by relying on the sound brand reputation, mature shopping mall development, tenant sourcing and operation and management capabilities in the home improvement and furnishings industry, we will quickly penetrate into the Tier III Cities and other cities through the asset-light managed business model, so as to further expand the operation coverage of companies in the country, and thus accelerating market penetration.

   In terms of brand portfolio construction, we will invest in parallel to the core brand of new brand "Red Star Macalline" to achieve the diversification strategy and to cover a wider range of consumer groups and market segments, with a view to further enhance the market share rate. The multi-brand strategy is also more conducive to tenant sourcing in the home shopping malls and optimization of the tenant management of the Company.

2. **Focus on the most important two ends of the shopping malls as the platform operator**

   For consumers, we will focus on building O2O platform and continue the construction of membership system, so as to provide customers with the honored and all-channel consumer experience; for suppliers and distributors, we will continue to cooperate closely with the suppliers of home brands and found Green Alliance Organization, so that we can carry out joint marketing activities and strengthen the industry interactions.

3. **Vigorously develop Internet-related products and services**

   In terms of O2O platform business, the Company will provide offline purchasing of consumers with the more convenient and more real-time online shopping guide, the free learning of decoration knowledge, price discounts as well as the service support. Through the promotion of "interconnection" retail, it can provide perfect retail experience in various forms, so as to drive more online and offline consumption.

   In respect of home design and decoration business, we have carried out the home decoration business through BetterHome. We planned to gradually expand the operation scale of its home improvement business so as to create synergies with the existing home shopping business of the Group through the integrated home services provided by Betterhome; thus bringing more traffic to home shopping malls. Meanwhile, the Company planned to utilize the Internet technology to establish Internet home improvement platform, and provide the physical exhibition space by using the layout of Group's 177 shopping malls across the country. Therefore, it can enhance the online and offline interaction of home improvement industry, further promote the development of the current major business of the Group, and improve the overall quality of services.

In the aspect of consumer finance, with the understanding of consumer needs, risk appetite, credit status and the analysis of consumer behaviors, the Company planned to expand the consumer finance market of home improvement and furnishings industry, so as to further enrich the content of our Internet strategy product.

4. Vigorously carry out the supply chain-related products and services

In respect of logistics and distribution services, we planned to offer the standardized and professional logistics and distribution services to home shopping mall tenants, so as to reduce their operating costs and establish the closer partnership with them for the win-win situation. The Company has set up the pilot logistics center in Shijiazhuang, Hebei Province, and planned to gradually establish the warehousing and logistics centers in other cities with a view to provide logistics and distribution services to home shopping malls; thus expanding the unified logistics and distribution services scope to key national cities of household consumption, and establishing the comprehensive service system. In the future, the Company will replicate and promote the uniform logistics service mode piloted in Shijiazhuang throughout the country.

In regard of Bulk Procurement, we will develop the centralized purchasing platform and meet the needs of small and medium sized enterprises.

5. Actively seek suitable investment and acquisition targets

The Company will deeply integrate the upper and downstream resource of home improvement and furnishings industry, expand the scale of enterprises and enhance the enterprise strength.

6. Actively carry out information construction

In 2016, focusing on our Internet strategy, the information construction will highlight four topics: the comprehensive datamation, unification of business processes, application instrumentalization, and the implementation of the basic information, and strive to build the service platforms such as O2O platform, home design and decoration, Internet finance and so on and the Group can share the platforms of members, users, data, commodities, payment services, etc. in a unified manner, and strengthen the Group's control functions in the aspects of human, financial, material, procurement, internal control and so on. Meanwhile, we planned to be committed to promoting the efficiency of the Internet for the Group compliance, innovation and transformation by the application projects including optimizing thirty plus processes, systems integration and innovative construction etc.

7. Continue to promote human resource management to support the efficient business growth

We will actively promote human resources management in terms of the overall performance optimization and staff motivation, talent development and support, industrial talent training etc., so as to constantly optimize the salary structure, and strive to create the management team with more innovation and vitality and will be committed to enhancing the overall quality of home improvement and furnishings industry professionals.

Directors, Supervisors and Senior Management

EXECUTIVE DIRECTORS

Mr. CHE Jianxing (車建興), aged 49, 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 29 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 56, 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 the business, strategy and investment planning, operating management of the malls under entrustment, construction progress of self-operating malls, Internet financial segment, 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 October 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 47, 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* (常州市紅星傢俱總廠) 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. Currently Ms. CHE serves as the vice-chairman of Shanghai Entrepreneur Association (上海市企業家聯合會) and has been always committed to social welfare undertakings. She further established Red Star Bright Fund (紅星光彩基金).

Mr. JIANG Xiaozhong (蔣小忠), aged 47, 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 43, 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 (常州市家俱建材批發中心) 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 (徐國鋒), aged 50, 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.

* *For identification only*

Mr. Joseph Raymond GAGNON, aged 38, 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 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, TIGL was appointed as the liquidators as part of the reorganization process that Mr. GAGNON supported and assisted with implementing. On 17 September 2012, a consortium agreed to purchase substantially all of the assets of the TIGL group.

Mr. ZHANG Qiqi (張其奇), aged 35, 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 64, 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) from November 2012 to October 2015, as independent director of Industrial Bank Co., Ltd. (興業銀行股份有限公司) (Stock Code: 601166) from June 2012 to May 2015, as independent director of SAIC Motor Corporation Ltd. (上海汽車集團股份有限公司) (Stock Code: 600104) from May 2012 to June 2015 and as independent director of Shanghai Pudong Development Bank Co., Ltd. (上海浦東發展銀行有限公司) (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), (Stock Code: 600315) from December 2012 to March 2014. 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 Economic in July 1983 and a master's degree in economics in January 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 1994. 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 has always been a director of CICPA and a standing director of the China Appraisal Society.

Mr. LI Zhenning (李振寧), aged 63, 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 46, 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 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. 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 to June 2015.

Mr. DING graduated with a doctor of philosophy degree in management science from the College of Business Administration, Bordeaux IV University in France in May 2000.

Mr. LEE Kwan Hung (李均雄), aged 50, 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 November 2006, NetDragon Websoft Inc. (網龍網絡有限公司) (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 (高通科技發展控股有限公公司) (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, Landsea Green Properties Co., Ltd. (朗詩綠色地產有限公司) (Stock Code: 106) since July 2013, China Goldjoy Group Limited (中國金洋集團有限公司) (Stock Code: 1282) since November 2015, Fse Engineering Holdings Limited (豐盛機電控股有限公司) (Stock Code: 331) since November 2015, and Ten Pao Group Holdings Limited (天寶集團控股有限公司) (Stock Code: 1979) since November 2015. In the three years preceding the date of this report, Mr. LEE was also 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, the independent non-executive directors of Yuexiu REIT Asset Management Limited (越秀房託資產管理有限公司) from November 2015 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, the shares of which or the units or shares of the said management funds are listed on the Hong Kong Stock Exchange.

Mr. LEE obtained 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.

SUPERVISORS

Mr. PAN Ning (潘寧), aged 49, was the chairman of the Supervisory Committee of our Company from February 2012 to 31 January 2016. Mr. PAN resigned as the chairman and member of the Supervisory Committee of our Company on 31 January 2016, and was elected as the employee representative Supervisor of our Company on the same day. 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 35, 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 managing director 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 December 2015.

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 (巢艷萍), aged 45, has been the employee representative Supervisor of our Company since December 2010. Ms. CHAO has been serving as a 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.

Mr. ZHENG Hongtao (鄭洪濤), aged 48, joined our Company in January 2016 and has been an independent Supervisor. He has been engaging in teaching and research work at Beijing National Accounting Institute (北京國家會計學院) since July 2001.

Mr. ZHENG graduated from Huazhong Agricultural University (華中農業大學) with a master's degree in business college in July 1995 and a doctoral degree in business college in July 2001. He participated in post-doctoral research in finance at Zhongnan University of Economics and Law (中南財經政法大學) in November 2006.

Mr. CHEN Gang (陳崗), aged 40, joined our Company in January 2016 and has been a independent Supervisor. Mr. Chen served as the senior manager and director of the investment banking division of Huatai United Securities Co., Ltd. (華泰聯合證券有限責任公司), formerly known as United Securities Co., Ltd. (聯合證券有限責任公司) and the general manager of its investment banking (4) division of Shanghai from July 2001 to August 2006. From August 2006 to February 2007, he served as an assistant of general manager of the headquarters of mergers and acquisitions financing department of China Securities and the person in charge of the Shanghai branch of the company. From February 2007 to January 2010, He served as the vice general manager and successively the executive general manager of the investment banking division of Zhongtai Securities Co., Ltd. (中泰證券股份有限公司), formerly known as Qilu Securities Co., Ltd. (齊魯證券有限公司). He has been the vice director of the securities research institute of the Fudan University (復旦大學) and the general manager of the investment banking division of Zhongshan Securities Co., Ltd. (中山證券有限責任公司) since January 2010. He has been the general manager of the OTC Market division of Zhongshan Securities Co., Ltd. since 2013.

Mr. CHEN graduated from the School of Humanities of Beijing University of Posts and Telecommunications (北京郵電大學) with a bachelor's degree in engineering in July 1998. Mr. CHEN completed the finance courses (including insurance courses) of the Economics College in Fudan University and obtained the master's degree in economy in July 2001, completed the world economy courses of the Economics College in Fudan University and obtained doctoral degree in economy in July 2009, and engaged in post-doctoral research on politics in the International Relationships and Public Affairs College in Fudan University and graduated in July 2012.

Mr. CHEN is currently a part-time master tutor in the School of Economics of the Fudan University and a master tutor in Shanghai Advanced Institute of Finance (上海交通大學高級金融學院). He is also a member of the Tenth Session of the Central Finance and Economics Committee of China National Democratic Construction Association (中國民主建國會中央財政金融委員會). He is accredited as a Chinese Certified Public Accountant by Shanghai Institute of Certified Public Accountants (上海註冊會計師協會) in November 2004. In September 2009, Mr. CHEN was accredited by Jiangsu Office of Personnel (江蘇省人事廳) as a senior economist.

SENIOR MANAGEMENT

Mr. LI Bin (李斌), aged 41, joined our Company in January 2016 and now serves as vice general manager of our Company. Prior to joining the Company, Mr. LI was appointed as a chief account director in Hefei Royalstar Electronic Appliance Group Co., Ltd. prior to January 2015 and as a deputy chief operating officer and CEO of operating headquarters in Sunning Commerce Group Co., Ltd. prior to September 2015.

Mr. LI graduated from International Trade Major of Shanghai University of International Business and Economics and now is taking MBA courses for senior executives in Fudan University.

Mr. LIU Yuanjin (劉源金), aged 61, joined our Company in June 2007 and has been a vice general manager of our Company. 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. He completed the EMBA course of Cheung Kong Graduate School of Business (長江商學院) in 2014.

Mr. PAN Ping (潘平), aged 60, joined our Company in June 2007 and has been a vice general manager of our Company since 30 December 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. PAN completed the "Corporate CEO/Finance CEO Program in China" jointly opened by Cheung Kong Graduate School of Business (長江商學院), London Business School, Columbia Business School, Research College on International Enterprises Strategies of the Hitotsubashi University in Japan (日本一橋大學國際企業戰略研究學院), ESMT and IMD in November 2015.

Mr. XI Shichang (席世昌), aged 41, 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 WahHoldings 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 44, joined our Company in June 2007 and has been a vice general manager of our Company since 30 December 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 44, joined our Company in October 2008 and has been a vice general manager of our Company since 30 December 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 46, 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, administration and management 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 obtained a master of business administration degree from the executive master of business administration program at Shanghai Jiao Tong University in June 2015. 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" and "China Pioneer HR"in October 2013 by First Thinktank (第一資源智庫). He was appointed as the MBA occupation tutor by Antai College of Economics & Management, Shanghai Jiao Tong University (上海交通大學安泰經濟與管理學院) and the deputy director of the Business Development & Research Institute (中國商業發展研究所) in October 2013, the head of the Human Resources Committee of the China's Chain Stores by the CCFA in October 2015, and entered the "2015 China Top 100 Individuals for Promoting the HR Reform" selected in April 2015.

Mr. GUO Binghe (郭丙合), aged 42, 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 46, 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. He graduated from Renmin University of China with an EMBA in June 2015.

Mr. CHEN Donghui (陳東輝), aged 39, 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.

Ms. TANG Zhengmao (唐正茂), aged 46, joined our Company in April 2015 and has been vice general manager and financial consultant of the board of directors of the Company since August 2015. Ms. TANG is primarily responsible for the international investor relations, domestic and overseas financing and market value management of the Company, and provides financial analysis and suggestion, and investment proposals to the Board. Before joining our Company, Ms. TANG worked in the Research Institute of Shenzhen Headquarters of Junan Securities Co., Ltd., Investment Banking Division of Hong Kong Branch and Sales Division from 1994 to 1999. During 2001 to 2002, Ms. TANG served in the New York Investment Bank Headquarters of Credit Suisse First Boston, and later worked in SOHO China Ltd. from 2002 to 2014, where she was successively appointed as the manager/chief inspector of Business Expending Department, chief inspector of Corporate Financing and Investor Relations Department, secretary of the board of directors, executive director and CFO.

Ms. TANG completed her undergraduate courses of Economics and postgraduate courses of Western Economics in Fudan University in 1991 and 1994, respectively, and obtained a MBA master's degree in Business School of Yale University in 2001.

Report of Directors

The board of directors of the Company is pleased to present this annual report together with the audited Consolidated Financial Statements of the Company and its subsidiaries for the end of the Reporting Period.

CORPORATE INFORMATION AND GLOBAL OFFERING

The Company was incorporated in the PRC on 6 January 2011 as a sino-foreign joint stock company with limited liability. The Company's H Shares were listed on the Main Board of the Stock Exchange on 26 June 2015.

PRINCIPAL ACTIVITIES

The Group operates as a leading home improvement and furnishings shopping mall operator in China principally engaged in the operation of owned/leased portfolio shopping malls, managed shopping malls, sales of merchandise and related services businesses. The principal activities of the Group are as follows:

i. owned/leased portfolio shopping malls including leasing floor areas to the tenants and providing comprehensive and continuous operation and management support to them;

ii. managed shopping malls including 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;

iii. sales of merchandise and related services including retail sales of home furnishing merchandise and providing related decorating services.

Please refer to Note 50 to the Consolidated Financial Statements on pages 218 to 220 for details of the principal activities of the principal subsidiaries of the Group. There were no significant changes in the nature of the Group's principal activities during the Reporting Period.

SUMMARY OF FINANCIAL INFORMATION AND OPERATING RESULTS

Please refer to the section headed Management Discussion and Analysis on pages 28 to 37 for a summary of financial information and operating results of the Group for the end of the Reporting Period.

BUSINESS REVIEW

A review of the business of the Group during the year and a discussion on the Group's future business development are provided in the Chairman's Statement on pages 7 to 10 as well as the Managements Discussion and Analysis Section on pages 12 to 27. Description of possible risks that the Group may be facing can be found in the Management's Discussion and Analysis section on pages 38 to 39. Also, the risk management objectives and policies of the Group can be found in the Corporate Governance Report section on page 96. Particulars of important events affecting the Group that have occurred since the end of the financial year ended 31 December 2015 are provided in Note 51 to the Consolidated Financial Statements on page 220. An analysis of the Group's performance during the year using financial key performance indicators is provided in the Management's Discussion and Analysis on pages 28 to 37.

ENVIRONMENTAL POLICIES AND PERFORMANCE

We are subject to certain environmental protection laws and regulations, including 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). 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 have taken and will continue to 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. In 2015, we incurred environmental compliance costs of approximately RMB25.52 million. 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.

As the end of the Reporting Period, 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.

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

The Group and its activities are required to comply with the requirements of laws and regulations of China, including but not limited to The Company Laws of the People's Republic of China《中華人民共和國公司法》, The Law of the PRC on Protection of Consumer Rights and Interest《中華人民共和國消費者權益保護法》, The Law of Administration of Urban Real Estate of the PRC《中華人民共和國城市房地產管理法》, Construction Law of the People's Republic of China《中華人民共和國建築法》, laws, regulations and other normative documents. The Group focuses on internal risk management and control. The independent financial management center, legal department, internal control compliance department are responsible for conducting analysis and review of the laws and regulations applicable to the Company within the internal approval process and assign a professional team to effectively conduct management, inspections and rectification, to ensure that the Group is in compliance with relevant laws and regulations in all major aspects.

The Group has complied with the requirements under the Companies Ordinance, the Listing Rules, the SFO and the Corporate Governance Code for, among other things, the disclosure of information and corporate governance. The Group has adopted the Model Code.

RELATIONS WITH EMPLOYEES, SUPPLIERS AND CUSTOMERS

The Group understands well that employees are valuable assets and thus offers competitive remuneration portfolio to attract and motivate employees. The Group reviews the employees' remuneration portfolio on a regular basis and makes necessary adjustment to in line with the market standard. The Group also understands that it is of great importance to maintain good relations with suppliers and customers for the realization of the short-term and long-term goals. For the purpose of maintaining the competitiveness of brands and the leading position, the Group is committed to providing premium products and services to customers. During the Reporting Period, the Group has no material and significant dispute with suppliers and/ or customers.

KEY RISKS AND UNCERTAINTIES

For details of the Group's key risks and uncertain factors for the end of the Reporting Period, please refer to page 38 to 39 in the Management Discussion and Analysis.

BANK LOANS AND OTHER BORROWINGS

Please refer to Note 34 to the Consolidated Financial Statements on pages 189 to 190 for details of bank loans and other borrowings of the Group for the end of the Reporting Period.

BONDS

On 11 November 2015, the issue of the first tranche Corporate Bonds of the Company was completed with an issue size of RMB5,000,000,000 at a coupon rate of 4.50% and an issue price at 100% of its principal value. Such Corporate Bonds are listed on the Shanghai Stock Exchange.

The net proceeds from the corporate bonds are used to repay the loan of the Company and its subsidiaries and to replenishing the working capital of the Company.

Please refer to Note 35 to the Consolidated Financial Statements on pages 191 to 192 for details of bonds of the Group for the end of the Reporting Period.

CONTINGENT LIABILITIES

Please refer to Note 47 to the Consolidated Financial Statements on page 206 for details of contingent liabilities of the Group for the end of the Reporting Period.

INVESTMENT PROPERTIES

All investment properties we owned were for rental income, and they are subject to medium-term lease in the PRC. Set out below are investment properties that are considered material by our directors.

No.	Property	Existing Use	Fair value in existing state as at the end of the Reporting Period RMB'000
1	Shanghai Zhenbei Phase II Mall No. 1058 Zhenbei Road Shanghai The PRC	Shopping Mall	4,387,000
2	Shanghai Pudong Hunan Mall No. 518 Linyu Road Pudong New Area Shanghai The PRC	Shopping Mall	4,123,000

No.	Property	Existing Use	Fair value in existing state as at the end of the Reporting Period RMB'000
3	Zhengzhou Shangdu Mall No. 1 Shangdu Road Zhengdong New District Zhengzhou City Henan Province The PRC	Shopping Mall	3,335,000
4	Shanghai Wenshui Mall No. 1555 Wenshui Road Baoshan District Shanghai The PRC	Shopping Mall	3,238,000
5	Nanjing Kazimen Mall No. 29 Kazimen Street Qinhuai District Nanjing City Jiangsu Province The PRC	Shopping Mall	3,148,000
6	Beijing East Fourth-Ring Mall No. 193 East Fourth-Ring Middle Road Chaoyang District Beijing The PRC	Shopping Mall	3,070,000
7	Shenyang Tiexi Mall No. 35 Bei Er East Road Tiexi District Shenyang City Liaoning Province The PRC	Shopping Mall	3,045,000

No.	Property	Existing Use	Fair value in existing state as at the end of the Reporting Period RMB'000
8	Shanghai Pudong Jinqiao Mall No. 100 Jinzang Road Pudong New Area Shanghai The PRC	Shopping Mall	2,666,000
9	Beijing West Fourth-Ring Mall No. 113 West Fourth Ring Road Fengtai District Beijing The PRC	Shopping Mall	2,511,000
10	Beijing North Fourth-Ring Mall No. 1 Beishatan, Chaoyang District Beijing The PRC	Shopping Mall	2,353,000

PROPERTY, PLANT AND EQUIPMENT

Please refer to Note 20 to the Consolidated Financial Statements on pages 171 to 172 for details of movements in the property, plant and equipment of the Group for the end of the Reporting Period.

DISTRIBUTABLE RESERVES

The distributable reserves of the Company as at the end of the Reporting Period amounted to RMB1,986.2 million.

Please refer to the consolidated statement of changes in equity on pages 106 to 107 and Note 49 to the Consolidated Financial Statements on pages 216 to 217 for the change in reserves of the Group and information about the statement of financial position of the Company for the end of the Reporting Period.

MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARY, ASSOCIATES AND JOINT VENTURES

The Group had no material acquisition or disposal of the subsidiaries or associated companies during the Reporting Period.

FINAL DIVIDEND

The Board resolved to propose to the Shareholders in the forthcoming annual general meeting on 8 June 2016 for the distribution of a final dividend of RMB0.47 per share for the year ended 31 December 2015 payable to the Shareholders whose names are listed in the registers of members of the Company on 14 June 2016. The proposal for the distribution of the final dividend above is subject to the consideration and approval of the Shareholders at the AGM.

RETIREMENT BENEFITS

Please refer to Note 41 to the Consolidated Financial Statements on page 198 for details of retirement benefits of the Group for the end of the Reporting Period.

FINANCIAL SUMMARY

The Group's financial summary for the last four financial years is set out on page 221 of this annual report. This summary does not form part of the Consolidated Financial Statements.

MAJOR SUPPLIERS AND CUSTOMERS

Purchases from the largest supplier of the Group for the end of the Reporting Period represented approximately 33.95% of the Group's total purchases. The total purchases attributable to the five largest suppliers of the Group accounted for approximately 54.10% of the total purchases of the Group for the end of the Reporting Period.

Sales to the largest third party customer for the end of the Reporting Period represented approximately 1.56% of the Group's total revenue. The total sales attributable to the five largest third party customers of the Group accounted for approximately 5.00% of the Group's total revenue for the end of the Reporting Period.

For the end of the Reporting Period, none of the Directors or their respective Close Associates or any Shareholder (which to the knowledge of the Directors owns more than 5% of the Company's share capital) had any interests in the five largest suppliers or customers of the Group.

CHARITABLE DONATIONS

The donations by the Group for the end of the Reporting Period amounted to RMB2.3 million.

CONNECTED AND CONTINUING CONNECTED TRANSACTIONS

Among the related party transactions disclosed in note 48 to the Consolidated Financial Statements, the following transactions constitute connected transactions for the Company and are required to be disclosed in this annual report in accordance with Chapter 14A of the Listing Rules.

(i) Equity Transfer Framework Agreement with RSED

On 23 October 2015, the Company entered into an equity transfer framework agreement (the "Equity Transfer Framework Agreement") with Shanghai Red Star Macalline Enterprise Development Co., Ltd. * (上海紅星美凱龍企業發展有限公司) ("RSED") pursuant to which RSED has agreed to transfer and the Company has agreed to acquire 100% equity interests in Shanghai Red Star Macalline Industrial Company Limited (上海紅星美凱龍實業有限公司) (the "Target Company").

In connection with the equity transfer, the Target Company shall complete a restructuring, upon the completion of which the Target Company will only hold equity interests in 64 project companies holding certain managed shopping mall companies (the "Project Companies", and each of them a "Project Company"). If the Target Company fails to acquire the relevant equity interest in any of the Project Companies upon completion of the restructuring, the Company can exercise an option to purchase such equity interest in the relevant Project Company. The Directors (including the Independent Non-executive Directors) also consider that the transaction under the Equity Transfer Framework Agreement will assist the Group to eliminate continuing connected transactions, and minimize potential competition and conflict of interests with RSED in respect of the Project Companies going forward.

The aggregated amount of consideration in relation to the acquisition of the Target Company and/or the equity interests of all the Project Companies (by way of exercise of the option) shall not exceed RMB211,030,200. In addition, the Company shall assume the debts owed by the Target Company to RSED in a maximum amount of RMB270,000,000.

RSED is held as to 70.15% by Shanghai Red Star Macalline Investment Company Limited* (上海紅星美凱龍投資有限公司) ("RSI"), a controlling shareholder of the Company. In addition, RSI is a company controlled by Mr. Che, a controlling shareholder and an executive Director of the Company. As a result, RSED is a Connected Person of the Company, and the transaction under the Equity Transfer Framework Agreement constitutes connected transactions of the Company under Chapter 14A of the Listing Rules.

(ii) Asset Transfer Framework Agreement with RSED

On 23 October 2015, the Company entered into an asset transfer framework agreement (the "Asset Transfer Framework Agreement") with RSED pursuant to which RSED has agreed to transfer and the Company has agreed to acquire 60% of the interests in the property held by Suzhou Kairun Property Company Limited ("Suzhou Kairun") for a consideration of not more than RMB282,440,000. The Group plans to construct and operate a home improvement and furnishings shopping mall on the site of the property. The Directors (including the Independent Non-executive Directors) are of the view that this will assist the Group to further consolidate its leading position in East China and will be beneficial to the long-term development of the Group's core business of operating and managing home improvement and furnishings shopping malls.

