



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

2017
INTERIM REPORT



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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. LI Zhenning
Mr. DING Yuan
Mr. LEE Kwan Hung
Mr. QIAN Shizheng

SUPERVISORS

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

AUDIT COMMITTEE

Mr. DING Yuan (*Chairman*)
Mr. LI Zhenning
Mr. QIAN Shizheng

REMUNERATION AND EVALUATION COMMITTEE

Mr. QIAN Shizheng (*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, the PRC

HEADQUARTERS IN THE PRC

9/F Red Star World Trade Building
No. 598, Nujiang Road North
Putuo District
Shanghai, the PRC

Corporate Information

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

36/F, Tower 2
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
The PRC

PRINCIPAL BANKS

Industrial and Commercial Bank of China

Shanghai Branch Banking Department
No. 24 Zhongshan Dongyi Road
Shanghai, the PRC

Minsheng Bank Shanghai

South Branch No. 550 Xujiahui Road
Shanghai, the PRC

Bank of Communication

Shanghai West Branch
No. 350 Jiangning Road
Shanghai, the PRC

Bank of China

Wuxi Xishan Branch
No. 82 Xiuhuzhong Road
Wuxi, the PRC

STOCK CODE

1528

COMPANY'S WEBSITE

www.chinaredstar.com

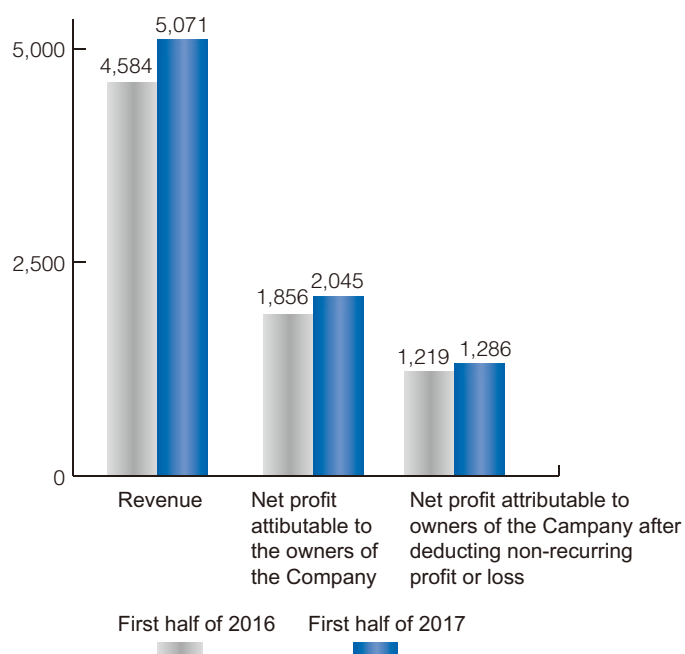
Financial and Operational Highlights

FINANCIAL HIGHLIGHTS

	Six months ended 30 June	
	(in RMB million, except otherwise stated)	
	2017	2016
	(Unaudited)	(Unaudited and Restated)
Revenue	5,071	4,584
Gross profit	3,696	3,408
Gross profit margin	72.9%	74.3%
Net profit	2,156	1,929
Net profit attributable to owners of the Company	2,045	1,856
Net profit margin attributable to owners of the Company	40.3%	40.5%
Net profit attributable to owners of the Company after deducting non-recurring profit or loss	1,286	1,219
Net profit margin attributable to owners of the Company after deducting non-recurring profit or loss	25.4%	26.6%
Earnings per share	RMB0.56	RMB0.51

Key Financial Performance Indicators

RMB million



Financial and Operational Highlights

According to the “Consultation Conclusions on Acceptance of Mainland Accounting and Auditing Standards and Mainland Audit Firms for Mainland Incorporated Companies Listed in Hong Kong” (《有關接受在香港上市的內地註冊成立公司採用內地的會計及審計準則以及聘用內地會計師事務所的諮詢總結》) published by The Stock Exchange of Hong Kong Limited (“Hong Kong Stock Exchange”) in December 2010, People’s Republic of China (“PRC”) issuers listed in Hong Kong are allowed to prepare their financial statements in accordance with the China Accounting Standards for Business Enterprise (“CASBE”) and PRC audit firms approved by the Ministry of Finance and the China Securities Regulatory Commission are allowed to audit these financial statements in accordance with the CASBE. In order to improve the efficiency and reduce the cost of disclosure and audit expenses, the board of the Company (“the Board”) passed a resolution on 23 August 2017 to disclose overseas financial reports for the Company under the CASBE instead of the International Financial Reporting Standards. For details, please refer to the announcement of the Company dated 23 August 2017. From 2017 onwards, the Company will disclose its financial reports in accordance with the CASBE and related regulations.

OPERATIONAL HIGHLIGHTS

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

	As at 30 June 2017	As at 31 December 2016
Number of shopping malls	214	200
Operating area of shopping malls (<i>sq.m.</i>)	13,296,491	12,692,393
Number of cities covered	150	142
Number of Portfolio Shopping Malls	69	66
Operating area of Portfolio Shopping Malls (<i>sq.m.</i>)	5,327,755	5,083,326
Average occupancy rate of Portfolio Shopping Malls	97.0%	96.7%
Number of Managed Shopping Malls	145	134
Operating area of Managed Shopping Malls (<i>sq.m.</i>)	7,968,737	7,609,067
Average occupancy rate of Managed Shopping Malls	96.6%	96.2%

Note:

(1) See definitions in the 2016 annual report of the Company.

Management Discussion and Analysis

I. OVERVIEW

For the six months ended 30 June 2017 (the “Reporting Period”), Red Star Macalline Group Corporation Ltd. (the “Company”, “we” or “our”) and its subsidiaries (collectively the “Group”, “We” or “Our”) continued to focus on the strategic positioning of growing into an “omni-channel platform service provider for the pan home improvement and furnishings industry”, followed the operation and management mode of “market-oriented operation and shopping-mall-based management”, further strengthened its cooperation with home improvement and furnishings manufacturers and distributors, and persistently optimized the structure of brands operated by us in home improvement and furnishings shopping malls to provide consumers with better services. With all such efforts, the Group obtained satisfactory results.

During the Reporting Period, the Group recorded revenue of RMB5,071.0 million, representing an increase of 10.6% from RMB4,583.7 million for the same period in 2016. Gross profit margin decreased by 1.4 percentage points to 72.9% from 74.3% for the same period last year. During the Reporting Period, Net profit attributable to owners of the Company after deducting non-recurring profit or loss amounted to RMB1,286.4 million, representing an increase of 5.5% from RMB1,218.9 million for the same period in 2016. As at the end of the Reporting Period, the Group’s cash and bank amounted to RMB7,753.9 million, representing an increase of 26.3% from RMB6,137.9 million as at the end of 2016. As at the end of the Reporting Period, the net gearing ratio^(Note) of the Group increased to 43.4% from 39.7% as at 31 December 2016.

Note: Net gearing ratio is our total interest-bearing bank and other borrowings, bonds and obligations under finance leases net of bank balances and cash as a percentage of total equity at the end of each period.

During the Reporting Period, we continued to implement the two-pronged business model of Portfolio Shopping Malls and Managed Shopping Malls, with a focus on continuing development of our asset-light business model, and strategically expanded our shopping mall network nationwide in order to further enhance our market share, thereby persistently strengthening our market leadership in China’s home improvement and furnishings industry. As of the Reporting Period, we operated a total of 214 shopping malls with a nationwide coverage across 150 cities, with a total shopping mall operating area of 13,296,491 sq.m.. We continuously improved the operation and management of shopping malls through tenant sourcing and management, operation management, marketing management and property management, and proactively made efforts to develop explorative business such as Internet pan home improvement and furnishings consumption business, Internet home decoration business, home furnishings financial services and full-range logistics service. We also explored the commercial application of information technology through the “Star Cloud” information system and the “Smart Shopping Mall” project, and optimized human resources management in order to support the rapid growth of our business. In the future, we will continue to pursue our development goal of becoming the most advanced and professional “omni-channel platform service provider for the pan home improvement and furnishings industry” in China.

Management Discussion and Analysis

II. INDUSTRY ENVIRONMENT

In the first half of 2017, under the guidance of reform concepts of taking advantage of new development concepts to lead the new normal of economic development, focusing on the main theme of promoting the supply-side structural reform and aiming to enhance quality and efficiency, the national economy of the PRC maintained within a reasonable range with an increasingly obvious trend of stable and improving development.

According to the statistics of the National Bureau of Statistics of the PRC, in the first half of this year, the GDP grew by 6.9% on a year-on-year basis, while the national disposable income per capita increased by 8.8% on a year-on-year basis, with an actual growth rate of 7.3% after deducting price factors. During the same period, the accumulative value of retail sales of social consumer goods increased by 10.4%, while the accumulative value of retail sales of furniture category and construction and decoration material categories increased by 13.4% and 13.9% respectively, both on a year-on-year basis. On the one hand, the stable and improving development trend, the continuous promotion of urbanization process and the increase of citizens' income level provide favorable conditions for the continuing development of social consumer goods market; on the other hand, compared with the overall performance in social consumer goods market, the market performance of home improvement and furnishings industry was stronger, which indicated the increasing domestic demand for home improvement and furnishings. In addition, the second interior decoration and the consumption upgrade for home appliance also bring room for the industry's development.

Management Discussion and Analysis

III. FINANCIAL REVIEW

1. Revenue

During the Reporting Period, the Group's revenue amounted to RMB5,071.0 million, representing an increase of 10.6% from RMB4,583.7 million for the same period in 2016. 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. During the Reporting Period, the increase in revenue from leasing and management fees of our Owned/Leased Portfolio Shopping Malls was due to the increase in numbers of malls and the operating area. The increase in revenue from our Managed Shopping Malls during the Reporting Period was mainly the result of a new revenue source from the Group's expansion in the business of providing consulting and tenant sourcing advisory services to property owners.

The following table sets forth our revenue by business segments:

	Six months ended 30 June			
	2017 (RMB) (Unaudited)	2017 %	2016 (RMB) (Unaudited)	2016 %
Owned/Leased Portfolio				
Shopping Malls	3,188,830,865.46	62.9	2,966,245,991.60	64.7
Managed Shopping Malls	1,473,052,100.58	29.0	1,308,898,546.99	28.6
Sales of merchandise and related services	109,284,985.25	2.2	92,625,009.42	2.0
Others	299,799,373.19	5.9	215,928,633.16	4.7
Total	5,070,967,324.48	100.0	4,583,698,181.17	100.0

Owned/Leased Portfolio Shopping Malls: the revenue increased from RMB2,966.2 million in the first half of 2016 to RMB3,188.8 million in the Reporting Period, representing an increase of 7.5%, mainly due to the increase in numbers of malls and the operating area. As at the end of the Reporting Period, the number of Owned/Leased Portfolio Shopping Malls opened by the Group was more than that at the end of June 2016 by 12, with the corresponding increase in the total operating area of 809,368 sq.m.

Managed Shopping Malls: the revenue increased from RMB1,308.9 million in the first half of 2016 to RMB1,473.1 million in the Reporting Period, representing an increase of 12.5%, mainly due to Group's expansion in the business of providing consulting and tenant sourcing advisory services to property owners since the second half of 2016 and the authorization for them to use "Xingyijia" (星藝佳) brand in the way agreed by the Group and the related revenue during the Reporting Period achieved RMB168.9 million (the same period in 2016: nil). In addition, the revenue from the consulting and management service titled the Company's name for the early stage of the project amounted to RMB625.6 million (the same period in 2016: RMB594.3 million) during the Reporting Period, mainly due to the increase of the number of the Managed Shopping Malls under development and acquisition of land use rights and the progress of construction and opening; and during the Reporting Period, the revenue from annual consulting and management service titled the Company's name for the special project was RMB674.1 million (the same period in 2016: RMB705.2 million), and the revenue from commerce management consultancy over project and during the Reporting Period achieved RMB4.5 million (the same period in 2016: RMB9.4 million).

Management Discussion and Analysis

III. FINANCIAL REVIEW (Continued)

2. Operating Cost

The operating cost of the Group mainly consists of staff salaries and welfare directly related with our Owned/Leased Shopping Mall and Managed Shopping Mall business operation and the site rental fee paid for the rental of shopping mall. During the Reporting Period, the operating cost of the Group was RMB1,374.7 million, represent an increase of 16.9% as compared with RMB1,176.0 million in the same period of 2016, 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 operating cost by business segments:

	Six months ended 30 June			
	2017 (RMB) (Unaudited)	2017 %	2016 (RMB) (Unaudited)	2016 %
Owned/Leased Portfolio				
Shopping Malls	696,929,743.37	50.7	633,306,795.45	53.9
Managed Shopping Malls	507,345,696.81	36.9	427,632,426.88	36.4
Sales of merchandise and related services	85,057,453.53	6.2	64,500,599.06	5.5
Others	85,335,308.48	6.2	50,571,028.13	4.3
Total	1,374,668,202.19	100.0	1,176,010,849.52	100.0

3. Gross profit and gross profit margin

During the Reporting Period, the Group's gross profit was RMB3,696.3 million, representing an increase of 8.5% from RMB3,407.7 million for the same period in 2016; the Group's integrated gross profit margin was 72.9%, representing a decrease of 1.4 percentage points from 74.3% for the same period in 2016, primarily due to the decrease in the gross profit margin of the revenue derived from Owned/Leased Portfolio Shopping Malls and Managed Shopping Malls and other revenue.

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

	Six months ended 30 June	
	2017 (Unaudited)	2016 (Unaudited)
Owned/Leased Portfolio Shopping Malls	78.1%	78.6%
Managed Shopping Malls	65.6%	67.3%
Sales of merchandise and related services	22.2%	30.4%
Others	71.5%	76.6%
Total	72.9%	74.3%

Management Discussion and Analysis

III. FINANCIAL REVIEW (Continued)

4. Distribution and selling expenses and general and administrative expenses

During the Reporting Period, the Group's distribution and selling expenses amounted to RMB577.2 million (accounting for 11.4% of the revenue), representing an increase of 1.6% from RMB568.2 million (accounting for 12.4% of the revenue) for the same period in 2016, primarily due to growing advertising and promotional expenses as a result of the increase of the investment in brand promotion activities and promotion made for our newly opened shopping malls.

During the Reporting Period, the Group's general and administrative expenses amounted to RMB468.1 million (accounting for 9.2% of the revenue), representing an increase of 32.6% from RMB352.9 million (accounting for 7.7% of the revenue) for the same period in 2016, primarily due to the increase in the number of staff for expansionary business, the increase in staff remuneration standard, and the increase in the staff remuneration and benefits and office and administrative expenses arising from the increase in the newly-added internet application platform research and development team expenses based on the establishment of the strategic layout of the omni-channel consumption platform for the pan home improvement and furnishings industry.

5. Financial expenses

During the Reporting Period, the Group's financial expense amounted to RMB544.2 million, representing an increase of 32.6% from RMB410.3 million for the same period in 2016, of which, the total interest expense amounted to RMB650.2 million, representing an increase of 13.7% from RMB571.9 million for the same period in 2016, primarily due to the increase in the amount of interest-bearing liabilities as a result of the increase in bank loans and the issuance of domestic corporate bonds by the Group in the second half of 2016 and during the Reporting Period in order to meet the capital requirements in line with the expanding business scale of the Group.

6. Income tax expense

During the Reporting Period, the income tax expenses of the Group amounted to RMB725.0 million, representing an increase of 7.4% from RMB674.7 million for the same period in 2016. Through effective and reasonable tax planning, the rate of the effective income tax decreased from 25.9% in the first half of 2016 to 25.2% in the Reporting Period.

Management Discussion and Analysis

III. FINANCIAL REVIEW (Continued)

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

During the Reporting Period, net profit attributable to owners of the Company amounted to RMB2,045.2 million, representing an increase of 10.2% from RMB1,856.4 million for the same period in 2016; the net profit attributable to owners of the parent after deducting non-recurring profit or loss amounted to RMB1,286.4 million, representing an increase of 5.5% from RMB1,218.9 million for the same period in 2016. The above is a result of the substantial increase in our revenue as compared with that in the same period last year.

	Six months ended 30 June		Growth
	2017 (RMB) (Unaudited)	2016 (RMB) (Unaudited and Restated)	
Net profit attributable to owners of the Company	2,045,171,145.99	1,856,425,762.55	10.2%
Net profit margin attributable to owners of the Company	40.3%	40.5%	-0.2ppts
Net profit attributable to owners of the Company after deducting non-recurring profit or loss	1,286,401,391.88	1,218,897,065.56	5.5%
Net profit margin attributable to owners of the Company after deducting non-recurring profit or loss	25.4%	26.6%	-1.2ppts

During the Reporting Period, the Group's earnings per share was RMB0.56, as compared to RMB0.51 for the same period in 2016.

8. Account receivables

As at the end of the Reporting Period, the book value of account receivables of the Group amounted to RMB981.1 million (of which the balance of account receivables amounted to RMB1,680.5 million and the bad debt allowance amounted to RMB699.4 million), representing an increase of RMB181.3 million from RMB799.8 million as at the end of 2016, primarily due to the increase in account receivables arising from the growth of the Group's revenue from Managed Shopping Malls during the Reporting Period.

Management Discussion and Analysis

III. FINANCIAL REVIEW (Continued)

9. Investment properties and gain on fair value changes

As at the end of the Reporting Period, the book value of the Group's investment properties amounted to RMB69,722.9 million, representing an increase of 4.1% from RMB66,948.0 million as at the end of 2016. During the Reporting Period, the Group's investment properties realized gain on fair value changes of RMB960.4 million. The above growth trend was mainly due to the advancement in the construction of our Portfolio Shopping Malls and the increase of operating areas of the completed Portfolio Shopping Malls during the Reporting Period, and the increase in fair value of the properties as a result of sustained and steady growth of the leasing and management revenue level for certain shopping malls that commenced operations.

In recent years, the domestic sound business operation environment and the brand influence of Red Star Macalline have formed the strong support for our overall operating revenue from operating the shopping mall. Thus, the fair value of the investment properties of the Group increased on continuous basis. The Group will continue to receive rent for investment properties, and dispose certain investment properties in appropriate time and subject to the market environment.

10. Capital expenditures

During the Reporting Period, the Group's capital expenditures amounted to RMB1,618.2 million (the same period in 2016: RMB1,897.4 million), primarily including the expenditures incurred for the acquisition of land for investment properties and construction works.

11. Cash and bank and cash flow

As at the end of the Reporting Period, the balance of the Group's cash and bank amounted to RMB7,753.9 million (of which, the balance of cash and cash equivalents amounted to RMB7,173.8 million), representing an increase of RMB1,616.0 million from RMB6,137.9 million (of which, the balance of cash and cash equivalents amounted to RMB5,892.4 million) as at the end of 2016.

During the Reporting Period, the Group's net cash flow from operating activities amounted to RMB2,516.2 million, net cash flow from investment activities amounted to RMB-4,886.0 million and net cash flow from financing activities amounted to RMB3,651.2 million.

	Six months ended 30 June	
	2017 (RMB) (Unaudited)	2016 (RMB) (Unaudited)
Net cash flow from operating activities	2,516,150,714.39	1,464,129,902.16
Net cash flow from investment activities	(4,885,979,737.52)	(2,322,219,571.77)
Net cash flow from financing activities	3,651,200,236.14	437,004,386.13
Net increase/(decrease) in cash and cash equivalents	1,281,371,213.01	(421,085,283.48)

Management Discussion and Analysis

III. FINANCIAL REVIEW (Continued)

12. The debt situation and debt ratio

As of the end of the Reporting Period, the total amount of debt of the Group was RMB26,064.2 million, of which bank borrowings were RMB15,299.9 million, and bonds payable were RMB10,341.7 million, the financial lease payable was RMB422.6 million. As of the end of the Reporting Period, other bank borrowings, bonds payable and the financial lease payable of the Group are denominated in RMB except for the bank borrowings of US\$35.0 million in the Hong Kong subsidiary of the Group is denominated in US dollars.

The following table sets out our specific debt:

	At 30 June 2017 (RMB'000) (Unaudited)	At 31 December 2016 (RMB'000) (Unaudited)
Short-term loans		
Pledge loans	10	10
Mortgage and pledge loans	22,000	500,000
Credit loans	245,838	–
	267,848	500,010
Long-term loans		
Mortgage loans	6,847,191	5,962,990
Pledge loans	1,739,000	–
Mortgage and pledge loans	1,742,538	756,750
Mortgage and guaranteed loans	1,021,693	988,592
Mortgage, pledge and guaranteed loans	552,367	739,205
Credit loans	140,000	
	12,042,790	8,447,537
Long-term loans due within 1 year		
Mortgage loans	2,469,973	1,823,780
Pledge loans	20,000	–
Mortgage and pledge loans	154,865	91,500
Mortgage and guaranteed loans	258,807	241,408
Mortgage, pledge and guaranteed loans	60,598	111,598
Credit loans	25,000	19,000
	2,989,244	2,287,286

Management Discussion and Analysis

III. FINANCIAL REVIEW (Continued)

12. The debt situation and debt ratio (Continued)

	At 30 June 2017 (RMB'000) (Unaudited)	At 31 December 2016 (RMB'000) (Unaudited)
Bond payable		
First tranche of the medium-term notes of 2013 of Red Star Macalline Group Corporation Ltd. (due in 2018)	497,868	497,031
Corporate bonds of 2015 of Red Star Macalline Group Corporation Ltd. (the first tranche) (due in 2020)	4,980,566	4,973,683
Second tranche of 5-year Corporate bonds public offered by Red Star Macalline Group Corporation Ltd. (due in 2021)	1,488,140	1,485,447
Second tranche of 7-year Corporate bonds public offered by Red Star Macalline Group Corporation Ltd. (due in 2023)	1,480,115	1,477,940
	8,446,689	8,434,101
Bonds payable due within 1 year		
Second tranche of the medium-term notes of 2012 of Red Star Macalline Group Corporation Ltd. (due in 2017)	897,691	894,941
First tranche non-public debt financing instruments of 2014 of Red Star Macalline Group Corporation Ltd. (due in 2020)	997,358	994,527
	1,895,049	1,889,468
Financial lease payable	422,567	419,693

Among the total debt of the Group, portion to be repaid in a year or required to be repaid was RMB5,152.2 million; the portion to be repaid more than one year was RMB20,912.0 million. The Group will repay the above loans upon expiration in a timely manner.

Management Discussion and Analysis

III. FINANCIAL REVIEW (Continued)

12. The debt situation and debt ratio (Continued)

The following table sets out our major debt ratios:

	As at 30 June 2017 (Unaudited)	As at 31 December 2016 (Unaudited and Restated)
Asset-liability ratio ⁽¹⁾	53.8%	51.0%
Net gearing ratio	43.4%	39.7%

Note:

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

13. Pledge of assets of the Company

As at the end of the Reporting Period, the Group had pledged investment properties with carrying amount of RMB52,966.6 million and the restricted cash and bank of RMB37.1 million for obtaining loans and providing guarantees.

14. Contingent liabilities

The Group provided financial guarantees jointly with our cooperative partners to a bank in respect of a loan in the amount up to RMB400.0 million, which was granted to one of our joint ventures; As at the end of the Reporting Period, such loan was repaid by the joint venture (as at 31 December 2016: RMB98.0 million had been utilized by the joint venture).