Given RSED is a Connected Person of the Company, the transaction under the Equity Transfer Framework Agreement constitutes connected transactions of the Company under Chapter 14A of the Listing Rules.

(iii) Repurchase Agreement with Chengdu Property

On 23 October 2015, the Company entered into the Repurchase Agreement with Chengdu Property pursuant to which Chengdu Property has agreed to sell and the Company has agreed to repurchase 50% of the interests in the property for operating home improvement and furnishings shopping mall business held by Greenland Jinniu for a consideration of not more than RMB495,410,000. A definitive repurchase agreement will be entered into between the Company and Chengdu Property to set out the final transaction structure in relation to the transfer of the relevant interests.

As Greenland Jinniu Home Furnishing Shopping Mall Assets has commenced operations for more than one year since August 2014, the Directors (including the Independent Non-executive Directors) are of the view that its business operations have reached a mature stage which provides an excellent opportunity for the Company to exercise the option to repurchase Greenland Jinniu Home Furnishing Shopping Mall Assets. Such repurchase will allow the Group to increase its market share in Chengdu and to consolidate its leading position in the Chengdu market.

Chengdu Property is an indirect wholly-owned subsidiary of RSED which is a Connected Person. As a result, Chengdu Property is a Connected Person of the Company. As Chengdu Property holds 50% equity interests in Greenland Jinniu, Greenland Jinniu is also a Connected Person of the Company. The transaction under the Repurchase Agreement therefore constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

Mr. Che, Ms. Che Jianfang, Mr. Xu Guofeng, Ms. Chen Shuhong, Mr. Jiang Xiaozhong, Mr. Joseph Raymond Gagnon and Mr. Zhang Qiqi have abstained from voting on the board resolution to approve the Equity Transfer Framework Agreement, the Asset Transfer Framework Agreement and the Repurchase Agreement in view of their interests in the transactions contemplated thereunder. The Directors (including the Independent Non-executive Directors) consider that the terms of each of the Equity Transfer Framework Agreement with RSED, the Asset Transfer Framework Agreement with RSED and the Repurchase Agreement with Chengdu Property are on normal commercial terms that are fair and reasonable, and the transactions contemplated thereunder were entered into in the ordinary and usual course of business of the Group and are in the interest of the Company and its shareholders as a whole.

The following transactions constitute continuing connected transactions for the Company and are required to be disclosed in this annual report in accordance with Chapter 14A of the Listing Rules.

(i) Changzhou RSHFC Lease Agreement

On April 1, 2011, the Company's wholly owned subsidiary, Changzhou Macalline entered into a lease agreement with Changzhou RSHFC, pursuant to which Changzhou Macalline will lease a piece of property from Changzhou RSHFC for the operation and management of Changzhou Decoration Mall.

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.

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.

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.

During the end of the Reporting Period, the rental and service fees paid by Changzhou Macalline pursuant to the Changzhou RSHFC Lease Agreement amounted to RMB15.5 million.

(ii) Contract management agreements with Xuzhou RSHFC, Xuzhou RSHFP, Yangzhou RSHFP, Jining Hongrui and Shaanxi Hongrui

The Company entered into a contract management agreement and the supplemental agreement, as the case may be, with each of Xuzhou RSHFC, Xuzhou Yangzhou RSHFP, Jining Hongrui and Shaanxi Hongrui (the "Associated Business Partners"), pursuant to which the Company 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, these agreements have been classified as aggregated under the Listing Rules.

Under each of the contract management agreements, the Company 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. In December 2013 and January 2014, the Company entered into supplemental agreements with Xuzhou RSHFC, Xuzhou RSHFP and Jining Hongrui, under which the Company and the relevant Associated Business Partners agreed to revise the pricing mechanism relating to the 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 the Company 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 amount of the 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.

For each of the years ended December 31, 2012, 2013 and 2014, the Company 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.

Most of the home improvement and furnishings shopping malls managed and operated by us under the five contract management agreements are located in Tier III and Tier IV 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.

As of the end of the Reporting Period, the management fees received by the Company pursuant to these five contract management agreements amounted to RMB13.0 million.

(iii) 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 ("RSED Group") for its use as a promotion method in connection with its property sales business. The RSED Framework Agreement has a term of three years from its signing date to March 20, 2018.

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.

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.

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.

As of the end of the Reporting Period, there is no actual amount occurred with RSED Group.

(iv) Lease Agreement with Shanghai Hongmei in connection with the leasing of the Jinshan Property

On 25 September 2015, the Company entered into a lease agreement with Shanghai Hongmei Properties Limited in connection with the leasing of the Jinshan Property (the "Lease Agreement"). The Group plans to use the Jinshan Property as the premises for a home improvement and furnishings shopping mall to be opened and operated by the Group.

There was no historical transaction between the Group and Shanghai Hongmei, as the Jinshan Property is a newly built property.

Shanghai Hongmei has agreed to grant a rent-free period from the date that the Company occupies the Jinshan property to 31 December 2015 pursuant to the Lease Agreement.

The Jinshan Property is located at the area under development in Shanghai, the PRC, and the Group plans to open the first upscale large home improvement and furnishings shopping mall in the area. The Directors believe that the lease will enable the Group to enter into a neighboring market of Shanghai at reasonable costs and to further improve the Group's market share and brand awareness in Shanghai, which will help the Group to consolidate its leading position in the Shanghai market and will be beneficial to its long-term development.

The annual caps in respect of the Lease Agreement based on the annual rent and any other fees payable by the Company for each of the years ending 31 December 2016, 2017 and 2018 is expected to be RMB7 million, RMB9 million and RMB12 million, respectively. The rent payable in respect of the lease pursuant to the Properties Limited Lease Agreement was determined following arm's length negotiation between the Company and Shanghai Hongmei with reference to the prevailing pricing mechanisms of other shopping malls operated by the Group in nearby areas and in similarly-ranked cities; the expected rent that may be received by the Company from the tenants in connection with the shopping mall to be opened at the Jinshan Property, and development stage of the home improvement and furnishings market in the local area.

The Independent Non-executive Directors, after taking into consideration of factors such as market environment, transaction amounts, corporate governance, have confirmed that the abovementioned continuing connected transactions for the year ended 31 December 2015 were entered into by the Group: (i) in the ordinary and usual course of its business; (ii) on normal commercial terms; and (iii) in accordance with the relevant agreements governing them and on terms that were fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The Company has assigned the finance department to monitor the continuing connected transactions. The finance department will prepare relevant information and materials in relation to the continuing connected transactions and submit the same to the Secretariat of the Board of Directors for compliance checking before submitting all relevant information and materials to the Board for consideration. All relevant information will be attached as appendices to the board resolutions. In relation to those continuing connected transactions conducted during the Reporting Period, the finance department and the Secretariat of the Board of Directors have reviewed and considered the relevant information and materials to ensure compliance with relevant requirements (such as not exceeding the annual caps and ensuring the transactions are carried out in accordance with their respective terms) so as to protect the interests of our Shareholders.

The auditor of the Company has issued its unqualified letter containing its findings and conclusions in respect of the abovementioned continuing connected transactions in accordance with Rule 14A.56 of the Listing Rules, confirming that (i) nothing has come to their attention that causes the auditor to believe that the abovementioned continuing connected transactions have not been approved by the Company's board of directors, (ii) for transactions involving the provision of goods or services by the Group, nothing has come to their attention that causes the auditor to believe that the transactions were not, in all material respects, in accordance with the pricing policies of the Group, (iii) nothing has come to their attention that causes the auditor to believe that the transactions were not entered into, in all material respects, in accordance with the terms of the relevant agreements governing such transactions; and (iv) with respect to the aggregate amount of each of the transactions, nothing has come to their attention that causes the auditor to believe that the amounts have exceeded the maximum aggregate annual value disclosed in the Prospectus and the previous announcement dated 25 September 2015. A copy of the auditor's letter has been provided by auditor to the Hong Kong Stock Exchange.

SHARE CAPITAL

Please refer to Note 39 to the Consolidated Financial Statements on pages 194 to 195 for details of movements in the Company's total issued shares for the end of the Reporting Period.

EQUITY-LINKED AGREEMENT

There was no equity-linked agreement entered into by the Company for the end of the Reporting Period.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the Reporting Period, apart from the Global Offering of the H Shares and the issuance of the corporate bonds, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

USE OF PROCEEDS FROM GLOBAL OFFERING

The net proceeds from the Global Offering amounted to approximately RMB5,573.3 million which will be used for the development of nine Portfolio Shopping Malls, investment or acquisition of other home improvement and furnishings retailers and other market participants, refinancing of our existing indebtedness, development of our O2O business and information technology systems, working capital and other general corporate purposes. As disclosed in the Company's 2015 interim report, in order to improve the efficiency and effect of the utilization of the net proceeds, the Board resolved on 31 July 2015 to change the intended use of part of the net proceeds in the amount of approximately HK$1,438 million to refinance our existing indebtedness, including our six loan facilities with outstanding principal amounts of approximately RMB90 million at Ping An Bank, RMB60 million at Ping An Bank, RMB400 million at Bank of Communications, RMB250 million at China Minsheng Bank, RMB250 million at China CITIC Bank and RMB1,400 million at China Minsheng Bank as at the Date of this Annual Report, with maturities of December 2015, March 2016, June 2016, June 2016, March 2017 and December 2017, respectively, and the effective interest rate of 7.0%, 6.6875%, 6.0%, 6.9756%, 6.90% and 6.8750%.

For the end of the Reporting Period, the Company has utilized 39.0% of the net proceeds in total for the above investment projects.

NAME OF DIRECTOR

The Directors of the Company during the Reporting Period are:

Executive Directors

Mr. CHE Jianxing *(Chairman)*
Ms. ZHANG Qi
Ms. CHE Jianfang
Mr. JIANG Xiaozhong

Non-executive Directors

Ms. CHEN Shuhong
Mr. XU Guofeng
Mr. Joseph Raymond GAGNON
Mr. ZHANG Qiqi

Independent Non-executive Directors

Mr. ZHOU Qinye
Mr. LI Zhenning
Mr. DING Yuan
Mr. LEE Kwan Hung

Each of our Directors entered into a contract with the Company in June 2015. In accordance with Article 90 of the Articles of Association, Directors shall be elected at general meetings for a term of three years, which is renewable upon re-election when it expires.

DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at the end of the Reporting Period, the interests and short positions of our Directors, Supervisors and chief executive in the shares, underlying shares or debentures of the Company or any of our associated corporations (within the meaning of Part XV of the SFO), which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as contained in Appendix 10 to the Listing Rules, were as follows:

SHARES AND UNDERLYING SHARES OF THE COMPANY AND ASSOCIATED CORPORATIONS

(i) The Company

Name of Shareholders	Title	Class of Shares	Nature of interest	Number of underlying shares held	Approximate percentage in relevant class of Shares[1]	Approximate percentage in total Shares[1]
CHE Jianxing (車建興)[2]	Chairman, Chief Executive Officer and Executive Director	Domestic Shares	Interest of controlled corporation	2,480,315,772 (Long Position)	96.85%	68.44%
CHEN Shuhong (陳淑紅)[3]	Non-executive Director	Domestic Shares	Interest of spouse	2,480,315,772 (Long Position)	96.85%	68.44%

Notes:

(1) As at the end of the Reporting Period, the Company had 3,623,917,038 issued shares in total, comprising of 2,561,103,969 Domestic Shares and 1,062,813,069 H Shares.

(2) Mr. CHE Jianxing indirectly holds 68.44% of the issued Shares in total of the Company through his 92.00% direct interest in Shanghai Red Star Macalline Investment Company Limited (上海紅星美凱龍投資有限公司) ("RSI", a limited liability company incorporated in the PRC) and is deemed to be interested in the 2,480,315,772 domestic 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.

(ii) Associated Corporation

Name of Director	Name of Associated Corporation	Nature of interest	Equity interest in the Associated Corporation	Approximate percentage of interest in the Associated Corporation[1]
CHE Jianxing (車建興)	RSI[1]	Beneficial interest	46,000,000 (Long Position)	92%
CHE Jianfang (車建芳)	RSI[1]	Beneficial interest	4,000,000 (Long Position)	8%

Note:

(1) RSI is the investment holding company of the Company, which is held as to 92% by Mr. CHE Jianxing and as to 8% by Mr. CHE Jianxing's sister, Ms. CHE Jianfang and therefore an "associated corporation" of the Company within the meaning of Part XV of the SFO. As at 31 December 2015, RSI held 2,480,315,772 domestic shares of the Company which accounted for approximately 68.44% of the total issued shares of the Company. Of which 135,910,236 shares held by RSI (representing approximately 3.75% of the total number of issued shares of the Company) 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 shares held by RSI (representing approximately 10.29% of the total number of issued shares of the Company) 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 charges, see the section headed "Share Charges by the Controlling Shareholders" in the Prospectus.

Save as disclosed above, as at the end of the Reporting Period, none of our Directors, Supervisors or chief executive has any interests or short positions in the shares, underlying shares and debentures of the Company or associated corporations (a) which will have to be notified to the 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 (b) which will be required, pursuant to Section 352 of the SFO, to be recorded in the register referred to therein or (c) which will be required to be further notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at the end of the Reporting Period, the interests or short positions in the shares or underlying shares which will have to be notified to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO, and which will be required, pursuant to Section 336 of the SFO, to be recorded in the register referred to therein, as well as persons (other than the Directors, Supervisors or chief executives of the Company), or corporations deemed, directly and/or indirectly, to be interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at our general meetings were as follows:

Name of Shareholders	Class of Shares	Capacity/nature of Interest	Number of Share interested	Approximate percentage in relevant class of Shares[1]	Approximate percentage in total share capital[1]
RSI	Domestic Shares	Beneficial owner	2,480,315,772 (Long Position)	96.85%	68.44%
Warburg Pincus & Co.[2]	H Shares	Interest of controlled corporation	519,225,069 (Long Position)	48.85%	14.33%
Warburg Pincus Partners GP LLC[2]	H Shares	Interest of controlled corporation	519,225,069 (Long Position)	48.85%	14.33%
Warburg Pincus Partners, L.P.[2]	H Shares	Interest of controlled corporation	519,225,069 (Long Position)	48.85%	14.33%
Warburg Pincus Real Estate I GP, LLC[2]	H Shares	Interest of controlled corporation	519,225,069 (Long Position)	48.85%	14.33%
Candlewood Investment SRL[2]	H Shares	Other	338,054,924 (Long Position)	31.81%	9.33%
Warburg Pincus Real Estate I, L.P.[2]	H Shares	Interest of controlled corporation	338,054,924 (Long Position)	31.81%	9.33%
Springwood Investment SRL[2]	H Shares	Other	181,170,145 (Long Position)	17.05%	5.00%
WPRE I Redstar Manager LLC[2]	H Shares	Interest of controlled corporation	181,170,145 (Long Position)	17.05%	5.00%
WPRE I Redstar, L.P.[2]	H Shares	Interest of controlled corporation	181,170,145 (Long Position)	17.05%	5.00%
Falcon Edge (Cayman) GP, Ltd.[3]	H Shares	Interest of controlled corporation	58,358,400 (Long Position)	5.49%	1.61%
Falcon Edge General Partner, LP[3]	H Shares	Interest of controlled corporation	58,358,400 (Long Position)	5.49%	1.61%
Falcon Edge Global Master Fund, LP[3]	H Shares	Beneficial owner	58,358,400 (Long Position)	5.49%	1.61%
Gerson Richard[3]	H Shares	Interest of controlled corporation	58,358,400 (Long Position)	5.49%	1.61%

Notes:

(1) As at 31 December 2015, the Company had 3,623,917,038 issued Shares in total, comprising of 2,561,103,969 Domestic Shares and 1,062,813,069 H Shares.

(2) Warburg Pincus Real Estate I, L.P. is the sole quota-holder of Candlewood Investment SRL ("Candlewood"). Warburg Pincus Real Estate I, L.P. is 100%-controlled by Warburg Pincus Real Estate I GP, LLC.

WPRE I Redstar, L.P. is the sole quota-holder of Springwood Investment SRL ("Springwood"). WPRE Redstar Manager LLC is the general partner of WPRE I Redstar, L.P.. Warburg Pincus Real Estate I GP, LLC is a member of WPRE Redstar Manager LLC.

Accordingly, Warburg Pincus Real Estate I GP, LLC is deemed to be interested in the shareholding interest of each of Warburg Pincus Real Estate I, L.P., Candlewood Investment SRL, WPRE Redstar Manager LLC, WPRE I Redstar, L.P. and Springwood Investment SRL in the Company pursuant to the disclosure requirements under the SFO.

Warburg Pincus Partners, L.P. is a member of Warburg Pincus Real Estate I GP, LLC. Warburg Pincus Partners GP LLC is a general partner of Warburg Pincus Partners, L.P.. Warburg Pincus & Co. is a member of Warburg Pincus Partners GP LLC.

Accordingly, Warburg Pincus & Co. is deemed to be interested in the shareholding interest of each of Warburg Pincus Partners GP LLC, Warburg Pincus Partners, L.P., Warburg Pincus Real Estate I GP, Warburg Pincus Real Estate I, L.P., Candlewood Investment SRL, WPRE Redstar Manager LLC, WPRE I Redstar, L.P. and Springwood Investment SRL in the Company pursuant to the disclosure requirements under the SFO.

338,054,924 H Shares held by Candlewood are subject to the charge granted by Candlewood in favor of Bank of China Limited Macau Branch.

181,170,145 H Shares held by Springwood are subject to the charge granted by Springwood in favor of Bank of China Limited Macau Branch.

(3) Falcon Edge Global Master Fund, LP ("Falcon Edge Fund") is an investment fund organized as an exempted limited partnership under the laws of the Cayman Islands. Each of Falcon Edge General Partner, LP, Falcon Edge (Cayman) GP, Ltd. and Richard Gerson is the shareholder of Falcon Edge Fund and is deemed to be interested in 58,358,400 H Shares, pursuant to the disclosure requirements under the SFO.

Save as disclosed above, as at the end of the Reporting Period, the Company is not aware of any other person (other than the Directors, Supervisors or chief executives of the Company) who had an interest or short position in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

BIOGRAPHIES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Please refer to the section headed "Directors, Supervisors and Senior Management" for biographical details of the Directors, Supervisors and senior management of the Company.

DIRECTORS' AND SUPERVISORS' SERVICE CONTRACTS AND INTERESTS IN TRANSACTION, ARRANGEMENT AND CONTRACT OF SIGNIFICANCE

Each of our Directors entered into a contract with the 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. Each independent Director shall be subject to retirement by rotation for every two sessions, while other Directors shall be subject to retirement by rotation for every three sessions.

No Director (including those to be re-elected) has an unexpired service contract with the Company which is not determinable by the Company within one year without payment of compensation (other than normal statutory obligations).

Both of Ms. NG Ellen Hoi Ying, the shareholder representative Supervisor and Ms. CHAO Yanping, the employee representative Supervisor, entered into contracts with the Company in June 2015. Mr. PAN Ning, the employee representative Supervisor entered into a contract with the Company in January 2016. Mr ZHENG Hongtao and Mr CHEN Gang , both being the independent Supervisors, entered into contracts with the Company in January 2016.

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.

The Supervisors may be re-appointed for successive reappointments.

No Supervisor (including those to be re-elected) has an unexpired service contract with the Company which is not determinable by the Company within one year without payment of compensation (other than normal statutory obligations).

Save as disclosed in this annual report, as at the end of the Reporting Period, none of the Directors and the Supervisors or entities connected with the Directors and the Supervisors was materially interested, either directly or indirectly, in any transaction, arrangement or contract which is significant in relation to the business of the Group to which the Company or any of its subsidiaries was a party.

MANAGEMENT CONTRACTS

Other than the service contracts of the Directors, the Company has not entered into any contract with any individual, firm or body corporate to manage or administer the whole or any substantial part of any business of the Company during the year ended 31 December 2015.

DIRECTORS' PERMITTED INDEMNITY PROVISION

At no time during the year ended 31 December 2015 and up to the date of this annual report, there was or is, any permitted indemnity provision being in force for the benefit of any of the Directors and Supervisors (whether made by the Company or otherwise) or an associated company (if made by the Company). The Company has arranged appropriate directors' and officers' liability insurance coverage for the Directors and officers of the Group as of the end of the Reporting Period.

DIRECTORS' AND CONTROLLING SHAREHOLDERS' INTERESTS IN COMPETING BUSINESS

As disclosed in the Prospectus, Mr. CHE and his Close Associates continue to hold interests in certain businesses which are in competition, or are likely to compete (the "Restricted Business"), with the core operations (i.e. the business of operating and managing home improvement and furnishings shopping malls in the PRC) of the Group (the "Core Operations").

1. Greenland Jinniu Shopping Mall

Mr. CHE, through Chengdu Property (an indrect wholly owned subsidiary of RSED), holds 50% equity interest in Greenland Jinniu, which in turn holds Chengdu Jinniu Shopping Mall and its corresponding assets and liabilities. Such 50% equity interest was disposed by the Company to Chengdu Property in the process of disposal of our equity interest in companies engaging in real estate development business in 2011 considering Greenland Jinniu primarily engages in real estate development business and Chengdu Jinniu Shopping Mall was then at the stage of construction-in-process. In order to consolidate the Group's Core Operations and minimize potential competition and conflict of interests with the Controlling Shareholders, the Company entered into a repurchase framework agreement in December 2011 (as supplemented by two supplemental agreements), pursuant to which the Company was granted an option to repurchase, among others, Chengdu Jinniu Shopping Mall. In anticipation of the opening of Chengdu Jinniu Shopping Mall, our Group entered into a contract management agreement with Greenland Jinniu in November 2013, pursuant to which our Group would operate and manage Chengdu Jinniu Shopping Mall under our own brand, pending repurchase of the shopping mall. As Greenland Jinniu Shopping Mall has commenced operations for more than one year since August 2014, our Directors considered that its business operations have reached a mature stage. On 23 October 2015, the Company entered into the Repurchase Agreement with Chengdu Property, pursuant to which the Company agreed to repurchase 50% of the interest in Chengdu Jinniu Shopping Mall (held by Chengdu Property through Greenland Jinniu). For further details, please refer to the Prospectus — "Relationship with Our Controlling Shareholders" and the Company's announcement dated 23 October 2015.

2. Interest in Certain Project Companies

Mr. CHE, through RSED and its subsidiaries, holds minority equity interest in 64 Project Companies which hold certain Managed Shopping Malls. On 23 October 2015, the Company entered into an equity transfer framework agreement with RSED pursuant to which the Company agreed to acquire 100% equity interest in Shanghai Red Star Macalline Industrial Company Limited (上海紅星美凱龍實業有限公司) ("Target Company"), which upon completion of a restructuring, will hold equity interests in the Project Companies. If the Target Company fails to acquire the relevant equity interest in the Project Companies, the Company can exercise an option to purchase such equity interest in the relevant Project Companies. For further details, please refer to the Prospectus — "Relationship with Our Controlling Shareholders" and the Company's announcement dated 23 October 2015.

3. **Property held by Changzhou RSHFC**

Changzhou Macalline, a wholly owned subsidiary of the Company, has leased a piece of property from Changzhou RSHFC for the operation and management of Changzhou Decoration Mall. Changzhou RSHFC is an individual proprietary enterprise (個人獨資企業) established by Mr. Che under the 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 the Group's Core Operations and minimize potential competition and conflict of interests with the Controlling Shareholders, Changzhou RSHFC ceased to engage in home improvement and furnishing shopping mall business from April 2011 and leased property to Changzhou Macalline in view of the transfer of such property to the Group would give rise to tax implications.

We have adopted coporate governance measures to manage potential conflict of interest between the Group and the Controlling Shareholders. As the transactions contemplated under the repurchase agreement in relation to the repurchase of 50% interest in Chengdu Jinniu Shopping Mall and the equity transfer framework agreement in relation to the acquisition of Project Companies constitute connected transactions, the Directors who have a material interest have abstained from voting on the board resolution to approve the transactions. For further details, please refer to "Connected and Continuing Connected Transactions" of this annual report.

Save as disclosed in the Prospectus and in this annual report, none of Directors and controlling shareholder has interest in business which is in competition, or is likely to compete, with the Company.

NON-COMPETITION UNDERTAKING

In order to ensure that there is no competition between our Core Operations and the other business activities of Mr. CHE and his Close Associates, Mr. CHE 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.

Under the Non-Competition Undertaking, Mr. CHE and RSI have, among others, (i) undertaken to offer new business opportunity in any Restricted Business to the Company on terms and conditions no less favorable than those offered to them or their respective Close Associates; (ii) undertaken to assist our repurchase of the relevant shopping malls, including Chengdu Jinniu Shopping Mall; and (iii) granted an option and right of first refusal for the Company to purchase the property leased from Changzhou RSHFC. For further details, please refer to the Prospectus — "Relationship with Our Controlling Shareholders".