The Group and our cooperative partner provided financial guarantees to a financial institution in respect of a loan in the amount up to RMB2,500.0 million granted to one of our associates, of which the Group provided guarantee according to its equity proportion of 25%, which is RMB625.0 million, to secure the above facility; as at the end of the Reporting Period, RMB1,300.0 million (as at 31 December 2016: RMB1,000.0 million) of which was utilized by the associate.

Management Discussion and Analysis

III. FINANCIAL REVIEW (Continued)

14. Contingent liabilities (Continued)

The directors of the Company (“Directors”) believe that the amount of the above financial guarantees is not significant and the guaranteed joint venture and associate are in good financial status.

15. Financial resources and capital structure

As at the end of the Reporting Period, the net gearing ratio of the Group was 43.4%. The aggregate of bank loans, bonds payable and financial lease payables was RMB26,064.2 million, of which 80.2% are payable with a period above one year. In the future, the main sources of capital of the Group will be from cash generated from our operating activities, bank borrowings, issuance of bonds and share capital contributions from our shareholders. To ensure the capital of the Group is effectively utilized, the Group will continue to regularly monitor our working capital needs, comply with loan contract and maintain the sufficiency of our cash reserves and credit limits so as to meet our cash flow needs.

16. Future plans for major investments

Our future major investments 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 and strengthening scale effect. As at the end of the Reporting Period, the capital expense amount for acquisition and development of investment properties of which the Group has contracted but not recognised in the financial statements was RMB1,466.7 million. In addition, the Group has entered into agreements with its partners, pursuant to which the Group’s commitment to contribute funds for development of investment properties jointly with the partners amounted to RMB664.1 million. The capital commitment as disclosed in Note XI to the Financial Statements on page 235 was primarily in relation to the property development of our shopping malls.

We will adhere to a prudent financial management strategy, unified management of funds and financing, rationally 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, so as to maximize the benefits.

17. Material acquisitions and disposals

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

18. Foreign exchange risk

The Group operates in the PRC. All income and almost all expenditure of the Group are in RMB. The Group retains a small amount of bank deposit, bank borrowings and equity investment in Hong Kong dollars and United States dollars, and the dividend in respect of H shares will be paid in Hong Kong dollars. Currently, we do not hedge foreign currency as our Directors believe that our exposure to foreign exchange risk is minimal. The Group manages foreign exchange risks by regularly checking foreign currency exchange rates. The Group will consider hedging policies to manage material foreign exchange risks where necessary.

Management Discussion and Analysis

III. FINANCIAL REVIEW (Continued)

19. Human resources

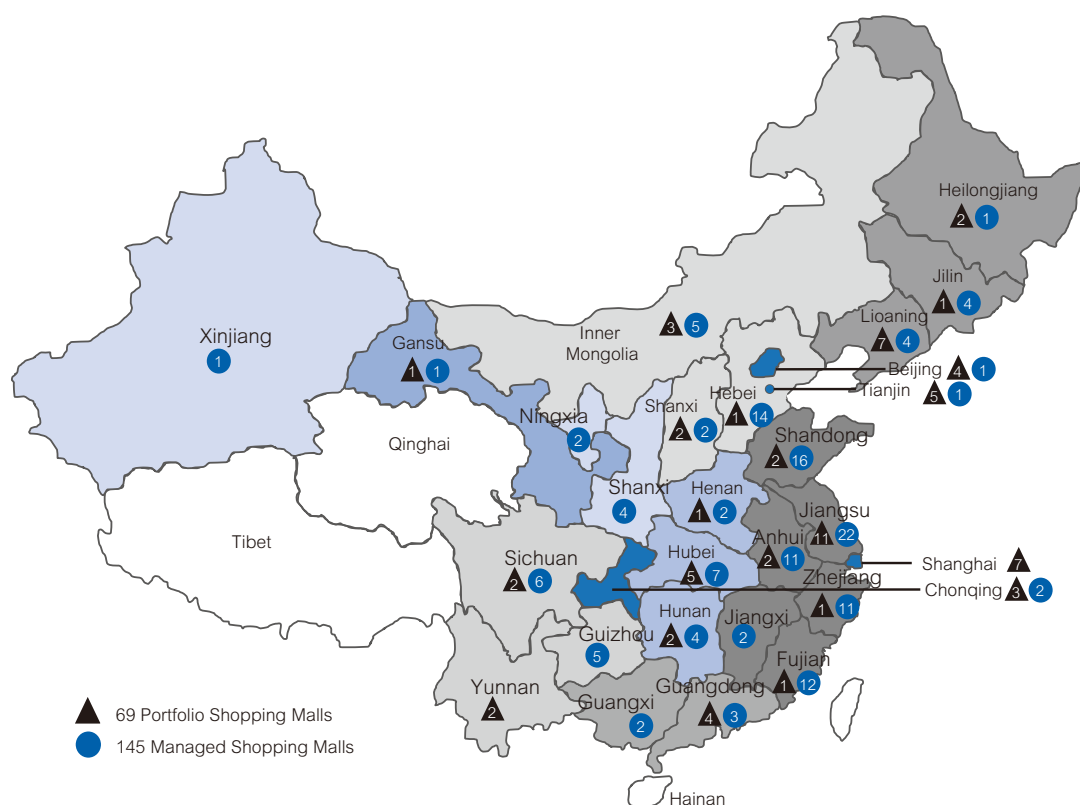
As at the end of the Reporting Period, the Group has employed 20,667 employees (as of 30 June 2016: 17,793 employees). The Group enters into labor contracts with employees according to the Labor Law of the PRC and the relevant provisions of the employee's locality. The Group will determine the employee's 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. During the Reporting Period, the Group paid a total of RMB1,163.3 million for salary expenditures (the same period in 2016: RMB881.8 million). Meanwhile, the Group also continued to invest resources in providing various education and training opportunities for the staff, aiming at standardizing the management work and improving the operation performance, and continuously improved the knowledge and technology level as well as professional competence of the employees.

IV. BUSINESS REVIEW

1. Business development and deployment: steady development of shopping malls and strategic deployment with a nationwide coverage

As at the end of the Reporting Period, we operated a total of 214 shopping malls with a nationwide coverage across 150 cities in 28 provinces, autonomous regions and municipalities, with a total operating area of 13,296,491 sq.m.. Through applying the two-pronged development model of Portfolio Shopping Malls and Managed Shopping Malls, we have occupied the properties in prime locations in Tier I Cities and Tier II Cities, at the same time accumulated extensive experience in operation of shopping malls, constantly strengthened the brand value, and set a relatively high entry barrier.

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



Management Discussion and Analysis

IV. BUSINESS REVIEW (Continued)

1. Business development and deployment: steady development of shopping malls and strategic deployment with a nationwide coverage (Continued)

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		Managed Shopping Malls	
		Number of shopping malls	Sub-total Operating Area (sq.m.)	Number of shopping malls	Sub-total Operating Area (sq.m.)
	Beijing	4	276,228	1	82,050
	Shanghai	7	693,917	0	0
	Tianjin	5	352,045	1	29,118
	Chongqing	3	264,701	2	74,184
	Northeast China	10	804,146	9	443,122
	North China (excluding Beijing, Tianjin)	6	330,189	21	1,238,499
	East China (excluding Shanghai)	17	1,379,807	74	4,051,118
	Central China	8	684,060	13	666,262
	South China	4	235,790	5	305,775
	Northwest China	1	66,006	8	490,743
	Southwest China (excluding Chongqing)	4	240,865	11	587,866
	Total	69	5,327,755	145	7,968,737

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 (excluding 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 (excluding 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.

Management Discussion and Analysis

IV. BUSINESS REVIEW (Continued)

1. Business development and deployment: steady development of shopping malls and strategic deployment with a nationwide coverage (Continued)

During the Reporting Period, we continued to implement the policy of strategic distribution of our Portfolio Shopping Malls to make sure that most of our Portfolio Shopping Malls are located in prime locations in Tier I and Tier II Cities. As at the end of the Reporting Period, we operated 69 Portfolio Shopping Malls covering a total operating area of 5,327,755 sq.m. with an average occupancy rate of 97.0%. Among which, 19 Portfolio Shopping Malls were located in the four municipalities, which are Beijing, Shanghai, Tianjin and Chongqing, representing 27.5% of the total number of Portfolio Shopping Malls. The operating area of the aforesaid Portfolio Shopping Malls was 1,586,891 sq.m., representing 29.8% of the total operating area of the Portfolio Shopping Malls. During the Reporting Period, we opened 2 new Portfolio Shopping Malls and had one shopping mall converted from Managed Shopping Mall into Portfolio Shopping Mall. As at the end of the Reporting Period, we had 21 Portfolio Shopping Malls under preparation. We will continue to focus on the core areas of Tier I and Tier II Cities to distribute our Portfolio Shopping Malls strategically in future. The same mall growth of mature shopping malls⁽¹⁾ was -0.7% during the Reporting Period, which was primarily affected by the segregation of price and tax⁽²⁾ as a result of the implementation of the “Change from Business Tax to Value-Added Tax” policy in 2016. If the effect of this policy and a shopping mall not in continuous operation is not taken into consideration, the same mall growth of mature shopping malls would be 4.3%.

Note:

- (1) The “same mall growth of mature shopping malls” is the growth in average effective income per unit area from operation for a particular accounting period compared with the same period last year for all Portfolio Shopping Malls that were in operation for at least three financial years and were still in operation as at the end of the Reporting Period.
- (2) Pursuant to the “Circular of the Ministry of Finance (“MOF”) and the State Administration of Taxation (“SAT”) regarding the Pilot Program on Comprehensive Implementation of Value-Added Taxes from Business Taxes Reform” (Cai Shui [2016] No. 36) issued by the MOF and the SAT, the Group shall pay value-added tax instead of business tax for rental income and construction business, etc. starting from 1 May 2016. For illustration purposes, we present the income for the first half of 2016 as the income after the segregation of price and tax of the value-added tax.

Management Discussion and Analysis

IV. BUSINESS REVIEW (Continued)

1. Business development and deployment: steady development of shopping malls and strategic deployment with a nationwide coverage (Continued)

In addition, by virtue of a reputable brand name in the home improvement and furnishings industry and having extensive experience in shopping mall development, tenant sourcing and operation management, we continued to rapidly develop Managed Shopping Malls. We have also established a strict screening and reviewing internal mechanism to ensure a steady and rapid development of our Managed Shopping Malls. As at the end of the Reporting Period, we operated 145 Managed Shopping Malls covering a total operating area of 7,968,737 sq.m., with an average occupancy rate of 96.6%. Among which, 95 Managed Shopping Malls, representing 65.5% of the total number of Managed Shopping Malls, were located at East and North China, the operating area of the aforesaid Managed Shopping Malls was 5,289,617 sq.m., representing 66.4% of the total operating area of the Managed Shopping Malls. During the Reporting Period, we opened 12 new Managed Shopping Malls with no Managed Shopping Mall being closed and had 1 Managed Shopping Mall converted into Portfolio Shopping Mall. As at the end of the Reporting Period, we had 354 Managed Shopping Malls in preparation and for which we have contracted and have obtained land licenses. Along with the stable social and economic development of the country, the penetration and the progression of urbanization strategy, and the constant growth in disposable income per capita of the population, we will further speed up the development of Managed Shopping Malls throughout the nation.

2. Operational Management of Shopping Malls

We continued to improve the operation and management of our shopping malls in four respects, including tenant sourcing management, operational management, marketing management and property management.

2.1 Catering to the consumption trend in the market, and continuously optimizing the brands and the categories of merchandise in shopping malls to lead the home furnishings consumption trend

By virtue of our insight into the consumption trend in the home furnishings market, we have always been catering to the changes of the consumption trend in the market, and optimizing the brands and the categories of merchandise in our home furnishing shopping malls. During the Reporting Period, we continued to exert greater efforts in introducing products such as customized house-filling products, overall living room designs, furnishings designed for children, decoration products and original designs, and penetrated into and promoted ourselves in major cities like Shanghai, Shenzhen, Beijing, Nanjing, Suzhou, Hefei, Jinan and Zhengzhou. Meanwhile, in order to satisfy the increasing needs of consumers for experience-based consumption of home furnishings, we leverage on our unique advantages of shopping malls to create household life halls, home improvement design experience center and intelligent household experience centers, so as to lead the home furnishings consumption trend and enhance consumer stickiness. Moreover, in order to attract consumers to stay longer in the shopping malls, we cooperated with VIP brand manufacturers to launch "Hi Life" consumer experience and interaction activities, so as to improve the experience-based marketing capability of our shopping malls and thus improve our sales. As at the end of the Reporting Period, the operating area of such new businesses as decoration and home improvement design increased by 36.2% as compared the same period in 2016.

Management Discussion and Analysis

IV. BUSINESS REVIEW (Continued)

2. Operational Management of Shopping Malls (Continued)

- 2.1 Catering to the consumption trend in the market, and continuously optimizing the brands and the categories of merchandise in shopping malls to lead the home furnishings consumption trend (Continued)

Stepping up our efforts in introducing global brands and continuing to build the international pavilions

During the Reporting Period, we continued to step up our efforts in introducing global brands. We furthered our cooperation with top-class brands in the world, and, in addition to building international pavilions in key Tier I and Tier II cities, penetrated into various potential markets including Changsha, Qingdao and Jinan to advance the introduction of global brands. As at the end of the Reporting Period, the number of our global brands reached 2,583.

- 2.2 Operational Management: improving customer satisfaction by comprehensively promoting “Word of Mouth Advertising” project

We comprehensively launched the “Word of Mouth Advertising” project, with specific requirements on price, quality and service etc, by setting high standards for and strict requirements on shopping mall operation.

In terms of pricing, we continued to devote ourselves into guiding factories and distributors to make reasonable pricing. Based on the Management Regulations for Price-clearly-marked Exhibition Room of Red Star Macalline (《紅星美凱龍明碼實價展廳管理規定》) developed jointly with the National Development and Reform Commission, we exerted active efforts in rolling out such regulations in our shopping malls nationwide, and interacted actively with local pricing bureaus in respect of price management. As at the end of the Reporting Period, we had 146 shopping malls approved by local competent pricing authorities in writing for the implementation thereof.

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, we launched the “Query Platform of Chinese Household Certified Products” in December 2015, which realized the detection of counterfeit household products. As at the end of the Reporting Period, we completed the system application training with 1,200 major brands, with over 20 million units of products labeled accordingly. In addition, during the Reporting Period, we continued to run random tests on the commodities sourced from factories and evaluate their product quality control systems in preparation for releasing the “2017 List of Green and Environmental Protection Home Furnishings Leading Brands Recommended by Red Star Macalline”.

Management Discussion and Analysis

IV. BUSINESS REVIEW (Continued)

2. Operational Management of Shopping Malls (Continued)

2.2 Operational Management: improving customer satisfaction by comprehensively promoting “Word of Mouth Advertising” project (Continued)

In terms of services, we continued to improve the services in our shopping malls in multiple dimensions. Following the “Return Visit for One Million Customers” carried out last year, we upgraded this activity by cooperating with hundreds of brand tenants to put greater efforts in interacting with consumers and promoting home furnishing brands while providing door-to-door home furnishing maintenance services for consumers, thus improving customer satisfaction and sales conversion rate. As at the end of the Reporting Period, we had 170 shopping malls nationwide that had carried out this activity. Moreover, in order to improve the overall service image of our brand, we designed, made and upgraded the uniforms in a unified manner for eight types of employees in our shopping malls, and established unified service standards across the country, which had been rolled out in our shopping malls across the country. In addition, we launched the “Green Experience Center” program designed to provide consumers with systematic decoration guidance, so that consumers will have an intuitive understanding about the decoration procedures, how to identify the merits of goods correctly and decoration inspection tips, so as to convey green consumption concept to consumers, and thus promote the sales of green home furnishing brands. As at the end of the Reporting Period, the program has been piloted in two shopping malls in Shanghai, and is expected to be implemented in shopping malls nationwide in the second half.

As at the end of the Reporting Period, our “Word of Mouth Advertising” project had been successfully promoted in 205 shopping malls nationwide.

In terms of operational standards, we continued to optimize our tenant credit classification and evaluation system, and evaluated our tenants from six perspectives, namely quality, price, delivery, service, customer preference and performance of contract. During the Reporting Period, our credit platform, namely the “credit classification management of tenants”, as one of the first sub-platforms for creditworthy public services in Shanghai, was officially licensed by Shanghai Municipal Commission of Commerce in June 2017. Meanwhile, we also sponsored the first commercial credit association covering multiple areas and industries in China together with over 20 platform-based enterprises such as Alibaba and Suning and relevant credit institutions, which was honored to be “the Market Credit Sub-platform under Shanghai Commercial Credit Public Service Platform” by Shanghai Municipal Commission of Commerce.

Management Discussion and Analysis

IV. BUSINESS REVIEW (Continued)

2. Operational Management of Shopping Malls (Continued)

2.2 Operational Management: improving customer satisfaction by comprehensively promoting “Word of Mouth Advertising” project (Continued)

Continuously engaging in “Leading Green” campaigns to promote consumers’ green home life quality

In terms of environmental protection, we continued to promote the campaigns of “Leading Green” brand award, and initiated an omni-directional quality management system for pre-sales, sales and after-sales, to ensure the standard of healthy living of each consumer. As at the end of the Reporting Period, over 1,439 famous home furnishings brands series had proactively participated in the campaign of “Leading Green” brand award. Our shopping malls provide “Leading Green Brands Award of Home Improvement and Furnishings” manuals as professional guidance for consumers to buy healthy and environmental-friendly products.

Continuously improving operational management efficiency by means of digital space management

We continuously consolidated the information of space and operation of shopping malls and converted complicated data into user-friendly charts by using digital space management, and we systematically managed the key performance indicators of our malls including occupation of exhibition space, rental rates, occupancy rate and collection rate with our visualised space management platform, which improved the overall operation efficiency of our malls.

2.3 Marketing Management

We are committed to continuously improving the brand recognition of Red Star Macalline, customer satisfaction and sales by means of brand promotion, membership management, digital marketing, precision marketing, cross-industry interaction-based marketing and joint marketing.

Continuingly Positioning the Company’s image as “Home Furnishings Expert” through strengthening our brand and focusing on unifying our brand image

We leveraged on the nationwide large-scale promotional campaigns such as “The Two Days”, “May Day Holiday”, “Membership Day” and “Anniversary” as well as social marketing measures to promote the brand and actively promote the “Home Furnishings Expert” image, which enhanced our brand reputation and boosted the sales growth.

We built up a platform centered on design, and worked with third-party designers to attract and increase the flow volume in shopping malls, promote experience-based consumption, and practically give play to the roles of design in guiding consumption, improving customer experience and improving sales performance.

Management Discussion and Analysis

IV. BUSINESS REVIEW (Continued)

2. Operational Management of Shopping Malls (Continued)

2.3 Marketing Management (Continued)

We actively advocated the concept of “Home Life Aesthetic”, carried out in-depth interaction with young consumers through various social media platforms such as WeChat to spread high-quality home concepts, and constantly lead the brand awareness and brand preference of consumers, thus realizing the transformation to brand rejuvenation and the promotion of our reputation.

We also place importance on the unified management to the brand image of “Red Star Macalline”. Through digital technology, we developed a visual management system, “Brand Rubik’s Cube”. During the Reporting Period, we upgraded the system and launched “Brand Rubik’s Cube” Version 2.0, in which the Group provides tools, regulations and plans and changed the promotion strategy to a mode of “replication + co-creation”, in order to ensure the unified image of all our shopping malls across the country and create unique brand experience for our home furnishing shopping malls.

Connecting online and offline system of membership management, thereby further improved the shopping experience

During the Reporting Period, we implemented a unified membership system, which connected offline furnishings stores and online platforms to conduct unified management on online and offline membership accounts, member rights and experiences. By collecting data and data labels, we provided customized service and marketing programs for each member, enabling our customers to enjoy a more convenient and more personalized shopping experience. As at the end of the Reporting Period, we had accumulated 4,055,000 active members through online and offline channels^(Note).

Note: Active members refer to the customers who have registered membership online or offline and had at least one interaction with us.

Continuously upgrading our digital marketing platforms and carrying out precision marketing

During the Reporting Period, we greatly improved the number of our registered WeChat members by means of increasing the variety of WeChat activities and the number of WeChat pilot cities as well as making WeChat coupons usable in both online and offline shopping malls on the basis of the existing digital marketing platforms (including such online platforms as official website, WeChat subscription account and WeChat service account). As at the end of the Reporting Period, there had been 2,520,000 registered WeChat members in total.

Management Discussion and Analysis

IV. BUSINESS REVIEW (Continued)

2. Operational Management of Shopping Malls (Continued)

2.3 Marketing Management (Continued)

Continuously upgrading our digital marketing platforms and carrying out precision marketing (Continued)

We upgraded the social customer management system to gain precise insights into customer needs, facilitated brand promotion and membership marketing by taking advantage of social interaction tools and digital marketing tools, and achieved and further promoted the comprehensive application of WeChat paid coupons in both online and offline shopping malls. Moreover, we also established an information-based volume management ecological chain covering the whole process, thus enabling us to conduct precise, simplified and transparent marketing through precision marketing.

Continuously improving our reputation by expanding cross-industry channels

During the Reporting Period, we continued to expand the marketing channels by means of cross-industry interaction. Supported by the goal of attracting customer traffic by services, we exchanged for 87,000 tour coupons, each usable by two consumers together to enjoy a tour in Hong Kong and Macau, amounting to RMB440 million in aggregate, and offered such coupons in respect of the promotion, lucky draw and reputation improvement activities in 88 shopping malls across the country, thus enabling us to achieve the improvement of reputation and sales and a reduction in cost.

In addition, we also actively liaised with several banks, travel agencies and automobile manufacturers to discuss the possibility for cooperation. We have acquired a large number of potential customers through cross-industry interaction, and achieved relative high conversion rates from potential customers to consumption customers.

Sharing resources and carrying out joint marketing

Based on market change and demand, we integrated a variety of resources and conducted joint marketing together with manufacturers and tenants. We changed the previous revenue mode, turned revenue generation to investment, and achieved growth in customer volume and sales through such four methods as increasing expenses, raising activity frequency, increasing resources and upgrading modes.

We comprehensively made up for the lack of green and environmental protection strategies in Red Star Macalline, provided to the market one-stop green home furnishing identification, experience, purchase and VIP services of high standards, and furthered the promotion of Red Star Macalline's green and environmental protection projects to the public and the realization of marketing value. By taking advantage of the loans for home furnishings, our financial instrument, to spare no effort to create a group-based green home furnishing project, with a view to providing one-stop green home furnishing programs for consumers, as well as convenient financing solutions and channels for home furnishings, and facilitating the consumption finance ecosystem for green and healthy home furnishings.

Management Discussion and Analysis

IV. BUSINESS REVIEW (Continued)

2. Operational Management of Shopping Malls (Continued)

2.4 Property Management

During the Reporting Period, we kept improving our customer experience and energy management as well as organization efficiency in order to enhance our property management.