Mr. Che and RSI have confirmed their compliance with the Non-Competition Undertaking throughout the period from the Listing Date to 31 December 2015. The independent non-executive Directors have also reviewed the compliance with the Non-Competition Undertaking by the Mr. Che and RSI and are satisfied that they have complied with the undertakings.

DIRECTORS' AND SUPERVISORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the section headed "Directors', Supervisors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures" above, at no time during the Reporting Period was the Company or any of its subsidiaries or holding company or any subsidiary of the Company's holding company, a party to any arrangement that would enable the Directors or the Supervisors to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate, and none of the Directors or the Supervisors or any of their spouses or children under the age of 18 were granted any right to subscribe for the equity or debt securities of the Company or any other body corporate or had exercised any such right.

EMOLUMENTS OF THE DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT AND THE FIVE HIGHEST PAID INDIVIDUALS

Please refer to Notes 15 and 16 to the Consolidated Financial Statements on pages 160 to 165 for details of the emoluments of the Directors, Supervisors and senior management and the five highest paid individuals of the Company.

The table below shows the remuneration of senior management by band:

(RMB)	**2015 (members of senior management)**	2014 (members of senior management)
1–1,000,000	**1**	—
1,000,000–1,500,000	**5**	—
1,500,000–2,000,000	**6**	2
2,000,000–2,500,000	**—**	6
2,500,000–3,000,000	**—**	2
3,000,000–3,500,000	**—**	1

REMUNERATION POLICY AND DIRECTORS' REMUNERATION

The remuneration of our employees consists of basic salary and performance bonuses. The Company 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, the Company contributed 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.

Our Directors receive compensation in the form of Directors' fees, salaries, housing allowances and other allowances, benefits in kind, the employer's contribution to the pension schemes and discretionary bonuses.

Please refer to Note 15 to the Consolidated Financial Statements on pages 160 to 164 for details of the Directors' remuneration for the end of the Reporting Period.

CONFIRMATION OF INDEPENDENCE FROM THE INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each of the independent non-executive Directors, namely Mr. ZHOU Qinye, Mr. LI Zhenning, Mr. DING Yuan and Mr. LEE Kwan Hung, the confirmation of their respective independence pursuant to Rule 3.13 of the Listing Rules. The Company has duly reviewed the confirmation of independence of each of these Directors. The Company considers that the independent non-executive Directors have been independent from the date of their appointment to the end of the Reporting Period and remain so as at the date of this annual report.

MATERIAL LEGAL PROCEEDINGS

As at the end of the Reporting Period , the Company was not involved in any material litigation or arbitration and no material litigation or arbitration were pending or threatened or made against the Company so far as the Company is aware.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

From the Listing Date to the date of this report, except deviation from code provision A.2.1 of the Corporate Governance Code, the Company has complied with the provisions of the Corporate Governance Code as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, which sets out principles of good corporate governance in relation to, among other matters, the Directors, the chairman and chief executive officer, board composition, the appointment, re-election and removal of directors, their responsibilities and remuneration and communications with shareholders. 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 the interest of our minority shareholders.

Please refer to section headed Corporate Governance Report on page 83 for details.

AUDITOR

The Consolidated Financial Statements have been audited by Deloitte Touche Tohmatsu, Certified Public Accountants. Deloitte Touche Tohmatsu shall retire and being eligible, offer itself for re-appointment, and a resolution to this effect shall be proposed at the forthcoming AGM.

The Company has not changed its auditor in any of the preceding three years.

AUDIT COMMITTEE

The Audit Committee has reviewed the accounting principles and policies adopted by the Group and the Consolidated Financial Statements.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Articles of Association or the laws of the PRC.

SUFFICIENCY OF PUBLIC FLOAT

The Stock Exchange had granted a waiver under Rule 8.08(1)(d) of the Listing Rules to accept a lower public float percentage of the Company's issued share capital (the "Minimum Public Float") on the conditions that:

i. the Minimum Public Float of the 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. the Company will confirm sufficiency of public float in successive annual reports after listing; and

iii. the Company will implement appropriate measures to ensure continual maintenance of the Minimum Public Float prescribed by the Stock Exchange.

The over-allotment option has not been exercised. Accordingly, the Company has complied with the public float requirement which is at the highest of such percentage (being 15.10%) of Shares held by the public immediately after the Global Offering. Based on the information that is publicly available to the Company and within the knowledge of the Directors as at the date of this annual report, the Company has maintained the prescribed public float under the waiver.

VOTING BY POLL

During the Reporting Period, all votes of shareholders were taken by poll in the annual general meeting and extraordinary general meetings of the Company. Pursuant to the Rule 13.39(4) of the Listing Rules, all votes of shareholders will be taken by poll except where the chairman, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands.

CLOSURE OF REGISTERS OF MEMBERS

The Registers of Members will be closed from Monday, 9 May 2016 to Wednesday, 8 June 2016, and from Wednesday, 15 June 2016 to Monday, 20 June 2016, during which periods no transfer of shares will be registered. In order to qualify for attending and voting at the forthcoming AGM, unregistered holders of shares of the Company shall lodge share transfer documents with the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration before 4:30 p.m. on Friday, 6 May 2016. In order to qualify for the proposed final dividend (subject to the approval by the Shareholders at the forthcoming AGM), unregistered holders of shares of the Company shall lodge share transfer documents with Computershare Hong Kong Investor Services Limited at the above mentioned address for registration before 4:30 p.m. on Tuesday, 14 June 2016.

CHANGES IN INFORMATION OF DIRECTORS AND SUPERVISORS

Pursuant to Rule 13.51B of the Listing Rules, the changes in information of Directors and Supervisors of the Company during the Reporting Period are set out below:

Name	Position	Details of Changes
Mr. Lee Kwan Hung	Director	Mr. Lee was appointed as an independent non-executive director of China Goldjoy Group Limited (中國金洋集團有限公司) (Stock Code: 1282), Fse Engineering Holdings Limited (豐盛機電控股有限公司) (Stock Code: 331) and Ten Pao Group Holdings Limited (天寶集團控股有限公司) (Stock Code: 1979) since November 2015.
Mr. Pan Ning	Supervisor	Mr. Pan resigned as the chairman and member of the Supervisory Committee of our Company on 31 January 2016, and was elected as the employee representative supervisor and the chairman of the Supervisory Committee of our Company on the same day.

LIKELY FUTURE DEVELOPMENT

Please refer to the section headed "Outlook and Prospects" on pages 39 to 41 for likely future development of the Company.

IMPORTANT EVENTS AFTER THE REPORTING PERIOD

At the Board meeting on 12 February 2016, the Board resolved to submit to the extraordinary general meeting, the domestic shareholders' class meeting and the H shareholders' class meeting for consideration and approval by the shareholders by way of special resolution a proposal for the A Share Offering. The Board also resolved to approve the proposal of submitting a registration application for the issue of the super short-term commercial paper in the PRC, subject to the shareholders' approval at the extraordinary general meeting. Please refer to the Company's related announcements and circulars on 12 February 2016 and 29 February 2016 respectively for details.

At the Board meeting on 21 March 2016, a final dividend in respect of the year ended 31 December 2015 of RMB0.47 per share has been proposed by the directors of the Company and is subject to approval by the shareholders in the forthcoming AGM.

By Order of the Board
CHE Jianxing
Chairman

Shanghai, 21 March 2016

Report of Supervisors

PARTICULAR OF THE MEETINGS

The Supervisory Committee convened a total of 3 meetings during the Reporting Period, and details of the relevant meetings and the resolutions are as follows:

(1) The second session of the second meeting of the Supervisory Committee was convened on 30 April 2015. The meeting reviewed and passed the 2014 Work Report of the Supervisory Committee of the Company, the 2014 Final Account Report of the Company, the resolution regarding the determination of 2014 profit distribution plan of the Company and the 2015 Financial Budget Report; the resolution in respect of reappointment of Deloitte Touche Tohmatsu (special general partnership) as the financial audit institution for the year of 2015 of the Company.

(2) The second session of the third meeting of the Supervisory Committee was convened on 26 August 2015. The meeting reviewed and passed 1) the resolution in respect of the reviewed consolidated financial statements for the six months ended 30 June 2015; 2) the resolution in respect of the interim dividend for the six months ended 30 June 2015; 3) the resolution in respect of the interim report and interim results for the six months ended 30 June 2015.

(3) The second session of the second extraordinary meeting of the Supervisory Committee was convened on 17 December 2015. The meeting reviewed and passed 1) the resolution in respect of Mr. PAN Ning's resignation as the shareholder representative supervisor and the chairman of the Supervisory Committee of the Company; 2) the resolution in respect of the nomination of Mr. CHEN Gang as an candidate for independent supervisor of the second session of the Supervisory Committee; 3) the resolution in respect of the nomination of Mr. ZHENG Hongtao as an candidate for independent supervisor of the second session of the Supervisory Committee.

INDEPENDENT OPINION

(1) Statutory compliance: During the year 2015, members of the Supervisory Committee continued to supervise the Company's operations through attending Board meetings, reviewing reports on special projects, on-site inspections and meetings with staff. With reference to various regulations, the Supervisory Committee was of the opinion that the decision-making process was lawful, the internal control was effective, and the Directors and the senior management of the Company have diligently carried out their duties, and there is no act that violated the law, regulations, the Company's Articles of Association, nor had they prejudiced the Company's and shareholders' interests. The Supervisory Committee had reviewed the Company's internal control self-assessment report and internal control audit report for the year 2015 by Deloitte & Touche, and was of the view that the report reflected the actual situation of the Company's corporate governance and internal control, with an object opinion on audit and agreed to publish the relevant report.

(2) Financial monitoring: During the Reporting Period, the Supervisory Committee diligently performed its duty of monitoring the Company's financial situation, including reviewing the Company's operation and its risks and providing audited opinions to each regular report. The Supervisory Committee was of the opinion that the Company's financial report reflected a true and fair view on the Company's financial position and operating results.

(3) Use of proceeds from fund raising exercises: The Supervisory Committee continued to review the deposit and use of proceeds raised from the global offer of H Shares by the Company during the year and was not aware of any issue regarding the raised funds. During the Reporting Period, the Company completed the issuance of the first tranche of corporate bonds on the Shanghai Stock Exchange, with the size RMB5,000,000,000 and the nominal interest rate is 4.50%. The Supervisory Committee had monitored the relevant notes and bond issues and the use of funds thereof, and had found no violation of law.

(4) Stock incentive plan: During the Reporting Period, the company has no stock incentive plan.

(5) Major asset acquisitions and disposals: During the Reporting Period, the Company did not have any major asset acquisitions and disposals.

(6) Connected and continuing connected transactions: During the Reporting Period, the Supervisory Committee has monitored the connected transactions of the Company for the year, which including: (i) Equity Transfer Framework Agreement with RSED, (ii) Asset Transfer Framework Agreement with RSED, (iii) Repurchase Agreement with Chengdu Property and continuing management of connected transactions, (i) Changzhou RSHFC Lease Agreement, (ii) Contract management agreements with Xuzhou RSHFC, Xuzhou RSHFP, Yangzhou RSHFP, Jining Hongrui and Shaanxi Hongrui, (iii) RSED Framework Agreement and (iv) Lease Agreement with Shanghai Hongmei in connection with the leasing of the Jinshan property. The Supervisory Committee has reviewed the above connected transactions, and considers that the conditions of transactions are fair, decision-making procedures in line with relevant laws and regulations and the Articles of Association and other relevant provisions, and did not impair the interests of other shareholders.

Looking forward, with further development of the various businesses of the Company, the Supervisory Committee will also continue to earnestly implement the various laws and regulations and the relevant provisions of the Articles of Association, pursuit matter-of-fact with broadening thoughts and protect and safeguard the legal interests of the Company and its shareholders.

By order of the Supervisory Committee
PAN Ning
Chairman

Shanghai, 21 March 2016

Corporate Governance Report

The Group are committed to high-standard corporate governance so as to protect interest and legal rights of the shareholders and promote the Company's value and accountability. H Shares of the Company were listed on Stock Exchange on 26 June 2015.

The Company adopted the following corporate governance principles and practices:

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

Other than deviation from code provision A.2.1, from the Listing Date up to the date of this annual report, the Company has complied with the provisions of the Corporate Governance Code, Appendix 14 to the Listing Rules, which sets out the principles of good corporate governance principles in relation to, among other matters, the directors, the chairman and the chief executive, board composition, the appointment, re-election and removal of directors, their responsibilities and remuneration; and communications with shareholders. Directors are satisfied that sufficient corporate governance measures have been put in place to manage conflicts of interest between the Group and the Controlling Shareholders (as defined under the Listing Rules) and/or Directors to protect the minority Shareholders' interests.

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

Mr. CHE Jianxing ("Mr. CHE") is the Chairman and chief executive officer of the Company. In view of Mr. CHE's experience, personal profile and his roles in our Group as mentioned above and that Mr. CHE has assumed the role of chief executive officer and the general manager of the Group since June 2007, the Board considers it beneficial to the business prospect and operational efficiency of the Group that Mr. CHE, in addition to acting as the Chairman of the Board, continues to act as the chief executive officer of the Company. While this will constitute a deviation from Code Provision A.2.1 of the Corporate Governance Code, the Board believes that this structure will not impair the balance of power and authority between the Board and the management of the Company, given that: (i) decision to be made by our Board requires approval by at least a majority of our Directors and that the Board comprises 4 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 the Company and will make decisions for the Group accordingly; and (iii) the balance of power and authority is ensured by the operations of the Board which comprises experienced and high caliber individuals who meet regularly to discuss issues affecting the operations of the Company. Moreover, the overall strategic and other key business, financial, and operational policies of the Group are made collectively 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 and the general manager is necessary.

COMPLIANCE WITH THE MODEL CODE

The Company has adopted a code of conduct regarding Directors' and Supervisors' securities transactions on terms as required under the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules. The Company has conducted specific query to the Directors and Supervisors, and all Directors and Supervisors have confirmed their compliance with the provisions set out in the Model Code from the Listing Date to 31 December 2015.

BOARD OF DIRECTORS

Board Composition

As at the end of the Reporting Period, the Board comprises 12 Directors, including four executive Directors, 4 non-executive Directors and 4 independent non-executive Directors.

The following list sets forth the information in respect of the current member of the Board of the Company.

Name	Positions	Date of Appointment
Mr. CHE Jianxing	Chairman and Executive Director	30 December 2013
Ms. ZHANG Qi	Vice Chairman and Executive Director	30 December 2013
Ms. CHE Jianfang	Executive Director	30 December 2013
Mr. JIANG Xiaozhong	Executive Director	30 December 2013
Ms. CHEN Shuhong	Non-executive Director	30 December 2013
Mr. XU Guofeng	Non-executive Director	30 December 2013
Mr. Joseph Raymond GAGNON	Non-executive Director	30 December 2013
Mr. ZHANG Qiqi	Non-executive Director	30 December 2013
Mr. ZHOU Qinye	Independent non-executive Director	30 December 2013
Mr. LI Zhenning	Independent non-executive Director	30 December 2013
MR. DING Yuan	Independent non-executive Director	30 December 2013
Mr. Lee Kwan Hung	Independent non-executive Director	17 February 2015

Biographies of the Directors are set out in “Directors, Supervisors and Senior Management” section of this annual report.

From the Listing Date up to the date of this annual report, the Board complied with the requirements of appointing at least 3 Independent non-executive Directors (among whom at least one independent non-executive Director holds the appropriate professional qualifications or accounting or relevant financial management knowledge) set out in Rules 3.10 (1) and 3.10(2) of the Listing Rules at any time.

The Company also complied with the requirements of appointing independent non-executive Directors, accounting for one-third of the members of the Board set out in Rule 3.10A of the Listing Rules. Independency of each independent non-executive Director has been confirmed in accordance with Rule 3.13 of the Listing Rules, and the Company regards them as independent.

The Company sees increasing diversity at the Board level as an essential element in supporting the attainment of its strategic objectives and its sustainable development. In designing the Board's composition, Board diversity has been considered from a number of aspects, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board.

All Directors (including the independent non-executive Directors) enabled the Board with different valuable experiences in business and professional knowledge so that the Board of Directors could fulfill its function efficiently and effectively. The independent non-executive Directors were invited to join the Audit Committee, the Remuneration and Evaluation Committee, the Nomination Committee and the Strategy and Investment Committee.

Board Meeting

In accordance with the Articles of Association of the board meetings are divided into regular meetings and provisional meetings. Board meetings shall be convened at least four times a year and be called for by the Chairman. A notice of at least 14 days shall be sent to all Directors before the meeting is convened so that they may attend the meeting and include any relevant matters for discussion int eh meeting agenda.

Other than the connected transactions to be reviewed by the Board of Directors set out in the Articles of Association, Board meetings shall be attended by no less than one-half of the Directors.

Minutes of the Board meetings and Committee meetings shall record all matters concerned and decisions made by the Board and Committees, including all questions raised by the Directors. Drafts of the minutes of the Board meetings and Committee meetings are/will be sent to each Director within a reasonable period of time after the meeting.

Save as disclosed in the Prospectus and in this annual report, to the best knowledge of the Company, there are no financial, business, family, or other material relationships among members of the Board.

Appointment, Re-election and Reappointment of Directors

In accordance with the provisions set out in the Articles of Association, 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 and re-appointed. Each independent director shall be subject to retirement by rotation once every two sessions. The Company has implemented a set of effective programs to the appointment of new Directors. The Nomination Committee and Remuneration and Evaluation Committee have priority to discuss nomination of the new Directors and shall submit proposals to the Board of Directors. New directors shall be elected by the general meeting of shareholders.

The Company has entered into service contracts or appointment letters for a service term of three-year with all Directors (including the non-executive Directors).

Directors' Training

Entry and Continuous Professional Development

All newly appointed Directors are granted with necessary induction training and information so as to have an appropriate understanding of the operating status and business of the Company as well as their responsibilities under relevant laws, rules, provisions and articles. The Company also arranged periodical seminars for the Directors in order to provide the latest information on any development and changes in the Listing Rules, and other relevant laws and supervision regulations. The Directors are also informed about the performance, current status and prospect of the Company regularly, so as to fulfill their responsibilities.

Trainings attended by all Directors in 2015 are as below:

Name of Directors	Training Description
CHE Jianxing	A, B
ZHANG Qi	A, B
CHE Jianfang	A, B
JIANG Xiaozhong	A, B
XU Guofeng	A, B
CHEN Shuhong	A, B
Joseph Raymond GAGNON	A, B
ZHANG Qiqi	A, B
ZHOU Qinye	A, B
LI Zhenning	A, B
DING Yuan	A, B
LEE Kwan Hung	A, B

Notes:

A. Trainings related to governance of listed company and directors' responsibility, organized by Law firm, Legal Compliance, external auditor and etc.;

B. Reading provisions connected to company governance, Directors' responsibilities and internal control risk and attending lecture, forum and conference, etc.

Duties Performed by the Board and Management

The Board of Directors is responsible for the general meeting of Shareholders and perform the following duties: to approve and supervise all policy issues, overall strategy, budgeting, internal control and risk management system, material transactions (especially the transactions in which the parties with conflict of interest may be involved), Director appointment and other material financial and operating affairs. The Directors may seek for independent professional opinions when fulfilling their duties, and the cost will be borne by the Company. The Company also encourages the Directors to seek independent consultation with senior management of the Company.

The senior management is responsible for daily management, administration and operation of the Group, and the Board shall discuss the authorization function and duty periodically. Any material transactions established by the management shall be approved by the Board of Directors in advance.

CORPORATE GOVERNANCE FUNCTION

The Board of Directors is responsible for establishing the corporate governance policy of the Company and fulfilling the following corporate governance duties:

(1) To develop and review the corporate governance policy and routines of the Company;

(2) To review and monitor training and continuous professional development of the Directors and senior management;

(3) To review and monitor policies and routines of the Company in compliance with the requirements of all laws and regulations (if applicable);

(4) To establish, review and monitor code of conduct and compliance guidelines suitable for the employees and Directors (if available); and

(5) To review the Company's acts in compliance with the disclose requirements as set out in the Corporate Governance Code and Corporate Governance Report.

DIRECTORS' LIABILITY INSURANCE

The Company has purchased appropriate insurance on 24 June 2015 against the litigations raised against the Directors.

BOARD COMMITTEES

The Board delegates responsibilities to various committees. In accordance with the relevant PRC laws and regulations, the Corporate Governance Code in Appendix 14 to the Listing Rules, the Company has established four Board committees, namely the Audit Committee, the Remuneration and Evaluation Committee, the Nomination Committee and the Strategy and Investment Committee.

AUDIT COMMITTEE

We have established an Audit Committee with written terms of reference in compliance with Rule 3.21 of the Listing Rules and Code Provision C.3 and Code Provision D.3 of the Corporate Governance Code, Appendix 14 to the Listing Rules. The Audit Committee consists of three independent non-executive 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 not limited to, the following:

- proposing the appointment or change of external auditors;
- overseeing the internal audit system of the Company and its implementation;
- maintaining close communication between the internal auditors and external auditors;
- examining the financial information of the Company and its disclosure, and auditing the significant connected transactions as authorized by the Board;
- Monitoring integrity of the Company's financial statements, annual reports and accounts, interim reports, other periodic reports, agreed proceedings, audit reports (hereinafter referred to as the "Materials") and reviewing significant judgments on financial reporting set out in the Materials. Making judgments on the completeness, accuracy and truthfulness of the preparation and disclosure of the Company's financial reports;
- examining the rationality, efficiency and implementation of the internal control system of the Company and its subsidiaries and branch offices, and making recommendations to the Board;
- providing comments regarding the performance of internal auditors;
- overseeing the corporate governance of the Company, making recommendations to the Board, and reviewing the corporate governance report disclosed in our annual report; and
- dealing with other matters that are authorized by the Board.

As at the date of this annual report, the Audit Committee have performed their duties with due prudence in accordance with the requirments of Company Law, the Articles of Association, the Terms of Reference of the Audit Committee of the Board of Directors of the Company and the relevant laws, regulations. The Audit Committee convened two meetings, details of which were set out below:

Name of Meeting	Dates of Meetings	Contents of Meeting	Attendance at the Meeting
Audit Committee	26 August 2015	1. To review and discuss the report prepared by the auditor of the Company in respect of the interim results of the Group for the six months ended 30 June 2015; 2. To review and made recommendation to the Board about the draft of the reviewed consolidated financial statements for the six months ended 30 June 2015; 3. To review and made recommendation to the Board about the draft of the interim results announcement to be published on the website of the Stock Exchange and the Company prepared and prepared in accordance with consolidated financial statements for the six months ended 30 June 2015; 4. To review and made recommendation to the Board about the draft of the interim report to be published on the websites of the Stock Exchange and the Company for the six months ended 30 June 2015; 5. To review and made report to the Board about the internal audit work in the first half of 2015 and proposed working plan in the second half of 2015; 6. To review and made report to the Board about the work about risk management and internal control in the first half of 2015 and proposed working plan in the second half of 2015; 7. To review resolution on perfoming risk management function added by Audit Committee of the Board.	Mr. DING Yuan, Mr. LI Zhenning and Mr. ZHOU Qinye attended the meeting

Name of Meeting	Dates of Meetings	Contents of Meeting	Attendance at the Meeting
	21 March 2016	1. To review and discuss the report prepared by the auditor of the Group in respect of the annual results of the Group as of 31 December 2015; 2. To review and make recommendation to the Board about the audited financial statements, results announcement and annual report as of 31 December 2015; 3. To review and make recommendation to the Board about the audited financial statements for 2015, 2014 and 2013 of the Group for IPO application of A Shares; 4. To review and make recommendation to the Board about the profit distribution program of the Company for the year of 2015; 5. To consider and make recommendation to the Board about the resolution of re-appointment of Deloitte Touche Tohmatsu CPA, Ltd and Deloitte Touche Tohmatsu as the audit institutions of the Company for the year of 2016; 6. To review the expected connected transaction of the Company for the year of 2016; 7. To review the work plan of internal review center for the year of 2016; 8. To review the corporate governance report of the Company; 9. To review and make recommendation to the Board about the resolution of audited self-evaluation report of internal control as of 31 December 2015 of the Company.	Mr. DING Yuan, Mr. LI Zhenning and Mr. ZHOU Qinye attended the meeting

REMUNERATION AND EVALUATION COMMITTEE

The Company have established a Remuneration and Evaluation Committee with written terms of reference in compliance with Code Provision B.1 of the Corporate Governance Code in Appendix 14 to the Listing Rules.

The Remuneration and Evaluation Committee consists of three Directors, including one executive Director and two independent non-executive 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 of relevant positions in 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.;
- make recommendations to the Board on the remuneration packages of individual executive directors and senior management;
- examining the performance of Directors, Supervisors and members of the senior management of our Company, and conducting 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.