Improving the environment and safety management of shopping malls to optimise customer experience

We maintained and improved our shopping malls by means of source management and control, beautification and restoration as well as professional maintenance. In terms of source management and control, we strived to minimize the damage to the environment by imposing management on and control over the processes of tenants uploading and offloading merchandise, tenants making decoration, advertising companies carrying out construction and arranging exhibitions at non-standard exhibition spots. In terms of beautification and restoration, we provided trainings and certification for floor brick restorers, and conducted short training lessons for beautifying and restoring the floor bricks in our shopping malls which improved the environment of the shopping malls. In terms of professional maintenance, we improved the environment of toilet by means of checking and retrofitting the exhaust equipment. In terms of environmental protection, we completely enclosed the place where decoration work is in progress, and monitored on site the daily disposal of the garbage generated every day, to prevent the decoration work from polluting the environment in our shopping malls. In addition, we continued to strictly control the safety in our shopping malls, and adhered to the policy of “controlling the source, focusing on prevention, imposing control over the whole process, and preventing safety hazards via staff and technologies”. During the Reporting Period, we continued to experience “zero incident” in all of our shopping malls across the country in respect of fire, personal casualties and key facility and equipment, and effectively controlled safety risks, thus continuously improving the safety level of our shopping malls.

Advocating energy conservation and environmental protection, and building green shopping malls

We advocate the concept of energy conservation and environmental protection, and devote ourselves into constructing energy-saving and environment-friendly properties and building green shopping malls. As at the end of the Reporting Period, we recorded a total of 2.6% reduction in power consumption in 56 major shopping malls as compared to the same period in 2016.

Management Discussion and Analysis

IV. BUSINESS REVIEW (Continued)

3. Expansionary Business: Robust Development

During the Reporting Period, the development of our expansionary businesses flourished. We continued to carry out upstream and downstream cross-border business extension and build up a business life community for pan home improvement and furnishings industry with the orientation on the “omni-channel platform service provider for the pan home improvement and furnishings industry” and by upholding the core concept “home”. During the Reporting Period, our internet platform provided consumers with industry chain services for pan home improvement and furnishings consumption ranging from home purchase to home renovation and purchase of household-related products. We also provided full-range and all-dimensional logistics services to satisfy multiple needs of users on both ends of the platform so as to realise resources sharing.

3.1 Internet-based pan home consumption

We have established the internet-based platform building on the concept of “home”, which provides consumers with industry chain services for pan home improvement and furnishings consumption ranging from home renovation to purchase of household-related products through the online and offline integrative business model. We have fully integrated and shared the business resources of the online home improvement and furnishings consumption platform with its offline real shopping mall network by digitally transforming and upgrading the existing home improvement and furnishings mall. Through these efforts, the Company succeeded in providing convenient and quality services and O2O interactive experience to our customers. At the same time, we had achieved synergies between the offline business and the expansionary business on the internet, further improving overall operation efficiency and maximizing value creation.

Internet-based home improvement

We established an experienced household design team by the subsidiary, Shanghai Betterhome Decoration Engineering Co., Ltd. (“BetterHome”), and set up home decoration stores in our household decoration malls to provide customers with integrated service of home design and decoration and create synergy effect with businesses of home decoration malls. As at the end of the Reporting Period, we had 34 offline home decoration stores, which were located in our 34 shopping malls in 10 cities including Beijing, Tianjin, Shanghai, Nanjing, Shenyang and Chengdu.

During the Reporting Period, we continued to enrich our internet home decoration platform focusing on design, and continuously updated and expanded such product programs as content, designers and investment attraction to offer users online display of design content and online communication and reservation of designers and a series of home decoration tool services etc. As at the end of the Reporting Period, our internet home decoration platform had signed agreements with 218 shops and 1,257 original articles were published.

Management Discussion and Analysis

IV. BUSINESS REVIEW (Continued)

3. Expansionary Business: Robust Development (Continued)

3.1 Internet-based pan home consumption (Continued)

Internet retail

Our internet retail platform is designed to provide consumers with product display, customer consulting service, member marketing, online transactions, offline stores guidance, booking experience and other convenient service functions, expand the communication channels between the company and consumers through online and offline interaction and enhance customer satisfaction and stickiness and drive the overall consumer demand. Internet retail platform covered goods, including furniture, building materials and home appliances, furnishings, home textiles and other complete consumer goods category, mainly through the mobile APP user end and actively expanded the pure online brands and merchants by signing with the brands in the integration of part of offline merchant resources of Red Star Macalline mall, so as to provide consumers with more rich and diverse choices.

As the offline real store is still an important part of the consumer experience and purchase decision, the focus of the development strategy of the internet retail platform is to give full play to the advantages of combining offline real stores with the online stores. On one hand, we can use the online platform to provide unlimited long tail exhibition space for offline merchant and goods, breaking the exhibition limitations of offline stores' product, so that consumers can obtain a more convenient and efficient access to goods and store information; on the other hand, we can make use of wide layout of offline "Red Star Macalline" shopping malls to fully meet consumers' demand for real experience of home decoration and furniture industry and provide customers with goods purchase, promotional activities, logistic distribution, after-sales protection and other one-stop floor services.

As at the end of the Reporting Period, 7,224 merchants have signed up for our internet retail platform. Through the self-developed O2O system, the docking between the 26 offline Red Star Macalline shopping malls and goods and services of online platform is completed, covering Shanghai, Beijing, Nanjing, Suzhou, Hangzhou, Changsha and other cities.

Management Discussion and Analysis

IV. BUSINESS REVIEW (Continued)

3. Expansionary Business: Robust Development (Continued)

3.2 Furnishings financial service: retaining and expanding our consumer and tenant base

During the Reporting Period, we provided consumers and financial institutions with consumer loan information business, through cooperation with commercial banks, consumer finance companies and other financial institutions provided consumers with household consumer loans. The loans obtained by the consumers could only be spent in our home mall. During the Reporting Period, the amount of consumer loans issued by financial institutions through the above channels was RMB420 million, and our relevant commission income was RMB6.8 million, which boosted the sale of merchandise for mall merchants.

In order to establish a more effective group structure, simplify the Group's business structure and reduce the risk of related business, we entered into two equity transfer agreements with Red Star Macalline Holding Group Limited (紅星美凱龍控股集團有限公司) ("RSM Holding") in May 2017 and August 2017 successively, and transferred all the equity held by us in Shanghai Jiajinsuo Financial Information Service Co., Ltd. (上海家金所金融信息服務有限公司) and Shanghai Huangpu Red Star Microfinance Co., Ltd. (上海黃埔紅星小額貸款有限公司) to RSM Holding and its subsidiaries.

3.3 Providing comprehensive logistics service: to meet multiple needs on both ends of the platform and achieve resources sharing

In the terminal service ecosystem of the home decoration and furniture industry, the logistics and distribution is the direct interface with our consumers. As a result, the quality of logistic service has an impact on the reputation of relevant brands. In order to provide professional distribution and installation services to our tenants and consumers to facilitate the "Last Mile" offering of distribution, installation and after-sale services, and to improve customer satisfaction and stickiness to the brands of our tenants as well as the brand of Red Star Macalline. We set up logistics trial centers in Nanjing, Wuxi, Shijiazhuang, Changsha, Shenyang and Jinan to provide "one-stop" professional services for customers from purchase to professional product distribution and installation. As at the end of the Reporting Period, more than 200 brands have commenced operations with our logistics service business, with a storage area of more than 50,000 sq.m. in total.

Management Discussion and Analysis

IV. BUSINESS REVIEW (Continued)

4. Commercial usage of information technology facilitates the operation development

During the Reporting Period, in respect of our information technology infrastructure, we continued to promote the Star Cloud, which is the first comprehensive Enterprise Resource Planning system used in the home improvement and furnishings industry. At the same time, we have been actively constructing an information technology project of “Smart Shopping Malls” and made further progress on the infrastructure construction in relation to the WIFI network and positioning systems in shopping malls.

5. High efficiency of human resources management policies: efficiently supports 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 overall performance optimization, employee incentives, talent development, talent empowerment and talent training.

In terms of overall performance optimization, we focused on customer value and commercial outcome and implemented “different conversion rates for different stores” by applying the “Amoeba” principle at the organizational performance level, in order to offer higher incentives for higher challenges and enable timely announcement and benchmarking of the results via our system platform. Our individual performance management covered all the staff, and operated on a regular and systematic basis, thus becoming an important management tool at different levels and also greatly motivating the enthusiasm and energy of the employees for creating performance.

In terms of employee incentives, we retained well-performed staff and put in place simple policies to improve the efficiency of our human resources. We also continuously optimized our remuneration structure, and increased performance bonus and incentive. We intended to raise the overall level of salaries to that of a first-class company, and increased the salaries of the staff in business-related departments as well as the staff that had made outstanding performance. We allocated bonus according to the performance of our staff to incentivize our staff to go beyond the objectives unremittingly.

In terms of talent development, through “Star Motivation” program, we reserved a large number of excellent graduates in home business and meanwhile attracted 985 extraordinary graduates from different universities to support our internet business. We further optimized our talent development system, enabling us to analyze our organizational needs based on the strategic development objectives. We put into practice unified talent evaluation standards to comprehensively evaluate our talents in key positions, in order to keep abreast of the current status of the organization. By virtue of our personalized on-post practical training system, we were able to rapidly cultivate and replicate key talents to support our strategic development. We also introduced and cultivated regional general managers through our “Elite Program”.

Management Discussion and Analysis

IV. BUSINESS REVIEW (Continued)

5. High efficiency of human resources management policies: efficiently supports the Group's growth (Continued)

In terms of talent empowerment, we facilitated the development of our Group's internet business through online and offline talents empowerment. The internet business department has a staff structure with strong competitiveness in the internet industry, which are comprised of youthful, open-minded and vigorous staff, of which, 42% were born after 1990, 38% after 1985, 16% after 1980 and 4% after 1970. The organization development is task-oriented, flattening and effective. We implemented agile project management to get closer to users and enable rapid and iterative algorithm of the product. The "talent market" provides a widely open business startup platform to enable the management to shoot at talents whose competence fit our positions well and who have cross skills.

In terms of talent cultivation, we focused on improving the expertise of household development personnel and held the first seminar of general manager development to facilitate business development. Meanwhile, we incorporated the external outstanding training resources, internalized the internal knowledge within the Company, and strengthened the internal trainer team. Under the new internet learning mode, we constructed an online and offline learning platform to make available the new employee training, home life expert training, core force training, market reputation training to all staff of the Company, so as to build a highly effective learning organization. In terms of industrial training, we continued to conduct certain training programs through "Lu Ban Academy" and strive to improve the overall quality of personnel in the home decoration and furnishing industry.

We had a total of 20,667 employees as at the end of the Reporting Period.

Management Discussion and Analysis

V. PROSPECTS

In the second half of 2017 and going forward, we will transform and pursue our development goal of growing into China's most advanced and professional "omni-channel platform service provider for the pan home improvement and furnishings industry".

1. We will continue the implementation of the two-pronged business model of Portfolio Shopping Malls and Managed Shopping Malls; consolidate the market leadership through strategic expansion of our shopping mall network and brand portfolio;
2. We will strive to become new retail benchmark in the home decoration and furnishing industry;
3. We will enhance the long-term competitiveness of the Company through digital strategies; and
4. We will actively seek suitable investment and acquisition targets and enhance the integration of upstream and downstream resources of the pan home improvement and furnishings industry to realize our strategic layout; explore opportunities of asset securitization in order to enlarge our scale of operation and enhance our corporate capability.

Corporate Governance and Other Information

The Group is committed to maintain high-standard corporate governance so as to protect the interest of the shareholders and promote the Company's value and accountability. H Shares of the Company were listed on the main board of the Hong Kong Stock Exchange on 26 June 2015.

The Company adopted the following corporate governance principles and practices:

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

During the six months ended 30 June 2017, other than deviation from code provision A.2.1 of the Corporate Governance Code, the Company has complied with the provisions of the Corporate Governance Code ("Corporate Governance Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange ("Listing Rules"), which sets out principles of good corporate governance in relation to, among other matters, the Directors, the chairman and the chief executive officer, board composition, the appointment, re-election and removal of directors, their responsibilities and remuneration; and communications with shareholders. The Directors are satisfied that sufficient corporate governance measures have been put in place to manage conflicts of interest between the Group and the controlling shareholders (as defined under the Listing Rules) and/or Directors to protect the interest of the minority shareholders.

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

Mr. CHE Jianxing ("Mr. CHE") is the chairman and the chief executive officer of the Company. In view of Mr. CHE's experience, personal profile and his roles in the Group as mentioned above and 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 responsibilities between the Board and the management of the Company, given that: (i) decision to be made by our Board requires approval by at least a majority of our Directors and that our Board comprises 4 independent non-executive Directors out of the 12 Directors, which is in compliance with the Listing Rules requirement of one-third, and the Company believe that there is sufficient checks and balances in the Board; (ii) Mr. CHE and the other Directors are aware of and undertake to fulfill their fiduciary duties as Directors, which require, among other things, that they act for the benefit and in the best interests of the Company and will make decisions for the Group accordingly; and (iii) the balance of power and responsibilities 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 of the Board and general manager is necessary.

Corporate Governance and Other Information

COMPLIANCE WITH MODEL CODE

The Company has adopted a code of conduct regarding Directors' and supervisors' of the Company (the "Supervisors") securities transactions on terms as required under the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") as set out in Appendix 10 to the Listing Rules. The Company has conducted specific enquiries to the Directors and Supervisors, and all Directors and Supervisors have confirmed that they had complied with all the provisions and standards set out in the Model Code during the six months ended 30 June 2017.

AUDIT COMMITTEE AND REVIEWING INTERIM RESULTS AND INTERIM REPORT

The Company have established an audit committee ("Audit Committee") with written terms of reference in compliance with the Listing Rules, the primary duties of which are to assist the Board by providing an independent view of the effectiveness of the financial reporting process, managing internal control and risk management systems of the Group, overseeing the audit process and performing other duties and responsibilities as assigned by the Board. As at the date of this report, the Audit Committee consisted of three independent non-executive Directors, namely Mr. DING Yuan, Mr. LI Zhenning, and Mr. QIAN Shizheng. 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 Audit Committee has reviewed and confirmed the Group's interim results announcement for the six months ended 30 June 2017, the 2017 interim report and the unaudited financial statements for the six months ended 30 June 2017.

THE BOARD, THE BOARD OF SUPERVISORS AND COMMITTEES

From 1 January 2017 to the date of this report, save as disclosed below, no change was made to the information of the Board, Board of Supervisors, Strategy and Investment Committee, Audit Committee, Remuneration and Evaluation Committee and Nomination Committee, which was consistent with the contents as set out in the 2016 Annual Report of the Company.

From 1 January 2017 to the date of this report, the Board complied with the requirements of appointing at least three 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.

Corporate Governance and Other Information

CHANGE IN DIRECTORATE AND INFORMATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Changes in directorate and information of Directors, Supervisors and senior management of the Company, which are required to be disclosed pursuant to Rule 13.51(B) of the Listing Rules are as follows:

Name of Directors/Supervisors/ senior management	Details of changes in position/particulars
Mr. QIAN Shizheng	Appointed as an independent director of Spring Airlines Co.,Ltd. (春秋航空股份有限公司) (Shanghai Stock Exchange Stock Code: 601021) since 14 February 2017
Mr. XI Shichang	Became a fellow member of Institute of Public Accountants of Australia from 12 January 2017
Mr. WANG Wei	The basic compensation was increased by 24.69% from 1 April 2017
Mr. ZHANG Xian	The basic compensation was increased by 19.70% from 1 April 2017

Save as disclosed above, the Directors confirm that no information is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

The Group did not purchase, sell or redeem any listed securities of the Company during the six months ended 30 June 2017.

Corporate Governance and Other Information

INTERESTS AND SHORT POSITIONS OF DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVES IN THE SHARES, UNDERLYING SHARES OR DEBENTURES

As at 30 June 2017, the interests or short positions of our Directors, Supervisors and chief executives in the shares, underlying shares or debentures of the Company or any Associated Corporations (within the meaning of Part XV of the Securities and Futures Ordinance (“SFO”)) (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 notified to the Company and the Hong Kong Stock Exchange pursuant to the Listing Rules were as follows:

(i) Interests in our 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:

- As at 30 June 2017, 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.
- Mr. CHE indirectly holds 68.44% of the issued shares in total of our Company through his 92.00% direct interest in RSM Holding, a limited liability company incorporated in the PRC and is deemed to be interested in the 2,480,315,772 domestic shares held by RSM Holding for the purpose of the SFO.
- Ms. CHEN Shuhong is the spouse of Mr. CHE. Under the SFO, Ms. CHEN Shuhong is deemed to be interested in the same number of shares in which Mr. CHE is interested.

Corporate Governance and Other Information

INTERESTS AND SHORT POSITIONS OF DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVES IN THE SHARES, UNDERLYING SHARES OR DEBENTURES (Continued)

(ii) Interests in 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)	RSM Holding ⁽¹⁾	Beneficial owner	46,000,000 (Long position)	92%
CHE Jianfang (車建芳)	RSM Holding ⁽¹⁾	Beneficial owner	4,000,000 (Long position)	8%

Note:

- (1) RSM Holding is the investment holding company of the Company, which is held as to 92% by Mr. CHE and as to 8% by Mr. CHE's sister, Ms. CHE Jianfang and therefore an "associated corporation" of the Company within the meaning of Part XV of the SFO. As at 30 June 2017, RSM Holding 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 (representing approximately 3.75% of the total number of issued shares of the Company) are subject to the charge granted by RSM Holding in favor of AVIC Capital Co., Ltd. (中航信託股份有限公司). 372,870,460 shares (representing approximately 10.29% of the total number of issued shares of the Company) are subject to the charge granted by RSM Holding 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 of the Company dated 16 June 2015.

Save as disclosed above, as at 30 June 2017, none of our Directors, Supervisors or chief executives has any interests or short positions in the shares, underlying shares or 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 Hong Kong Stock Exchange pursuant to the Model Code.

Corporate Governance and Other Information

THE INTERESTS AND SHORT POSITIONS OF OUR SUBSTANTIAL SHAREHOLDERS IN OUR SHARES AND UNDERLYING SHARES

As at 30 June 2017, the interests or short positions in the shares or underlying shares of the Company which will have to be notified to the Company and the Hong Kong 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 executive 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:

Number of shareholders	Class of Shares	Capacity/ nature of Interest	Number of underlying shares held	Approximate percentage in relevant class of shares ⁽¹⁾	Approximate percentage in total share capital ⁽¹⁾
RSM Holding	Domestic Shares	Beneficial owner	2,480,315,772 (Long position)	96.85%	68.44%
Warburg Pincus & Co. ⁽²⁾	H Shares	Interest of controlled corporation	419,225,069 (Long position)	39.44%	11.57%
Warburg Pincus Partners GP LLC ⁽²⁾	H Shares	Interest of controlled corporation	419,225,069 (Long Position)	39.44%	11.57%
Warburg Pincus Partners, L.P. ⁽²⁾	H Shares	Interest of controlled corporation	419,225,069 (Long Position)	39.44%	11.57%
Warburg Pincus Real Estate I GP, LLC ⁽²⁾	H Shares	Interest of controlled corporation	419,225,069 (Long Position)	39.44%	11.57%
Candlewood Investment SRL ⁽²⁾	H Shares	Other	272,947,335 (Long position)	25.68%	7.53%
Warburg Pincus Real Estate I, L.P. ⁽²⁾	H Shares	Interest of controlled corporation	272,947,335 (Long position)	25.68%	7.53%
Springwood Investment SRL ⁽²⁾	H Shares	Other	146,277,734 (Long position)	13.76%	4.04%
WPRE Redstar Manager LLC ⁽²⁾	H Shares	Interest of controlled corporation	146,277,734 (Long Position)	13.76%	4.04%
WPRE I Redstar, L.P. ⁽²⁾	H Shares	Interest of controlled corporation	146,277,734 (Long Position)	13.76%	4.04%
UBS Trustees (B.V.I.) Limited ⁽³⁾	H Shares	Trustee	100,000,000 (Long position)	9.4%	2.76%
Xi Xi Development Limited ⁽³⁾	H Shares	Interest of controlled corporation	100,000,000 (Long position)	9.4%	2.76%

Corporate Governance and Other Information

THE INTERESTS AND SHORT POSITIONS OF OUR SUBSTANTIAL SHAREHOLDERS IN OUR SHARES AND UNDERLYING SHARES (Continued)

Number of shareholders	Class of Shares	Capacity/ nature of Interest	Number of underlying shares held	Approximate percentage in relevant class of shares ⁽¹⁾	Approximate percentage in total share capital ⁽¹⁾
New Fortune Star Limited ⁽³⁾	H Shares	Interest of controlled corporation	100,000,000 (Long position)	9.4%	2.76%
China Lesso Group Holdings Limited ⁽³⁾	H Shares	Interest of controlled corporation	100,000,000 (Long position)	9.4%	2.76%
Fuhui Capital Investment Limited ⁽³⁾	H Shares	Interest of controlled corporation	100,000,000 (Long position)	9.4%	2.76%
Wong Luen Hei ⁽³⁾	H Shares	Person who set up a discretionary trust	100,000,000 (Long position)	9.4%	2.76%

Notes:

(1) As at 30 June 2017, 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 the managing 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 the managing 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.

272,947,335 H Shares held by Candlewood are subject to the charge granted by Candlewood in favor of Bank of China Limited Macau Branch.

146,277,134 H Shares held by Springwood are subject to the charge granted by Springwood in favor of Bank of China Limited Macau Branch.

Corporate Governance and Other Information

THE INTERESTS AND SHORT POSITIONS OF OUR SUBSTANTIAL SHAREHOLDERS IN OUR SHARES AND UNDERLYING SHARES (Continued)

- (3) UBS Trustees (B.V.I.) Limited who is the trustee and sole shareholder of Xi Xi Development Limited ("Xi Xi Development") which in turn is the sole shareholder of New Fortune Star Limited ("New Fortune Star") which in turn holds 68.28% of China Lesso Group Holdings Limited ("China Lesso") which in turn is the sole shareholder of Fuhui Capital Investment Limited ("Fuhui Capital"). The trust was established by Mr. Wong Luen Hei on 22 March 2017.

Accordingly, UBS Trustees (B.V.I.) Limited is deemed to be interested in the shareholding interest of each of Xi Xi Development, New Fortune Star, China Lesso and Fuhui Capital in the Company 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 and 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.

DIRECTORS' AND SUPERVISORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the interim report, 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 Directors or 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.

INTERIM DIVIDENDS

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2017.

USE OF PROCEEDS FROM GLOBAL OFFERING

The net proceeds from the Company's global offering ("Global Offering") amounted to approximately RMB5,573.3 million. As at the end of the Reporting Period, the Company has utilized 84% of the net proceeds in total for fundraising investment projects as required, of which RMB1,817.8 million for the development of Portfolio Shopping Malls, RMB1,208.8 million for refinancing of our existing indebtedness, RMB1,664.3 million for investment or acquisition of other market participants in the home furnishings industry, development of our O2O business and information technology systems, working capital and other general corporate purposes. The Board resolved on 31 July 2015 to change the intended use of part of the net proceeds from the Global Offering. For further details, please refer to the announcement of the Company dated 31 July 2015.

Corporate Governance and Other Information

EVENTS AFTER THE REPORTING PERIOD

Connected Transaction of Acquiring the Jinshan Property with Shanghai Red Star Macalline Real Estate Co., Ltd.

On 28 August 2017, the Company entered into an equity transfer agreement with Shanghai Red Star Macalline Real Estate Co. Ltd (上海紅星美凱龍置業有限公司) (the “Seller”), Shanghai Jinshan Red Star Macalline Global Home Furnishing Company Limited (上海金山紅星美凱龍全球家居有限公司) (the “Project Company”) and Shanghai Hongmei Properties Limited (上海洪美置業有限公司), pursuant to which the Seller conditionally agreed to sell and the Company conditionally agreed to acquire 100% equity interests in the Project Company for an aggregate consideration of RMB520,000,000. The transaction under the equity transfer agreement has yet to be completed. For further details, please refer to the announcement of the Company dated 28 August 2017.