As at the date of this annual report, the Remuneration and Evaluation Committee have performed their duties with due prudence in accordance with the requirments of Company Law, the Articles of Association, the Terms of Reference of the Remuneration and Evaluation Committee of the Board of Directors of the Company and the relevant laws, regulations. The Audit Committee convened one site meetings, details of which were set out below:

Name of Meeting	Dates of Meetings	Contents of Meeting	Attendance at the Meeting
Remuneration and Evaluation Committee	8 January 2016	1. To review Supervisory Services Contract of the two newly appointed supervisors and one employee representative Supervisor	Mr. ZHOU Qinye, Mr. CHE Jianxing and Mr. XIE Jian attended the meeting
	21 March 2016	1. To review on the Performance of Duties and Annual Performance Assessment of Directors and Managers of the Company in 2015; 2. To review and propose to the Board in respect of the remuneration and incentives system of Directors, supervisors and senior management of the Company in 2016.	Mr. ZHOU Qinye, Mr. CHE Jianxing and Mr. XIE Jian attended the meeting

NOMINATION COMMITTEE

The Company has established a Nomination Committee with written terms of reference in compliance with Code Provision A.5 of the Corporate Governance Code in Appendix 14 to the Listing Rules. The Nomination Committee consists of three Directors, including one Executive Director and two independent non-executive 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 criteria and procedures for the election of our Board members, general managers and other members of the senior management, and making recommendations to our Board;
- conducting thorough investigation on Board suitable candidates for Directors, general managers and other members of the senior management, and making recommendation to our Board;
- 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.

As at the date of this annual report, the Nomination Committee have performed their duties with due prudence in accordance with the requirments of Company Law, the Articles of Association, the Terms of Reference of the Nomination Committee of the Board of Directors of the Company and the relevant laws, regulations. The Audit Committee convened two meetings, details of which were set out below:

Name of Meeting	Dates of Meetings	Contents of Meeting	Attendance at the Meeting
Nomination Committee	31 January 2016	1. To review the structure, number of persons, constituents and the diversity of members of Board of directors of the Company, various committees under the board of directors, general manager and other senior management persons in 2015; 2. To review the principle of director's nomination of the third session of the Boar, and continue to play a role in the strategy and governing of the Company.	Mr. LI Zhenning, Mr. CHE Jianxing and Mr. LEE Kwan Hung attended the meeting
	28 March 2016	1. In relation to the proposal of nominating additional independent non-executive directors to the second session of the Board of the Company	Mr. LI Zhenning, Mr. CHE Jianxing and Mr. LEE Kwan Hung attended the meeting

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, including three executive directors, one non-executive Director and one independent non-executive Director: namely Mr. CHE, Ms. ZHANG Qi, Mr. ZHANG Qiqi, Mr. JIANG Xiaozhong and Mr. LI Zhenning. Mr. CHE 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.

As at the date of this annual report, the Strategy and Investment Committee have performed their duties with due prudence in accordance with the requirments of Company Law, the Articles of Association, the Terms of Reference of the Strategy and Investment Committee of the Board of Directors of the Company and the relevant laws, regulations. The Audit Committee convened one meeting, details of which were set out below:

Name of Meeting	Dates of Meetings	Contents of Meeting	Attendance at the Meeting
Strategy and Investment Committee	21 March 2016	1. the development strategy of the Company 2. the development plan of A Share intended to issue by the Company during the current year (2016) and the future two years 3. assumption conditions to formulate and implement the development plan 4. majoy difficulties faced when implementing the development plan 5. the relationship between the operation development plan and the current operations 6. the use of A Share intended to be issued by the Company for achieving the target of the above operation development	Mr. CHE, Ms. ZHANG Qi, Mr. ZHANG Qiqi, Mr. JIANG Xiaozhong and Mr. LI Zhenning attended the meeting.

ATTENDANCE RECORD OF BOARD MEETING

Attendance record of all Directors to the general meeting, Board meetings and committee meetings as at the date of this annual report are as below:

Director's Name	Number of attending/ convening Board meetings	Number of attending/ convening the Audit Committee meetings	Number of attending/ convening the Remuneration and Evaluation Committee meetings	Number of attending/ convening the Nomination meetings	Number of attending/ convening the Strategy and Investment meetings	Number of attending/ convening the general meeting of shareholders
CHE Jianxing	25/25	–	2/2	2/2	1/1	7/7
ZHANG Qi	25/25	–	–	–	1/1	7/7
CHE Jianfang	25/25	–	–	–	–	7/7
JIANG Xiaozhong	25/25	–	–	–	1/1	7/7
CHEN Shuhong	25/25	–	–	–	–	7/7
XU Guofeng	25/25	–	–	–	–	7/7
Joseph Raymond GAGNON	25/25	–	–	–	–	7/7
ZHANG Qiqi	25/25	–	–	–	1/1	7/7
ZHOU Qinye	25/25	2/2	2/2	–	–	7/7
LI Zhenning	25/25	2/2	2/2	2/2	1/1	7/7
DING Yuan	25/25	2/2	–	–	1/1	7/7
LEE Kwan Hung (Note)	19/19	–	–	2/2	1/1	5/5

Note:

Mr. LEE Kwan Hung was appointed as independent non-executive Director with effect from 17 February 2015.

DIRECTORS' FINANCIAL STATEMENTS REPORTING RESPONSIBILITY

The Directors are fully aware of their responsibility of preparing the annual financial statements of the Company for the year ended 31 December 2015 so as to reflect situation of the Company and the Group as well as the results and cash flows of the Group in faith and justice.

The management has provided necessary explanation and information to the Board, thus the Board are able to evaluate the financial statements of the Company which are submitted for approval of the Board of Directors with full knowledge. The Company has also provided continuously updated information about performance, status and prospect of the Company to all members of the Board of Directors.

The Directors were not aware of any material uncertainties involved with the event or situation which may form important questions to the sustainable operation of the Group.

Statement of the Directors' reporting responsibilities of Consolidated Financial Statements of the Company made by auditors of the Company is recorded in Report of Independent Auditor on pages 101 to 102 of this annual report.

INTERNAL MONITOR AND RISK MANAGEMENT

The Board of Directors has established a relevant set of program to ensure an appropriate internal control system in the Company. The set of program includes the Audit Committee obtaining the work report submitted by the internal control and compliance department and internal audit department of the Company.

The Board of Directors is responsible for maintaining an appropriate internal control system in order to protect the shareholders' investment and the Company's assets, as well as studying effect of the system under support of the Audit Committee.

Purpose of designing the internal control system of the Group is to promote efficient and effective operation, ensure reliability of the financial report, comply with the applicable laws and regulations, and protect assets of the Group. The Company has conducted review of its internal controls systems and considers them effective and adequate.

The Group identified the risk management function of the Audit Committee in the Board meeting convened on 26 August 2015, and further planned to establish relevant policy and program for the risk management in 2016 so as to provide a framework for risk identification and management, and to initiate overall-process risk management activities covering risk recognition, evaluation, handling, monitoring and assessment.

AUDITORS' REMUNERATION

Statement of the Company's external auditor related to the reporting responsibilities of consolidated financial statements is recorded in of independent auditors report on pages 101 to 102 of this annual report.

Remuneration of the Company's external auditor Deloitte Touche Tohmatsu paid/payable for the year ended 31 December 2015 was RMB10.990 million. As of the end of the reporting period, the external auditor did not provide any non-audit service.

COMPANY SECRETARY

Mr. GUO Binghe, our company secretary, is responsible for raising corporate governance-related suggestions to the Board, and ensuring compliance with policies and procedures of the Board of Directors, laws, rules and regulations applicable.

In order to maintain high-standard corporate governance and ensure that the Company's acts comply, with the Listing Rules and applicable Hong Kong laws, we also appointed Ms. LEUNG Suet Lun a member of the listing services department of TMF Hong Kong Limited as an assistant company secretary, to work closely with and provide assistance to Mr. GUO in the discharge of his duties as a company secretary.

For the year ended 31 December 2015, Mr. GUO and Ms. LEUNG have already completed professional training of no less than 15 hours in accordance with Rule 3.29 of the Listing Rules, respectively.

COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS

The Company believes that effective communication with shareholders is very significant to the investor relations enhancement and investors' understanding of the Company's business, performance and strategies. We are also deeply convinced of the importance of disclosing information of the Company in time without preservation to the shareholders and investors knowledgeably.

Annual general meeting of shareholders of the Company provides the shareholders with opportunities to communicate with the Directors directly. Chairman of the Board of the Company and directors of the committees will attend the meeting if possible, to answer questions raised by the shareholders. External auditor of the Company will attend the meeting and answer the questions about auditing items, preparation and contents of auditor's report, accounting policy and independency of auditor.

The Company adopted a shareholder communication policy so as to promote the effectiveness of communication and establish a bridge between the Company and its shareholders. Further, a website (www.chinaredstar.com) and enquiry channels for the investors (e-mail: ir@chinaredstar.com) are also available. The Company will release the latest information about the business operation and development, corporate governance practices and other latest information to the public on the website.

SHAREHOLDERS' RIGHTS

In order to protect shareholders' interest and rights, the Company will submit the items for the review of the shareholders' general meeting in the form of independent resolution. The resolution submitted to the shareholders' general meeting will be voted pursuant to the Listing Rules, and the vote result will be published on the websites of the Stock Exchange and the Company in time after the meeting.

Extraordinary Shareholders' Meeting Convening and Proposal

Pursuant to the Articles of Association, where the Shareholders separately or jointly holding more than 10% of the Shares request the Board to convene an extraordinary Shareholders' meeting or classified Shareholders' meeting, the following procedures shall be followed:

(1) Shareholders who separately or jointly hold more than 10% of the Shares may request the Board to convene an extraordinary Shareholders' 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 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 of 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 relevant Directors as a result of negligence of duty.

A general Shareholders' meeting convened by Shareholders themselves shall be chaired by a person elected by the convener. If no chairman is recommended, the chairman can be elected from the Shareholders. If for any reason the Shareholders cannot elect a chairman, the meeting shall be chaired by the attending Shareholder (including proxy) representing most voting Shares at the meeting.

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 the general meeting to Shareholders within two days upon the receipt of the proposals.

Queries Made to Board of Directors

The Shareholders may send queries for attention of the Board of Director to ir@chinaredstar.com by e-mail.

Articles of Association

The restated Articles of Association were adopted on 26 June 2015 and has become effective since the Listing Date. Save as this, for the year ended 31 December 2015, there had been no alternations to the Article of Association.

Social Responsibility Report

RESPONSIBILITY TO OUR STAFF

The Group adheres to market-oriented principle to provide its employees with highly competitive compensation in the industry and strive to improve various compensation incentive systems, so as to provide its employees with maintainable and predictable growth of income. In addition, we have established a set of relatively sound welfare system. The Company also attached great importance to the health of employees, and conducted "Rooftop Farm" program by utilizing rooftop of the shopping malls to offer its employees with assured and pollution-free vegetables. We promote employee performance appraisal management system to stimulate those with outstanding performance. Meanwhile, in order to improve the competitiveness of and create better opportunities and room of further development for the employess, the Group has established "Management Academy" and "Lu Ban Academy" with professional training instructors, and initiated the "New Youth" and other talents introduction projects to achieve classified training to both senior employees and junior employees. Through the best practice of the Group, not only the rapidly developed business demand gets satisfied, the overall operation and service capacity also gets enhanced.

We won the award of "China Top 100 Best Employers in 2015" (2015中國年度最佳僱主100強) issued by Zhaopin.com.

RESPONSIBILITY TO OUR CLIENTS

The Group has successfully held the "race for green" campaign for the third consecutive time since the year of 2013. The Group has cooperated with China Quality Certification Centre to conduct step-by-step testing and comprehensive monitoring, starting from the quality inspection at sources of each brand factory and introduced leading "race for green" brands in home improvement and furnishings industry, so as to make consumers assured during the purchase and usage process. The "race for green" campaign have integrated the powers of home improvement and furnishings industry, quality certification industry and social communication, motivated the eco-friendly development of the industry and facilitated the establishment of general green standards of the industry. We have driven the "green revolution" in the whole home improvement and furnishings industry in China by shouldering the green living dreams of hundreds of millions of families and adhering to our mission of setting up a green benchmark of the industry.

RESPONSIBILITY TO OUR PARTNERS

We have cooperated with China Quality Certification Centre to introduce "inquiry platform of salable home products", the first tracing and anti-counterfeiting inquiry platform of home products in China, which was strongly recommended by Ministry of Commerce of the People's Republic of China ("Ministry of Commerce") and General Administration of Quality Supervision, Inspection and Quarantine of the People's Republic of China. Relying on over 160 malls of the Group across the country, main brands in home improvement and furnishings industry and various online resources, the platform strives to radically end counterfeiting, so as to safeguard the legitimate interests of manufacturers, distributors and clients and purify the market environment.

We have been encouraging originality and strongly supporting upstream manufacturers to carry out "original design", and committed to promoting the entire home improvement and furnishings industry from "Made in China" to "Authored in China".

RESPONSIBILITY TO THE INDUSTRY

We always put integrity operation in a priority place. We are well recognized in the industry for our commitment to green and environmental protection and integrity. A specialized program entitled "Integrity under the Roof: an Exclusive Interview of Red Star Macalline on the Eve of 15 March" was broadcasted on CCTV on the eve of 15 March 2015. The Xinhua News Agency also made a report on it. We are also the sole representative of good-faith enterprise in implementing "the core values of Chinese socialism" elected by the Ministry of Commerce.

During the Period under Review, we were also selected as one of the "Most Respected Enterprises in China" (中國最受尊敬企業) by the Economic Observer together with other famous domestic and international enterprises including Intel (China) Co., Ltd.. Furthermore, among all enterprises selected, we were the only enterprise operating in the home improvement and furnishings industry. Enterprises selected are all with characteristics of leading innovation, environmental protection and carbon emission reduction, social responsibilities, growth potential, continuous reform, international deployment and culture-promotion.

RESPONSIBILITY TO SOCIAL PUBLIC AND ENVIRONMENT

We are also committed to social and public welfare undertakings. During the Period under Review, we organized a series of public welfare activities including "Students Assistance and Dream Fulfilling" (愛心助學, 圓夢行動) and "Perfect Dream" (夢想100分) together with our partners and the public.

We advocate the philosophy of "energy efficiency and environmental protection". We make utilization of advanced technologies and modern energy-saving technologies when carrying our business operation, and continue to improve our administration system of energy conservation and implement an energy auditing system. We construct eco shopping malls by adapting various energy conservation measures according to different local conditions. As compared with the corresponding period in 2014, the total electricity consumption of our 38 main shopping malls decreased by approximately 4.5%.

We organized a series of ecological and public welfare activities such as "Green Homeland — Mother River Protection Action" (綠色愛家保護母親河行動) with the Communist Youth League of China, which contributed to the marketable operation of mother river protection action and the sound development of the society. In addition, the Company donated RMB1 million to facilitate the smoothly operation of the "First Youth Venture Competition on Environmental Protection and Public Welfare in Five Provinces" (首屆京津冀晋蒙青年環保公益創業大賽) and to reward the winners. In this contest, 100 excellent environmental protection and public welfare projects were selected from the youths from 5 provinces, which will be generalized after incubation thereafter.

Independent Auditor's Report

Deloitte.
德勤

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Hong Kong

TO THE MEMBERS OF RED STAR MACALLINE GROUP CORPORATION LTD.

(Incorporated in the People's Republic of China with limited liability)

We have audited the 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 103 to 220, which comprise the consolidated statement of financial position as at 31 December 2015, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion 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. We conducted our audit in accordance with the Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2015, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

21 March 2016

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2015

	NOTES	**2015** **RMB'000**	2014 RMB'000
Revenue	8	**8,756,120**	7,935,131
Cost of sales and services		**(2,241,981)**	(2,054,070)
Gross profit		**6,514,139**	5,881,061
Other income	9	**194,302**	169,717
Changes in fair value of investment properties		**2,381,694**	2,415,278
Other gains and losses	10	**(206,330)**	(187,197)
Selling and distribution expenses		**(1,196,889)**	(1,054,911)
Administrative expenses		**(882,418)**	(922,573)
Other expenses	11	**(120,834)**	(112,855)
Share of profit of associates		**62,954**	14,133
Share of profit of joint ventures		**50,024**	3,680
Finance costs	12	**(854,285)**	(856,162)
Profit before tax	14	**5,942,357**	5,350,171
Income tax expense	13	**(1,572,602)**	(1,428,167)
Profit and total comprehensive income for the year		**4,369,755**	3,922,004
Profit and total comprehensive income for the year attributable to:			
Owners of the Company		**4,098,068**	3,632,917
Non-controlling interests		**271,687**	289,087
		4,369,755	3,922,004
EARNINGS PER SHARE	18		
— Basic (RMB)		**1.22**	1.21
— Diluted (RMB)		**1.22**	N/A

Consolidated Statement of Financial Position

As at 31 December 2015

	NOTES	2015 RMB'000	2014 RMB'000
NON-CURRENT ASSETS			
Investment properties	19	**70,593,000**	62,966,000
Property, plant and equipment	20	**333,293**	362,452
Goodwill	21	**16,592**	—
Intangible assets	22	**539,267**	548,916
Interests in associates	23	**159,207**	216,387
Interests in joint ventures	24	**749,334**	699,310
Available-for-sale investments	25	**402,930**	192,310
Loan receivables	26	**112,580**	45,000
Deferred tax assets	27	**347,444**	323,226
Restricted bank deposits	31	**71,758**	49,472
Other non-current assets	28	**2,003,413**	1,389,340
		75,328,818	66,792,413
CURRENT ASSETS			
Inventories		**16,173**	38,495
Loan receivables	26	**160,100**	99,810
Other financial assets	29	**61,000**	—
Trade and other receivables	30	**1,627,561**	1,292,239
Tax recoverable		**41,834**	22,895
Restricted bank deposits	31	**—**	7,180
Bank balances and cash	32	**5,954,087**	3,664,860
		7,860,755	5,125,479
CURRENT LIABILITIES			
Trade and other payables	33	**5,766,274**	5,103,558
Rental and service fee received in advance		**1,776,581**	2,107,893
Tax liabilities		**285,375**	285,338
Bank and other borrowings	34	**2,297,382**	2,325,523
Bonds	35	**497,195**	597,681
		10,622,807	10,419,993
NET CURRENT LIABILITY		**(2,762,052)**	(5,294,514)
TOTAL ASSETS LESS CURRENT LIABILITIES		**72,566,766**	61,497,899

	NOTES	2015 RMB'000	2014 RMB'000
NON-CURRENT LIABILITIES			
Deferred tax liabilities	27	**10,667,539**	9,719,525
Bank and other borrowings	34	**7,027,170**	9,083,476
Bonds	35	**7,335,011**	2,861,317
Obligations under finance leases	36	**349,065**	351,758
Deferred income	37	**194,354**	198,498
Other non-current liabilities	38	**1,725,423**	1,870,232
		27,298,562	24,084,806
NET ASSETS		**45,268,204**	37,413,093
CAPITAL AND RESERVES			
Share capital	39	**3,623,917**	3,000,000
Share premium		**5,617,001**	234,616
Reserves		**31,903,641**	30,210,376
Equity attributable to owners of the Company		**41,144,559**	33,444,992
Non-controlling interests	40	**4,123,645**	3,968,101
TOTAL EQUITY		**45,268,204**	37,413,093

The consolidated financial statements on pages 103 to 220 were approved and authorized for issue by the Board of Directors on 21 March 2016 and are signed on its behalf by:

CHE Jianxing	**CHEN Shuhong**
DIRECTOR	*DIRECTOR*

Consolidated Statement of Changes in Equity

For the year ended 31 December 2015

	Share capital RMB'000	Share premium RMB'000	Statutory surplus reserve RMB'000 (note a)	Merge reserve RMB'000 (note b)	Share options reserve RMB'000	Other reserves RMB'000 (note c)	Retained earnings RMB'000	Attributable to owners of the Company RMB'000	Non-controlling interests RMB'000	Total RMB'000
At 1 January 2015	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 year	–	–	–	–	–	–	4,098,068	4,098,068	271,687	4,369,755
Appropriate to reserve	–	–	184,251	–	–	–	(184,251)	–	–	–
Dividends (note 17)	–	–	–	–	–	–	(2,490,000)	(2,490,000)	–	(2,490,000)
Dividends declared to a non-controlling shareholder of a subsidiary	–	–	–	–	–	–	–	–	(95,064)	(95,064)
Issue of H Shares (note 39)	543,588	5,029,741	–	–	–	–	–	5,573,329	–	5,573,329
Share issued (note 39)	80,329	352,644	–	–	–	–	–	432,973	–	432,973
Capital injection by non-controlling shareholders of subsidiaries	–	–	–	–	–	–	–	–	64,359	64,359
Acquisition of subsidiaries (note 42)	–	–	–	–	–	–	–	–	434,796	434,796
Acquisition of additional interests in subsidiaries	–	–	–	–	–	85,197	–	85,197	(353,367)	(268,170)
Disposal of subsidiaries (note 43)	–	–	–	–	–	–	–	–	(19,701)	(19,701)
Deemed distribution from non-controlling shareholders of subsidiaries (note d)	–	–	–	–	–	–	–	–	(147,166)	(147,166)
At 31 December 2015	3,623,917	5,617,001	1,030,718	(182,045)	169,331	89,338	30,796,299	41,144,559	4,123,645	45,268,204

	Share capital RMB'000	Share premium RMB'000	Statutory surplus reserve RMB'000 (note a)	Merge reserve RMB'000 (note b)	Share options reserve RMB'000	Other reserves RMB'000 (note c)	Retained earnings RMB'000	Attributable to owners of the Company RMB'000	Non-controlling interests RMB'000	Total RMB'000
At 1 January 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	–	–	–	–	–	–	–	–	(90,468)	(90,468)
Deemed distribution to the ultimate holding company	–	–	–	(104,637)	–	–	–	(104,637)	–	(104,637)
Other	–	–	–	–	–	–	–	–	(19,110)	(19,110)
At 31 December 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 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) The amount mainly represents the impact of repurchase of the transferred shopping mall held by 瀋陽晶森宏普房產開發有限公司 Shenyang Jingsen Hongpu Property Development Company Limited ("Shenyang Jingsen"). In June 2015, the Group completed the repurchase of this transferred shopping mall and the change of the net assets of the transferred shopping mall attributable to non-controlling interests arising from the repurchase (which mainly represented payables due to related parties) was recognized as deemed distribution to non-controlling shareholders of subsidiaries.

Consolidated Statement of Cash Flows

For the year ended 31 December 2015

	2015 RMB'000	2014 RMB'000
OPERATING ACTIVITIES		
Profit before tax	**5,942,357**	5,350,171
Adjustments for:		
Finance costs	**854,285**	856,162
Interest income	**(100,836)**	(58,437)
Dividend income from unlisted equity investments	**(5,965)**	—
Share of profit of associates	**(62,954)**	(14,133)
Share of profit of joint ventures	**(50,024)**	(3,680)
Depreciation of property, plant and equipment	**102,019**	102,260
Amortization of intangible assets	**25,811**	14,562
Allowance provided for doubtful debts	**198,599**	65,426
Changes in fair value of investment properties	**(2,381,694)**	(2,415,278)
Loss on disposal of property, plant and equipment	**441**	57,588
Loss on disposal of intangible assets	**2,575**	—
(Gain) loss on disposal of a subsidiary	**(1,930)**	66,855
Gain on disposal of an associate	**(3,969)**	—
Gain from business combination achieved in stages	**(2,236)**	—
Gain from bargain purchases in business combinations	**(1,845)**	—
Operating cash flows before movements in working capital	**4,514,634**	4,021,496
Decrease (increase) in inventories	**21,347**	(12,206)
Increase in trade and other receivables	**(483,495)**	(408,540)
(Increase) decrease in other non-current assets	**(5,195)**	1,472
Decrease in rental and service fee received in advance	**(331,312)**	(105,396)
Increase in trade and other payables, and other non-current liabilities	**338,335**	405,174
Cash generated from operations	**4,054,314**	3,902,000
Income tax paid	**(744,981)**	(654,708)
NET CASH FROM OPERATING ACTIVITIES	**3,309,333**	3,247,292

	2015 RMB'000	2014 RMB'000
INVESTING ACTIVITIES		
Interest received	**100,836**	58,437
Assets-related government grants received	**—**	66,147
Dividends received from an associate	**37,000**	27,000
Dividends received from unlisted equity investments	**5,965**	—
Payments for investment properties	**(2,926,311)**	(2,025,238)
Payments for property, plant and equipment	**(76,942)**	(87,902)
Payments for intangible assets	**(19,531)**	(534,839)
Proceeds on disposal of property, plant and equipment	**3,728**	6,308
Proceeds on disposal of intangible assets	**794**	—
Placement of loan receivables	**(242,870)**	(29,810)
Proceeds on withdrawal of loan receivables	**115,000**	—
Net cash outflow on acquisitions of subsidiaries (note 42)	**(433,494)**	(113)
Prepayment for acquisition of a subsidiary (note 42)	**—**	(62,191)
Prepayment for repurchase interests in a transferred shopping mall	**(247,705)**	—
Payments for establishment of an associate	**—**	(125,000)
Payments for available-for-sale investments	**(74,730)**	—
Payments for debt investment	**(61,000)**	—
Proceeds (net cash outflow) on disposal of subsidiaries (note 43)	**4,112**	(4,298)
Proceeds on disposal of available-for-sale investments	**—**	13,500
Placement of bank deposits with original maturity over three months	**(105,623)**	(52,304)
Withdrawal of bank deposits with original maturity over three months	**72,456**	4,216
Payment of restricted bank deposits	**(64,578)**	(19,479)
Withdrawal of restricted bank deposits	**49,472**	27,995
Proceeds on transfer of amounts due from former subsidiaries	**—**	201,000
Advance to related parties and third parties	**(208,242)**	(210,803)
Repayment from related parties and third parties	**158,678**	183,278
NET CASH USED IN INVESTING ACTIVITIES	**(3,912,985)**	(2,564,096)

Consolidated Statement of Cash Flows

For the year ended 31 December 2015

	2015 RMB'000	2014 RMB'000
FINANCING ACTIVITIES		
Issue of H Shares	**5,782,298**	—
Listing expenses paid	**(208,969)**	—
Share issued	**432,973**	—
Proceeds from new borrowings raised	**4,579,180**	2,717,208
Proceeds from new bonds raised	**4,960,000**	1,000,000
Payment of issuance costs of bonds	**(1,330)**	(12,300)
Repayment of borrowings	**(7,110,627)**	(2,546,522)
Redemption of bonds	**(600,000)**	—
Capital injection by non-controlling shareholders of subsidiaries	**64,359**	5,750
Payment for acquisition of additional interests in subsidiaries	**(254,720)**	(11,880)
Interest paid	**(1,221,869)**	(1,045,646)
Dividends paid	**(2,490,000)**	(720,000)
Deemed distribution to ultimate shareholder	**—**	(104,637)
Dividends paid to a non-controlling shareholder of a subsidiary	**(69,814)**	(48,355)
Advance from related parties and third parties	**26,979**	29,594
Repayment to related parties and third parties	**(377,939)**	(165,623)
Deposits arising from counter guarantee agreements received from related parties (note 48)	**—**	127,592
Deposits arising from counter guarantee agreements repaid to related parties (note 48)	**(650,809)**	(120,898)
NET CASH FROM (USED IN) FINANCING ACTIVITIES	**2,859,712**	(895,717)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**2,256,060**	(212,521)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	**3,592,404**	3,804,925
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, represented by bank balances and cash (note 32)	**5,848,464**	3,592,404

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

1. GENERAL INFORMATION

The Company was incorporated in the People's Republic of China (the "PRC") on 6 January 2011 as a sino-foreign joint stock limited company under the PRC laws upon the conversion of 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 Company was listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 26 June 2016.

The respective addresses of the registered office and the principal place of business of the Company are disclosed in the corporate information section of the annual report. The principal activities of the Company and its subsidiaries (collectively the "Group") are operating and managing home furnishing shopping malls.

The consolidated financial statements are presented in Renminbi ("RMB"), which is also the functional currency of the Company and its subsidiaries. Details of the Company's subsidiaries are set out in note 50.

2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

The Group's current liabilities exceed its current assets at the end of current year. Taking into account the available facilities from bank and non-bank financial institutions, the available approved limits for placement of bonds 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 consolidated financial statements have been prepared on a going concern basis.

3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

The Group has applied the following amendments to IFRSs issued by the International Accounting Standards Board ("IASB") for the first time in the current year:

Amendments to IAS 19	Defined Benefit Plan: Employee Contributions
Amendments to IFRSs	Annual Improvements to IFRSs 2010–2012 Cycle
Amendments to IFRSs	Annual Improvements to IFRSs 2011–2013 Cycle

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

New and revised IFRSs in issue but not yet effective

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

IFRS 9	Financial Instruments[1]
IFRS 15	Revenue from Contracts with Customers[1]
IFRS 16	Leases[2]
Amendments to IFRS 11	Accounting for Acquisitions of Interests in Joint Operations[3]
Amendments to IAS1	Disclosure Initiative[3]
Amendments to IAS 16 and IAS 38	Clarification of Acceptable Methods of Depreciation and Amortization[3]
Amendments to IFRSs	Annual Improvements to IFRSs 2012–2014 Cycle[3]
Amendments to IAS 16 and IAS 41	Agriculture: Bearer Plants[3]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Amendments to IFRS 10, IFRS 12 and IAS 28	Investment Entities: Applying the Consolidation Exception[3]
Amendments to IAS 7	Disclosure Initiative[5]
Amendments to IAS 12	Recognition of Deferred Tax Assets for Unrealized Losses[5]

1 Effective for annual periods beginning on or after 1 January 2018
2 Effective for annual periods beginning on or after 1 January 2019
3 Effective for annual periods beginning on or after 1 January 2016.
4 Effective for annual periods beginning on or after a date to be determined
5 Effective for annual periods beginning on or after 1 January 2017

3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") (continued)

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 the 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 of the Company 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.

3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") (continued)

IFRS 15 *Revenue from Contracts with Customers*

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 revenue 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 of the Company anticipate that the application of IFRS 15 in the future may have an impact on the amounts reported and disclosures made in the Group's consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the effect of IFRS 15 until the Group performs a detailed review.

3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") (continued)

IFRS 16 Leases

IFRS 16, which upon the effective date will supersede IAS 17 *Leases*, introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Specifically, under IFRS 16, a lessee is required to recognize a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accordingly, a lessee should recognize depreciation of the right-of-use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows. Also, the right-of-use asset and the lease liability are initially measured on a present value basis. The measurement includes non-cancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease. This accounting treatment is significantly different from the lessee accounting for leases that are classified as operating leases under the predecessor standard, IAS 17.

In respect of the lessor accounting, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

The directors of the Company will assess the impact of the application of IFRS 16. For the moment, it is not practicable to provide a reasonable estimate of the effect of the application of IFRS 16 until the Group performs a detailed review.

Except as described above, the directors of the Company anticipate that the application of amendments to IFRSs will have no material effect on the Group's consolidated financial statements.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with IFRSs issued by the IASB. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules") and by the Hong Kong Companies Ordinance ("CO").

The provisions of the new CO (Cap 622) regarding preparation of accounts and directors' reports and audits became effective for the Company for the financial year ended 31 December 2015. Further, the disclosure requirements set out in the Listing Rules regarding annual accounts have been amended with reference to the new CO and to streamline with IFRSs. Accordingly the presentation and disclosure of information in the consolidated financial statements for the financial year ended 31 December 2015 have been changed to comply with these new requirements. Comparative information in respect of the financial year ended 31 December 2014 are presented or disclosed in the consolidated financial statements based on the new requirements. Information previously required to disclosure under the predecessor CO or Listing Rules but not under the new CO or amended Listing Rules are not disclosure in these consolidated financial statements.

The consolidated financial statements have been prepared on the historical cost basis except for investment properties and certain financial instruments that are measured at fair values at the end of the reporting period, 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.

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 consolidated financial statements 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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 consolidated financial statements incorporate 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 the year are included in the consolidated statement 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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of consolidation (continued)

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 results in the non-controlling interests having 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 assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interest in existing subsidiaries that do not result in the Group losing control over the subsidiary 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 subsidiary. 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, a gain or loss is recognized in profit or loss and 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. All amounts previously recognized in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (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, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Merger accounting for business combination involving entities under common control

The consolidated financial statements incorporate 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 statement 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 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 at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognized and measured in accordance with IAS 12 *Income Taxes* and IAS 19 *Employee Benefits* respectively;

- liabilities or equity instruments related to share-based payment arrangements of the acquire or share-based payment arrangements of the Group entered into to replace the share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 *Share-based Payment* at the acquisition date; and

- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that Standard.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations other than common control combination (continued)

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 are initially measured at the non-controlling interests' proportionate share of the recognized amounts of the acquiree's identifiable net assets. 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 its 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 interests were disposed of.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see the accounting policy above) less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently whenever there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognized directly in profit or loss in the consolidated statement of comprehensive income. An impairment loss recognized for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal.

The Group's policy for goodwill arising on the acquisition of an associate is described below.

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 and no goodwill will be recognized in respect of these transactions.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 consolidated financial statements 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 statement 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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments in associates and joint ventures (continued)

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 consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods or 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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

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.

Construction contracts

When the outcome of a construction contract can be estimated reliably, revenue and costs are recognized by reference to the stage of completion of the contract activity at the end of the reporting period, measured based on the proportion of contract costs incurred for work performed to date relative to the estimated total contract costs, except where this would not be representative of the stage of completion. Variations in contract work, claims and incentive payments are included to the extent that the amount can be measured reliably and its receipt is considered probable.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognized to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognized as expenses in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognized as an expense immediately.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Construction contracts (continued)

When contract costs incurred to date plus recognized profits less recognized losses exceed progress billings, the surplus is shown as amounts due from customers for contract work. For contracts where progress billings exceed contract costs incurred to date plus recognized profits less recognized losses, the surplus is shown as the amounts due to customers for contract work. Amounts received before the related work is performed are included in the consolidated statement of financial position, as a liability, as advances received. Amounts billed for work performed but not yet paid by the customer are included in the consolidated statement of financial position under trade and other receivables.

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 statement 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 capitalised 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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leasing (continued)

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.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (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 exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. 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.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group using exchange rates prevailing at the end of the reporting period. Income and expenses items are translated at the average exchange rates for the period. Exchange differences arising, if any, are recognized in other comprehensive income and accumulated in equity under the heading of translation reserve (attributed to non-controlling interests as appropriate).

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 statement of financial position and transferred to profit or loss 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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Short-term employee benefits

A liability is recognized for benefits accruing to employees in respect of wages and salaries in the period the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service.

Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

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 the 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.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement 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 the reporting period.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation (continued)

Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements 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 interests in joint arrangements, 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 and interests 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 the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax is recognized in profit or loss, except when it relates 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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 properties under construction 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 capitalised 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 items of property, plant and equipment other than properties under construction 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 the 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).

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 capitalised 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 acquired separately and with finite useful lives are carried at costs less accumulated amortization and any accumulated impairment losses. Amortization for intangible assets with finite useful lives is provided on a straight-line basis over their estimated useful lives. The estimated useful life and amortization method are reviewed at the end of the 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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of tangible and intangible assets other than goodwill

At the end of the 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 the cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss.

When 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 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. Cost is calculated using the standard cost method. Net realizable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 the 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).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Financial instruments

Financial assets and financial liabilities are recognized 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 and 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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

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 the reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimated future cash flows of the financial assets have been affected.

For an AFS equity investment, a significant or prolonged decline in the fair value of that investment below its cost is considered to be objective evidence of impairment.

For all 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 re-organization.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial liabilities and equity instruments (continued)

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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial liabilities and equity instruments (continued)

Derecognition (continued)

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 JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the process of applying the Group's accounting policies, which are described in note 4, the directors of the Company 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 judgements in applying the entity's accounting policies

The following are the critical judgements, apart from those involving estimations (see below), that the directors of the Company have made in the process of applying the entity's accounting policies and that have the most significant effect on the amounts recognized in financial statements.

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 of the Company were required to consider when it is appropriate to recognize the revenue from initiation and entrance fees.

In making their judgment, the directors of the Company 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 of the Company 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 RMB70,593,000,000 as at 31 December 2015 (2014: RMB62,966,000,000), the directors of the Company 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 of the Company 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.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

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 the 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 the reporting period.

Investment properties

Investment properties of RMB70,593,000,000 as at 31 December 2015 (2014: RMB62,966,000,000) 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 of the Company 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.

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 31 December 2015 was RMB333,293,000 (2014: RMB362,452,000).

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Key sources of estimation uncertainty (continued)

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 the 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 year.

The carrying amount of intangible assets of the Group is RMB539,267,000 as at 31 December 2015 (2014: RMB548,916,000).

Trade and other receivables

The Group 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 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 RMB1,627,561,000, which is after allowance for bad and doubtful debts as at 31 December 2015 (2014: RMB1,292,239,000).

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.

The capital structure of the Group consists of debts, which mainly includes borrowings disclosed in note 34 and bonds disclosed in note 35, and equity attributable to owners of the Company, comprising share capital, share premium and other reserves.

The directors of the Company review the capital structure on an annual basis. As part of this review, the management considers the cost of capital and the risks associated with each class of capital. Based on recommendations of the management, the Group will balance its overall structure through the payment of dividends, new share issues as well as the issue of new debt or the redemption of existing debts.

7. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2015 RMB'000	2014 RMB'000
Financial assets:		
Loan and receivables (including bank balances and cash)	**8,462,694**	5,377,262
Available-for-sale investments	**402,930**	192,310
Total	**8,865,624**	5,569,572
Financial liabilities:		
Amortized costs	**23,545,690**	20,921,665

(b) Financial risk management objectives and policies

The Group's major financial assets and liabilities 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.

7. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

Market risk

The Group's activities expose primarily to the market risks of changes in interest rates. There has been no change in the Group's exposure to these risks or the manner in which it manages and measures the risks.

(i) Currency risk

The Group collects all of its revenue in RMB and incurs almost all of its expenditures in RMB. A small portion of bank balances and cash of the Group are denominated in Hong Kong dollars ("HKD") and the Group will pay all dividends in respect of H shares in HKD. The Group currently does not have a foreign currency hedging policy as the directors of the Company consider that the foreign exchange risk exposure of the Group is minimal. However, the Group monitors currency risk exposure by periodically reviewing foreign currency exchange rates and will consider hedging significant foreign currency exposure should the need arise.

No sensitivity analysis has been presented as the directors of the Company consider that the foreign exchange risk exposure of the Group is minimal.

(ii) Interest risk

The Group is 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 fair value interest rate risk relates primarily to its fixed rate bank and other borrowings as well as bonds. The Group currently does not use any derivative contracts to hedge its exposure to interest rate risk. However, the Group monitors fair value interest rate risk exposure by closely monitoring the fair value interest rate risk profile and will consider hedging significant interest rate exposure should the need arise.

The Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk management section of this note.

7. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

Market risk (continued)

(ii) Interest risk (continued)

Sensitivity analysis

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 the 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 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 post-tax profit for the year (net of interest capitalization effect) would have decreased by:

	2015 **RMB'000**	2014 RMB'000
Decrease in post-tax profit for the year	**33,919**	35,145

The post-tax profit for the year (net of interest capitalization effect) 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.

7. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

Market risk (continued)

(ii) Interest risk (continued)

Sensitivity analysis (continued)

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 post-tax profit for the year would have increased by:

	2015 RMB'000	2014 RMB'000
Increase in post-tax profit for the year	**8,757**	6,868

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.

Credit risk

The Group's maximum exposure to credit risk which will cause a financial loss to the Group 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 statement of financial position at the end of the reporting period; and

(b) The amounts of contingent liabilities in relation to financial guarantee issued by the Group as disclosed in note 47.

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 review the recoverable amount of each individual trade debt and debt investment at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk are significantly reduced.

7. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

Credit risk (continued)

The Group doesn'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 has concentration of credit risk on the Group'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 has 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.

Liquidity risk

The directors of the Company 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.

In addition, the following table details the Group'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.

7. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

Liquidity risk (continued)

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 year.

	Weighted effective average interest rate %	On demand or less than 1 year RMB'000	1 year to 2 years RMB'000	2 years to 5 years RMB'000	Over 5 years RMB'000	Total undiscounted cash flows RMB'000	Carrying amount RMB'000
As at 31 December 2015							
Trade and other payables		5,011,265	–	–	–	5,011,265	5,011,265
Other non-current liabilities		–	1,028,602	–	–	1,028,602	1,028,602
Bank and other borrowings							
– fixed rate	7.79	506,141	74,673	225,705	229,010	1,035,529	839,733
Bank and other borrowings							
– variable rate	6.28	2,539,456	2,563,016	3,773,346	1,456,843	10,332,661	8,484,819
Bonds	5.51	934,990	2,334,990	5,800,000	–	9,069,980	7,832,206
Obligation under financial leases	6.55	26,315	26,315	78,944	728,043	859,617	349,065
Financial guarantee contracts		278,000	–	–	–	278,000	–
		9,296,167	6,027,596	9,877,995	2,413,896	27,615,654	23,545,690
As at 31 December 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	227,691	2,122,733	1,703,470
Bank and other borrowings							
– variable rate	7.27	1,808,882	1,675,734	4,052,085	4,519,756	12,056,457	9,705,529
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

7. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

Liquidity risk (continued)

The amounts included above for financial guarantee contracts are the maximum amounts the Group could be forced to settle under the arrangement for the utilized amount if that amount is claimed by the counterparty to the guarantee. Based on expectations at the end of the reporting period, the directors of the Company 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.

(c) Fair value measurements

Except as detailed in the following table, the directors of the Company 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 the reporting period.

	31 December 2015	
	Carrying amount RMB'000	Fair value RMB'000
Bonds — unguaranteed medium term note:	**1,882,435**	**1,985,116**

	Fair value hierarchy at 31 December 2015	
	Level 2 RMB'000	Total RMB'000
Bonds — unguaranteed medium term note:	**1,985,116**	**1,985,116**

8. REVENUE

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 4. Segment profit represents the profit earned by each segment without allocation of other income, changes in fair value of investment properties, other gains and losses, other expense, 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.

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.

8. REVENUE (continued)

The following is an analysis of the Group's revenue and results by reportable and operating segment.

	Owned/ leased portfolio shopping malls RMB'000	Managed shopping malls RMB'000	Sales of merchandise and related services RMB'000	Other RMB'000	Total RMB'000
Year ended 31 December 2015					
Revenue from external customers	**5,259,961**	**3,141,708**	**115,838**	**238,613**	**8,756,120**
Inter-segment revenue	**—**	**—**	**—**	**—**	**—**
Segment revenue	**5,259,961**	**3,141,708**	**115,838**	**238,613**	**8,756,120**
Segment profit	**2,712,363**	**1,779,606**	**(101,944)**	**80,121**	**4,470,146**
Year ended 31 December 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	1,610,650	(148,475)	81,092	3,929,307

8. REVENUE (continued)

Reconciliations of segment revenues and results

	2015 RMB'000	2014 RMB'000
Revenue		
Segment revenue and consolidated revenue	**8,756,120**	7,935,131
Profit		
Segment profit	**4,470,146**	3,929,307
Other income	**194,302**	169,717
Changes in fair value of investment properties	**2,381,694**	2,415,278
Other gains and losses	**(206,330)**	(187,197)
Central administrative expense	**(35,314)**	(25,730)
Other expenses	**(120,834)**	(112,855)
Share of profits of associates	**62,954**	14,133
Share of profits of joint ventures	**50,024**	3,680
Finance costs	**(854,285)**	(856,162)
Consolidated profit before tax	**5,942,357**	5,350,171

8. REVENUE (continued)

Revenue from major products and services

The following is an analysis of the Group's revenue from external customers:

	2015 RMB'000	2014 RMB'000
Revenue from own/leased portfolio shopping malls	**5,259,961**	4,883,838
Revenue from managed shopping malls:		
— Initiation and entrance fees	**1,409,903**	1,014,121
— Annual management fees	**1,268,071**	1,092,892
— Construction consultation and management fees	**463,734**	679,341
	3,141,708	2,786,354
Revenue from sales of merchandise and related services:		
— Sales of merchandise	**58,292**	96,735
— Provision of related services	**57,546**	44,161
	115,838	140,896
Others	**238,613**	124,043
	8,756,120	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 year.

9. OTHER INCOME

	2015 RMB'000	2014 RMB'000
Interest income on:		
— bank deposits	**79,492**	30,310
— other loans and receivables	**21,344**	28,127
Total interest income	**100,836**	58,437
Government grants (note)	**67,599**	87,234
Dividends from unlisted equity investments	**5,965**	—
Compensation received and receivable	**19,902**	24,046
	194,302	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

	2015 RMB'000	2014 RMB'000
Allowance on doubtful receivables, net	**(198,599)**	(65,426)
Loss on disposal of property, plant and equipment	**(441)**	(57,588)
Loss on disposal of intangible assets	**(2,575)**	—
Gain (loss) on disposal of subsidiaries, net (note 43)	**1,930**	(66,855)
Gain on disposal of an associate	**3,969**	—
Gain from business combination achieved in stages	**2,236**	—
Gain from bargain purchases in business combinations (note 42)	**1,845**	—
Net foreign exchange losses	**(953)**	—
Others	**(13,742)**	2,672
	(206,330)	(187,197)

11. OTHER EXPENSES

	2015 RMB'000	2014 RMB'000
Donations	**2,337**	244
Compensation paid and payable (note)	**73,087**	103,091
Listing expense	**45,410**	9,520
	120,834	112,855

Note: The amounts mainly represented the compensation made to the property owners and the tenants arising from the closure of leased shopping malls, and the compensation made by the Group as it was accused in legal actions involving the alleged default of the Group in accordance with the terms of contract.

12. FINANCE COSTS

	2015 RMB'000	2014 RMB'000
Interest on bank and other borrowings	**950,851**	856,927
Interest on finance leases	**23,324**	23,513
Interest on bonds	**276,549**	180,968
Total borrowing costs	**1,250,724**	1,061,408
Less: amount capitalised in the cost of qualifying assets (note)	**(396,439)**	(205,246)
	854,285	856,162

Note: The weighted average capitalization rate on funds borrowed generally for the year ended 31 December 2015 and 2014 is 6.5% per annum and 7.0% per annum, respectively.

13. INCOME TAX EXPENSE

	2015 RMB'000	2014 RMB'000
Income tax expenses comprise:		
Current tax:		
PRC enterprise income tax	**737,550**	729,460
(Over) under provision in prior years	**(11,471)**	9,901
	726,079	739,361
Deferred tax — current year (note 27)	**846,523**	688,806
Income tax expenses	**1,572,602**	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 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.

13. INCOME TAX EXPENSE (continued)

The tax charge for the year can be reconciled to the profit before tax per consolidated statement of profit or loss and other comprehensive income as follows:

	2015 RMB'000	2014 RMB'000
Profit before tax	**5,942,357**	5,350,171
Tax at the PRC enterprise income tax rate of 25%	**1,485,589**	1,337,543
Tax effect of share of profit of associates	**(15,739)**	(3,533)
Tax effect of share of results of joint ventures	**(12,506)**	(920)
Tax effect of dividends from unlisted equity investments	**(1,491)**	—
Tax effect of expenses that are not deductible for tax purpose (note 1)	**39,181**	17,108
Tax effect of debt restructure within the Group (note 2)	**(51,268)**	(55,451)
Tax effect of disposal of subsidiaries	**—**	14,124
Effect of tax losses not recognized and deductible temporary differences not recognized	**160,346**	127,033
Utilization of tax losses not previously recognized	**(6,862)**	(2,504)
Effect of preferential tax rate of subsidiaries	**(13,177)**	(15,134)
(Over) under provision in prior year	**(11,471)**	9,901
	1,572,602	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 2015, 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.

14. PROFIT FOR THE YEAR

Profit for the year has been arrived at after charging (crediting):

	2015 RMB'000	2014 RMB'000
Staff costs (including directors):		
— Salary and other benefits	**1,561,246**	1,542,879
— Retirement benefits scheme contributions	**169,065**	120,772
Total staff costs	**1,730,311**	1,663,651
Rental income and related management fee from investment properties	**5,259,961**	4,662,801
Less: direct operating expenses	**(1,224,836)**	(1,075,287)
	4,035,125	3,587,514
Operating lease rentals	**577,570**	541,178
Auditors' remuneration	**10,990**	15,241
Cost of inventories recognized as an expense	**90,003**	89,054
Depreciation for property, plant and equipment	**102,019**	102,260
Amortization of intangible assets	**25,811**	14,562
Allowance for doubtful receivables, net	**198,599**	65,426

15. DIRECTORS', CHIEF EXECUTIVE'S AND SUPERVISORS' EMOLUMENTS

Details of the emoluments paid or payable to directors, supervisors and chief executive are as follows:

	Fees RMB'000	Salaries and other benefits RMB'000	Retirement benefit scheme contributions RMB'000	Performance related incentive payments RMB'000	Total RMB'000
For the year ended 31 December 2015					
Executive directors					
Mr. Che Jianxing	—	6,658	40	—	6,698
Ms. Zhang Qi	—	6,040	40	—	6,080
Ms. Che Jianfang	—	2,408	40	—	2,448
Mr. Jiang Xiaozhong	—	1,858	40	—	1,898
	—	16,964	160	—	17,124

The executive directors' remuneration shown above were mainly for their services in connection with the management of the affairs of the Company and the Group.

	Fees RMB'000	Salaries and other benefits RMB'000	Retirement benefit scheme contributions RMB'000	Performance related incentive payments RMB'000	Total RMB'000
Non-executive directors					
Ms. Chen Shuhong	—	1,258	40	—	1,298
Mr. Xu Guofeng	—	2,458	40	—	2,498
Mr. Joseph Raymond Gagnon (note)	—	—	—	—	—
Mr. Zhang Qiqi (note)	—	—	—	—	—
	—	3,716	80	—	3,796

15. DIRECTORS', CHIEF EXECUTIVE'S AND SUPERVISORS' EMOLUMENTS (continued)

The non-executive directors' remuneration shown above were mainly for their services in connection with the management of the affairs of the Company and the Group.