Quasi-REITS Programme

The relevant PRC regulatory authority has issued an approval for the Quasi-REITS Programme. The contractual private equity fund initiated by Tianjin Changhe Shareholding Investment Fund Management Company Limited (“GoHigh Capital”) has completed the acquisition of 100% equity interests in Tianjin Red Star Macalline International Home Furnishings Construction Material Company Limited and Tianjin Red Star Macalline International Home Furnishings Malls Company Limited, respectively. The Quasi-REITS Programme was successfully completed on 12 September 2017 and the fund-raising target of RMB2,650,000,000 was fully subscribed. For further details, please refer to the announcements of the Company dated 4 May, 16 May, 18 May, 29 June and 12 September 2017, respectively.

Connected Transactions in Relation to Transfer of Equity Interests in Shanghai Huangpu Red Star Small Loans Company Limited

On 30 August 2017, the Company and its two wholly-owned subsidiaries, Beijing Red Star Home Furnishings and Nanjing Red Star Home Furnishings City (collectively as the “Sellers”), entered into the equity transfer agreements to dispose of their 100% equity interests in Shanghai Huangpu Red Star Small Loans Company Limited* (上海黃浦紅星小額貸款有限公司) (the “Target Company”). Pursuant to the equity transfer agreements, (1) the Company conditionally agreed to sell and RSM Holding conditionally agreed to acquire 70% equity interests in the Target Company; and (2) the Sellers conditionally agreed to sell and Fuzhou Red Star Management and Kunming Red Star Management conditionally agreed to acquire 30% equity interests in the Target Company, for an aggregate consideration of RMB201,410,000. For further details, please refer to the announcement of the Company dated 30 August 2017.

Issue of US Dollar Denominated Bonds

On 14 September 2017, the Company and its wholly-owned subsidiary, Hong Kong Red Star Macalline Universal Home Furnishings Limited (香港紅星美凱龍全球家居有限公司) (the “Issuer”), entered into the subscription agreement with the joint bookrunners named therein, in connection with the issue of 3.375% notes due 2022 by the Issuer in the aggregate principal amount of US\$300,000,000 (the “Bonds”), unconditionally and irrevocably guaranteed by the Company. The

* For identification only

Corporate Governance and Other Information

Issuer intends to use the net proceeds from the issue of Bonds to (i) invest in the development of certain of the Group's portfolio shopping malls, (ii) purchase properties for the Group's operational use, (iii) invest in or acquire participants in the home improvement and furnishings business or related businesses, (iv) replenish working capital of the Group and (v) apply to general corporate purposes of the Group. Application has been made to the Hong Kong Stock Exchange for the listing of, and permission to deal in, the Bonds by way of debt issue to professional investors (as defined in the SFO) only. Completion of the issue of the Bonds is subject to the satisfaction, or waiver, of the conditions precedent set forth in the subscription agreement. For further details, please refer to the announcements of the Company dated 13 September and 15 September 2017, respectively.

MATERIAL LEGAL PROCEEDINGS

For the six months ended 30 June 2017, the Group did not have any material legal or arbitral proceedings. The Directors also are not aware of any material legal proceedings or claims which are pending or threatened against the Group.

ALIGNMENT IN THE DISCLOSURE OF FINANCIAL STATEMENTS IN ACCORDANCE WITH THE CASBE

Since the date on which the H Shares of the Company became listed on the Hong Kong Stock Exchange, the Company has been preparing its financial statements under both the CASBE and the IFRS. According to the "Consultation Conclusions on Acceptance of Mainland Accounting and Auditing Standards and Mainland Audit Firms for Mainland Incorporated Companies Listed in Hong Kong" published by the Hong Kong Stock Exchange in December 2010, PRC incorporated issuers listed in Hong Kong are allowed to prepare their financial statements in accordance with the CASBE and PRC audit firms approved by the Ministry of Finance (the "MOF") and the China Securities Regulatory Commission (the "CSRC") are allowed to audit these financial statements prepared in accordance with the CASBE (the "Arrangement").

Pursuant to Articles 151 and 152 of the Company's articles of association, the financial statements of, interim results or financial data announced or disclosed by the Company, shall be prepared in accordance with the relevant PRC accounting standards and regulations as well as the IFRS or the accounting standards generally accepted in the jurisdiction of the overseas listing place. As confirmed by our PRC counsel, we are allowed to adopt the CASBE to prepare and disclose our financial statements under the articles of association.

In view of the Arrangement and in order to facilitate the application process with the CSRC in relation to the proposed A share offering by the Company as well as to improve the efficiency and reduce the cost of disclosure and audit expenses, the Board passed a resolution on 23 August 2017 to approve the disclosure of financial statements for the Company under the CASBE (the "Alignment of Accounting Standards").

Corporate Governance and Other Information

On 28 August 2017, the Company published its interim results as at and for the six months ended 30 June 2017 ("2017 Interim Results") which are prepared in accordance with the CASBE. The Board is of the view that the Alignment of Accounting Standards will facilitate the application process of the proposed A Share Offering and is in the best interest of the Company and the shareholders as a whole.

ADJUSTMENT OF FAIR VALUE OF INVESTMENT PROPERTIES IN ACCORDANCE WITH THE PRC ACCEPTED ASSET VALUATION STANDARDS

CSRC has received the A share listing application of the Company in May 2016, which is currently under the review process. According to the application requirements for A share listing, valuation on investment properties for the purpose of preparing financial statements under the CASBE should be conducted in accordance with the related guidelines and requirements for asset valuation of real estate in the PRC. As such, the Board passed a resolution on 23 August 2017 to engage an independent qualified PRC valuer, using the PRC accepted asset valuation standards, to conduct a valuation on the fair value of the Company's investment properties accordingly. When preparing the financial statements using the CASBE, reference is made to valuation performed based on the PRC accepted asset valuation standards and adjustment would have to be made to the valuation method previously used. Due to the adoption of the PRC accepted asset valuation standards, certain financial line items contained in the financial statements of the Company disclosed in accordance with the CASBE such as investment properties, total assets of the Group, total equity and profit attributable to owners of the Company may be different from such financial line items contained in the financial statements of the Company prepared under the IFRS for the years ended 31 December 2016.

For illustration purpose only, the below table shows the expected percentage difference (due to the impact of fair value of investment properties in accordance with PRC accepted asset valuation standards) in various financial line items of the Group between the financial statements prepared under CASBE and the financial statements prepared under IFRS by the Company for the year ended 31 December 2016.

Certain financial line items	Decrease in percentage
Investment properties	Approximately 13.16%
Total assets of the Group	Approximately 11.16%
Total equity	Approximately 16.18%
Profit attributable to the owners of the Company	Approximately 15.60%

The above-mentioned fair value of investment properties in accordance with PRC accepted asset valuation standards does not affect core net profit attributable to the owners of the Company.

Notwithstanding such difference, the underlying assets remain the same. It is only due to the adoption of the PRC accepted asset valuation standards which result in such difference. The adoption, as well as using the CASBE to disclose financial statements, is essential and necessary for the proposed A share offering of the Company to proceed.

The Board would like to take this opportunity to remind investors to be aware of and take into account this fact and its impact on the Group's financials when reviewing and considering the 2017 Interim Results and any financial statements of the Group going forward.

Corporate Governance and Other Information

PROPOSED CESSATION OF APPOINTMENT OF INTERNATIONAL AUDITOR

Deloitte Touche Tohmatsu has been engaged by the Company as an international auditor to audit the financial statements of the Company prepared in accordance with the IFRS. In light of the Alignment of Accounting Standards, the Board shall propose to cease to re-appoint Deloitte Touche Tohmatsu as the international auditor of the Company (the "Proposed Cessation of Appointment"), subject to the approval by the shareholders. Deloitte Touche Tohmatsu Certified Public Accountants LLP, the Company's PRC auditor, is a PRC audit firm approved by the MOF and the CSRC to provide auditing services in accordance with the CASBE to PRC incorporated issuers. Deloitte Touche Tohmatsu Certified Public Accountants LLP will be the only auditor auditing the Company's financial statements in accordance with the CASBE and undertaking the role of international auditors in compliance with the Listing Rules upon the approval of the shareholders.

Consolidated Balance Sheet (Unaudited)

30 June 2017

RMB

Items	Notes	30 June 2017	31 December 2016 (Restated)
Current assets:			
Cash and bank	(V)1	7,753,911,384.65	6,137,865,114.87
Notes receivable	(V)2	4,430,000.00	900,000.00
Account receivables	(V)3	981,065,969.40	799,810,037.69
Prepayments	(V)4	286,430,534.20	164,841,803.45
Other receivables	(V)5	709,557,589.69	978,680,238.37
Inventories	(V)6	62,603,233.73	45,423,343.28
Non-current assets due within one year	(V)7	45,000,000.00	45,000,000.00
Other current assets	(V)7	932,272,472.71	623,564,454.04
Total current assets		10,775,271,184.38	8,796,084,991.70
Non-current assets:			
Available-for-sale financial assets	(V)8	2,829,959,188.97	544,401,221.29
Long-term receivables	(V)9	1,050,390,028.79	827,660,977.03
Long-term equity investments	(V)10	1,118,051,321.53	1,012,646,573.83
Investment properties	(V)11	69,722,909,000.00	66,948,000,000.00
Fixed assets	(V)12	143,439,768.87	141,662,812.14
Construction in progress	(V)13	43,101,413.38	65,975,322.44
Intangible assets	(V)14	462,172,618.91	428,854,402.41
Development expenditure	(V)15	29,418,402.19	38,967,363.83
Goodwill	(V)16	16,592,357.41	16,592,357.41
Long-term prepaid expenses	(V)17	210,133,391.06	171,207,612.77
Deferred tax assets	(V)18	844,383,498.33	594,604,457.35
Other non-current assets	(V)19	3,886,115,649.42	1,948,746,010.92
Total non-current assets		80,356,666,638.86	72,739,319,111.42
Total assets		91,131,937,823.24	81,535,404,103.12
Current liabilities:			
Short-term loans	(V)20	267,848,000.00	500,010,000.00
Account payables	(V)21	356,244,473.31	353,219,391.21
Advance from customers	(V)22	2,244,261,120.66	2,067,113,177.08
Payroll payable	(V)23	263,403,301.53	540,096,177.35
Taxes payables	(V)24	603,499,297.12	453,974,032.68
Interest payables	(V)25	393,478,437.43	120,291,237.11
Dividends payable	(V)26	1,556,520,023.66	138,500,000.00
Other payables	(V)27	5,539,828,985.10	5,158,966,317.83
Non-current liabilities due within one year	(V)28	4,912,456,713.73	4,210,031,348.15
Total current liabilities		16,137,540,352.54	13,542,201,681.41

Consolidated Balance Sheet (Unaudited)

30 June 2017

Items	Notes	30 June 2017	31 December 2016 (Restated)
Non-current liabilities:			
Long-term loans	(V)29	12,042,789,858.42	8,447,537,245.75
Bonds payable	(V)30	8,446,688,893.07	8,434,100,693.31
Long-term payables	(V)31	1,485,355,881.56	1,475,711,651.18
Deferred income	(V)32	203,453,746.44	195,413,309.31
Deferred tax liabilities	(V)18	9,906,764,492.69	9,104,345,882.92
Other non-current liabilities	(V)33	767,620,500.00	415,320,500.00
Total non-current liabilities		32,852,673,372.18	28,072,429,282.47
Total liabilities		48,990,213,724.72	41,614,630,963.88
Equity:			
Share capital	(V)34	3,623,917,038.00	3,623,917,038.00
Capital reserve	(V)35	5,602,658,955.70	5,620,013,738.96
Other comprehensive income	(V)36	1,446,168,876.80	-
Surplus reserve	(V)37	1,226,111,855.65	1,226,111,855.65
Retained earnings	(V)38	26,618,935,429.84	26,095,809,439.81
Total equity attributable to shareholder's of the Company		38,517,792,155.99	36,565,852,072.42
Non-controlling interests		3,623,931,942.53	3,354,921,066.82
Total equity		42,141,724,098.52	39,920,773,139.24
Total liabilities and equity		91,131,937,823.24	81,535,404,103.12

The notes are an integral part of these financial statements

The financial statements set forth from page 45 to 252 are signed by the following persons-in-charge:

CHE Jianxing
Legal representative

XI Shichang
Person in charge of accounting

YANG Qin
Person in charge of
the accounting department

Company's Balance Sheet (Unaudited)

30 June 2017

RMB

Items	Notes	30 June 2017	31 December 2016 (Restated)
Current assets:			
Cash and bank		1,746,662,107.61	1,505,388,102.38
Account receivables	(XIV)1	498,011,539.27	512,471,830.88
Prepayments		358,380,182.46	485,019,571.78
Dividends receivables		462,000,000.00	988,680,000.00
Other receivables	(XIV)2	17,842,215,400.68	17,245,244,177.58
Inventories		5,597,453.53	2,676,389.90
Other current assets		495,650,986.96	127,180,170.73
Total current assets		21,408,517,670.51	20,866,660,243.25
Non-current assets:			
Available-for-sale financial assets		231,661,221.29	189,051,221.29
Long-term receivables		744,691,221.17	622,071,328.39
Long-term equity investments	(XIV)3	11,611,614,436.98	10,887,097,479.63
Fixed assets		15,860,157.19	15,059,226.68
Construction in progress		6,808,266.79	10,333,657.91
Intangible assets		423,296,686.69	425,166,329.80
Long-term prepaid expenses		22,451,265.87	22,089,620.75
Deferred tax assets		424,000,055.06	346,183,868.71
Other non-current assets	(XIV)4	1,066,366,737.49	964,936,869.68
Total non-current assets		14,546,750,048.53	13,481,989,602.84
Total assets		35,955,267,719.04	34,348,649,846.09

Company's Balance Sheet (Unaudited)

30 June 2017

Items	Notes	30 June 2017	31 December 2016 (Restated)
Current liabilities:			
Short-term loans		10,000.00	500,010,000.00
Account payables		106,626,903.15	110,234,392.05
Advance from customers	(XIV)5	673,006,035.41	668,558,019.54
Payroll payable		60,797,960.70	179,716,855.22
Taxes payables	(XIV)6	242,420,660.91	126,615,139.07
Interest payables		370,337,362.50	106,215,655.01
Dividends payable		1,479,980,023.66	-
Other payables		8,313,613,104.00	6,582,526,311.12
Non-current liabilities due within one year		3,035,048,616.32	2,929,468,073.32
Total current liabilities		14,281,840,666.65	11,203,344,445.33
Non-current liabilities:			
Long-term loans		1,240,000,000.00	1,460,000,000.00
Bonds payable		8,446,688,893.07	8,434,100,693.31
Long-term payables		33,969,674.32	31,663,866.41
Other non-current liabilities		459,220,500.00	344,420,500.00
Total non-current liabilities		10,179,879,067.39	10,270,185,059.72
Total liabilities		24,461,719,734.04	21,473,529,505.05
Equity:			
Share capital		3,623,917,038.00	3,623,917,038.00
Capital reserve		5,784,981,095.88	5,784,981,095.88
Surplus reserve		1,046,293,288.42	1,046,293,288.42
Retained earnings		1,038,356,562.70	2,419,928,918.74
Total equity		11,493,547,985.00	12,875,120,341.04
Total liabilities and equity		35,955,267,719.04	34,348,649,846.09

Consolidated Income Statement (Unaudited)

For the period from 1 January to 30 June 2017

RMB

Items	Notes	1 January to 30 June 2017	1 January to 30 June 2016 (Restated)
I. Revenue	(V)39	5,070,967,324.48	4,583,698,181.17
Less: Costs of sales	(V)39	1,374,668,202.19	1,176,010,849.52
Taxes and surcharges	(V)40	152,766,772.53	270,884,619.38
Distribution and selling expenses	(V)41	577,191,949.36	568,226,571.82
General and Administrative expenses	(V)42	468,073,572.29	352,949,816.17
Financial expenses	(V)43	544,212,823.71	410,284,013.27
Impairment loss of assets	(V)44	104,678,298.05	121,951,057.01
Add: Investment income	(V)46	60,754,608.04	53,463,060.25
II. Operating profit		2,870,567,425.93	2,593,837,676.38
Add: Non-operating income	(V)47	23,363,369.97	17,505,052.44
Including: Gain on disposal of non-current assets		72,105.26	240,835.71
Less: Non-operating expenses	(V)48	12,457,297.08	7,381,090.61
Including: Loss on disposal of non-current assets		398,847.65	3,058,057.10
III. Total profit		2,881,473,498.82	2,603,961,638.21
Less: income tax expenses	(V)49	724,982,916.95	674,744,837.80
IV. Net profit		2,156,490,581.87	1,929,216,800.41
Net profit attributable to owners of the Company		2,045,171,145.99	1,856,425,762.55
Non-controlling interests		111,319,435.88	72,791,037.86
V. Other comprehensive income		1,606,854,307.56	–
VI Total comprehensive income		3,763,344,889.43	1,929,216,800.41
Total comprehensive income attributable to owners of the Company		3,491,340,022.79	1,856,425,762.55
Total comprehensive income attributable to non- controlling interests		272,004,866.64	72,791,037.86
VII. Earnings per share:			
(I) Basic earnings per share	(V)50	0.56	0.51
(II) Diluted earnings per share	(V)50	N/A	N/A

Company's Income Statement (Unaudited)

For the period from 1 January to 30 June 2017

RMB

Items	Notes	1 January to 30 June 2017	1 January to 30 June 2016 (Restated)
I. Revenue	(XIV)7	828,483,298.40	615,217,513.31
Less: Costs of sales	(XIV)7	103,423,331.97	75,154,263.12
Taxes and surcharges	(XIV)8	5,633,488.96	31,325,498.73
Distribution and selling expenses		164,839,008.53	152,760,266.30
General and administrative expenses		209,953,796.91	162,398,876.66
Financial expenses		156,825,185.73	150,448,306.54
Impairment loss of assets		51,752,821.06	167,456,521.92
Add: Investment income	(XIV)9	55,028,598.78	242,496,104.71
II. Operating profit		191,084,264.02	118,169,884.75
Add: Non-operating income		5,745,028.61	2,885,613.55
Less: Non-operating expenses		5,404,630.88	(215,025.04)
III. Total profit		191,424,661.75	121,270,523.34
Less: income tax expenses	(XIV)10	50,951,861.83	(29,431,518.58)
IV. Net profit		140,472,799.92	150,702,041.92
V. Other comprehensive income		—	—
VI. Total comprehensive income		140,472,799.92	150,702,041.92

Consolidated Cash Flow Statement (Unaudited)

For the period from 1 January to 30 June 2017

RMB

Items	Notes	1 January to 30 June 2017	1 January to 30 June 2016
I. Cash flows from operating activities:			
Cash received from sales of goods and rendering of services		5,669,701,472.16	4,302,956,368.81
Tax refund		–	–
Other cash received in connection with operating activities	(V)51(1)	889,477,719.42	433,036,863.58
Sub-total of cash inflows from operating activities		6,559,179,191.58	4,735,993,232.39
Cash paid for goods and services		630,107,743.32	491,369,203.31
Cash paid to and on behalf of employees		1,440,032,492.58	1,057,500,816.48
Cash paid for various types of taxes		923,457,155.13	907,888,498.82
Other cash paid in connection with operating activities	(V)51(2)	1,049,431,086.16	815,104,811.62
Sub-total of cash outflows from operating activities		4,043,028,477.19	3,271,863,330.23
Net cash flows from operating activities	(V)52(1)	2,516,150,714.39	1,464,129,902.16
II. Cash flows from investment activities:			
Cash received from recovery of investments		15,000,000.00	101,067,187.71
Cash received from investment income		1,025,000.00	830,615.39
Net cash received from disposals of fixed assets, intangible assets and other long-term assets		4,059,863.01	696,987.33
Net cash received from disposals of subsidiaries and other business units	(V)52(3)	18,327,130.52	–
Other cash received in connection with investment activities	(V)51(3)	434,700,601.44	145,178,369.80
Sub-total of cash inflows from investment activities		473,112,594.97	247,773,160.23
Net cash paid to acquire subsidiaries and other business units	(V)52(2)	244,024,183.77	46,624,616.73
Net cash paid for disposals of subsidiaries and other business units	(V)52(3)	–	3,417,768.61
Cash paid to acquire or construct fixed assets, intangible assets, and other long-term assets		3,273,448,611.60	1,495,116,697.09
Cash paid to acquire investments		520,593,136.59	433,959,351.40
Other cash paid in connection with investment activities	(V)51(4)	1,321,026,400.53	590,874,298.17
Sub-total of cash outflows from investment activities		5,359,092,332.49	2,569,992,732.00
Net cash flows from investment activities		(4,885,979,737.52)	(2,322,219,571.77)

Consolidated Cash Flow Statement (Unaudited)

For the period from 1 January to 30 June 2017

Items	Notes	1 January to 30 June 2017	1 January to 30 June 2016
III. Cash flows from financing activities:			
Cash received from capital contributions		28,957,880.00	4,000,000.00
Including: cash received by subsidiaries from capital contributions of non-controlling interests		28,957,880.00	4,000,000.00
Cash received from loans		5,965,365,474.60	2,190,000,000.00
Other cash received in connection with financing activities	(V)51(5)	6,099,043.31	–
Sub-total of cash inflows from financing activities		6,000,422,397.91	2,194,000,000.00
Cash repayments of indebtedness		1,902,555,709.07	1,181,146,422.93
Cash paid for distribution of dividends, profits or settlement of interests		442,125,852.70	367,838,869.11
Including: dividends and profits paid by subsidiaries to non-controlling interests		65,359,654.35	31,210,000.00
Other cash paid in connection with financing activities	(V)51(6)	4,540,600.00	208,010,321.83
Sub-total of cash outflows from financing activities		2,349,222,161.77	1,756,995,613.87
Net cash flows from financing activities		3,651,200,236.14	437,004,386.13
IV Impact of exchange rate changes on cash and cash equivalents		–	–
V. Net increase (decrease) in cash and cash equivalents		1,281,371,213.01	(421,085,283.48)
Add: Opening balance of cash and cash equivalents	(V)52(4)	5,892,424,707.42	5,848,464,401.64
VI. Closing balance of cash and cash equivalents	(V)52(4)	7,173,795,920.43	5,427,379,118.16

Company's Cash Flow Statement (Unaudited)

For the period from 1 January to 30 June 2017

RMB

Items	Notes	1 January to 30 June 2017	1 January to 30 June 2016
I. Cash flows from operating activities:			
Cash received from sales of goods and rendering of services		942,828,699.25	456,468,853.54
Other cash received in connection with operating activities		34,464,439.30	40,089,307.77
Sub-total of cash inflows from operating activities		977,293,138.55	496,558,161.31
Cash paid for goods and services		53,527,051.28	31,602,292.26
Cash paid to and on behalf of employees		303,500,798.01	188,216,444.89
Cash paid for various types of taxes		122,258,057.20	188,942,164.07
Other cash paid in connection with operating activities		283,302,340.52	401,242,752.73
Sub-total of cash outflows from operating activities		762,588,247.01	810,003,653.95
Net cash flows from operating activities	(XIV)11(1)	214,704,891.54	(313,445,492.64)
II. Cash flows from investment activities:			
Cash received from investment income		117,858,000.00	27,940,000.00
Net cash received from disposals of fixed assets, intangible assets and other long-term assets		384,550.00	–
Net cash received from acquisition of disposals of subsidiaries and other business units		16,000,000.00	–
Other cash received in connection with investment activities		8,641,430,951.62	6,371,875,175.47
Sub-total of cash inflows from investment activities		8,775,673,501.62	6,399,815,175.47
Cash paid to acquire or construct fixed assets, intangible assets, and other long-term assets		148,924,405.41	10,968,046.83
Cash paid to acquire investments		732,456,358.51	552,919,067.40
Other cash paid in connection with investment activities		9,309,378,747.48	6,994,650,009.09
Sub-total of cash outflows from investment activities		10,190,759,511.40	7,558,537,123.32
Net cash flows from investment activities		(1,415,086,009.78)	(1,158,721,947.85)