	Fees RMB'000	Salaries and other benefits RMB'000	Retirement benefit scheme contributions RMB'000	Performance related incentive payments RMB'000	Total RMB'000
Independent non-executive directors					
Mr. Xia Bing (resigned in February 2015)	100	—	—	—	100
Mr. Li Zhen-ning	600	—	—	—	600
Mr. Ding Yuan	800	—	—	—	800
Mr. Zhou Qinye	600	—	—	—	600
Mr. Lee Kwan Hung (appointed in February 2015)	550	—	—	—	550
	2,650	—	—	—	2,650

The independent non-executive directors' remuneration shown above were mainly for their services as directors of the Company.

	Fees RMB'000	Salaries and other benefits RMB'000	Retirement benefit scheme contributions RMB'000	Performance related incentive payments RMB'000	Total RMB'000
Supervisors					
Mr. Pan Ning	—	1,258	40	—	1,298
Ms. Ng, Ellen Hoi-ying (note)	—	—	—	—	—
Ms. Chao Yanping	—	751	40	—	791
	—	2,009	80	—	2,089
Total	2,650	22,689	320	—	25,659

15. DIRECTORS', CHIEF EXECUTIVE'S AND SUPERVISORS' EMOLUMENTS (continued)

The supervisors' remuneration shown above were mainly for their services in connection with the management of the affairs of the Company and the Group.

	Fees RMB'000	Salaries and other benefits RMB'000	Retirement benefit scheme contributions RMB'000	Performance related incentive payments RMB'000	Total RMB'000
For the year ended 31 December 2014					
Executive directors					
Mr. Che Jianxing	—	6,655	37	1,650	8,342
Ms. Zhang Qi	—	6,037	37	1,500	7,574
Ms. Che Jianfang	—	1,855	37	960	2,852
Mr. Jiang Xiaozhong	—	1,855	37	3,074	4,966
	—	16,402	148	7,184	23,734

The executive directors' remuneration shown above were mainly for their services in connection with the management of the affairs of the Company and the Group.

	Fees RMB'000	Salaries and other benefits RMB'000	Retirement benefit scheme contributions RMB'000	Performance related incentive payments RMB'000	Total RMB'000
Non-executive directors					
Ms. Chen Shuhong	—	1,255	37	400	1,692
Mr. Xu Guofeng	—	2,046	31	2,938	5,015
Mr. Joseph Raymond Gagnon (note)	—	—	—	—	—
Mr. Zhang Qiqi (note)	—	—	—	—	—
	—	3,301	68	3,338	6,707

15. DIRECTORS', CHIEF EXECUTIVE'S AND SUPERVISORS' EMOLUMENTS (continued)

The non-executive directors' remuneration shown above were mainly for their services in connection with the management of the affairs of the Company and the Group.

	Fees RMB'000	Salaries and other benefits RMB'000	Retirement benefit scheme contributions RMB'000	Performance related incentive payments RMB'000	Total RMB'000
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

The independent non-executive directors' remuneration shown above were mainly for their services as directors of the Company.

	Fees RMB'000	Salaries and other benefits RMB'000	Retirement benefit scheme contributions RMB'000	Performance related incentive payments RMB'000	Total RMB'000
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

15. DIRECTORS', CHIEF EXECUTIVE'S AND SUPERVISORS' EMOLUMENTS (continued)

The supervisors' remuneration shown above were mainly for their services in connection with the management of the affairs of the Company and the Group.

Note: These directors and supervisor' emoluments were borne by one shareholder of the Company.

Mr. Che Jianxing is also the chief executive of the Company and his emolument for the role as chief executive is 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 year, 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 year.

16. EMPLOYEES' EMOLUMENTS

All of the five individuals with the highest emoluments in the Group were directors or supervisors of the Company for the year ended 31 December 2015, whose emoluments are included in the disclosures above.

Of the five individuals with the highest emoluments in the Group, four were directors or supervisors of the Company for the year ended 31 December 2014, whose emoluments are included in the disclosures above. The emoluments of the remaining one for the year ended 31 December 2014 were as follows:

	2014 RMB'000
Salaries and other benefits	1,818
Performance related incentive payments	1,307
	3,125

16. EMPLOYEES' EMOLUMENTS (continued)

His emoluments is within the following bands:

	2014 No. of employees
HK$3,500,000 to HK$4,000,000	1
	1

17. DIVIDENDS

	2015 RMB'000	2014 RMB'000
Dividends recognized as distribution during the year		
— 2014 Final (RMB0.83 per share)	**2,490,000**	—
— 2013 Final (RMB0.24 per share)	**—**	720,000
	2,490,000	720,000

Subsequent to the end of the reporting period, a final dividend in respect of the year ended 31 December 2015 of RMB0.47 per share has been proposed by the directors of the Company and is subject to approval by the shareholders in the forthcoming annual general meeting.

18. EARNINGS PER SHARE

The calculation of basic and diluted earnings per share for the year ended 31 December 2015 and 2014 is based on the following data:

	2015 RMB'000	2014 RMB'000
Earning for the purpose of basic and diluted earnings per share (profit for the year attributable to owners of the Company)	**4,098,068**	3,632,917
Weighted average number of ordinary shares (2014: number of ordinary shares) for the purpose of basic and diluted earnings per share	**3,352,560,031**	3,000,000,000

The computation of diluted earnings per share in 2015 does not assume the exercise of the Company's over-allotment options granted pursuant to the listing of the Company's shares in the Stock Exchange as the exercise price of the options was higher than the average market price for the shares during the outstanding period. The over-allotment options were subsequently lapsed on 19 July 2015. The Group did not have any other dilutive potential ordinary shares in issue during the year.

No diluted earnings per share is presented for 2014 as there was no dilutive potential ordinary shares.

19. INVESTMENT PROPERTY

	Completed investment properties RMB'000	Investment properties under development RMB'000	Total RMB'000
Fair Value			
At 1 January 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	—	(592,000)	(592,000)
At 1 January 2015	**56,239,000**	**6,727,000**	**62,966,000**
Additions	**206,865**	**3,004,257**	**3,211,122**
Acquisition of subsidiaries (note 42)	**922,302**	**1,111,882**	**2,034,184**
Transfer	**2,943,000**	**(2,943,000)**	**—**
Change in fair value recognized in profit or loss	**1,517,833**	**863,861**	**2,381,694**
At 31 December 2015	**61,829,000**	**8,764,000**	**70,593,000**

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 the 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 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 capitalised 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.

19. INVESTMENT PROPERTY (continued)

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, reference has been made to comparable evidence as available in the relevant market and the valuation also take 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 31 December 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 RMB327 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)***	RMB1,323 to RMB5,110
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**	RMB38 to RMB101 6.5% to 7.5%

19. INVESTMENT PROPERTY (continued)

At 31 December 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	Market rent per square meter per month (leased floor area)*	RMB30 to RMB314
		The key inputs are: Market rent per square meter per month; Capitalization rate	Capitalization rate**	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	Market rent per square meter per month (leased floor area)*	RMB57
		The key inputs are: Market rent per square meter per month; Capitalization rate	Capitalization rate**	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 year.

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.

19. INVESTMENT PROPERTY (continued)

The unrealized gain on property revaluation amounting to RMB2,381,694,000 was recognized in profit or loss during the current year (2014: RMB2,415,278,000).

The Group has pledged investment properties of approximately RMB45,009,000,000 and RMB54,208,000,000 at 31 December 2015 and 2014, respectively. to secure bank and other borrowing granted to the Group as set out in note 34.

The Group was in process of obtaining the relevant ownership property certificates for the investment properties under development with carrying amounts of RMB8,779,000,000 and RMB5,520,000,000 as at 31 December 2015 and 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") and 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"), which amounted to RMB2,223,000,000 and RMB2,179,000,000 as at 31 December 2015 and 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.

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 Shenyang Jingsen, 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 RMB1,608,000,000 and RMB1,113,000,000 as at 31 December 2014. During the year, the Group obtained the relevant land use right certificates and ownership property certificate upon the completion of repurchase of these two transferred shopping malls.

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 RMB1,118,000,000 and RMB4,624,000,000 as at 31 December 2015 and 2014, respectively. In the opinion of the directors of the Company, 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 RMB1,675,000,000 and RMB1,661,000,000 as at 31 December 2015 and 2014, respectively.

20. PROPERTY, PLANT AND EQUIPMENT

	Dedicated equipment RMB'000	Motor vehicles RMB'000	Electronic equipment & furniture RMB'000	Leasehold improvement RMB'000	Construction in progress RMB'000	Total RMB'000
Cost						
At 1 January 2014	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	(15,631)	(472)	(4,224)	(27,569)	(1,793)	(49,689)
At 31 December 2014	41,903	108,972	186,201	454,515	16,568	808,159
Additions	—	9,342	21,583	7,290	38,727	76,942
Acquisitions of subsidiaries (note 42)	—	—	1,011	—	—	1,011
Transfer	478	—	67	30,119	(30,664)	—
Disposals	(113)	(6,126)	(6,245)	(1,358)	—	(13,842)
Disposals of subsidiaries (note 43)	—	—	(616)	—	(467)	(1,083)
At 31 December 2015	**42,268**	**112,188**	**202,001**	**490,566**	**24,164**	**871,187**
Accumulated depreciation						
At 1 January 2014	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	(4,415)	(108)	(176)	(3,677)	—	(8,376)
At 31 December 2014	16,278	62,235	103,516	263,678	—	445,707
Charge for the year	2,959	14,357	26,955	57,748	—	102,019
Eliminated on disposals	(92)	(4,397)	(4,765)	(419)	—	(9,673)
Eliminated on disposals of subsidiaries (note 43)	—	—	(159)	—	—	(159)
At 31 December 2015	**19,145**	**72,195**	**125,547**	**321,007**	**—**	**537,894**
Carrying amount						
At 31 December 2014	25,625	46,737	82,685	190,837	16,568	362,452
At 31 December 2015	**23,123**	**39,993**	**76,454**	**169,559**	**24,164**	**333,293**

20. PROPERTY, PLANT AND EQUIPMENT (continued)

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. GOODWILL

	RMB'000
At 1 January and 31 December 2014	—
Acquisition of a subsidiary (Note 42)	16,592
At 31 December 2015	**16,592**

22. INTANGIBLE ASSETS

	License RMB'000	Software RMB'000	Others RMB'000	Total RMB'000
Cost				
At 1 January 2014	—	34,924	8,839	43,763
Additions	525,000	9,586	253	534,839
Acquisition of a subsidiary	—	—	114	114
Disposal of a subsidiary	—	(15)	—	(15)
At 31 December 2014	525,000	44,495	9,206	578,701
Additions	—	19,531	—	19,531
Disposals	—	(5,706)	(40)	(5,746)
At 31 December 2015	**525,000**	**58,320**	**9,166**	**592,486**

22. INTANGIBLE ASSETS (continued)

	License RMB'000	Software RMB'000	Others RMB'000	Total RMB'000
Accumulated amortization				
At 31 January 2014	—	6,392	8,832	15,224
Charge for the year	10,208	4,290	64	14,562
Eliminated on disposal of a subsidiary	—	(1)	—	(1)
At 31 December 2014	10,208	10,681	8,896	29,785
Charge for the year	17,500	8,268	43	25,811
Eliminated on disposals	—	(2,356)	(21)	(2,377)
At 31 December 2015	**27,708**	**16,593**	**8,918**	**53,219**
Carrying amount				
At 31 December 2014	514,792	33,814	310	548,916
At 31 December 2015	**497,292**	**41,727**	**248**	**539,267**

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 1 June 2014 to 30 May 2044 for a cash consideration of RMB525,000,000. The consideration was recognized as intangible assets and will be amortized over the 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

23. INTERESTS IN ASSOCIATES

	2015 RMB'000	2014 RMB'000
Cost of investments in unlisted associates	**146,850**	181,350
Share of post-acquisition profits and other comprehensive income, net of dividends received	**12,357**	35,037
	159,207	216,387

As at 31 December 2015 and 2014, the Group had interests in the following associates:

Name of entity	Place of registration	Proportion of nominal value of registered capital 2015	2014	Proportion of voting power held 2015	2014	Principal activities
深圳市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%	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") (note a)	The PRC	**N/A**	33%	**N/A**	33%	Shopping malls operation
海爾消費金融有限公司 Haier Consume Financing Company Limited ("Haier Financing") (note c)	The PRC	**25%**	25%	**25%**	25%	Consume financing
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") (note b)	The PRC	**40%**	N/A	**40%**	N/A	Operation

23. INTERESTS IN ASSOCIATES (continued)

Notes:

(a) Suzhou Zhongxiang was established by the Group and a third party in 2009. The Group held 33% equity interest in Suzhou Zhongxiang and accounted for as interest in an associate. The Group acquired additional 22% equity interest in Suzhou Zhongxiang during the year. Upon the completion of the acquisition, Suzhou Zhongxiang became a subsidiary of the Company. Details are set out in note 42.

(b) During the year, the Group disposed 18% equity interest in its subsidiary, Wuhan Zhengda, to a third party. After the disposal, the Group held 40% equity interest in Wuhan Zhengda and accounted for as interest in an associate. Details are set out in note 43.

(c) The Group has pledged its equity interest in Haier Financing to secure other borrowing granted to Haier Financing as set out in note 47.

The above table lists the associates of the Group which, in the opinion of the directors of the Company, principally affected the results or assets of the Group. To give details of other associates would, in the opinion of the directors of the Company, result in particulars of excessive length.

Aggregate information of associates that are not individually material

	2015 **RMB'000**	2014 RMB'000
The Group's share of profit and total comprehensive income for the year	**62,954**	14,133
Aggregate carrying amount of the Group's interests in these associates	**159,207**	216,387

24. INTERESTS IN JOINT VENTURES

	2015 **RMB'000**	2014 RMB'000
Cost of investment in unlisted joint venture:	**261,877**	261,877
Share of post-acquisition profits and other comprehensive income, net of dividends received	**487,457**	437,433
	749,334	699,310

24. INTERESTS IN JOINT VENTURES (continued)

As at 31 December 2015 and 2014, the Group had interests in the following joint ventures:

Name of entity	Place of registration	Proportion of nominal value of registered capital		Proportion of voting power held		Principal activities
		2015	2014	2015	2014	
成都東泰商城有限公司 Chengdu Dongtai Shopping Mall Company Limited ("Chengdu Dongtai")	The PRC	**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%	Shopping malls operation

The above table lists the joint ventures of the Group which, in the opinion of the directors of the Company, principally affected the results or assets of the Group. To give details of other joint ventures would, in the opinion of the directors of the Company, 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

	2015 RMB'000	2014 RMB'000
Current assets	**359,315**	370,006
Non-current assets	**1,686,867**	1,657,254
Current liabilities	**97,374**	99,559
Non-current liabilities	**517,649**	584,837

24. INTERESTS IN JOINT VENTURES (continued)

Chengdu Dongtai (continued)

	2015 RMB'000	2014 RMB'000
Revenue	**161,907**	147,087
Profit and total comprehensive income for the year	**88,296**	34,672

Reconciliation of the above summarized financial information to the carrying amount of the interest in the joint venture recognized in the consolidated financial statements:

	2015 RMB'000	2014 RMB'000
Net assets of the joint venture	**1,431,159**	1,342,864
Proportion of the Group's ownership interest in the joint venture	**50%**	50%
Carrying amount of the Group's interest in Chengdu Dongtai	**715,580**	671,432

Aggregate information of joint ventures that are not individually material

	2015 RMB'000	2014 RMB'000
The Group's share of profit (loss) and comprehensive income (expense)	**5,876**	(13,656)
Aggregate carrying amount of the Group's interests in these joint ventures	**33,754**	27,878

25. AVAILABLE-FOR-SALE INVESTMENTS

	2015 RMB'000	2014 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)	**245,370**	34,750
	402,930	192,310

Notes:

(a) The amounts represented 4.99% equity interest in 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 the reporting periods because the range of reasonable fair value estimates is so significant that the directors of the Company are of the opinion that their fair values cannot be measured reliably.

26. LOAN RECEIVABLES

	2015 RMB'000	2014 RMB'000
Non-current		
Zhejiang Mingdu (as defined below) (note a)	**30,000**	45,000
Daqing Xusheng (as defined below) (note b)	**46,080**	—
Ningbo Longkai (as defined below) (note c)	**36,500**	—
	112,580	45,000
Current		
Zhejiang Mingdu (as defined below) (note d)	**70,000**	70,000
Zhejiang Borui (as defined below) (note e)	**30,100**	29,810
Wuhan Zhuyeshan (as defined below) (note f)	**60,000**	—
	160,100	99,810

26. LOAN RECEIVABLES (continued)

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. The entrusted loan is unsecured, carried fixed interest rate of 6.4% per annum, and is repayable in 2017.

(b) The amounts represent long-term loan to 大慶旭生房地產開發有限公司 Daqing Xusheng Properties Development Company Limited ("Daqing Xusheng"), a non-controlling shareholder of a subsidiary, under entrusted loan arrangement. The entrusted loan is secured by 30% equity interest of this subsidiary held by Daqing Xusheng, carried variable interests of 122% of People's Bank of China Benchmark Rate ("PBOCBR") per annum, and is repayable in 2020.

(c) The amounts represent long-term loan to 寧波隆凱實業有限公司 Ningbo Longkai Industrial Company Limited ("Ningbo Longkai"). The loan is secured by 20% equity interest of a project company (which is operating and managing a home furnishing shopping mall) held by Ningbo Longkai, carried variable interests of 122% of People's Bank of China Benchmark Rate ("PBOCBR") per annum, and is repayable in 2020.

(d) The amounts represent short-term loan to Zhejiang Mingdu, a non-controlling shareholder of a subsidiary, under entrusted loan arrangement. The entrusted loan is unsecured, carried fixed interests of 6.4% per annum, and is repayable in 2016.

(e) The amounts represent short-term loan to 浙江博瑞控股集團有限公司 Zhejiang Borui Holding Group Company Limited ("Zhejiang Borui"), a non-controlling shareholder of a subsidiary, under entrusted loan arrangement. The entrusted loan is secured by 40% equity interest of this subsidiary held by Zhejiang Borui, carried fixed interests of 12.0% per annum, and is repayable in 2016.

(f) The amounts represent short-term loan to 武漢竹葉山集團股份有限公司 Wuhan Zhuyeshan Group Company Limited ("Wuhan Zhuyeshan") under entrusted loan arrangement. The entrusted loan is secured by 99% equity interest of a project company (which is operating and managing a home furnishing shopping mall) held by Wuhan Zhuyeshan, carried fixed interests of 12.0% per annum, and is repayable in 2016.

27. DEFERRED TAXATION

The following are the major deferred tax assets (liabilities) recognized and movements thereon during the current interim period:

	Debt restructure within the Group RMB'000	Investment properties RMB'000	Unpaid staff welfare and other expenses RMB'000	Allowance for bad debts RMB'000	Deferred income RMB'000	Unrealized profit RMB'000	Tax losses RMB'000	Other RMB'000	Total RMB'000
At 1 January 2014	–	(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 31 December 2014	55,451	(9,865,513)	209,538	36,439	36,310	19,232	89,436	22,808	(9,396,299)
(Charge) credit to profit or loss	51,268	(874,761)	(69,893)	43,469	(1,036)	(3,907)	7,607	730	(846,523)
Purchase of subsidiaries	–	(79,706)	–	–	–	–	–	6,005	(73,701)
Disposal of subsidiaries	–	–	(707)	–	–	–	(2,865)	–	(3,572)
At 31 December 2015	**106,719**	**(10,819,980)**	**138,938**	**79,908**	**35,274**	**15,325**	**94,178**	**29,543**	**(10,320,095)**

For the purpose of presentation in the consolidated statement 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:

	2015 RMB'000	2014 RMB'000
Deferred tax assets	**347,444**	323,226
Deferred tax liabilities	**(10,667,539)**	(9,719,525)
	(10,320,095)	(9,396,299)

27. DEFERRED TAXATION (continued)

No deferred taxation asset has been recognized in respect of the following unutilized tax losses and deductible temporary differences due to the unpredictability of future profit streams.

	2015 RMB'000	2014 RMB'000
Unutilized tax losses	**1,717,631**	1,159,047
Deductible temporary differences	**106,847**	51,496
	1,824,478	1,210,543

The unrecognized tax losses will expire in at the end of the following years:

	2015 RMB'000	2014 RMB'000
To be expired on:		
31 December 2015	**—**	40,349
31 December 2016	**33,407**	77,790
31 December 2017	**179,519**	179,519
31 December 2018	**329,539**	345,977
31 December 2019	**479,218**	515,412
31 December 2020	**695,948**	—
	1,717,631	1,159,047

28. OTHER NON-CURRENT ASSETS

	2015 RMB'000	2014 RMB'000
Prepayment for acquisition of land use rights	**242,319**	284,236
Prepayment for construction of investment properties	**468,910**	428,397
Prepayment for acquisition of investment properties (note a)	**304,454**	49,156
Amounts due from non-controlling shareholders of subsidiaries (note b)	**121,324**	55,000
Amount due from a former subsidiary	**—**	41,041
Prepayment to a third party for acquisition of a subsidiary (note c)	**—**	62,191
Prepayment to a related party for repurchase interests in a transferred shopping mall (note d) (note 48)	**247,705**	—
Amount due from a related party (note 48)	**42,092**	96,752
Deposits paid for construction of investment properties	**135,252**	134,308
Deposits paid under medium term operating lease	**55,278**	45,264
Preliminary development cost (note e)	**141,562**	133,909
Equity investment with fixed return (note f)	**219,400**	29,150
Others	**25,117**	29,936
	2,003,413	1,389,340

Notes:

(a) Prepayment for acquisition of investment properties:

	2015 RMB'000	2014 RMB'000
Lanzhou Gaoke (i)	**194,000**	—
Lanzhou Nanmiantan (ii)	**70,000**	—
Others	**40,454**	49,156
	304,454	49,156

i. The amount represented short-term loan to 蘭州高科新元房地產開發有限公司 Lanzhou Gaoke Xinyuan Properties Development Company Limited ("Lanzhou Gaoke") under entrusted loan arrangement for development of a shopping mall on certain land parcel held by Lanzhou Gaoke. The entrusted loans is secured by the land use right of this land parcel, carried fixed interests of 8.0% per annum, and is repayable in 2016.

ii. The amount represented short-term loan to 蘭州市南面灘工貿有限公司 Lanzhou Nanmiantan Company Limited ("Lanzhou Nanmiantan) under entrusted loan arrangement for development of a shopping mall on certain land parcel held by Lanzhou Nanmiantan. The entrusted loans is secured by the land use right of this land parcel, carried fixed interests of 8.0% per annum, and is repayable in 2016.

28. OTHER NON-CURRENT ASSETS (continued)

Notes: (continued)

Pursuant to the respective agreement entered into between the Group and Lanzhou Gaoke/Lanzhou Nanmiantan, the Group will acquire the shopping malls under development with the land use rights of these land parcel and the consideration will be partially settled by the entrusted loans. The directors of the Company recognized the entrusted loans as deemed prepayment for acquisition of investment properties in other non-current assets. The Group has not completed the acquisitions as at the date of this report.

(b) The amounts were unsecured, interest free and repayable on demand. In the opinion of the directors of the Company, the amounts are to be settled after twelve months from the end of the reporting period and were therefore classified as non-current assets.

(c) The balance as at 31 December 2014 represented consideration prepaid for acquisition of 63% equity in 昆明迪肯商貿有限公司Kunming Diken Trading Company Limited ("Kuming Diken"). The acquisition has been completed during the year. Details are set out in note 42.

(d) In October 2015, the Company entered into a repurchase agreement with 成都紅星美凱龍置業有限公司 Chengdu Red Star Macalline Property Company Limited ("Chengdu Property"), a subsidiary of RSM Enterprise Development, pursuant to which Chengdu Property has agreed to sell and the Company has agreed to repurchase 50% of the interests in the transferred shopping mall held by 上海綠地集團成都金牛房地產開發有限公司 Greenland Group Chengdu Jinniu Real Estate Development Co., Ltd. for a consideration of not more than RMB495,410,000. As at 31 December 2015, the Company has paid RMB247,705,000, approximately 50% of the consideration.

(e) The amounts represented 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.

(f) The amounts represented investments held by the Group. Under agreements with other shareholders of these investees, the Group has contractual rights to receive annual payments equal to stated interest rates applied to principal amounts and withdraw principal amounts upon the expiry of the pre-agreed periods. In the opinion of the directors of the Company, such equity investments are financial assets classified as "loans and receivables" in substance.

29. OTHER FINANCIAL ASSETS

The other financial assets as at 31 December 2015 represented the debt investments in the PRC carrying fixed interest rate ranging from 5.88% to 6.02% per annum and maturity period of approximately three months. The Group has received all the principal and interest in February 2016.