Company's Cash Flow Statement (Unaudited)

For the period from 1 January to 30 June 2017

Items	Notes	1 January to 30 June 2017	1 January to 30 June 2016
III. Cash flows from financing activities:			
Cash received from loans		6,195,643,201.76	10,450,692,710.83
Sub-total of cash inflows from financing activities		6,195,643,201.76	10,450,692,710.83
Cash repayments of indebtedness		620,000,000.00	510,000,000.00
Cash paid for distribution of dividends, profits or settlement of interests		164,492,104.85	49,521,970.75
Other cash paid in connection with financing activities		3,969,495,973.44	9,407,623,878.41
Sub-total of cash outflows from financing activities		4,753,988,078.29	9,967,145,849.16
Net cash flows from financing activities		1,441,655,123.47	483,546,861.67
IV. Impact of exchange rate changes on cash and cash equivalents		—	—
V. Net increase (decrease) in cash and cash equivalents		241,274,005.23	(988,620,578.82)
Add: Opening balance of cash and cash equivalents	(XIV)11(1)	1,505,388,102.38	2,477,918,658.27
VI. Closing balance of cash and cash equivalents	(XIV)11(1)	1,746,662,107.61	1,489,298,079.45

Consolidated Statement of Changes in Equity (Unaudited)

For the period from 1 January to 30 June 2017

RMB

Items	1 January to 30 June 2017								
	Equity attributable to owners of the Company							Non-controlling interests	Total equity
	Share capital	Capital reserve	Surplus reserve	Other comprehensive income	Retained earnings	Sub-total			
I. Current period's opening balance	3,623,917,038.00	5,620,013,738.96	1,226,111,855.65	-	26,095,809,439.81	36,565,852,072.42	3,354,921,066.82	39,920,773,139.24	
II. Changes in current period									
(I) Net profit	-	-	-	-	2,045,171,145.99	2,045,171,145.99	111,319,435.88	2,156,490,581.87	
(II) Other comprehensive income	-	-	-	1,446,168,876.80	-	1,446,168,876.80	160,685,430.76	1,606,854,307.56	
Sub-total of above (I) and (II)	-	-	-	1,446,168,876.80	2,045,171,145.99	3,491,340,022.79	272,004,866.64	3,763,344,889.43	
(III) Capital contribution made and reduced by owners									
1. Capital contribution made by owners	-	-	-	-	-	-	28,957,880.00	28,957,880.00	
2. Others	-	(17,354,783.26)	-	-	-	(17,354,783.26)	(30,832,216.74)	(48,187,000.00)	
(IV) Profit distribution									
1. Appropriation to surplus reserve	-	-	-	-	-	-	-	-	
2. Distribution to owners (or shareholders)	-	-	-	-	(1,522,045,155.96)	(1,522,045,155.96)	(1,119,654.19)	(1,523,164,810.15)	
III. Closing balance for the period	3,623,917,038.00	5,602,658,955.70	1,226,111,855.65	1,446,168,876.80	26,618,935,429.84	38,517,792,155.99	3,623,931,942.53	42,141,724,098.52	

Consolidated Statement of Changes in Equity (Unaudited)

For the period from 1 January to 30 June 2017

Items	1 January to 30 June 2016							
	Share capital	Capital reserve	Surplus reserve	Other comprehensive income	Retained earnings	Sub-total	Non-controlling interests	Total equity
I. Current period's opening balance	3,623,917,038.00	5,626,975,204.20	1,030,718,136.69	-	24,597,260,932.31	34,878,871,311.20	3,317,398,984.32	38,196,270,295.52
II. Changes in current period								
(I) Net profit	-	-	-	-	1,856,425,762.55	1,856,425,762.55	72,791,037.86	1,929,216,800.41
(II) Other comprehensive income	-	-	-	-	-	-	-	-
Sub-total of above (I) and (II)	-	-	-	-	1,856,425,762.55	1,856,425,762.55	72,791,037.86	1,929,216,800.41
(III) Capital contribution made and reduced by owners								
1. Capital contribution made by owners	-	-	-	-	-	-	4,000,000.00	4,000,000.00
2. Others	-	(9,283.59)	-	-	-	(9,283.59)	(2,904,529.17)	(2,913,812.76)
(IV) Profit distribution								
1. Appropriation to surplus reserve	-	-	-	-	-	-	-	-
2. Distribution to owners (or shareholders)	-	-	-	-	(1,703,241,007.86)	(1,703,241,007.86)	(75,360,000.00)	(1,778,601,007.86)
III. Closing balance for the period	3,623,917,038.00	5,626,965,920.61	1,030,718,136.69	-	24,750,445,687.00	35,032,046,782.30	3,315,925,493.01	38,347,972,275.31

Company's Statement of Changes in Equity (Unaudited)

For the period from 1 January to 30 June 2017

RMB

Items	1 January to 30 June 2017					1 January to 30 June 2016				
	Share capital	Capital reserve	Surplus reserve	Retained earnings	Total equity	Share capital	Capital reserve	Surplus reserve	Retained earnings	Total equity
Current period's opening balance	3,623,917,038.00	5,784,981,095.88	1,046,293,288.42	2,419,928,918.74	12,875,120,341.04	3,623,917,038.00	5,784,981,095.88	850,899,569.46	2,359,125,545.32	12,618,923,248.66
Changes in current period										
(I) Total comprehensive income(loss)	-	-	-	140,472,799.92	140,472,799.92	-	-	-	150,702,041.92	150,702,041.92
(II) Capital contribution made and reduced by owners	-	-	-	-	-	-	-	-	-	-
(III) Profit distribution										
1. Appropriation to surplus reserve	-	-	-	-	-	-	-	-	-	-
2. Distribution to shareholders	-	-	-	(1,522,045,155.96)	(1,522,045,155.96)	-	-	-	(1,703,241,007.86)	(1,703,241,007.86)
Closing balance for the period	3,623,917,038.00	5,784,981,095.88	1,046,293,288.42	1,038,356,562.70	11,493,547,985.00	3,623,917,038.00	5,784,981,095.88	850,899,569.46	806,586,579.38	11,066,384,282.72

Notes to the Financial Statements

For the period from 1 January to 30 June 2017

(I) GENERAL INFORMATION OF THE COMPANY

Red Star Macalline Group Corporation Ltd. (formerly known as Shanghai Red Star Macalline Home Furnishing Company Limited* (上海紅星美凱龍家居飾品有限公司) and Shanghai Red Star Macalline Enterprise Management Company Limited* (上海紅星美凱龍企業管理有限公司), hereinafter referred to as the “Company”) is a limited liability company jointly established by Shanghai Red Star Macalline Investment Company Limited* (上海紅星美凱龍投資有限公司, renamed to Red Star Macalline Holding Group Company Limited* (紅星美凱龍控股集團有限公司) in December 2016, hereinafter referred to as “RSM Holding”) and Red Star Furniture Group Co., Ltd.* (紅星家具集團有限公司) (hereinafter referred to as “Red Star Furniture Group”) on 18 June 2007 in Shanghai, the People’s Republic of China (the “PRC”), with a term of operation of 10 years and an original registered capital and paid-in capital of RMB120,000,000.00.

On 2 November 2007, Red Star Furniture Group transferred all the 90% equity held by it to RSM Holding, and completed the business registration for such change on 16 November 2007, after which, RSM Holding held 100% equity of the Company.

According to the resolution passed at the general meeting of the Company on 21 November 2008 and as approved by Shanghai Municipal Commission of Commerce in its document dated 12 December 2008(Hu Shang Wai Zi Pi [2008] No.519), the Company decided to increase its registered capital by RMB24,578,313.00, which was contributed by Candlewood Investment SRL and Springwood Investment SRL, two new foreign shareholders. As such, the Company changed in nature from a domestic enterprise into a Sino-foreign joint venture, with its name changed from Shanghai Red Star Macalline Home Furnishing Company Limited to Shanghai Red Star Macalline Enterprise Management Company Limited. After such capital increase, the registered capital and paid-in capital of the Company amounted to RMB144,578,313.00.

According to the absorption and merger agreement of the Company dated 8 August 2009 and the provisions of the Articles of Association as amended, the Company applied to absorb and merge with Tianjin Red Star Macalline Home Decoration Co., Ltd.* (天津紅星美凱龍家飾有限公司) (hereinafter referred to as “Tianjin Red Star”). Tianjin Red Star is a limited liability company established in Tianjin, the PRC on 1 June 2007, with a term of operation of 10 years and an original registered capital of RMB40,000,000.00, and is mainly engaged in the wholesale and retail of and investment management, investment consultation and commodity information consultation in relation to furniture and construction materials, as well as the provision of design planning and management services for the shopping malls under operation. According to the resolution passed at the general meeting of Tianjin Red Star on 1 November 2007 and as approved by Tianjin Municipal Commission of Commerce in its document dated 24 December 2007(Jin Shang Wu Zi Guan [2008] No.680), Tianjin Red Star decided to increase its registered capital by RMB11,880,674.00, which was contributed by Candlewood Investment SRL and Springwood Investment SRL, two new foreign shareholders. As such, Tianjin Red Star changed in nature from a domestic enterprise into a Sino-foreign joint venture. After such capital increase, the registered capital and paid-in capital of Tianjin Red Star amounted to RMB51,880,674.00. The Company had paid its equity to the shareholders of Tianjin Red Star as the aggregate consideration upon the absorption and merger of Tianjin Red Star, after which, the registered capital and paid-in capital of the Company amounted to RMB196,458,987.00.

Notes to the Financial Statements

For the period from 1 January to 30 June 2017

(I) GENERAL INFORMATION OF THE COMPANY (Continued)

According to the proposal passed at the Board meeting of the Company on 28 March 2010 and the provisions of the Articles of Association as amended, the Company applied to increase its registered capital by RMB25,960,651.00 to RMB222,419,638.00. Such increase in the registered capital had been contributed in full by the new shareholders, namely Beijing Ruibang Beite Entrepreneur Investment Center (Limited Partnership) (hereinafter referred to as “Beijing Ruibang”), WHWH Group Company Limited (hereinafter referred to as “WHWH”), Beijing Yaxiang Xingtai Investment Company Limited (hereinafter referred to as “Beijing Yaxiang”), Tianjin Jinkai Equity Investment Fund Partnership (Limited Partnership) (hereinafter referred to as “Tianjin Jinkai”), Lianyungang Fairbay Infrastructure Construction Company Limited (hereinafter referred to as “Lianyungang Fairbay”), Mianyang Science and Technology Park Industry Fund (Limited Partnership) (hereinafter referred to as “Mianyang Industry Fund”), Beijing Bainian Decheng Entrepreneur Investment Center (Limited Partnership) (hereinafter referred to as “Beijing Bainian”), Shanghai Yinping Investment Management Company Limited (hereinafter referred to as “Shanghai Yinping”), Shanghai Junyi Investment Consultancy Company Limited (hereinafter referred to as “Shanghai Junyi”), Shanghai Ping’an Pharmacy Company Limited (hereinafter referred to as “Ping’an Pharmacy”) and Nantong Qianjun Construction Material Company Limited (hereinafter referred to as “Nantong Qianjun”). After such capital increase, the registered capital and paid-in capital of the Company amounted to RMB222,419,638.00, and the Company completed the business registration in respect of such change on 1 June 2010.

According to the proposal passed at the Board meeting of the Company on 22 June 2010 and the provisions of the Articles of Association as amended, the Company applied to increase its registered capital by RMB5,866,965.00 to RMB228,286,603.00. Such increase in the registered capital had been contributed in full by the new shareholders, namely Shanghai Meilong Assets Management Company Limited (hereinafter referred to as “Shanghai Meilong”), Shanghai Xingkai Business Administration Company Limited (hereinafter referred to as “Shanghai Xingkai”) and Shanghai Hongmei Investment Management Company Limited (hereinafter referred to as “Shanghai Hongmei”). After such capital increase, the registered capital and paid-in capital of the Company amounted to RMB228,286,603.00, and the Company completed the business registration in respect of such change on 28 July 2010.

According to the approval of the Ministry of Commerce of the People’s Republic of China dated 23 December 2010 (Shang Zi Pi [2010] No. 1266), the resolution of the Board, and the provisions of the sponsor agreement and Articles of Association of the Company, the Company was converted into a foreign-invested joint stock limited company in accordance with laws and changed its name to Red Star Macalline Group Corporation Ltd. (紅星美凱龍家居集團股份有限公司). The Company converted RMB3,000,000,000.00 out of the audited net assets of RMB3,260,932,367.04 of Shanghai Red Star Macalline Enterprise Management Company Limited as at 30 June 2010 at a conversion rate of 1:1 into a registered capital of RMB3,000,000,000.00, divided into 3,000,000,000 shares in total with a par value of RMB1 each, and paid the registered capital of RMB3,000,000,000.00, representing 100% of the Company’s registered capital. The Company completed the business registration in respect of such change on 6 January 2011.

Notes to the Financial Statements

For the period from 1 January to 30 June 2017

(I) GENERAL INFORMATION OF THE COMPANY (Continued)

According to the resolution at the second extraordinary general meeting of the Company in 2015, the Articles of Association as amended and the approval of Shanghai Municipal Commission of Commerce (Hu Shang Wai Zi Pi [2015] No. 398), the Company applied to increase its registered capital by RMB80,329,038.00 by way of capital contribution from Candlewood Investment SRL and Springwood Investment SRL of RMB60,917,952.00 and RMB19,411,086.00, respectively. After such capital increase, the registered capital and paid-in capital of the Company amounted to RMB3,080,329,038.00. In the meanwhile, Beijing Ruibang, WHWH, Beijing Yaxiang, Tianjin Jinkai, Lianyungang Fairbay, Mianyang Industry Fund, Beijing Bainian, Shanghai Yinping, Shanghai Junyi and Nantong Qianjun, all being the original shareholders of the Company, transferred their shares in the Company to RSM Holding, the controlling shareholder of the Company. The Company completed the business registration in respect of such change on 6 February 2015.

Pursuant to the proposal of the Board, as approved at the fourth extraordinary general meeting of the Company in 2015, and as permitted by China Securities Regulatory Commission via the Approval on the Issuance of Foreign Preference Shares by Red Star Macalline Group Corporation Ltd. (Zheng Jian Xu Ke [2015] No.822), the Company publicly issued no more than 1,180,792,000 overseas-listed foreign shares (H Shares) to overseas investors and became listed on the Main Board of Hong Kong Stock Exchange. As at 30 June 2015, the Company completed the issuance of 543,588,000 overseas-listed foreign shares (H Shares) with a par value of RMB1 per share to overseas investors at a price of HK\$13.28 per share. After such issuance, the paid-in capital (share capital) of the Company amounted to RMB3,623,917,038.00, representing 3,623,917,038 ordinary shares of RMB1 per share, including 2,561,103,969 domestic shares with restrictive conditions for sale and 1,062,813,069 overseas-listed foreign shares (H Shares) with no restrictive conditions for sale. The Company completed the business registration in respect of such change on 7 September 2015.

The business scope of the Company and its subsidiaries (hereinafter referred to as the “Group”) mainly includes providing investees with management service, enterprise management and product information consulting; providing business stores with design planning and management services, wholesale of furniture, building materials and decoration materials, and relevant supporting services.

The parent company of the Company is RSM Holding, and our actual controller is Che Jianxing.

For details of the scope of combined financial statements, please refer to Note (VII) “Interests in Other Entities”. For details of the changes in the scope of combined financial statements, please refer to Note (VI) “Changes in the Scope of Combination”.

(II) PREPARATION BASIS OF THE FINANCIAL STATEMENTS

Basis of Preparation

The Group applies the Accounting Standards for Business Enterprises and relevant requirements (hereinafter referred to as the “Accounting Standards for Business Enterprises”).

Notes to the Financial Statements

For the period from 1 January to 30 June 2017

(II) PREPARATION BASIS OF THE FINANCIAL STATEMENTS (Continued)

Basis of Preparation and Principle of Measurement

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

Where the historical cost is adopted as the measurement basis, assets are recorded at the amount of cash or cash equivalents paid or the fair value of the consideration given to acquire them at the time of their acquisition. Liabilities are recorded at the amount of proceeds or assets received or the contractual amounts for assuming the present obligation, or at the amounts of cash or cash equivalents expected to be paid to settle the liabilities in the normal course of business.

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 valuation technique. Fair value measurement and/or disclosure in the financial statements are determined according to the above basis.

Fair value measurements are categorised into three Levels 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 unadjusted quoted prices 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.
- Level 3 inputs are unobservable inputs for the asset or liability.

Going concern

As of 30 June 2017, the amount of total current liabilities of the Group exceeded that of total current assets by RMB5.362 billion. The management of Group has assessed the going concern for the 12 months commencing from 30 June 2017, and believes that, considering the unused quota for corporate bond issuance and banking facilities as well as the estimated net cash inflow from operating activities of the Group on 30 June 2017, the liquidity risk borne by the Group arising from the gap between its current assets and current liabilities as of 30 June 2017 is under control and does not impose any significant impact on the going concern and financial statements of the Group. Therefore, the financial statements herein have been prepared on the going concern basis.

Notes to the Financial Statements

For the period from 1 January to 30 June 2017

(III) SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

Reminder of specific accounting policies and accounting estimates:

The Group decides to adopt a number of specific accounting policies and accounting estimates according to the characteristics of its production and operation activities, for which please see Note (III). (11) Method of bad debt provision and Note (III). (24) Time point for the recognition of revenue and other notes.

1. Declaration following ASBE (Accounting Standards for Business Enterprises)

The financial statements of the Company have been prepared in accordance with ASBE, and present truly and completely, the Company's and consolidated financial position as at 30 June 2017 and the Company's and consolidated results of operations and cash flows for the period from 1 January to 30 June 2017.

2. Accounting period

The Group has adopted the calendar year as its accounting year i.e. from 1 January to 31 December.

3. Operating cycle

Operating cycle refers to the period from the purchase of assets used for processing to the realization of cash or cash equivalents. The Group's consulting and management service titled the Company's name for the early stage of the project has an operating cycle that starts from the permission for relevant managed shopping malls to use the brands that are intangible assets of the Group and ends upon the opening of such managed shopping malls. The Group's commercial management and consultation service for construction project has an operating cycle that starts from the provision of relevant consultation service for the construction of managed shopping malls and ends upon the opening of such managed shopping malls. The Group's business of Owned/Leased Portfolio Shopping Malls, business relating to managed shopping malls other than the consulting and management service titled the Company's name for the early stage of the project, business of product sales and relevant services as well as other businesses have an operating cycle of or less than 12 months. The Group takes 12 months as the criterion to categorize assets and liabilities.

4. Functional currency

Renminbi ("RMB") is the currency of the primary economic environment in which the Company and its domestic subsidiaries operate. Therefore, the Company and its domestic subsidiaries choose RMB as their functional currency. The Company's foreign subsidiaries choose HKD as its functional currency based on the currency in the main economic environment where they operate. The Group adopts RMB to prepare the financial statements.

Notes to the Financial Statements

For the period from 1 January to 30 June 2017

(III) SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

5. Accounting treatment of business combination under or not under the common control

Business combinations are classified into business combinations involving enterprises under common control and business combinations not involving enterprises under common control.

5.1 Business combinations involving enterprises under common control

A business combination involving enterprises under common control is a business combination in which all of the combining enterprises are ultimately controlled by the same party or parties both before and after the combination, and that control is not transitory.

Assets and liabilities obtained are measured at their respective carrying amounts as recorded by the combining entities at the date of the combination. The difference between the carrying amount of the net assets obtained and the carrying amount of the consideration paid for the combination is adjusted to the share premium in capital reserve. If the share premium is not sufficient to absorb the difference, any excess is adjusted against retained earnings.

Costs that are directly attributable to the combination are charged to profit or loss in the period in which they are incurred.

5.2 Business combinations not involving enterprises under common control

A business combination not involving enterprises under common control is a business combination in which all of the combining enterprises are not ultimately controlled by the same party or parties before and after the combination.

The cost of combination is the aggregate of the fair values, at the acquisition date, of the assets given, liabilities incurred or assumed, and equity securities issued by the acquirer in exchange for control of the acquiree. Where a business combination not involving enterprises under common control is achieved in stages that involve multiple transactions, the cost of combination is the sum of the consideration paid at the acquisition date and the fair value at the acquisition date of the acquirer's previously held interest in the acquiree. The intermediary expenses incurred by the acquirer in respect of auditing, legal services, valuation and consultancy services, etc. and other associated general and administrative expenses attributable to the business combination are recognised in profit or loss when they are incurred.

The acquiree's identifiable assets, liabilities and contingent liabilities, acquired by the acquirer in a business combination, that meet the recognition criteria are measured at fair value at the acquisition date.

Notes to the Financial Statements

For the period from 1 January to 30 June 2017

(III) SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

5. Accounting treatment of business combination under or not under the common control (Continued)

5.2 Business combinations not involving enterprises under common control (Continued)

Where the cost of combination exceeds the acquirer's interest in the fair value of the acquiree's identifiable net assets, the difference is treated as an asset and recognised as goodwill, which is measured at cost on initial recognition. Where the cost of combination is less than the acquirer's interest in the fair value of the acquiree's identifiable net assets, the acquirer firstly reassesses the measurement of the fair values of the acquiree's identifiable assets, liabilities and contingent liabilities and measurement of the cost of combination. If after that reassessment, the cost of combination is still less than the acquirer's interest in the fair value of the acquiree's identifiable net assets, the acquirer recognises the remaining difference immediately in profit or loss for the current period.

Goodwill arising on a business combination is measured at cost less accumulated impairment losses, and is presented separately in the consolidated financial statements.

6. Preparation of consolidated financial statement

The scope of consolidation in the consolidated financial statements is determined on the basis of control. Control exists when the investor 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 over the investee to affect its returns. The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes of the above elements of the definition of control.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary.

For a subsidiary disposed of by the Group, the operating results and cash flows before the date of disposal (the date when control is lost) are included in the consolidated income statement and consolidated statement of cash flows, as appropriate.

For a subsidiary acquired through a business combination not involving enterprises under common control, the operating results and cash flows from the acquisition date (the date when control is obtained) are included in the consolidated income statement and consolidated statement of cash flows, as appropriate.

Notes to the Financial Statements

For the period from 1 January to 30 June 2017

(III) SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

6. Preparation of consolidated financial statement (Continued)

No matter when the business combination occurs in the reporting period, subsidiaries acquired through a business combination involving enterprises under common control or the party being absorbed under merger by absorption are included in the Group's scope of consolidation as if they had been included in the scope of consolidation from the date when they first came under the common control of the ultimate controlling party. Their operating results and cash flows from the beginning of the earliest reporting period or from the date when they first came under the common control of the ultimate controlling party are included in the consolidated income statement and consolidated statement of cash flows, as appropriate.

The significant accounting policies and accounting periods adopted by the subsidiaries are determined based on the uniform accounting policies and accounting periods set out by the Company.

The effects of all intra-group transactions are eliminated on consolidation.

The portion of subsidiaries' equity that is not attributable to the Company is treated as non-controlling interest and presented as "non-controlling interest" in the consolidated balance sheet within shareholders' equity. The portion of net profits or losses of subsidiaries for the period attributable to non-controlling interest is presented as "non-controlling interest" in the consolidated income statement below the "net profit" line item.

When the amount of loss for the period attributable to the minority shareholders of a subsidiary exceeds the minority shareholders' portion of the opening balance of owners' equity of the subsidiary, the excess amount are still allocated against non-controlling interest.

Acquisition of non-controlling interest or disposal of interest in a subsidiary that does not result in the loss of control over the subsidiary is accounted for as equity transactions. The carrying amounts of the Company's interests and non-controlling interest are adjusted to reflect the changes in their relative interests in the subsidiary. The difference between the amount by which the non-controlling interest are adjusted and the fair value of the consideration paid or received is adjusted to capital reserve under owners' equity. If the capital reserve is not sufficient to absorb the difference, the excess are adjusted against retained earnings.

Where equity interests in an acquiree are acquired in stages through multiple transactions ultimately constituting a business combination not involving entities under common control, the acquirer determines if these transactions are considered to be "a bundled transaction". If yes, these transactions are accounted for as a single transaction where control is obtained. If no, these transactions are accounted for as multiple transactions where control is obtained at the acquisition date; In this case, the acquirer remeasures its previously-held equity interests in the acquiree at their fair value on the acquisition date and recognises any differences between such fair value and carrying amounts in profit or loss for the period. Where equity interests in an acquiree held before the acquisition date involve changes in other comprehensive income or changes in other owners' equity under equity method, they are transferred to income for the period that the acquisition date belongs to.

Notes to the Financial Statements

For the period from 1 January to 30 June 2017

(III) SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

6. Preparation of consolidated financial statement (Continued)

When the Group loses control over a subsidiary due to disposal of certain equity interest or other reasons, any retained interest is re-measured at its fair value at the date when control is lost. The difference between (i) the aggregate of the consideration received on disposal and the fair value of any retained interest and (ii) the share of the former subsidiary's net assets cumulatively calculated from the acquisition date according to the original proportion of ownership interest is recognised as investment income for the period of losing control, and at the same time adjusted against goodwill. Other comprehensive income associated with investment in the former subsidiary is reclassified to investment income in the period in which control is lost.

7. Classification of joint arrangements and accounting treatment for joint ventures

There are two types of joint arrangements – joint operations and joint ventures. The type of joint arrangements is determined based on the rights and obligations of joint operator to the joint arrangements by considering the factors, such as the structure, the legal form of the arrangements, and the contractual terms, etc. A joint operation is a joint arrangement whereby the joint operators have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture is a joint arrangement whereby the joint ventures have rights to the net assets of the arrangement.

The Group adopts the equity method to account the investment in joint ventures. Please specifically refer to Note (III) "13.3.2. Long-term equity investment accounted for using the equity method".

The Group as a joint operator recognises the following items in relation to its interest in a joint operation: its solely-held assets, including its share of any assets held jointly; its solely-assumed liabilities, including its share of any liabilities incurred jointly; its revenue from the sale of its share of the output arising from the joint operation; its share of the revenue from the sale of the output by the joint operation; and its solely-incurred expenses, including its share of any expenses incurred jointly. The Group accounts for the recognised assets, liabilities, revenues and expenses relating to its interest in a joint operation in accordance with the requirements applicable to the particular assets, liabilities, revenues and expenses.

8. Standards for determining cash and cash equivalent

Cash comprises cash on hand and deposits that can be readily withdrawn on demand. Cash equivalents are the Group's short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Notes to the Financial Statements

For the period from 1 January to 30 June 2017

(III) SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

9. Translation of transactions and financial statements denominated in foreign Currencies.

9.1 Transactions denominated in foreign currencies

A foreign currency transaction is recorded, on initial recognition, by applying the spot exchange rate on the date of the transaction.

At the balance sheet date, foreign currency monetary items are translated into RMB using the spot exchange rates at the balance sheet date. Exchange differences arising from the differences between the spot exchange rates prevailing at the balance sheet date and those on initial recognition or at the previous balance sheet date are recognised in profit or loss for the period, except that exchange differences related to a specific-purpose borrowing denominated in foreign currency that qualify for capitalization are capitalised as part of the cost of the qualifying asset during the capitalisation period.

When the consolidated financial statements include foreign operation(s), if there is foreign currency monetary item constituting a net investment in a foreign operation, exchange difference arising from changes in exchange rates are recognised as "exchange differences arising on translation of financial statements denominated in foreign currencies" in shareholders' equity, and in profit and loss for the period upon disposal of the foreign operation.

Foreign currency non-monetary items measured at historical cost are translated to the amounts in functional currency at the spot exchange rates on the dates of the transactions and the amounts in functional currency remain unchanged.

9.2 Translation of financial statements denominated in foreign currencies

For the purpose of preparing the consolidated financial statements, financial statements of a foreign operation are translated from the foreign currency into RMB using the following method: assets and liabilities on the balance sheet are translated at the spot exchange rate prevailing at the balance sheet date; equity items are translated at the spot exchange rates at the dates on which such items arise; all items in the income statement as well as items reflecting the distribution of profits are translated at spot exchange rates on the dates of the transactions; The difference between the translated assets and the aggregate of liabilities and shareholders' equity items is recognised as other comprehensive income and included in shareholders' equity.

Cash flows arising from a transaction in foreign currency and the cash flows of a foreign subsidiary are translated at an exchange rate which approximates the spot exchange rate on the date of the cash flows. The effect of exchange rate changes on cash and cash equivalents is regarded as a reconciling item and presented separately in the cash flow statement as "effect of exchange rate changes on cash and cash equivalents".

The opening balances and the comparative figures of previous year are presented at the translated amounts in the previous year's financial statements.

Notes to the Financial Statements

For the period from 1 January to 30 June 2017

(III) SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

10. Financial Instrument

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. For financial assets and financial liabilities at fair value through profit or loss, transaction costs are immediately recognised in profit or loss. For other financial assets and financial liabilities, relevant transaction costs are included in their initial recognised amounts.

10.1 Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or a group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period, using the effective interest rate. The effective interest rate is the rate that exactly discounts estimated future cash flows through the expected life of the financial asset or financial liability or, where appropriate, a shorter period to the net carrying amount of the financial asset or financial liability.

When calculating the effective interest rate, the Group estimates future cash flows considering all contractual terms of the financial asset or financial liability (without considering future credit losses), and also considers all fees paid or received between the parties to the contract giving rise to the financial asset and financial liability that are an integral part of the effective interest rate, transaction costs, and premiums or discounts, etc.

10.2 Classification, recognition and measurement of financial assets

On initial recognition, the Group's financial assets are classified into one of the four categories, including financial assets at fair value through profit or loss, held-to-maturity investments, loans and receivables, and available-for-sale financial assets. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Financial assets of the Group include loans and receivables, and available-for-sale financial assets.

10.2.1 Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Financial assets classified as loans and receivables by the Group include notes receivable, account receivables and other receivables.

Loans and receivables are subsequently measured at amortised cost using the effective interest method. Gain or loss arising from derecognition, impairment or amortisation is recognised in profit or loss.

Notes to the Financial Statements

For the period from 1 January to 30 June 2017

(III) SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

10. Financial Instrument (Continued)

10.2 Classification, recognition and measurement of financial assets (Continued)

10.2.2 Available-for-sale financial assets

Available-for-sale financial assets include financial assets that are not classified as financial assets at fair value through profit or loss, loans and receivables or held-to-maturity investments.

Available-for-sale financial assets are subsequently measured at fair value, and gains or losses arising from changes in the fair value are recognised as other comprehensive income, except for impairment losses and exchange difference related to monetary financial assets in foreign currency and amortised cost which are recognised in profit or loss until the financial assets are derecognised for the period, and upon the derecognition, the gains or losses are released and recognised in profit or loss.

Interests obtained and the dividends declared by the investee during the period in which the available-for-sale financial assets are held, are recognised in investment gains.

For investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, they are measured at cost.

10.3 Impairment of financial assets

The Group assesses at each balance sheet date the carrying amounts of financial assets other than those at fair value through profit or loss. If there is objective evidence that a financial asset is impaired, the Group determines the amount of any impairment loss. Objective evidence that a financial asset is impaired is evidence that, arising from one or more events that occurred after the initial recognition of the asset, the estimated future cash flows of the financial asset, which can be reliably measured, have been affected.

Objective evidence that a financial asset is impaired includes the following observable events:

- (1) Significant financial difficulty of the issuer or obligor;
- (2) A breach of contract by the borrower, such as a default or delinquency in interest or principal payments;
- (3) The Group, for economic or legal reasons relating to the borrower's financial difficulty, granting a concession to the borrower;

Notes to the Financial Statements

For the period from 1 January to 30 June 2017

(III) SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

10. Financial Instrument (Continued)

10.3 Impairment of financial assets (Continued)

- (4) It becoming probable that the borrower will enter bankruptcy or other financial reorganisations;
- (5) The disappearance of an active market for that financial asset because of financial difficulties of the issuer;
- (6) Upon an overall assessment of a group of financial assets, observable data indicates that there is a measurable decrease in the estimated future cash flows from the group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group. Such observable data includes:
 - Adverse changes in the payment status of borrower in the group of assets;
 - Economic conditions in the country or region of the borrower which may lead to a failure to pay the group of assets;
- (7) Significant adverse changes in the technological, market, economic or legal environment in which the equity instrument issuer operates, indicating that the cost of the investment in the equity instrument may not be recovered by the investor;
- (8) A significant or prolonged decline in the fair value of an investment in an equity instrument below its cost;
- (9) Other objective evidence indicating there is an impairment of a financial asset.

Notes to the Financial Statements

For the period from 1 January to 30 June 2017

(III) SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

10. Financial Instrument (Continued)

10.3 Impairment of financial assets (Continued)

– *Impairment of financial assets measured at amortised cost*

If financial assets carried at amortised cost are impaired, the carrying amounts of the financial assets are reduced to the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The amount of reduction is recognised as an impairment loss in profit or loss. If, subsequent to the recognition of an impairment loss on financial assets carried at amortised cost, there is objective evidence of a recovery in value of the financial assets which can be related objectively to an event occurring after the impairment is recognised, the previously recognised impairment loss is reversed. However, the reversal is made to the extent that the carrying amount of the financial asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

For a financial asset that is individually significant, the Group assesses the asset individually for impairment. For a financial asset that is not individually significant, the Group assesses the asset individually for impairment or includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset (whether significant or not), it includes the asset in a group of financial assets with similar credit risk characteristics and collectively reassesses them for impairment. Assets for which an impairment loss is individually recognised are not included in a group of financial assets with similar credit risk characteristics for collective assessment of impairment.

– *Impairment of available-for-sale financial assets*

When an available-for-sale financial asset is impaired, the cumulative loss arising from decline in fair value previously recognised directly in capital reserve is reclassified from the capital reserve to profit or loss. The amount of the cumulative loss that is reclassified from capital reserve to profit or loss is the difference between the acquisition cost (net of any principal repayment and amortisation) and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss.

If, subsequent to the recognition of an impairment loss on available-for-sale financial assets, there is objective evidence of a recovery in value of the financial assets which can be related objectively to an event occurring after the impairment is recognised, the previously recognised impairment loss is reversed. The amount of reversal of impairment loss on available-for-sale equity instruments is recognised as other comprehensive income, while the amount of reversal of impairment loss on available-for-sale debt instruments is recognised in profit or loss.

Notes to the Financial Statements

For the period from 1 January to 30 June 2017

(III) SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

10. Financial Instrument (Continued)

10.3 Impairment of financial assets (Continued)

– *Impairment of financial assets measured at cost*

If an impairment loss has been incurred on an investment in unquoted equity instrument (without a quoted price in an active market) whose fair value cannot be reliably measured, or on a derivative financial asset that is linked to and must be settled by delivery of such an unquoted equity instrument, the carrying amount of the financial asset is reduced to the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. The amount of reduction is recognised as an impairment loss in profit or loss. The impairment loss on such financial asset is not reversed once it is recognised.

10.4 Transfer of financial assets

The Company derecognises a financial asset if one of the following conditions is satisfied: (1) the contractual rights to the cash flows from the financial asset expire; (2) the financial asset has been transferred and substantially all the risks and rewards of ownership of the financial asset is transferred to the transferee; (3) although the financial asset has been transferred, the Company neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset but has not retained control of the financial asset.

If the Company neither transfers nor retains substantially all the risks and rewards of ownership of a financial asset, and it retains control of the financial asset, it recognises the financial asset to the extent of its continuing involvement in the transferred financial asset and recognises an associated liability. The extent of the Company's continuing involvement in the transferred asset is the extent to which it is exposed to changes in the value of the transferred asset.

For a transfer of a financial asset in its entirety that satisfies the derecognition criteria, the difference between the carrying amount of the financial asset transferred; and the sum of the consideration received from the transfer and any cumulative gain or loss that has been recognised in other comprehensive income, is recognised in profit or loss.

If a part of the transferred financial asset qualifies for derecognition, the carrying amount of the transferred financial asset is allocated between the part that continues to be recognised and the part that is derecognised, based on the respective fair values of those parts. The difference between the carrying amount allocated to the part derecognised; and the sum of the consideration received for the part derecognised and any cumulative gain or loss allocated to the part derecognised which has been previously recognised in other comprehensive income, is recognised in profit or loss.

Notes to the Financial Statements

For the period from 1 January to 30 June 2017

(III) SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

10. Financial Instrument (Continued)

10.5 Classification, recognition and measurement of financial liabilities

Financial instruments issued by the Group are classified in accordance with the substance of the contractual arrangements instead of the legal form and in line with the definitions of a financial liability and a equity instrument; on initial recognition, financial instruments or their component parts are classified as either financial liabilities or equity instruments.

On initial recognition, financial liabilities are classified into financial liabilities at fair value through profit or loss and other financial liabilities.

10.5.1 Financial liabilities at FVTPL

Financial liabilities at FVTPL consist of financial liabilities held for trading and those designated as at FVTPL on initial recognition.

A financial liability is classified as held for trading if one of the following conditions is satisfied: (1) it has been acquired principally for the purpose of repurchasing in the near term; (2) on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and there is objective evidence that the Group has a recent actual pattern of short-term profit-taking; (3) it is a derivative, except for a derivative that is a designated and effective hedging instrument, or a financial guarantee contract, or a derivative that is linked to and must be settled by delivery of an unquoted equity instrument (without a quoted price in an active market) whose fair value cannot be reliably measured.

A financial liability may be designated as at FVTPL upon initial recognition only when one of the following conditions is satisfied: (1) such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise result from measuring liabilities or recognising the gains or losses on them on different bases; (2) the financial liability forms part of a group of financial liabilities or a group of financial assets and financial liabilities, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is reported to key management personnel on that basis; (3) it is a qualifying hybrid instrument containing embedded derivatives.

Financial liabilities at FVTPL are subsequently measured at fair value. Any gains or losses arising from changes in the fair value or any dividend or interest expenses related to the financial liabilities are recognised in profit or loss.

Notes to the Financial Statements

For the period from 1 January to 30 June 2017

(III) SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

10. Financial Instrument (Continued)

10.5 Classification, recognition and measurement of financial liabilities (Continued)

10.5.2 Other financial liabilities

For a derivative liability that is linked to and must be settled by delivery of an unquoted equity instrument (without a quoted price in an active market) whose fair value cannot be reliably measured, it is subsequently measured at cost. Other financial liabilities other than financial guarantee contract obligations are subsequently measured at amortised cost using the effective interest method, with gain or loss arising from derecognition or amortisation recognised in profit or loss.

10.5.3 Financial guarantee contracts

A financial guarantee contract is a contract by which the guarantor and the lender agree that the guarantor would settle the debts or bear obligations in accordance with terms of the contract in case the borrower fails to settle the debts. Financial guarantee contracts that are not designated as financial liabilities at fair value through profit or loss, are initially measured at their fair values less the directly attributable transaction costs. Subsequent to initial recognition, they are measured at the higher of: the amount determined in accordance with Accounting Standard for Business Enterprises No. 13 – Contingencies; and the amount initially recognised less cumulative amortisation recognised in accordance with the principles set out in Accounting Standard for Business Enterprises No. 14 – Revenue.

10.6 Derecognition of financial liabilities

The Group derecognises a financial liability (or part of it) only when the underlying present obligation (or part of it) is discharged. An agreement between the Group (an existing borrower) and an existing lender to replace the original financial liability with a new financial liability with substantially different terms is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability.

When the Group derecognises a financial liability or a part of it, it recognises the difference between the carrying amount of the financial liability (or part of the financial liability) derecognised and the consideration paid (including any non-cash assets transferred or new financial liabilities assumed) in profit or loss.

Notes to the Financial Statements

For the period from 1 January to 30 June 2017

(III) SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

10. Financial Instrument (Continued)

10.7 Offsetting financial assets and financial liabilities

When the Group has a legal right that is currently enforceable to set off the recognised financial assets and financial liabilities, and intends either to settle on a net basis, or to realise the financial asset and settle the financial liability simultaneously, financial assets and financial liabilities are offset with the net amounts presented on the balance sheet. Otherwise, financial assets and financial liabilities are separately presented on the balance sheet without offsetting.

10.8 Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued (including refinanced), repurchased, sold or cancelled by the Group are treated as changes in equity. Changes in the fair value of equity instruments are not recognised. Transaction costs related to equity transactions are deducted from equity.

The Group's distribution to holders of equity instruments are treated as a distribution of profits, payment of stock dividends does not affect total shareholders' equity.

11. Receivables

11.1 Receivables at individually significant amount and for which bad debts are provided individually

The criterion of individually significant amount	A receivable that exceeds RMB5,000,000 and other receivables exceeds RMB10,000,000 are deemed as an individually significant receivable by the Group.
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Method of bad debt provision in respect of receivables at individually significant amount	For receivables that are individually significant, the Group tests the receivables individually for impairment. Any receivable not impaired in the individual test for impairment is included in a group of financial assets with similar credit risk characteristics to be tested for impairment collectively. Any receivable with impairment loss recognised in the individual test is not included in a group of financial assets with similar credit risk characteristics to be tested for impairment collectively.
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Notes to the Financial Statements

For the period from 1 January to 30 June 2017

(III) SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

11. Receivables (Continued)

11.2 Receivables for which bad debts are provided by portfolio of credit risk characteristics

Basis for determining receivables for which bad debt are provided by credit risk portfolio	The Group classifies receivables other than account receivables and other receivables for which bad debts are provided individually, in accordance with their credit risk characteristics and relevance as different types of financial assets. These credit risks usually reflect the ability of debtor in repaying all debts due based on the contractual terms of relevant assets, and are related to the forecast on future cash flows of asset under assessment.
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Receivables are classified by the Group based on the historical loss experience, current economic performance and available security guarantees for repayments relating to the portfolio of receivables with similar credit risk characteristics in previous years as well as estimated losses existing in the portfolio of receivables into (1) credit portfolio of account receivables; (2) credit portfolio I of other receivables; (3) credit portfolio II of other receivables; (4) credit portfolio III of other receivables; and (5) portfolio of loans extended.

Policies of bad debt provision in respect of receivables for which bad debts are provided by credit risk portfolio	<ul style="list-style-type: none"> • Credit portfolio for account receivables: it is to be determined based on historical loss experience and current economic performance according to similar credit risk characteristics as well as estimated losses existing in the portfolio of such account receivables, and for which bad debt is provided by aging analysis; • Credit portfolio I of other receivables: it consists of sales proceeds collected on behalf of the tenants due from third party payment institutions. The Group believes, this portfolio has minor credit risks, thus for which no bad debt is provided;
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Notes to the Financial Statements

For the period from 1 January to 30 June 2017

(III) SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

11. Receivables (Continued)

11.2 Receivables for which bad debts are provided by portfolio of credit risk characteristics (Continued)

- Credit portfolio II of other receivables: it consists of other receivables within the normal collection period with adequate securities/guarantees or other evidence of recoverability. It is to be determined based on historical loss experience and current economic performance according to similar credit risk characteristics as well as estimated losses existing in the portfolio of such receivables, and for which bad debt is provided by balance percentage;
- Credit portfolio III of other receivables: it consists of other receivables other than those covered by credit portfolio I and II of other receivables. The proportions of bad debt provided for different age groups of such portfolio in the current period are determined based on the loss rate of such type of receivables and with reference to the status quo, and for which bad debt is provided by aging analysis;
- Portfolio of loans: it consists of microfinance loans granted to third parties by a microfinance company of the Group with its self-owned funds; and for which risk reserve is provided at 1% of the balance of loans being granted.

Please see tables below for details of proportions of bad debt provided by aging analysis and balance percentage.

Notes to the Financial Statements

For the period from 1 January to 30 June 2017

(III) SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

11. Receivables (Continued)

- 11.2 Receivables for which bad debts are provided by portfolio of credit risk characteristics (Continued)

Portfolios for which bad debts are provided by aging analysis:

Aging	Aging analysis method	
	Proportions of bad debt provided (%)	
	Account receivables	Credit portfolio III of other receivables
Within 1 year	5	5
1 to 2 years	10	10
2 to 3 years	20	20
3 to 4 years	50	50
4 to 5 years	80	80
Over 5 years	100	100

Portfolios for which bad debts are provided by balance percentage:

Name of portfolios	Proportions of bad debt provided (%)
Credit portfolio II of other receivables	5
Portfolio of loans	1

- 11.3 Receivables not at individually significant amount but for which bad debts are provided individually:

Reason for individual bad debt provision	Objective evidence of impairment
Policy of bad debt provision	Test for impairment is conducted individually, and the difference between estimated recoverable amount and book value is recognised in bad debt provision.

Notes to the Financial Statements

For the period from 1 January to 30 June 2017

(III) SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

12. Inventory

12.1 Categories of inventories

The Group's inventories mainly include low-value consumables and goods in inventory, etc. Inventories are initially measured at cost. Cost of inventories comprises all costs of purchase, costs of conversion and other expenditures incurred in bringing the inventories to their present location and condition.

12.2 Valuation Methods of the Inventory delivered

When the inventories are delivered, the actual costs of the delivered inventories are determined using the method of moving weighted average.

12.3 Basis for determining net realizable value of inventories and policies of impairment provisions for inventories

On the balance sheet date, the inventories shall be calculated by the lower of cost and net realized value. When the net realizable value is less than the cost, inventory provision is required. The net realizable value represents the amount derived by deducting the potential cost, estimated sale cost and relative taxes to the completion date from the estimated selling price of the inventory in daily activities. The company determined net realizable value of inventories, made the obtained conclusive evidence as basis, and considered the purposes of holding inventories, events after the balance sheet date and other factors.

The provision for inventory shall be provided by the difference between the cost of the individual inventory and its net realized value.

In case the factors impacting the inventory provision are eliminated, making the net realizable value be higher than the book value, the write-down amount should be recovered from the previous write-down amount of inventory provision and the corresponding amount shall be reversed to current profit and loss.

12.4 The inventory system for Inventory

The inventory system is a perpetual inventory system.

12.5 Amortization method of low-value consumables materials

Low-price easily-worn materials are amortized by the one-time writing-off method.