30. TRADE AND OTHER RECEIVABLES

	2015 RMB'000	2014 RMB'000
Trade receivables		
— due from third parties	**1,214,667**	701,206
— due from related parties (note 48)	**9,711**	10,445
Less: allowance for doubtful debts	**(257,813)**	(117,283)
	966,565	594,368
Bills receivable	**2,200**	38,970
	968,765	633,338
Prepayments to third parties	**92,877**	117,441
Prepayments to related parties (note 48)	**—**	55,150
Other taxes recoverable	**29,978**	40,159
Amounts due from third parties (note a)	**258,472**	178,139
Amounts due from non-controlling shareholders of subsidiaries (note a)	**27,324**	90,301
Amounts due from related parties (note 48)	**143,842**	82,257
Deposits	**81,890**	64,880
Proceeds to be collected on behalf of the tenants (note b)	**72,636**	45,064
Other	**23,956**	22,163
Less: allowance for doubtful debts	**(72,179)**	(36,653)
	658,796	658,901
	1,627,561	1,292,239

Notes:

(a) The amounts were unsecured, interest free and repayable on demand.

(b) 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.

30. TRADE AND OTHER RECEIVABLES (continued)

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 the reporting period:

	2015 RMB'000	2014 RMB'000
Less than 1 year	**715,619**	536,373
1–2 years	**207,786**	78,938
2–3 years	**37,996**	14,245
Over 3 years	**7,364**	3,782
	968,765	633,338

The Group has not granted any credit period to its customers. Before accepting any new customers, the Group uses past experience to assess the potential customers' credit quality and defines credit limits for the customers. Limits attributed to customers are reviewed regularly.

The Group recognize 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.

Trade receivables disclosed above include amounts (see below for aged analysis) which are past due at the end of the 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. As at 31 December 2015, the Group held collateral for trade receivables of RMB51,000,000 (2014: Nil).

Aging of trade receivables which are past due but not impaired

	2015 RMB'000	2014 RMB'000
Less than 1 year	**555,250**	382,522

The Group has provided impairment allowance individually or collectively for all trade receivables over 1 year.

30. TRADE AND OTHER RECEIVABLES (continued)

Movement in the allowance for doubtful debts

	2015 RMB'000	2014 RMB'000
Balance at beginning of the year	**153,936**	93,389
Impairment losses recognized during the year	**203,599**	65,426
Impairment losses reversed	**(5,000)**	—
Amounts written off during the year as uncollectible	**(22,543)**	(4,879)
Balance at end of the year	**329,992**	153,936

Included in the allowance for doubtful debts of the Group are individually impaired trade receivables with an aggregate balance of RMB224,292,000 as at 31 December 2015 (2014: RMB101,528,000), which were in severe financial difficulties.

31. RESTRICTED BANK DEPOSITS

	2015 RMB'000	2014 RMB'000
Deposits pledged for banking facilities (including bank borrowings) granted to the Group (note a)	**69,126**	56,652
Other restricted bank deposits	**2,632**	—
	71,758	56,652
Analyzed for reporting purposes as:		
— Non-current (note b)	**71,758**	49,472
— Current	**—**	7,180
	71,758	56,652

Notes:

(a) The amounts represented 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 the reporting period are classified as non-current assets.

31. RESTRICTED BANK DEPOSITS (continued)

The restricted bank deposits carry prevailing market interest rates as follows:

	2015 %	2014 %
Range of interest rate per annum	**2.85–3.25**	2.85–3.25

32. BANK BALANCES AND CASH

Bank balances and cash of the Group comprise cash and short-term bank deposits. The bank balances carry interest at market rates which range from 0.35% to 3.25% per annum as at 31 December 2015 (2014: 0.35% to 3.25% per annum).

	2015 RMB'000	2014 RMB'000
Cash	**14,882**	12,156
Bank deposits with original maturity within three months or less	**5,833,582**	3,580,248
Cash and cash equivalents	**5,848,464**	3,592,404
Bank deposits with original maturity over three months	**105,623**	72,456
Bank balances and cash	**5,954,087**	3,664,860

The bank balances carry prevailing market interest rates as follows:

	2015 %	2014 %
Range of interest rate per annum	**0.35—3.25**	0.35—3.25

Bank balances and cash as at 31 December 2015 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.

33. TRADE AND OTHER PAYABLES

	2015 RMB'000	2014 RMB'000
Trade payable (note a)	**279,541**	180,171
Other payables:		
Staff cost payables	**389,088**	389,068
Dividends payable to a non-controlling shareholder of a subsidiary	**28,850**	3,600
Other tax payables	**213,035**	107,815
Interests payables	**83,467**	69,150
Amounts due to third parties (note b)	**216,979**	436,367
Amount due to non-controlling shareholders of subsidiaries (note b)	**137,918**	150,413
Amounts due to related parties (note 48)	**228,842**	279,478
Consideration payable to a related party for acquisition of subsidiaries (note c) (note 48)	**175,572**	—
Consideration payable to a third party for acquisition of a subsidiary (note d)	**53,308**	—
Consideration payable for acquisition of additional interests in subsidiaries	**13,450**	—
Construction costs payables	**732,925**	531,674
Proceeds collected on behalf of the tenants (note e)	**809,945**	738,912
Deposit received from the tenants	**1,489,485**	1,377,784
Received in advance arising from pre-paid cards (note f)	**139,693**	127,325
Intention deposit received (note g)	**390,890**	400,890
Accrued rental and other expenses	**269,178**	223,038
Other	**114,108**	87,873
	5,486,733	4,923,387
	5,766,274	5,103,558

Notes:

(a) The following is an analysis of trade payables by aging presented based on the invoice date at the end of the reporting period:

	2015 RMB'000	2014 RMB'000
Less than 1 year	**268,677**	163,827
1–2 years	**5,731**	8,589
2–3 years	**5,034**	6,100
Above 3 years	**99**	1,655
	279,541	180,171

33. TRADE AND OTHER PAYABLES (continued)

(b) The amounts were unsecured, interest free and repayable on demand.

(c) The amounts represented consideration payable to RSM Enterprise Development for acquisition of 蘇州凱潤置業有限公司 Suzhou Kairun Properties Company Limited ("Suzhou Kairun") and 上海紅星美凱龍實業有限公司 Shanghai Red Star Macalline Industrial Company Limited ("RSM Industrial"). Details are set out in note 42.

(d) The amounts represented consideration payable to a third party for acquisition of 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 "). Details are set out in note 42.

(e) The amounts represented 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.

(f) 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.

(g) The amounts represent the intention deposits received from customers before the formal contract management arrangements were entered into. The amounts will be deemed as initiation and entrance fees received in advance upon the formal arrangements are entered into, or remitted upon the termination of the collaboration.

34. BANK AND OTHER BORROWINGS

	2015 **RMB'000**	2014 RMB'000
Bank loans		
— Secured (note a)	**8,349,819**	9,970,829
— Unsecured (note b)	**535,000**	114,700
Other loans, secured (note a, c)	**439,733**	1,323,470
	9,324,552	11,408,999

Notes:

(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 19 and 31.

Bank and other loans of RMB2,151,418,000 and RMB3,429,487,000 as at 31 December 2015 and 2014, respectively were also guaranteed by certain related parties, details of which are set out in note 48.

(b) The balances as at 31 December 2015 and 2014 are not guaranteed.

(c) The other loans as at 31 December 2014 mainly represented the entrusted debt investment from certain 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 staring from 2014, and will be mature on 28 November 2023. The Group has early repaid a large portion of this entrusted debt investment during the year.

34. BANK AND OTHER BORROWINGS (continued)

	2015 RMB'000	2014 RMB'000
Fixed-rate borrowings	**839,733**	1,703,470
Variable-rate borrowings	**8,484,819**	9,705,529
	9,324,552	11,408,999
The borrowings are repayable:		
Within one year or on demand	**2,297,382**	2,325,523
More than one year, but not exceeding two years	**2,192,768**	1,727,965
More than two years, but not exceeding five years	**3,339,116**	4,163,599
More than five years	**1,495,286**	3,191,912
	9,324,552	11,408,999
Less: Amount due within one year shown under current liabilities	**2,297,382**	2,325,523
Amount due after one year	**7,027,170**	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:

	2015 %	2014 %
Fixed rate bank borrowings	**6.15—7.80**	6.15—7.80
Floating rate bank borrowings	**5.15—8.00**	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.

35. BONDS

	2015 RMB'000	2014 RMB'000
Unguaranteed medium term note:		
— Bonds 2015 (as defined below) (note a)	**—**	597,681
— Bonds 2017 (as defined below) (note b)	**889,791**	884,966
— Bonds 2018 (as defined below) (note c)	**495,449**	494,012
— Bonds 2016 (as defined below) (note d)	**497,195**	494,600
Private placement notes:		
— Private Bonds 2017 (as defined below) (note e)	**989,277**	987,739
Corporate bonds:		
— Corporate Bonds 2020 (as defined below) (note f)	**4,960,494**	—
	7,832,206	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 31 August 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 was mature on 31 August 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.

35. BONDS (continued)

Notes: (continued)

(f) On 11 October 2015, the Company issued corporate bonds due in 2020 (the "Corporate Bonds 2020") with an aggregated nominal value of RMB5,000,000,000 at the face value. The Corporate Bonds 2020 carry interest at the rate of 4.50% per annum, payable annually on 11 October, in each year, and will mature on 11 October 2020. At the end of the first three-year period, the Company has an option to adjust the coupon rate and the holders of the Corporate Bonds 2020 also have a right to put all or part of the Corporate Bonds 2020 back to the Company at its principal value.

The movements of Bonds 2015, Bonds 2017, Bonds 2018, Bonds 2016, Private Bonds 2017 and Corporate Bonds 2020 are set out below:

	2015 RMB'000	2014 RMB'000
As at 1 January	**3,494,977**	2,488,939
Net proceeds from Private Bonds 2017 issued on 8 December 2014	**—**	987,700
Net proceeds from Corporate Bonds 2020 issued on 11 October 2015	**4,958,670**	—
Redemption of Bonds 2015 on 31 August 2015	**(600,000)**	—
Interests and issue cost amortized year	**276,549**	180,968
Interest paid during the year	**(242,630)**	(162,630)
As at 31 December	**7,887,566**	3,494,977

The balance of Bonds 2015, Bonds 2017, Bonds 2018, Bonds 2016, Private Bonds 2017 and Corporate Bonds 2020 at the end of the reporting period represented by:

	2015 RMB'000	2014 RMB'000
Other payables — accrued interests	**55,360**	35,979
Bonds (current)	**497,195**	597,681
Bonds (non-current)	**7,335,011**	2,861,317
	7,887,566	3,494,977

The balances of Bonds 2015, Bonds 2017, Bonds 2018, Bonds 2016, Private Bonds 2017 and Corporate Bonds 2020 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, Private Bonds 2017 and Corporate Bonds 2020 is 6.05% per annum, 6.76% per annum, 7.89% per annum, 8.11% per annum, 8.48% per annum and 4.80% per annum, respectively.

36. 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 of the Company. Interest rates are fixed at 6.55% per annum on the contract date. No arrangements have been entered into for contingent rental payments.

	2015 RMB'000	2014 RMB'000
Amounts payable under finance leases:		
— With one year or on demand	**26,315**	26,315
— More than one year, but not exceeding two years	**26,315**	26,315
— More than two years, but not exceeding five years	**78,944**	78,944
— More than five years	**728,043**	753,857
	859,617	885,431
Less: future finance charges	**(507,359)**	(530,682)
Present value of lease obligations	**352,258**	354,749
Less: Amount due within one year shown under current liabilities	**(3,193)**	(2,991)
Amount due after one year	**349,065**	351,758

37. DEFERRED INCOME

	2015 RMB'000	2014 RMB'000
As at 1 January	**198,498**	137,049
Received during the year	**—**	66,147
Released to profit or loss	**(4,144)**	(4,698)
As at 31 December	**194,354**	198,498

The Group received government subsidies of approximately RMB66,147,000 during the year ended 31 December 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.

38. OTHER NON-CURRENT LIABILITIES

	2015 RMB'000	2014 RMB'000
Initiation and entrance fees received in advance	**696,821**	744,417
Rental payable (note a)	**330,307**	292,323
Amounts due to non-controlling shareholders of subsidiaries (note b)	**698,295**	414,147
Amounts due to related parties (note 48)	**—**	419,345
	1,725,423	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 the reporting period and are therefore classified as non-current liabilities.

39. SHARE CAPITAL

	Domestic shares		Foreign shares		Listed H shares		Total	
	Number of share '000	Amount RMB'000	Number of share '000	Amount RMB'000	Number of share '000	Amount RMB'000	Number of share '000	Amount RMB'000
Registered, issued and fully paid at RMB1.0 per share:								
At 1 January 2014 and 31 December 2014	2,561,104	2,561,104	438,896	438,896	–	–	3,000,000	3,000,000
Share issued (note a)	–	–	80,329	80,329	–	–	80,329	80,329
Issuance of H Shares (note b)	–	–	–	–	543,588	543,588	543,588	543,588
Conversion into H Shares (note b)	–	–	(519,225)	(519,225)	519,225	519,225	–	–
At 31 December 2015 (note c)	**2,561,104**	**2,561,104**	**–**	**–**	**1,062,813**	**1,062,813**	**3,623,917**	**3,623,917**

39. SHARE CAPITAL (continued)

Notes:

(a) On 4 January 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 on 12 February 2015. After the capital contribution, the registered capital of the Company increased from RMB3,000,000,000 to RMB3,080,329,038.

(b) On 26 June 2015, upon the approval of the Stock Exchange, the Company has completed its initial public offering of 543,588,000 H shares, which are listed on the Main Board of the Stock Exchange. Moreover, the 519,225,069 foreign shares held by Candlewood and Springwood were converted into H shares upon completion of the initial public offering.

(c) Except for the currency in which dividends are paid, H shares and domestic shares rank pari passu in all respects with each other.

40. 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 interest held by non-controlling interest Year end December 31		Profit allocated to non-controlling interests Year ended December 31		Accumulated non-controlling interests Year ended December 31	
		2015	2014	**2015**	2014	**2015**	2014
				RMB'000	RMB'000	**RMB'000**	RMB'000
Zhengzhou Red Star Macalline International Home Furnishing Company Limited ("Zhengzhou International") (note 1,2)	PRC	**40.50%**	50.00%	**123,827**	103,127	**1,006,701**	1,184,880
Chengdu Changyi Red Star Macalline Home Furnishing Market Management Company Limited ("Chengdu Changyi") (note 2)	PRC	**50.00%**	50.00%	**31,720**	31,304	**507,878**	497,022
Individual immaterial subsidiaries with non-controlling interests				**116,140**	154,656	**2,609,066**	2,286,199
				271,687	289,087	**4,123,645**	3,968,101

Note 1: The Group acquired additional interests in Zhengzhou International during the year.

Note 2: Pursuant to the agreements between the Group and the respective non-controlling shareholder of Zhengzhou International and Chengdu Changyi, the Group hold majority of voting power in Zhengzhou International and Chengdu Changyi. Therefore the Group has control over these entities and accounted for as subsidiaries.

40. NON-CONTROLLING INTERESTS (continued)

Zhengzhou International	2015 RMB'000	2014 RMB'000
Current assets	**123,477**	233,716
Non-current assets	**3,440,759**	3,137,576
Current liabilities	**288,935**	87,969
Non-current liabilities	**762,543**	913,563
Equity attributable to owners of the Company	**1,506,057**	1,184,880
Non-controlling interests	**1,006,701**	1,184,880

	2015 RMB'000	2014 RMB'000
Revenue	**304,910**	230,171
Changes in fair value of investment properties	**115,585**	100,358
Expenses	**172,841**	124,275
Profit and total comprehensive income	**247,654**	206,254
Profit and total comprehensive income attributable to owners of the Company	**123,827**	103,127
Profit and total comprehensive income attributable to the non-controlling interests	**123,827**	103,127
	247,654	206,254
Dividends paid to non-controlling interests	**65,500**	7,900
Net cash inflow from operating activities	**231,490**	118,899
Net cash inflow from investing activities	**127,019**	5,283
Net cash outflow from financing activities	**(336,036)**	(136,453)
Net cash inflow(outflow)	**22,473**	(12,271)

40. NON-CONTROLLING INTERESTS (continued)

Chengdu Changyi	2015 RMB'000	2014 RMB'000
Current assets	**125,732**	302,071
Non-current assets	**1,342,246**	1,319,429
Current liabilities	**141,389**	21,929
Non-current liabilities	**339,599**	620,385
Equity attributable to owners of the Company	**479,112**	482,164
Non-controlling interests	**507,878**	497,022

	2015 RMB'000	2014 RMB'000
Revenue	**81,057**	87,432
Changes in fair value of investment properties	**20,443**	24,439
Expenses	**38,060**	49,263
Profit and total comprehensive income	**63,440**	62,608
Profit and total comprehensive income attributable to owners of the Company	**31,720**	31,304
Profit and total comprehensive income attributable to the non-controlling interests	**31,720**	31,304
	63,440	62,608
Dividends paid to non-controlling interests	**20,864**	13,860
Net cash inflow from operating activities	**58,988**	72,085
Net cash inflow from investing activities	**165,337**	24,355
Net cash outflow from financing activities	**(232,765)**	(87,288)
Net cash (outflow) inflow	**(8,440)**	9,152

41. 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 31 December 2015 amounted to RMB169,065,000 (2014: RMB120,772,000) represent contributions paid or payable to the scheme by the Group.

42. ACQUISITION OF SUBSIDIARIES

Acquisition of Kuming Diken

In June 2015, the Group acquired 63.0% equity interest in Kuming Diken for a consideration of RMB177,691,000 from an independent third party. Kuming Diken was holding the land use right for a piece of land parcel and has not carried out any substantial business activities. The acquisition has been accounted for as acquisition of assets, which do not constitute a business.

Acquisition of Suzhou Zhongxiang

Suzhou Zhongxiang was established by the Group and a third party in October 2009, the Group held 33% equity interest in Suzhou Zhongxiang and accounted for as interest in an associate. In July 2015, the Group acquired additional 22% equity interest in Suzhou Zhongxiang for a cash consideration of RMB74,076,000 from a third party. Suzhou Zhongxiang is principally engaged in operating and managing a home furnishing shopping mall and was acquired so as to continue the expansion of the Group's principal business.

Acquisition of Huhehaote Shibo

The Group held 9% equity interest in Huhehaote Shibo and accounted for as available-for-sale investments before the acquisition. In July 2015, the Group acquired 51% equity interest in Huhehaote Shibo for a cash consideration of RMB51,000,000 from a third party. Huhehaote Shibo was developing a home furnishing shopping mall and was acquired so as to continue the expansion of the Group's principal business.

42. ACQUISITION OF SUBSIDIARIES (continued)

Acquisition of Jiabeide (as defined below)

家倍得裝飾有限公司 Jiabeide Decorating Company Limited ("Jiabeide") was established by the Group, the Group held 50% of its equity interest and accounted for its interest in Jiabeide as a joint venture. In July 2015, the Group entered into an agreement with other shareholders of Jiabeide, pursuant to which, the Group has the practical ability to direct the relevant activities of Jiabeide unilaterally, therefore the Group has control over Jiabeide and accounts for its interest in Jiabeide as a subsidiary. Jiabeide is principally engaged in retail sales of home furnishing merchandise and providing related decorating services and was acquired so as to continue the expansion of the Group's principal business.

Acquisition of Suzhou Kairun

In December 2015, the Group acquired 60.0% equity interest in Suzhou Kairun for a consideration of RMB258,000,000 from RSM Enterprise Development. Suzhou Kairun was holding the land use right for a piece of land parcel and has not carried out any substantial business activities. The acquisition has been accounted for as acquisition of assets, which do not constitute a business.

Acquisition of RSM Industrial

In December 2015, the Group acquired 100.0% equity interest in RSM Industrial for a consideration of RMB206,841,000 from RSM Enterprise Development. RSM Industrial was holding equity investments (accounted for as available-for-sale investments and other non-current assets) and has not carried out any substantial business activities. The acquisition has been accounted for as acquisition of assets, which do not constitute a business.

42. ACQUISITION OF SUBSIDIARIES (continued)

Assets acquired and liabilities recognized at respective date of acquisition are as follows:

	Kuming Diken RMB'000	Suzhou Zhongxiang RMB'000	Huhehaote Shibo RMB'000	Jiabeide RMB'000	Suzhou Kairun RMB'000	RSM Industrial RMB'000	Total RMB'000
Cash and cash equivalents	485	5,955	1,010	31,243	–	4,350	43,043
Trade and other receivables (note a)	–	311	58,454	4,649		77,200	140,614
Investment properties	278,581	922,302	403,301		430,000		2,034,184
Property, plant and equipment	–	123	26	862			1,011
Available-for-sale investments	–	–	–	–	–	148,230	148,230
Other non-current assets (note a)	–	–	–	–	–	190,250	190,250
Deferred tax assets	–	5,485	71	788	–	1,250	7,594
Borrowings	–	(447,000)	–	–	–	–	(447,000)
Trade and other payables	–	(142,203)	(357,655)	(36,334)		(214,439)	(750,631)
Deferred tax liabilities	–	(79,706)	(1,589)	–	–	–	(81,295)
Non-controlling interests	(101,375)	(119,370)	(41,447)	(604)	(172,000)	–	(434,796)
	279,066	265,267	103,618	1,208	430,000	206,841	1,286,000
Goodwill (bargain purchase) on acquisition of a subsidiary:							
Consideration paid and payable	177,691	74,076	51,000	–	258,000	206,841	767,608
Plus: fair value of previously held equity interest in the acquiree	–	88,413	9,326	604	–	–	98,343
Plus: non-controlling interests (note b)	101,375	119,370	41,447	604	172,000	–	434,796
Less: fair value of identifiable net assets acquired	(279,066)	(265,267)	(103,618)	(1,208)	(430,000)	(206,841)	(1,286,000)
Goodwill (bargain purchase)	–	16,592	(1,845)	–	–	–	14,747
Net cash inflow (outflow) arising on acquisition:							
Cash and cash equivalent balances acquired	485	5,955	1,010	31,243	–	4,350	43,043
Less: consideration paid in cash	62,192 (note c)	74,076	51,000	–	225,960 (note d)	63,309 (note d)	476,537
	(61,707)	(68,121)	(49,990)	31,243	(225,960)	(58,959)	(433,494)

42. ACQUISITION OF SUBSIDIARIES (continued)

Note a: The amounts represented the fair value of the receivables acquired in these transactions, which approximate the gross contractual amounts of these receivables.

Note b: The non-controlling interests in the acquiree at the respective acquisition date was initially measured at the non-controlling interests' proportionate share of the recognized amount of the acquiree's identifiable net assets.

Note c: The Group has prepaid cash consideration of RMB62,191,000 in 2014, which was accounted for as other non-current assets. The remaining consideration of RMB53,308,000 was outstanding as at 31 December 2015 and recorded as other payable disclosed in note 33.

Note d: The remaining consideration of RMB32,040,000 and RMB143,532,000 for Suzhou Kairun and RSM Industrial was outstanding as at 31 December 2015 and recorded as other payable disclosed in note 33, respectively.

Acquisition-related costs for these acquisitions are not material and have been excluded from the consideration transferred and have been recognized as an expense during the year, within the 'administrative expenses' line item in the consolidated statement of profit or loss and other comprehensive income.

Included in the profit for the year is RMB814,000, RMB17,630,000, RMB78,996,000, RMB746,000, RMB nil and RMB nil in respect of Kunming Diken, Suzhou Zhongxiang, Huhehaote Shibo, Jiabeide, Suzhou Kairun and RSM Industrial after the respective acquisition. Included in the revenue for the year is RMB nil, RMB20,971,000, RMB nil, RMB45,283,000, RMB nil and RMB nil in respect of Kunming Diken, Suzhou Zhongxiang, Huhehaote Shibo, Jiabeide, Suzhou Kairun and RSM Industrial after the respective acquisition.

Had these acquisitions been effected at 1 January 2015, the revenue of the Group would have been RMB8,842 million, and the profit for the year would have been RMB4,448 million.

43. DISPOSAL OF SUBSIDIARIES

Disposal of Wuhan Zhengda

In November 2015, the Group disposed 18% equity interest in its subsidiary, Wuhan Zhengda, to a third party for a cash consideration of RMB9,000,000. After the disposal, the Group held 40% equity interest in Wuhan Zhengda and accounted for as interest in an associate.

Disposal of 上海景旺裝飾設計工程有限公司

Shanghai Jingwang Home Decorating Design Company Limited ("Shanghai Jingwang")

In December 2015, the Group disposed 65% equity interest in its subsidiary, Shanghai Jingwang, to a third party for a cash consideration of RMB191,000.

Disposal of 上海臻星裝飾工程有限公司

Shanghai Zhenxing Home Decorating Company Limited ("Shanghai Zhenxing")

In December 2015, the Group disposed 70% equity interest in its subsidiary, Shanghai Zhenxing, to a third party for a cash consideration of RMB56,000.