Notes to the Financial Statements

For the period from 1 January to 30 June 2017

(III) SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

13. Long-term Equity Investment

13.1 Basis for determining joint control and significant influence over the investee

Control exists when the investor 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 over the investee to affect its returns. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. 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. When determining whether an investing enterprise is able to exercise control or significant influence over an investee, the effects of potential voting rights of the investee (for example, warrants and convertible debts) held by the investing enterprises or other parties that are currently exercisable or convertible have been considered.

13.2 Determination of investment cost

For a long-term equity investment acquired through a business combination involving enterprises under common control, the initial investment cost of the long-term equity investment is the attributable share of the carrying amount of the shareholders' equity of the acquiree at the date of combination in the consolidated financial statements of the ultimate controlling party. The difference between the initial investment cost and the carrying amount of cash paid, non-cash assets transferred and liabilities assumed is adjusted to capital reserve. If the balance of capital reserve is not sufficient, any excess is adjusted to retained earnings. If the consideration of the combination is satisfied by the issue of equity securities, the initial investment cost of the long-term equity investment is the attributable share of the carrying amount of the shareholders' equity of the acquiree in the consolidated financial statements of the ultimate controlling party. The aggregate face value of the shares issued is accounted for as share capital. The difference between the initial investment cost and the aggregate face value of the shares issued is adjusted to capital reserve. If the balance of capital reserve is not sufficient, any excess is adjusted to retained earnings.

For a long-term equity investment acquired through business combination not involving enterprises under common control, the initial investment cost of the long-term equity investment is the cost of acquisition at the date of combination. For a business combination realized by two or more transactions of exchange and ultimately not under the same control, different accounting methods are adopted by the criteria of whether those transactions are classified as "a bundle of transactions" or not. If yes, all exchange transactions are deemed as one transaction getting control of the invested entity and are dealt with the relative accounting method. If no, the Company regards the sum of book value of the equity investment of the invested entity plus added cost of investment as the initial cost of investment. For such book value of the equity investment, if it is accounted by method of equity, then the relative other comprehensive income is not accounted for the period; if it is classified as available-for-sale financial asset, the difference between its fair value and book value, together with the accumulated change to fair value which was originally accounted as other comprehensive income will be taken into Profit & Loss for the current period.

The intermediary fees incurred by the absorbing party or acquirer such as audit, legal, valuation and consulting fees, etc. and other related general and administrative expenses attributable to the business combination are recognised in profit or loss when they are incurred.

Notes to the Financial Statements

For the period from 1 January to 30 June 2017

(III) SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

13. Long-term Equity Investment (Continued)

13.2 Determination of investment cost (Continued)

The long-term equity investment acquired otherwise than through a business combination is initially measured at its cost. When the entity is able to exercise significant influence or joint control (but not control) over an investee, the cost of long-term equity investments is the sum of the fair value of previously held equity investments determined in accordance with Accounting Standard for Business Enterprises No. 22 – Financial Instruments: Recognition and Measurement (CAS 22) and the additional investment cost.

13.3 Subsequent measurement and recognition of profit or loss

13.3.1 Long-term equity investment accounted for by cost method

Long-term equity investments in subsidiaries are accounted for using the cost method in the Company's separate financial statements. A subsidiary is an investee that is controlled by the Group.

Under the cost method, a long-term equity investment is measured at initial investment cost. When additional investment is made or the investment is recouped, the cost of the long-term equity investment is adjusted accordingly. Investment income is recognised in the period in accordance with the attributable share of cash dividends or profit distributions declared by the investee.

13.3.2 Long-term equity investment accounted for by equity method

The Group accounts for investment in associates and joint ventures using the equity method. An associate is an entity over which the Group has significant influence; a joint venture is a joint arrangement whereby the Group has rights to the net assets of the arrangement.

Under the equity method, where the initial investment cost of a long-term equity investment exceeds the Group's share of the fair value of the investee's identifiable net assets at the time of acquisition, no adjustment is made to the initial investment cost. Where the initial investment cost is less than the Group's share of the fair value of the investee's identifiable net assets at the time of acquisition, the difference is recognised in profit or loss for the period, and the cost of the long term equity investment is adjusted accordingly.

Notes to the Financial Statements

For the period from 1 January to 30 June 2017

(III) SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

13. Long-term Equity Investment (Continued)

13.3 Subsequent measurement and recognition of profit or loss (Continued)

13.3.2 Long-term equity investment accounted for by equity method (Continued)

Under the equity method, the Group recognises its share of the net profit or loss and other comprehensive income made by the investee as investment income and other comprehensive income respectively, and adjust the carrying amount of the long-term equity investment accordingly; the carrying amount of the investment is reduced by the portion of any profit distributions or cash dividends declared by the investee that is distributed to the Group; the share of the changes in owners' equity of the investee other than those arising from net profit or loss, other comprehensive income and profit distribution are recognised in the capital reserve and the carrying amount of the long-term equity investment is adjusted accordingly. The Group recognises its share of the investee's net profit or loss after making appropriate adjustments based on the fair value of the investee's individual separately identifiable assets, etc. at the acquisition date. Where the accounting policies and accounting period adopted by the investee are not consistent with those of the Group, the Group shall adjust the financial statements of the investee to conform to its own accounting policies and accounting period, and recognise investment income and other comprehensive income based on the adjusted financial statements. For the Group's transactions with its associates and joint ventures where assets contributed or sold does not constitute a business, unrealised intra-group profits or losses are recognised as investment income or loss to the extent that those attributable to the Group's proportionate share of interest are eliminated. However, unrealised losses resulting from the Group's transactions with its associates and joint ventures which represent impairment losses on the transferred assets are not eliminated.

The Group discontinues recognising its share of net losses of the investee after the carrying amount of the long-term equity investment together with any long-term interests that in substance form part of its net investment in the investee is reduced to zero. If the Group has incurred obligations to assume additional losses of the investee, a provision is recognised according to the expected obligation, and recorded as investment loss for the period. Where net profits are subsequently made by the investee, the Group resumes recognising its share of those profits only after its share of the profits exceeds the share of losses previously not recognised.

Notes to the Financial Statements

For the period from 1 January to 30 June 2017

(III) SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

13. Long-term Equity Investment (Continued)

13.4 Disposal of long-term equity investments

For the disposal of a long term equity investment, the difference between the proceeds actually received and the book value is recognised in profit or loss for the period. For a long-term equity investment accounted for by equity method, if the remaining equity after disposal is still accounted for by equity method, relevant other comprehensive income recognised under the equity method is accounted for on the same basis that the investee follows in disposing of relevant asset or liability directly and is carried forward to profit or loss for the period proportionately; other equity recognised for changes in equity relating to the investee except for net profit or loss, other comprehensive income and profit distribution is carried forward to profit or loss for the period proportionately.

For a long-term equity investment accounted for by cost method, if the remaining equity after disposal is still accounted for by cost method, relevant other comprehensive income recognised under equity method or under the standard for the recognition and measurement of financial instruments before the control over investee being secured is accounted for on the same basis that the investee follows in disposing of relevant asset or liability directly and is carried forward to profit or loss for the period proportionately; other changes in equity recognised under equity method in the net assets of the investee except for net profit or loss, other comprehensive income and profit distribution is carried forward to profit or loss for the period proportionately.

In event that the Group loses control over an investee due to disposal of part of equity investments, during preparing separate financial statement, if the remaining equity after disposal entitles joint control or significant influence over the investee, such equity is accounted for by equity method instead of other methods and adjusted as if it has been accounted for by equity method from the date of its acquisition; if remaining equity after disposal cannot entitle joint control or significant influence over the investee, such equity is accounted for by standard for the recognition and measurement of financial instruments instead of other methods, and the difference between its fair value and book value on the date of losing control is recognised in profit or loss for period. Other comprehensive income recognised under equity method or under standard for the recognition and measurement of financial instruments before the Group takes control over an investee is accounted for on the same basis that the investee follows in disposing of relevant asset or liability directly upon the Group losing control over the investee; other changes in equity recognised under equity method in the net assets of the investee except for net profit or loss, other comprehensive income and profit distribution is carried forward to profit or loss for the period upon the Group losing control over the investee. Meanwhile, other comprehensive income and other equity are carried forward proportionately if the remaining equity after disposal is accounted for by equity method; and will be carried forward in full amount if the remaining equity is accounted for by standard for the recognition and measurement of financial instruments instead of other methods.

Notes to the Financial Statements

For the period from 1 January to 30 June 2017

(III) SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

14. Investment Property

Investment property is any property held for rental earnings or capital appreciation or both. It includes investment properties being leased out and buildings being leased out.

An investment property is measured initially at cost. Expenditure subsequently incurred for such investment property is recognised in its cost if the economic benefits associated with such investment property are probable to flow out and relevant costs can be measured reliably. Other subsequent expenditures are recognised in profit or loss for the period of their occurrence.

There exists an active property trading market at the pace of the investment properties of the Group and the market price of and other information relating to identical or similar properties are available to the Group on the property trading market, which makes it possible to estimate the fair value of investment properties in a reasonable manager. As such, the Group measures its investment properties by adopting the fair value model with changes in fair value recognised in profit or loss for the period.

Where an investment property is sold, transferred, retired or damaged, the income from its disposal net of the book value and related taxes is recognised in profit or loss for the period.

15. Fixed Assets

15.1 The conditions of recognition

Fixed assets are tangible assets that are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes, and have useful lives of more than one accounting year. A fixed asset is recognised only when the economic benefits associated with the asset are probable to flow into the Group and the cost of the asset can be measured reliably. Fixed assets are initially measured at cost.

Subsequent expenditures incurred for the fixed asset are included in the cost of the fixed asset if the economic benefits associated with the asset are probable to flow into the Group and the subsequent expenditures can be measured reliably. Meanwhile the carrying amount of the replaced part is derecognised. Other subsequent expenditures except for above expenditures that included in the cost of the fixed asset are recognised in profit or loss in the period in which they are incurred.

15.2 Depreciation method

A fixed asset is depreciated over its useful life using the straight-line method since the month subsequent to the one in which it is ready for intended use. The useful life, estimated net residual value rate and annual depreciation rate of each category of fixed assets are as follows:

Notes to the Financial Statements

For the period from 1 January to 30 June 2017

(III) SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

15. Fixed Assets (Continued)

15.2 Depreciation method (Continued)

Category	Depreciation period (years)	Residual value rate (%)	Annual depreciation rate (%)
Dedicated equipment	10	5	9.5
Electronic equipment, appliances and furniture	3–5	5	19–31.67
Transportation equipment	5	5	19

Estimated net residual value of a fixed asset is the estimated amount that the Group would currently obtain from disposal of the asset, after deducting the estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life.

15.3 Others

If a fixed asset is upon disposal or no future economic benefits are expected to be generated from its use or disposal, the fixed asset is derecognised. When a fixed asset is sold, transferred, retired or damaged, the amount of any proceeds on disposal of the asset net of the carrying amount and related taxes is recognised in profit or loss for the period.

The Group reviews the useful life and estimated net residual value of a fixed asset and the depreciation method applied at least once at each financial year-end, and account for any change as a change in an accounting estimate.

16. Construction in progress

Construction in progress is measured at its actual costs. The actual costs include various construction expenditures during the construction period, borrowing costs capitalised before it is ready for intended use and other relevant costs. Construction in progress is not depreciated. Construction in progress is transferred to a fixed asset when it is ready for intended use.

Notes to the Financial Statements

For the period from 1 January to 30 June 2017

(III) SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

17. Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying asset are capitalized when expenditures for such asset and borrowing costs are incurred and activities relating to the acquisition, construction or production of the asset that are necessary to prepare the asset for its intended use or sale have commenced; Capitalisation of borrowing costs ceases when the qualifying asset being acquired, constructed or produced becomes ready for its intended use or sale. Other borrowing costs are recognized as expenses in the period when they are incurred.

Where funds are borrowed under a specific-purpose borrowing, the amount of interest to be capitalised is the actual interest expense incurred on that borrowing for the period less any bank interest earned from depositing the borrowed funds before being used on the asset or any investment income on the temporary investment of those funds; Where funds are borrowed under general-purpose borrowings, the Group determines the amount of interest to be capitalised on such borrowings by applying a capitalisation rate to the weighted average of the excess of cumulative expenditures on the asset over the amounts of specific-purpose borrowings. The capitalisation rate is the weighted average of the interest rates applicable to the general-purpose borrowings.

18. Intangible Assets

Intangible assets include software and trademark use rights.

An intangible asset is measured initially at cost. When an intangible asset with a finite useful life is available for use, its initial carrying amount net of estimated net residual value and accumulated amount of impairment provision is averagedly amortised over its estimated useful life period by period using the straight-line method.

The amortization method, useful life and estimated net residual value rate of each category of intangible assets are as follows:

Category	Amortization method	Useful life (years)	Residual value rate
Trademark use rights	Straight-line method	30 years	0%
Softwares	Straight-line method	2–10 years	0%
Others	Straight-line method	3 years	0%

Notes to the Financial Statements

For the period from 1 January to 30 June 2017

(III) SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

18. Intangible Assets (Continued)

At the end of the year, the Group reviews the useful life and amortisation method of intangible assets, and makes adjustments when necessary.

Research and development expenses

Expenditure on the research phase is recognised in profit or loss in the period in which it is incurred.

Expenditure on the development phase is capitalized as intangible assets only if all of the following conditions are satisfied, expenditure on the development phase which cannot meet all of the following conditions are recognised in current profit or loss:

- (1) It is technically feasible to complete the intangible asset so that it will be available for use or sale;
- (2) Management intends to complete the intangible asset, and to use or sell it;
- (3) It can be demonstrated how the intangible asset will generate economic benefits, including demonstrating that there is an existing market for products produced by the intangible asset or there is an existing market for the intangible asset itself, if the intangible asset is to be used internally, the usage of it can be demonstrated;
- (4) There are adequate technical, financial and other resources to complete the development and the ability to use or sell the intangible assets;
- (5) The expenditure attributable to the intangible asset during its development phase can be reliably measured.

Expenditures on research and development which cannot be distinguished between the research phase and development phase are recognised in profit or loss as incurred.

Notes to the Financial Statements

For the period from 1 January to 30 June 2017

(III) SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

19. Impairment of Long-term Assets

The Group reviews the long-term equity investments, investment properties, fixed assets, construction in progress, intangible assets with finite useful life at each balance sheet date to determine whether there is any indication that they have suffered an impairment loss. If an impairment indication exists, the recoverable amount is estimated.

Recoverable amount is estimated on individual basis. If it is not practical to estimate the recoverable amount of an individual asset, the recoverable amount of the asset group to which the asset belongs will be estimated. The recoverable amount of an asset or asset group is the higher of its fair value less costs of disposal and the present value of the future cash flows expected to be derived from the asset or asset group. If such recoverable amount is less than its carrying amount, a provision for impairment losses in respect of the deficit is recognised in profit or loss for the period.

Goodwill is tested for impairment at least at the end of each year. For the purpose of impairment testing, goodwill is considered together with the related assets groups, i.e., goodwill is reasonably allocated to the related assets group(s) or each of assets group(s) expected to benefit from the synergies of the combination. An impairment loss is recognised if the recoverable amount of the assets group or sets of assets groups (including goodwill) is less than its carrying amount. The impairment loss is firstly allocated to reduce the carrying amount of any goodwill allocated to such assets group or sets of assets groups, and then to the other assets of the group pro rata on the basis of the carrying amount of each asset (other than goodwill) in the group.

Once an impairment loss is recognised for above-mentioned assets, it will not be reversed in any subsequent period.

20. Long-term Prepaid Expenses

Long-term prepaid expenses represent expenses incurred that should be borne and amortised over the current and subsequent periods (together of more than one year). Long-term prepaid expenses are amortised using the straight-line method over the expected periods in which benefits are derived.

Notes to the Financial Statements

For the period from 1 January to 30 June 2017

(III) SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

21. Employee Benefits

21.1 Accounting treatment of short-term remuneration

Actually occurred short-term employee benefits are recognised as liabilities, with a corresponding charge to the profit or loss for the period or in the costs of relevant assets in the accounting period in which employees provide services to the Group. Staff welfare expenses incurred by the Group are recognised in profit or loss for the period or the costs of relevant assets based on the actually occurred amounts when it actually occurred. Non-monetary staff welfare expenses are measured at fair value.

Payment made by the Group of social security contributions for employees such as premiums or contributions on medical insurance, work injury insurance and maternity insurance, etc. and payments of housing funds, as well as union running costs and employee education costs provided in accordance with relevant requirements, are calculated according to prescribed bases and percentages in determining the amount of employee benefits and recognised as relevant liabilities, with a corresponding charge to the profit or loss for the period or the costs of relevant assets in the accounting period in which employees provide services.

21.2 Accounting treatment of post-employment benefits

Post-employment benefits of the Group are defined contribution plans.

During the accounting period of rendering service to employees of the Group, amount which should be paid according to defined contribution plans is recognised as liabilities, and recognised in current profit or loss or related costs of assets.

21.3 Accounting treatment of termination benefits

When the Group provides termination benefits to employees, employee benefit liabilities are recognised for termination benefits, with a corresponding charge to the profit or loss for the period at the earlier of: when the Group cannot unilaterally withdraw the offer of termination benefits because of the termination plan or a curtailment proposal; and when the Group recognises costs or expenses related to restructuring that involves the payment of termination benefits.

Notes to the Financial Statements

For the period from 1 January to 30 June 2017

(III) SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

22. Estimated liabilities

Estimated liabilities are recognised under the circumstance that the Group has a present obligation related to a contingency, associated economic benefits are probable to flow out for the settlement of the obligation, and the amount of the obligation can be measured reliably.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account factors pertaining to a contingency such as the risks, uncertainties and time value of money. Where the effect of the time value of money is material, the amount of the provision is determined by discounting the related future cash outflows.

23. Share-based payments

The Group's share-based payment is a transaction that grants an equity instrument or bears a liability determined on the basis of an equity instrument in order to obtain services provided by employee. The Group's share-based payments are equity-settled share-based payments.

23.1 Equity-settled share-based payments

An equity-settled share-based payment in return for employee services is measured by the Group at the fair value of the equity instrument granted to employee at the grant date. Such fair value is expensed to relevant costs or expenses on a straight-line basis over the vesting period, based on the best estimate of the number of equity instruments under exercisable rights, and the capital reserve is increased accordingly. On each balance sheet date during the vesting period, the Group makes the best estimation by referring to the latest available information on changed in the number of employees with exercisable rights and other subsequent information, and revises the estimate of the number of equity instruments under exercisable rights. The impact of the above estimates is recognised in relevant cost or expense for the period and the capital reserve is adjusted accordingly.

24. Revenue

24.1 Revenue from sales of goods and home decoration

24.1.1 Revenue from sale of goods

Revenue from sale of goods is recognised when 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 associated economic benefits will flow to the Group; and the associated costs incurred or to be incurred can be measured reliably.

Notes to the Financial Statements

For the period from 1 January to 30 June 2017

(III) SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

24. Revenue (Continued)

24.1 Revenue from sales of goods and home decoration (Continued)

24.1.2 Revenue from home decoration

It refers to the revenue received by the Group from home design and decoration works provided by the Group. The revenue is recognised by the Group under the circumstance that associated economic benefits are probable to flow into the Group after relevant services have been provided and settled.

24.2 Revenue from the lease and management of Owned/Leased Portfolio Shopping Malls

It refers to the revenue received by the Group from provision of booth leases and related services for tenants who signed up lease contracts to run business at its Owned/Leased Portfolio Shopping Malls. The revenue is determined according to the rental area, unit price, contractual term and so on stipulated in the relevant contract or agreement and recognised on a straight-line basis within the contractual period.

24.3 Revenue Relating to Managed Shopping Malls

24.3.1 Revenue from the consulting and management service titled the Company's name for the early stage of the project

It refers to the revenue received by the Group under the relevant contract or agreement, pursuant to which relevant Managed Shopping Malls are permitted to use the brands that are intangible asset of the Group, and from the provision of consultation, tenant sourcing and other services to partners of or project companies under the Managed Shopping Malls.

Before the opening of Managed Shopping Malls, the Group shall, pursuant to relevant contract or agreement, permit the relevant Managed Shopping Malls to use the brands that are intangible assets of the Company in the preparatory work prior in early stage of their construction. The initial revenue from the consulting and management services titled the Company's name for the early stage of the projects is recognised by the Group at the amount agreed in the contract, under the circumstance that there is no significant uncertainty about the recoverability of the amount under the right to payment collection acquired in the contract and that the following conditions are satisfied: (1) the Group and the partners have entered into management framework agreement or contract; (2) the partners have obtained land transaction confirmation or land use right certificate;

Notes to the Financial Statements

For the period from 1 January to 30 June 2017

(III) SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

24. Revenue (Continued)

24.3 Revenue Associated with Managed Shopping Malls (Continued)

24.3.1 Revenue from the consulting and management service titled the Company's name for the early stage of the project (Continued)

Upon the opening of Managed Shopping Malls, the Group shall, pursuant to relevant contract or agreement, permit the Managed Shopping Malls to mark the brands that are intangible assets of the Company upon the opening of business, and conclude relevant consultation services in early stage. The rest revenue from the consulting and management service titled the Company's name for the early stage of the project is recognised by the Group at the amount agreed in the contract, under the circumstance that the Managed Shopping Malls have opened for business and there is no significant uncertainty about the recoverability of the amount under the right to payment collection acquired in the contract.

The Group provides tenant sourcing services to Managed Shopping Malls before their opening of the business and the commissions for which is recognised at the amount agreed in the contract upon the opening of the business and upon the satisfaction of completion rate for tenant sourcing agreed in the contract.

24.3.2 Revenue from annual consulting and management service titled the Company's name for the project

After the opening of business of Managed Shopping Malls, the Group shall, on the terms and within the validity period of relevant contract, permit the Managed Shopping Malls to continuously mark the brands that are intangible assets of the Group, and continuously provide management services (covering layout, planning, tenant sourcing, leasing, business planning, advertising, operation and after-sales service, etc.) to the Managed Shopping Malls, while the Managed Shopping Malls may, within the validity period of relevant contract, continuously use the brands that are intangible assets of the Group. Relevant management services are provided on an on-going basis within the validity period of the contract. The revenue arising there from is recognised by the Group in the period that the management services are provided at the amount calculated and determined in accordance with charging methods agreed in the contract.

Notes to the Financial Statements

For the period from 1 January to 30 June 2017

(III) SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

24. Revenue (Continued)

24.3 Revenue Associated with Managed Shopping Malls (Continued)

24.3.3 Revenue from commercial management and consultation service for construction project

It refers to revenue received by the Group from the provision of management and consultation services of Red Star Macalline to builders for the construction of some Managed Shopping Malls, including shopping mall design, consultation on construction and decoration solution, coordination and supervision on the site of construction as well as control of project cost and progress. The amount thereof is determined by the Group in consultation with the builders in line with the realities of the project. The revenue is recognised by the Group at the amount agreed in the contract under the circumstance that relevant service has been provided, relevant Managed Shopping Mall has been constructed and reached operational status, and relevant service confirmation issued by the builder is obtained.

24.4 Other revenues

Other revenues received by the Group mainly include: commercial consultation fees and tenant sourcing commissions, strategic consultation fee, joint marketing income and project construction income.