Disposal of 成都心屋裝飾工程設計有限公司

Chengdu Xinwu Home Decorating Design Company Limited ("Chengdu Xinwu")

In December 2015, the Group disposed 65% equity interest in its subsidiary, Chengdu Xinwu, to a third party for a cash consideration of RMB1 yuan.

43. DISPOSAL OF SUBSIDIARIES (continued)

The net assets at the respective date of disposals were as follows:

	Wuhan Zhengda RMB'000	Shanghai Jingwang RMB'000	Shanghai Zhenxing RMB'000	Chengdu Xinwu RMB'000	Total RMB'000
Cash and cash equivalents	303	1,300	695	2,837	5,135
Inventories	2	262	20	691	975
Trade and other receivables	66,009	931	766	1,137	68,843
Property, plant and equipment	481	228	59	156	924
Deferred tax assets	47	1,176	1,067	1,282	3,572
Other non-current assets	49,636	—	—	—	49,636
Trade and other payables	(67,023)	(2,936)	(2,808)	(9,300)	(82,067)
Non-controlling interests	(20,771)	(336)	60	1,346	(19,701)
	28,684	625	(141)	(1,851)	27,317
Gain (loss) on disposal of subsidiary:					
Consideration received and receivable	9,000	191	56	—	9,247
Fair value of the retained interest	20,000	—	—	—	20,000
	29,000	191	56	—	29,247
Less: net assets disposed	(28,684)	(625)	141	1,851	(27,317)
	316	(434)	197	1,851	1,930
Net cash inflow (outflow) arising on acquisition:					
Consideration received	9,000	191	56	—	9,247
Less: bank balances and cash disposed of	(303)	(1,300)	(695)	(2,837)	(5,135)
	8,697	(1,109)	(639)	(2,837)	4,112

44. 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 34 at the end of the reporting period:

	2015 RMB'000	2014 RMB'000
Investment properties	**45,009,000**	54,208,000
Restricted bank deposits	**69,126**	56,652
	45,078,126	54,264,652

45. CAPITAL COMMITMENTS

	2015 RMB'000	2014 RMB'000
Contracted but not provided for in the consolidated financial statements:		
— Capital expenditure in respect of acquisition and construction of investment properties (including through acquisition of subsidiaries)	**2,483,600**	4,707,735

In addition, the Group has entered into agreements with its partners, pursuant to which the Group's commitment to contribute funds for development of investment properties jointly with the partners amounted to RMB1,342,613,000 as at 31 December 2015.

46. OPERATING LEASES

The Group as lessee

Minimum lease payments paid under operating leases during the year ended 31 December 2015 was RMB577,570,000 (2014: RMB541,178,000). 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 the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2015 RMB'000	2014 RMB'000
Within one year	**551,469**	562,414
In the second to fifth years inclusive	**2,114,832**	2,218,732
Over five years	**3,235,381**	3,649,027
	5,901,682	6,430,173

The Group as lessor

Property rental and management fee income earned during the year ended 31 December 2015 was RMB5,259,961,000 (2014: RMB4,659,823,000). 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 the reporting period, the Group had contracted with tenants for the following future minimum lease payments under non-cancellable operating leases:

	2015 RMB'000	2014 RMB'000
Within one year	**2,356,705**	2,918,492
In the second year	**64,242**	156,557
	2,420,947	3,075,049

47. CONTINGENT LIABILITIES

a) As at 31 December 2015 and 2014, the Group issued financial guarantees with its partners to a financial institution in respect of a loan in the amount up to RMB400,000,000 granted to a joint venture, of which RMB178,000,000 and RMB258,000,000 have been utilized by the joint venture as at 31 December 2015 and 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.

b) Haier Financing, the associate of the Group was granted a loan in the amount up to RMB1,500,000,000 and the Group provided guarantees up to the Group's proportion, 25%, which is up to RMB375,000,000, to secure this loan:

   i. the Group pledged its equity interest in Haier Financing to secure 15% of this loan, which is up to RMB225,000,000; and

   ii. the Group issued financial guarantee to 10% of this loan, which is up to RMB150,000,000.

As at 31 December 2015, RMB1,000,000,000 of this loan has been utilized by Haier Financing. In the opinion of the directors of the Company, the fair value of the financial guarantee provided by the Group is not significant as Haier Financing is at a good financial position.

48. RELATED PARTY TRANSACTIONS

The Group has the following related party balances and transactions:

(a) During the year, 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 controlling 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

48. RELATED PARTY TRANSACTIONS (continued)

(a) During the year, the following parties are identified as related parties to the Group and the respective relationships are set out below: (continued)

Name of related party	Relationship
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

48. RELATED PARTY TRANSACTIONS (continued)

(a) During the year, the following parties are identified as related parties to the Group and the respective relationships are set out below:(continued)

Name of related party	Relationship
RSM Investment	Ultimate holding company
RSM Enterprise Development Group	Under common control of 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
Suzhou Zhongxiang	An associate of the Group (note)
Wuhan Zhengda	An associate of the Group (note)
Haier Financing	An associate of the Group
Shenzhen Red Star	An associate of the Group

Note: Suzhou Zhongxiang ceased to be an associate and became a subsidiary in July 2015, details of which are set out in note 42. Wuhan Zhengda ceased to be a subsidiary and became an associate in November 2015, details of which are set out in note 43.

48. RELATED PARTY TRANSACTIONS (continued)

(b) During the year, the Group has the transactions with following related parties and the details are set out below:

	2015 RMB'000	2014 RMB'000
Initiation and entrance fees and annual management fee received and receivable from following related parties:		
— Yangzhou Global	**2,000**	2,000
— Jining Hongrui	**4,000**	3,690
— Shaanxi Hongrui	**3,000**	3,750
— Xuzhou International	**1,520**	1,900
— Xuzhou Global	**2,480**	3,733
— Xinghua Xingkai	**5,810**	13,502
— RSM Enterprise Development Group	**11,507**	6,533
— Bengbu Expo	**500**	500
— Shanghai Mingyi	**3,000**	3,000
	33,817	38,608
Rental income from:		
— Ms. Qian Yumei	**1,119**	1,039
	1,119	1,039
Rental expenses paid and payable to:		
— Changzhou Furnishing City	**15,500**	14,835
— Mr. Che Guoxing	**336**	336
— Jinke Property	**9,921**	39,686
	25,757	54,857

Acquisition/disposal of equity interests with related parties:

During the year, the Group acquired Suzhou Kairun and RSM Industrial from RSM Enterprise Development, details of which are set out in note 42.

48. RELATED PARTY TRANSACTIONS (continued)

(c) At the end of the 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:

	2015 RMB'000	2014 RMB'000
(i) Guarantees provided to following related parties for banking facilities granted:		
Chengdu Dongtai (note 47)	**178,000**	258,000
Haier Financing (note 47)	**100,000**	—
	278,000	258,000

(ii) Assets pledged in respect of the mortgage loans provided by the banks to related parties:

Properties pledged

The investment properties in respect of the transferred shopping mall held by Xinglong Property and Dalian Investment, together with Xinglong Property and Dalian Investment's other properties, were pledged to banks in respect of the mortgage loans provided by the banks to RSM Investment and RSM Enterprise Development Group. As at 31 December 2015, the mortgage loan has been fully repaid and the relevant pledge was released accordingly (outstanding mortgage loans as at 31 December 2014: RMB1,049,000,000).

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 48(e).

48. RELATED PARTY TRANSACTIONS (continued)

(c) At the end of the 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: (continued)

(ii) Assets pledged in respect of the mortgage loans provided by the banks to related parties: (continued)

Equity interest pledged

As at 31 December 2015, the Group has pledged its equity interest in Haier Financing to secure 15% of the loan granted to Haier Financing in the amount up to RMB225,000,000, details of which are set out in note 47.

	2015 RMB'000	2014 RMB'000
(iii) Guarantees provided by related parties for banking facilities granted:		
— Mr. Che Jianxing	**350,000**	1,499,428
— Mr. Che Jianxing and Ms. Chen Shuhong	**—**	380,000
— Mr. Che Jianxing, Red Star Furniture and RSM Investment	**956,418**	1,052,819
— Red Star Furniture	**385,000**	510,000
— Ms. Che Jianfang	**—**	99,240
— RSM Investment	**110,000**	—
	1,801,418	3,541,487

48. RELATED PARTY TRANSACTIONS (continued)

(d) At the end of the reporting period, the Group has the balances with following related parties and the details are set out below:

	2015 RMB'000	2014 RMB'000
Accounts receivable: trade nature		
— Xuzhou International	**20**	—
— Xuzhou Global	**—**	91
— Xinghua Xingkai	**191**	2,146
— RSM Enterprise Development Group	**—**	8,208
	211	10,445
Prepayments:		
— RSM Enterprise Development Group	**—**	55,150
	—	55,150
Other receivables: non-trade nature		
— Wuhan Zhengda (note)	**10**	—
— RSM Enterprise Development Group (note)	**43,248**	1,807
— Shanghai Mingyi (note)	**88,400**	80,400
— Xi'an Jiaxin (note)	**50**	50
— Shaanxi Hongrui (note)	**12,134**	—
	143,842	82,257

Note: The amounts are unsecured, interest free and repayable on demand.

48. RELATED PARTY TRANSACTIONS (continued)

(d) At the end of the reporting period, the Group has the balances with following related parties and the details are set out below: (continued)

	2015 RMB'000	2014 RMB'000
Other non-current assets:		
— Suzhou Zhongxiang (note)	—	96,752
— Wuhan Zhengda (note)	42,092	—
— RSM Enterprise Development Group (note 28(d))	247,705	—
	289,797	96,752

Note: The amounts are non-trade in nature, unsecured, interest free and repayable on demand after these entities become profitable. In the opinion of the directors of the Company, the amounts are to be settled after twelve months from the end of the reporting period and are therefore classified as non-current assets.

	2015 RMB'000	2014 RMB'000
Rental and service fee received in advance: trade nature		
— Shaanxi Hongrui	—	1,250
— Xuzhou Global	387	458
— Xinghua Xingkai	—	1,634
— RSM Enterprise Development Group	5,182	6,383
— Ms. Qian Yumei	22	175
— Shanghai Mingyi	684	684
	6,275	10,584

48. RELATED PARTY TRANSACTIONS (continued)

(d) At the end of the reporting period, the Group has the balances with following related parties and the details are set out below: (continued)

	2015 RMB'000	2014 RMB'000
Other payables:		
— RSM Enterprise Development Group		
— acquisition related (note i)	**175,572**	—
— RSM Enterprise Development Group — other (note ii)	**204,596**	7,297
— Shenzheng Red Star (note ii)	**24,246**	40,346
— Suzhou Zhongxiang (note ii)	**—**	371
	404,414	48,014

Note i: The amounts represented consideration payable to RSM Enterprise Development for acquisition of Suzhou Kairun and RSM Industrial, details of which are set out in note 42.

Note ii: The amounts are non-trade in nature, unsecured, interest free and repayable on demand.

	2015 RMB'000	2014 RMB'000
Amount due to related parties in respect to the properties pledged:		
— RSM Investment (other payable)	**—**	231,464
— RSM Enterprise Development Group (non-current liabilities)	**—**	419,345
	—	650,809

48. RELATED PARTY TRANSACTIONS (continued)

(d) At the end of the reporting period, the Group has the balances with following related parties and the details are set out below: (continued)

As disclosed in note 48(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.

During the year end 31 December 2015, the mortgage loan pledged by the transferred shopping mall held by Xinglong Property and Dalian Investment have been fully repaid and the Group has remitted the relevant deposits to RSM Investment and RSM Enterprise Development Group 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:

	2015 **RMB'000**	2014 RMB'000
— Short-term employee benefits	**38,794**	36,593
— Retirement benefit contributions	**614**	517
— Performance related incentive payments	**—**	18,997
	39,408	56,107

49. INFORMATION ABOUT THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2015 RMB'000	2014 RMB'000
NON-CURRENT ASSETS		
Property, plant and equipment	**27,629**	35,045
Investment in joint ventures	**261,877**	261,877
Loan receivables due from subsidiaries	**215,644**	376,449
Intangible assets	**536,774**	543,639
Investments in subsidiaries	**9,762,414**	5,925,518
Investments in associates	**21,850**	56,350
Available-for-sale investments	**22,400**	31,400
Deferred tax assets	**215,922**	161,180
Other non-current assets	**1,215,467**	984,418
	12,279,977	8,375,876
CURRENT ASSETS		
Inventories	**46**	90
Trade and other receivables	**13,172,366**	10,750,417
Loan receivables	**30,100**	29,810
Bank balances and cash	**2,477,919**	666,885
	15,680,431	11,447,202
CURRENT LIABILITIES		
Trade and other payables	**4,587,798**	7,099,308
Rental and service fee received in advance	**726,254**	1,050,667
Tax liabilities	**120,348**	149,510
Bank and other borrowings	**510,000**	139,700
Bonds	**497,195**	597,681
	6,441,595	9,036,866
NET CURRENT ASSETS	**9,238,836**	2,410,336
TOTAL ASSETS LESS CURRENT LIABILITIES	**21,518,813**	10,786,212

49. INFORMATION ABOUT THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY (continued)

	2015 RMB'000	2014 RMB'000
NON-CURRENT LIABILITIES		
Bank and other borrowings	**1,200,000**	225,000
Bonds	**7,335,011**	2,861,317
Deferred income	**54,016**	54,016
Other non-current liabilities	**682,410**	728,424
	9,271,437	3,868,757
NET ASSETS	**12,247,376**	6,917,455
CAPITAL AND RESERVES		
Share capital	**3,623,917**	3,000,000
Share premium	**5,617,001**	234,616
Reserves	**3,006,458**	3,682,839
Total equity	**12,247,376**	9,004,856

Share premium and reserves	Share premium RMB'000	Statutory surplus reserve RMB'000	Share options reserves RMB'000	Retained earnings RMB'000	Total RMB'000
Balance at 1 January 2014	234,616	456,128	169,331	1,626,944	2,487,019
Profit and total comprehensive income for the year	—	—	—	2,150,436	2,150,436
Transfer	—	210,520	—	(210,520)	—
Dividends (note 17)	—	—	—	(720,000)	(720,000)
Balance at 31 December 2014	234,616	666,648	169,331	2,846,860	3,917,455
Profit and total comprehensive income for the year		—	—	1,813,619	1,813,619
Transfer		184,251	—	(184,251)	—
Dividends (note 17)		—	—	(2,490,000)	(2,490,000)
Issue of H shares (note 39)	5,029,741	—	—	—	5,029,741
Share issued (note 39)	352,644	—	—	—	352,644
Balance at 31 December 2015	**5,617,001**	**850,899**	**169,331**	**1,986,227**	**8,623,459**

50. SUBSIDIARIES

Details of the Company's principal subsidiaries as at 31 December 2015 and 2014 are as follows:

Name of subsidiary	Principal activity	Place of incorporation/ establishment/ operation	Nominal value of issued and fully paid up share capital/ registered capital	Proportion of ownership interest and voting power held by the Group 2015 %	2014 %
南京名都家居廣場有限公司* Nanjing Mingdu Home Furnishing Plaza Company Limited ("Nanjing Mingdu")	Shopping mall operation	PRC 11 October 2006	Registered RMB80,000,000 Paid up capital RMB80,000,000	100	100
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")	Shopping mall operation	PRC 11 July 2005	Registered RMB150,000,000 Paid up capital RMB150,000,000	100	100
上海虹欣歐凱家居有限公司* Shanghai Hongxin Oukai Home Furnishing Company Limited ("Shanghai Hongxin Oukai") (note)	Shopping mall operation	PRC 19 January 2007	Registered RMB100,000,000 Paid up capital RMB100,000,000	50	50
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)	Shopping mall operation	PRC 24 June 2005	Registered RMB30,000,000 Paid up capital RMB30,000,000	50	50
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 ")	Brand management	PRC 25 February 2009	Registered RMB5,000,000 Paid up capital RMB5,000,000	100	100
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")	Shopping mall operation	PRC 20 August 2010	Registered RMB353,000,000 Paid up capital RMB353,000,000	100	100

50. SUBSIDIARIES (continued)

Name of subsidiary	Principal activity	Place of incorporation/ establishment/ operation	Nominal value of issued and fully paid up share capital/ registered capital	Proportion of ownership interest and voting power held by the Group 2015 %	2014 %
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")	Shopping mall operation	PRC 2 December 2010	Registered RMB445,000,000 Paid up capital RMB445,000,000	100	100
沈陽紅星美凱龍家居有限公司* Shenyang Red Star Macalline Home Furnishing Company Limited ("Shenyang Home Furnishing")	Shopping mall operation	PRC 18 November 2011	Registered RMB30,000,000 Paid up capital RMB30,000,000	100	100
上海星凱程鵬企業管理有限公司* Shanghai Xingkai Chengpeng Business Management Company Limited ("Xingkai Chengpeng")	Investment management	PRC 28 October 2011	Registered RMB1,000,000,000 Paid up capital RMB1,000,000,000	100	100
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")	Shopping mall operation	PRC 18 July 2013	Registered RMB314,285,714 Paid up capital RMB314,285,714	65	65
北京紅星美凱龍世博家俱廣場有限公司* Beijing Red Star Macalline Shibo Furniture Plaza Company Limited ("Beijing Shibo Furniture")	Shopping mall operation	PRC 12 November 2004	Registered RMB29,990,000 Paid up capital RMB29,990,000	100	100

Note: 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.

50. SUBSIDIARIES (continued)

All the subsidiaries were incorporated/established in the PRC as a company with limited liability. The English translation are for translation purpose only and have not been registered.

The above table lists the subsidiaries of the Company which, in the opinion of the directors of the Company, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors of the Company, result in particulars of excessive length.

51. EVENTS AFTER THE REPORTING PERIOD

At the Board Meeting on 12 February 2016, the Board resolved to submit to the extraordinary general meeting, the domestic shareholders' class meeting and the H shareholders' class meeting respectively for consideration and approval by the shareholders by way of special resolution a proposal for the A share offering. The Board also resolved to approve the proposal of submitting a registration application for the issue of the super short-term commercial papers in the PRC, subject to the shareholders' approval at the extraordinary general meeting. Please refer to the Company's related announcements on 12 February 2016 for details.

At the Board Meeting on 21 March 2016, a final dividend in respect of the year ended 31 December 2015 of RMB0.47 per share has been proposed by the directors of the Company and is subject to approval by the shareholders in the forthcoming annual general meeting.

Four-Year Financial Summary

	For the year ended 31 December			
	2015	2014	2013	2012
	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	**8,756,120**	7,935,131	6,360,703	5,253,733
Profit and total comprehensive income for the year	**4,369,755**	3,922,004	3,269,327	2,256,597
— Owners of the Company	**4,098,068**	3,632,917	3,013,182	1,907,090
— Non-controlling interests	**271,687**	289,087	256,145	349,507
Earnings per share				
— Basic (RMB)	**1.22**	1.21	1.00	0.64
— Diluted (RMB)	**1.22**	N/A	N/A	N/A

	As at 31 December			
	2015	2014	2013	2012
	RMB'000	RMB'000	RMB'000	RMB'000
— Non-current assets	**75,328,818**	66,792,413	61,901,164	55,270,616
— Current assets	**7,860,755**	5,125,479	4,959,251	5,788,227
Total Assets	**83,189,573**	71,917,892	66,860,415	61,058,843
— Current liabilities	**10,622,807**	10,419,993	9,288,047	6,887,250
— Non-current liabilities	**27,298,562**	24,084,806	23,093,779	20,987,424
Total liabilities	**37,921,369**	34,504,799	32,381,826	27,874,674
Net assets	**45,268,204**	37,413,093	34,478,589	33,184,169
Total Equity	**45,268,204**	37,413,093	34,478,589	33,184,169
— Equity attributable to owners of the Company	**41,144,559**	33,444,992	30,635,646	29,192,659
— Non-controlling interests	**4,123,645**	3,968,101	3,842,943	3,991,510

Definitions

"AGM"	the annual general meeting of the Company proposed to be convened on Wednesday, 8 June 2016
"A Share(s)"	the ordinary shares(s) proposed to be issued by the Company pursuant to the A Share Offering, with a nominal value of RMB1.00 each, which will be listed on the Shanghai Stock Exchange and traded in RMB
"A Share Offering"	the Company's proposed initial public offering of not more than 315,000,000 A Shares in the PRC
"Articles of Association"	articles of association of the Company (as amended from time to time)
"Associate(s)"	has the meaning ascribed thereto under the Listing Rules
"Board" or "Board of Directors"	the board of directors of the Company
"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 13 November 1998, which is directly wholly owned by Mr. CHE
"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 27 October 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 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
"Company" or "Our Company"	Red Star Macalline Group Corporation Ltd. (紅星美凱龍家居集團有限公司), a sino-foreign joint stock limited company established in the PRC, and the H Shares of which are listed and traded on the Main Board

"Connected Person(s)"	has the meaning ascribed thereto under the Listing Rules
"Consolidated Financial Statements"	the audited consolidated financial statements of the Company for the year ended 31 December 2015
"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 and RSI
"Corporate Bonds"	corporate bonds with an aggregate principal amount of RMB5,000,000,000 and coupon rate of 4.50% issued by the Company in the PRC on 11 November 2015
"Corporate Governance Code"	the Corporate Governance Code set out in Appendix 14 to the Listing Rules
"CSRC"	means the China Securities Regulatory Commission, responsible for supervising and regulating the security market in PRC
"Director(s)"	means Director(s) of the Company
"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
"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
"Greenland Chengdu"	Greenland Group Chengdu Property Co., Ltd.*(綠地成都置業有限公司), 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 Group Chengdu Property Co., Ltd., an independent third party of the Company and 50% by Chengdu Property
"Global Offering"	the initial public offering of the H Shares whereby the H Shares were listed on the Main Board on 26 June 2015
"Group"	the Company and its subsidiaries

"H Share(s)"	overseas-listed foreign invested ordinary share(s) with a nominal value of RMB1.00 each in the share capital of the Company, which is/are listed and traded on the Hong Kong Stock Exchange
"HK$" or "HK dollars"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited
"IFRS"	International Financial Reporting Standards
"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
"Listing"	listing of the H Shares on the Main Board of the Hong Kong Stock Exchange
"Project Company"	means 64 project companies holding certain managed shopping mall companies, and each of them a "Project Company"
"Listing Date"	26 June 2015, the date on which the H Shares were listed and traded on the Hong Kong Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
"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
"Managed Shopping Mall(s)"	shopping mall(s) managed by us under contract management agreements
"Mr. CHE"	Mr. CHE Jianxing

"Other Cities"	for the purpose of this annual report only, cities at prefecture-level, excluding Tier I Cities, Tier II Cities and Tier III Cities
"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 31 December 2014 and the three months ended 31 March 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 31 December 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 31 December 2012 and 2013, and were categorized as our Portfolio Shopping Malls for the year ended 31 December 2014 and the three months ended 31 March 2014 and 2015. For the years ended 31 December 2012, 2013 and 2014 and the three months ended 31 March 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 31 December 2012, 2013 and 2014 and the three months ended 31 March 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 annual report, 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 annual report, 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"

"Model Code"	Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules
"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 27 June 1994, which is held as to 45% by Mr. CHE Jianxing, 45% by Changzhou RSHFC and 10% by Ms. CHE Jianfang
"Reporting Period"	the period from 1 January 2015 to 31 December 2015
"Repurchase Agreement"	the repurchase agreement dated 23 October 2015 entered into between the Company and Chengdu Property
"RMB"	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 11 June 2010, which is held as to 70.15% by RSI, 14% by Millbranch Investment SRL, an affiliate of Warburg Pincus LLC, 8.08% by Candlewood Investment SRL, 4.72% by Springwood, 0.81% by Lianyungang Fairbay Infrastructure Construction Company Limited, 0.37% by Shanghai Hongmei, 1.66% by Shanghai Meilong Assets Management Company Limited* (上海美龍資產管理有限公司) and 0.22% by Shanghai Xingkai Business Administration Company Limited* (上海興凱企業管理有限公司)
"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, which is held/controlled indirectly as to 92% by Mr. CHE and 8% by Ms. CHE Jianfang and is a Controlling Shareholder of our Company
"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

"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
"Supervisor(s)"	member(s) of the supervisory committee of the Company
"Tier I Cities"	for the purpose of this annual report only, Shanghai, Beijing, Guangzhou and Shenzhen
"Tier II Cities"	for the purpose of this annual report only, 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 annual report only, 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
"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

"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
"Jinshan Property"	a building located at No. 1808 Hangzhou Bay Road, Shanghai, the PRC (property ownership certificate Hu Fang Di Jin Zi (2013) No. 010389) with a total gross floor area of approximately 74,917.88 square meters
"Shanghai Hongmei"	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 27 February 2012, which is a Shareholder of our Company and directly holds approximately 0.35% of the issued share of our Company
"Prospectus"	the prospectus of the Company dated 16 June 2015