24.4.1 Revenue from commercial consultation fees and tenant sourcing commissions

It refers the revenue received by the Group from the provision of commercial consultation services and tenant sourcing consultation services in the stage of development planning for properties in operation other than Owned/Leased/JV/associate Portfolio Shopping Malls and Managed Shopping Malls. The revenue is recognised by the Group at the amount agreed in the contract under the circumstance that relevant service has been provided, relevant service confirmation issued by the builder is obtained and associated economic benefits are probable to flow into the Group.

24.4.2 Revenue from strategic consultation fees

It refers the revenue received by the Group for the continuous provision of operational analysis, information consultation, brand rating and assessment consultation, tenant sourcing and matching and booth coordination and other services on the terms and within the validity period of the agreement entered into between the Group and home decoration companies and furniture manufacturers. The revenue is recognised by the Group at the amount agreed in the agreement a straight-line basis within the validity period of the agreement.

Notes to the Financial Statements

For the period from 1 January to 30 June 2017

(III) SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

24. Revenue (Continued)

24.4 Other revenues (Continued)

24.4.3 Joint marketing income

It refers to the revenue received by the Group for the provision of business planning service, media production and other services during the joint marketing activities with brand manufacturers and tenants. The revenue is recognised by the Group at the amount agreed by the parties under the circumstance that relevant service has been provided, amount of service fees is confirmed by brand manufacturers and tenants and associated economic benefits are probable to flow into the Group.

24.4.4 Project construction income

The revenue received by the Group from external project construction works undertaken by the Group is recognised pursuant to construction contracts. The revenue is recognised as contractual revenue and contractual expenses by the method of completion percentage at the balance sheet date under the circumstance that the outcome of the construction contract can be estimated reliably. The progress of contract is determined according to the proportion of actual contractual costs being accrued cumulatively to the total estimated contractual costs.

Where the outcome of the construction contract cannot be estimated reliably, if the contractual cost is recoverable, the contractual revenue is recognised to the extent of recoverability of the actual contractual cost; and the contractual cost is recognised as contractual expenses in the period in which it is incurred; if the contractual cost is not recoverable, it is recognised as expenses immediately upon its occurrence and not contractual revenue is recognised. When the uncertainties that prevented the outcome of the construction contract from being estimated reliably no longer exist, revenue and expenses associated with the construction contract are recognised by the method of completion percentage.

If the total estimated contractual costs exceed total contract revenue, the expected loss is recognised as expenses for the period.

The net amount of cumulative costs accrued and cumulative gross profits (or losses) recognised for the contracts of construction in progress after offsetting amount having been settled is presented on the balance sheet. The amount that the sum of cumulative costs accrued and cumulative gross profits (or losses) recognised for the contracts of construction in progress exceeds the amount having been settled is presented as inventory. The amount that the amount having been settled exceeds the sum of cumulative costs accrued and cumulative gross profits (or losses) recognised for the contracts of construction in progress is presented as advances from customers.

Notes to the Financial Statements

For the period from 1 January to 30 June 2017

(III) SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

25. Government Grants

Government grants are transfer of monetary assets and non-monetary assets from the government to the Group at no consideration. According to the grant object regulated in government documents, the government grant divides into government grant related to assets and income.

A government grant is recognised only when the Group can comply with the conditions attaching to the grant and the Group will receive the grant. If a government grant is in the form of a transfer of a monetary asset, it is measured at the amount received or receivable.

25.1 Criterion and accounting treatment of asset-related government grant

Please refer to Note (V).32 for details of asset-related government grants of the Group. Such grants are categorized into asset-related government grant as they are directly related to the investment and construction of and the acquisition of special equipment for investment properties.

An asset-related government grant is recognised as deferred income after offsetting the book value of relevant assets, and if so, it shall be accounted for in the profit or loss averagely over the life of related assets.

25.2 Criterion and accounting treatment of income-related government grant

Please refer to Note (V).48 for details of income-related government grants of the Group, mainly including tax refund and industry-supporting fund. Such government grants are related to income.

An income-related government grant as compensation for related costs, expenses and losses incurred in the subsequent periods is recognised as deferred income, and is recognised in profit or loss for the period or charged against related costs during the period in which related costs, expenses and losses are recognised. If as compensation for related costs, expenses and losses already incurred, such grant is recognised immediately in the profit and loss for the period or charged against related costs.

A government grant related to the daily activities of the Group is recognised in profit or loss for the period or charged against related costs based on its economic and business nature. A government grant unrelated to the daily activities of the Group is recognised in non-operating revenue or expense.

Notes to the Financial Statements

For the period from 1 January to 30 June 2017

(III) SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

26. Deferred Income Tax Assets/Deferred Income Tax Liabilities

The income tax expenses include current income tax and deferred income tax.

26.1 Current income taxes

At the balance sheet date, current income tax liabilities (or assets) for the current and prior periods are measured at the amount expected to be paid (or recovered) according to the requirements of tax laws.

26.2 Deferred tax assets and deferred tax liabilities

For temporary differences between the carrying amounts of certain assets or liabilities and their tax base, or between the nil carrying amount of those items that are not recognised as assets or liabilities and their tax base that can be determined according to tax laws, deferred tax assets and liabilities are recognised using the balance sheet liability method.

Deferred tax is generally recognised for all temporary differences. Deferred tax assets for deductible temporary differences are recognised to the extent that it is probable that taxable profits will be available against which the deductible temporary differences can be utilised. However, for temporary differences associated with the initial recognition of goodwill and the initial recognition of an asset or liability arising from a transaction (not a business combination) that affects neither the accounting profit nor taxable profits (or deductible losses) at the time of transaction, no deferred tax asset or liability is recognised.

For deductible losses and tax credits that can be carried forward, deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the deductible losses and tax credits can be utilised.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the timing of 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 recognised to the extent that it is probable that there will be taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

At the balance sheet date, deferred tax assets and liabilities are measured at the tax rates, according to tax laws, that are expected to apply in the period in which the asset is realised or the liability is settled.

Notes to the Financial Statements

For the period from 1 January to 30 June 2017

(III) SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

26. Deferred Income Tax Assets/Deferred Income Tax Liabilities (Continued)

26.2 Deferred tax assets and deferred tax liabilities (Continued)

Current and deferred tax expenses or income are recognised in profit or loss for the period, except when they arise from transactions or events that are directly recognised in other comprehensive income or in shareholders' equity, in which case they are recognised in other comprehensive income or in shareholders' equity; and when they arise from business combinations, in which case they adjust the carrying amount of goodwill.

At the balance sheet date, the carrying amount of deferred tax assets is reviewed and reduced if it is no longer probable that sufficient taxable profits will be available in the future to allow the benefit of deferred tax assets to be utilised. Such reduction in amount is reversed when it becomes probable that sufficient taxable profits will be available.

When the Group has a legal right to settle on a net basis and intends either to settle on a net basis or to realise the assets and settle the liabilities simultaneously, current tax assets and current tax liabilities are offset and presented on a net basis.

When the Group has a legal right to settle current tax assets and liabilities on a net basis, and deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax assets and liabilities on a net basis or to realise the assets and liabilities simultaneously, in each future period in which significant amounts of deferred tax assets or liabilities are expected to be reversed, deferred tax assets and deferred tax liabilities are offset and presented on a net basis.

27. Leases

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.

27.1 The Group as a lessee under operating leases

Operating lease payments are recognised on a straight-line basis over the terms of the relevant lease, and are either included in the cost of related asset or charged to profit or loss for the period. Initial direct costs incurred are charged to profit or loss for the period. Contingent rents are charged to profit or loss for the period in which they are actually incurred.

Notes to the Financial Statements

For the period from 1 January to 30 June 2017

(III) SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

27. Leases (Continued)

27.2 The Group as a lessor under operating leases

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the terms of the relevant lease. Initial direct costs with more than a significant amount are capitalised when incurred, and are recognised in profit or loss on the same basis as rental income over the lease term. Other initial direct costs with an insignificant amount are charged to profit or loss in the period in which they are incurred. Contingent rents are charged to profit or loss in the period in which they actually arise.

27.3 The Group as a lessee under finance lease

At the inception of lease, the leased asset is recorded at the lower of the fair value of the leased asset and the present value of the minimum lease payments. The difference between the recorded amount and the minimum lease payments is accounted for as unrecognised finance charge. In addition, direct cost in relation to the negotiation of the lease and signing of lease contract can be capitalized to the recorded amount of the leased asset. Please refer to Note (V).11 for subsequent measurement of investment properties under finance lease.

Unrecognised finance charge is amortized using the effective interest method over the period of the lease. Contingent rentals are recognised in profit or loss based on actual occurrence. Minimum lease payments less unrecognised finance charge are presented in the balance sheet separately as long-term liability or long-term liability which due within one year.

28. Significant Judgements Made in the Application of Accounting Policies and Critical Assumptions and Uncertainties in Accounting Estimates

In the application of the Group's accounting policies described in Note (III), the Group is required to make judgments, estimates and assumptions about the carrying amounts of items in the financial statements that cannot be measured accurately, due to the internal uncertainty of the operating activities. These judgments, estimates and assumptions are based on historical experiences of the Group's management as well as other factors that are considered to be relevant. Actual results may differ from these estimates of the Group.

The aforementioned judgements, estimates and assumptions are reviewed regularly by the Group on a going concern basis. The effect of changes in accounting estimates is recognised in the period of the change, if the change affects that period only; or recognised in the period of the change and future periods, if the change affects both.

Notes to the Financial Statements

For the period from 1 January to 30 June 2017

(III) SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

28. Significant Judgements Made in the Application of Accounting Policies and Critical Assumptions and Uncertainties in Accounting Estimates (Continued)

- Significant judgments made in applying accounting policies

The following are the critical judgements that the Group has made in the process of applying the accounting policies and that have significant effect on the amounts recognised in the financial statements:

Revenue recognition – revenue from the consulting and management service titled the Company's name in the early stage of the project

The Group operated and managed the shopping malls held by our partners in the brand of the Group by entering into Management Agreement with our partners. Pursuant to the Management Agreement, the Group usually requires our partners to pay for the consulting and management service titled the Company's name for the early stage of the project. When the Group takes into account of the time of relevant revenue recognition, such charges only permits our partners using our intangible assets brand before opening, and providing our partners with pre-consultation service, however there is extra charges for the following and all other services, therefore, the Group will recognized relevant revenue when it estimates there is no significant uncertainty for the recoverability of the charges for the consulting and management service fee titled the Company's name for the early stage of the project based on Accounting Standards for Business Enterprises.

Deferred tax for investment properties

As at 30 June 2017 and 31 December 2016, the Group's investment properties measured at fair value amounted to RMB69,722,909,000.00 and RMB66,948,000,000.00 respectively. The management of the Group considers the commercial purpose to hold investment properties is to acquire the whole economic benefits generated in the process of holding such investment properties. In determination the deferred tax of the Group's investment properties, the management of the Group measured the deferred tax generated from investment properties on the basis that the future economic benefits would be realized by holding and using the investment properties. Thus, the effects of the land appreciation tax when disposing the investment properties was not considered.

- Critical Assumptions and Uncertainties in Accounting Estimates

On balance sheet date, the uncertainties in accounting estimates by the management of our Group leading to the possible significant adjustments for the carrying amounts of the assets, liabilities in the future are mainly as follows:

Notes to the Financial Statements

For the period from 1 January to 30 June 2017

(III) SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

28. Significant Judgements Made in the Application of Accounting Policies and Critical Assumptions and Uncertainties in Accounting Estimates (Continued)

- Critical Assumptions and Uncertainties in Accounting Estimates (Continued)

Fair Value Measurements and Valuation Procedure for Investment Properties

As at 30 June 2017 and 31 December 2016, based on the assessments from qualified valuer (being the third party), the Group's investment properties measured at fair value amounted to RMB69,722,909,000.00 and RMB66,948,000,000.00. In assessing, the valuer adopted the valuation methods involving particular estimates against the market situation. The management of the Group considers that such assumptions used in the process of valuation by valuer reflect the current market situation. Changes of data used in assessing will affect the appraisal value for investment properties and gains or losses arising from changes in fair value it relates. Relevant information was disclosed in note (V), 11 and note (IX).

Income Tax

The recognition of deferred tax assets mainly depends on whether sufficient profits or taxable temporary differences will be available for a corporate in the future. The management of the Group determines deferred tax assets primarily based on statutory tax rate and the profit forecasts for the Company and its subsidiaries in the next few years. Management of the Group conducts review on relevant assumptions and profit forecasts at the end of each reporting year. When the actual operating profits of the corporate deviated from those originally forecasted, the deferred income tax of the Group may be reassessed and recognized as profits or loss in the current period. As at 30 June 2017 and 31 December 2016, the deferred tax assets of the Group amounted to RMB844,383,498.33 and RMB594,604,457.35 respectively after deducting relevant income tax liabilities. Please see note (V), 18 for details.

Fixed assets

As at 30 June 2017 and 31 December 2016, the cost of the fixed assets of the Group amounted to RMB403,150,513.92 and RMB383,157,616.13 respectively, while the net carrying amount was RMB143,439,768.87 and RMB141,662,812.14 respectively. Management of the Group determined the related depreciation fee of fixed-assets by taking into account of expected useful lives, expected residual net value and depreciation methods. Such estimates were based on the management' experience of the actual useful lives and residual value of assets of similar nature and function. When the Shopping Mall expects the useful lives of fixed assets shall be shorter than those previously estimated due to its removal or close, the management will accelerate depreciation. Meanwhile, the management will also dispose or impair the technical obsolescent assets. The actual useful lives may differ from the expected useful lives. It may find out that the period of depreciation shall be changed when conducting regular checks, therefore leading the change of depreciation fee in the future period.

Notes to the Financial Statements

For the period from 1 January to 30 June 2017

(III) SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

28. Significant Judgements Made in the Application of Accounting Policies and Critical Assumptions and Uncertainties in Accounting Estimates (Continued)

- Critical Assumptions and Uncertainties in Accounting Estimates (Continued)

Fixed assets (Continued)

In addition, when the environmental changes or other circumstances indicate that the carrying amount of individual fixed assets or asset units to which it belongs may not be recoverable through its generated economic benefits, the management will estimate the recoverable amount of the individual fixed asset or the asset units to which it belongs, being the higher between the fair value less disposal costs and the estimated present value of future cash flow. When its recoverable amount is lower than its carrying amount, the management will make provision for impairment in the current period. As at 30 June 2017 and 31 December 2016, management of the Group has not found any impairment of fixed assets.

Intangible assets

As at 30 June 2017 and 31 December 2016, the initial carrying amount of the Group's intangible assets was RMB652,243,057.46 and RMB606,254,502.40, respectively, and the net carrying amount was RMB462,172,618.91 and RMB428,854,402.41. The intangible assets are amortized using the straight line method over the expected useful lives. Meanwhile, the management reassesses the expected useful lives of intangible assets annually.

Moreover, the management will consider potential impairment based on the expected recoverable amount of intangible assets, which may indicate the factors of potential impairment include (but not limited to) significant technical change, and operating or cash flow loss related with intangible assets. In determining whether intangible assets impaired, it is required to estimate the recoverable amount of intangible assets, being the higher between the fair value less disposal costs and the estimated present value of future cash flow. When its recoverable amount is lower than its carrying amount, the management will make provision for impairment in the current period. As at 30 June 2017 and 31 December 2016, the impairment on intangible assets of the Group was RMB100,000,000.00 and RMB100,000,000.00 respectively.

Notes to the Financial Statements

For the period from 1 January to 30 June 2017

(III) SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

28. Significant Judgements Made in the Application of Accounting Policies and Critical Assumptions and Uncertainties in Accounting Estimates (Continued)

- Critical Assumptions and Uncertainties in Accounting Estimates (Continued)

Account receivables and other receivables

The Group provides impairment allowance by assessing the recoverability of account receivables and other receivables. When recognizing whether there exists objective evidence of provision for bad debts, the Group will consider its recoverability, its age and expected future cash flow. The provision amount for bad debts is measured as the difference between the asset's carrying amount and the present value of the future cash flows. Provisions for bad debts are required if expected future cash flows are less than expected. Although there is no reason to believe that there will be significant changes in estimates based on which we calculate the impairments of account receivables and other receivables, the carrying amount and impairment loss of account receivables and other receivables will change when future actual results and expects are different from those previously estimated.

As at 30 June 2017 and 31 December 2016, the balance of provision for bad debts in relation to account receivables of the Group amounted to RMB700,251,821.87 and RMB620,348,946.36 respectively. As at 30 June 2017 and 31 December 2016, the balance of provision for bad debts in relation to other receivables amounted to RMB121,031,258.54 and RMB108,644,782.40.

29. Changes in accounting policies

On 12 June 2017, The Group commenced applying the Accounting Standards for Business Enterprises No. 16 – Government Grants amended by Ministry of Finance in 2017. The Group adopted prospective approach as to government grants existing prior to 1 January 2017, and adjusted the newly government grants approved from 1 January 2017 to the date of the standard based on this standard.

Before performing the Accounting Standards for Business Enterprises No. 16 – Government Grants (amendment), the Group's government grants included in the profit or loss in the current period was reported in the item of "non-operating income". After performing the Accounting Standards for Business Enterprises No. 16 – Government Grant (amendment), for the purpose of the Group's government grants included in the profit or loss in the current period, the government grants related with the Group's daily activities was reported in the item of "other revenue", and government grants irrelevant with the Group's daily activities was reported in the item of "non-operating income". The Group applied the prospective approach to account for the aforesaid changes of the accounting policies, which did not affect the comparable annual financial statements.

Notes to the Financial Statements

For the period from 1 January to 30 June 2017

(IV) TAXATION

1. Major categories of taxes and tax rate

Category of tax	Basis of tax computation	Tax rate
Value added tax (refers to "VAT")	Revenue from sales of goods	17%
	Taxable service revenue	6% (<i>note 1</i>)
	Income from site-leasing businesses and management services	5% and 11% (<i>note 3</i>)
	Revenue from construction contracts	3% and 11% (<i>note 4</i>)
	Sales amount of the small-scale taxpayers calculated as relevant tax rules	3% (<i>note 2</i>)
Business tax (<i>note 1</i>)	Income from site-leasing businesses and management services	5%
	Advertising revenue minus deductible advertising costs	5%
	Revenue from construction contracts	3%
	Other service revenue	5% and 3%
Unban maintenance and construction tax	Actually paid VAT and business tax	For city urban area tax rate is 7%; for county town, tax rate is 5%; for other, tax rate is 1%
Education surcharge	Actually paid VAT and business tax	3%
Local education surcharge	Actually paid VAT and business tax	2%

Notes to the Financial Statements

For the period from 1 January to 30 June 2017

(IV) TAXATION (Continued)

1. Major categories of tax and tax rate (Continued)

Category of tax	Basis of tax computation	Tax rate
Property tax	<p>With approval from competent tax authorities, other than the real estate tax rate for Chengdu Changyi Red Star Macalline Home Furnishing Market Management Company Limited, the shopping mall business segment of Yunnan Red Star Macalline Property Company Limited (Yunnan Property), Yantai Red Star Macalline Home Furnishing Company Limited, Shenyang Mingdu Home Furnishing Plaza Company Limited, Wuhan Red Star Macalline Shibo Home Furnishing Plaza Development Company Limited, Changsha Yinhong Home Furnishing Company Limited, Zhongshan Red Star Macalline Shibo Home Furnishing Plaza Company Limited, Daqing Red Star Macalline Shibo Home Furnishing Company Limited, Wuhan Red Star Macalline Global Home Furnishing Plaza Development Company Limited, Harbin Red Star Macalline International Home Furnishing Company Limited, Lanzhou Red Star Macalline Shibo Home Furnishing Plaza Company Limited, Dongguan Red Star Macalline Shibo Home Furnishing Company Limited (東莞紅星美凱龍世博家居廣場有限公司), Huhehaote Red Star Macalline Shibo Home Furnishing Plaza Company Limited, Suzhou Industry Park Zhongxiong Meitong Storage Company Limited, Shanghai Red Star Macalline Furniture Company Limited, Anhui Shengshi Dingtong Logistic Company Limited (安徽盛世鼎通物流有限公司), Anhui Tenghui Investment Group Hefei Company Limited (安徽騰輝投資集團合肥有限公司), Beijing Red Star Macalline International Home Furnishing Plaza Company Limited and Beijing Red Star Macalline Shibo Furniture Plaza Company Limited are calculated on the ratio of 12% of the basis of rental income from the malls.</p> <p>Except for the aforesaid, all other real estate tax rates are calculated on the ratio of 1.2% of the basis of the residual value of the property approved by the tax authorities.</p>	
Land use tax	Paid as actual tax rate	
Stamp duty	Paid as actual tax rate	
Enterprise income tax (except subsidiaries stated in note (IV) 2)	Taxable income	25%

Notes to the Financial Statements

For the period from 1 January to 30 June 2017

(IV) TAXATION (Continued)

1. Major categories of tax and tax rate (Continued)

Note 1: Pursuant to Cai Shui [2011] No. 110 Notice on Printing and Distributing the “Pilot Plan for the Imposition of Value-Added Tax to Replace Business Tax” (營業稅改徵增值稅試點方案), effective as of 1 January 2012, the pilot plan “VAT to Replace Business Tax” is applicable to the transportation industry and some of modern services industries in Shanghai. Pursuant to Cai Shui [2012] No. 71 Notice on Pilot Plan for the Imposition of Value-Added Tax to Replace Business Tax in Transportation Industries and Some of Modern Services Industries in Beijing and Other 8 Provinces or Municipalities, effective as of 1 September 2012, the VAT to Replace Business Tax is extended from Shanghai to Beijing and 8 other provinces or municipalities. The Company’s some modern services industries including revenue from consulting and management service titled the Company’s name for the early stage of the project and revenue from commercial management fee for engineering projects pay VAT at the rate of 6%. Pursuant to the “Circular of the Ministry of Finance (“MOF”) and the State Administration of Taxation (“SAT”) regarding the Pilot Program on Comprehensive Implementation of Value Added Taxes from Business Taxes Reform” (Cai Shui [2016] No. 36) issued by the MOF and the SAT, the Group shall pay value added tax instead of business tax for rental income and construction business, etc. starting from 1 May 2016. Please see above table for details of related tax rate.

Note 2: Small-scale taxpayers represent subsidiaries within the Group that provide sales of goods and taxable services but its income not exceeding the sales scale for which common taxpayers shall pay VAT. The taxable sales amount calculated by relevant tax rules for small-scale taxpayers is subject to VAT of 3%.

Note 3: Pursuant to the “Circular of the MOF and the SAT regarding the Pilot Program on Comprehensive Implementation of Value Added Taxes from Business Taxes Reform” (Cai Shui [2016] No. 36), when a common taxpayer rents out the real estate acquired before 30 April 2016, the taxpayer can select to apply the simple tax calculation method to calculate the tax payables at 5%. When renting out the real estate acquired after 1 May 2016, the common taxpayer shall adopt the general tax calculation method to calculate the tax, and the tax rate is 11%. Since 1 May 2016, in terms of renting out the real estates acquired before 30 April 2016, the Group has applied the simple tax calculation method to calculate the tax.

Note 4: Pursuant to the “Circular of the MOF and the SAT regarding the Pilot Program on Comprehensive Implementation of Value Added Taxes from Business Taxes Reform” (Cai Shui [2016] No. 36), a common taxpayer applies 11% VAT for construction business. When a common taxpayer provides construction service for construction projects with commencement date stated in the Construction Work Commencement Permit prior to 30 April 2016 and for construction projects with commencement dates of construction stated in the construction contracts prior to 30 April 2016 but has yet to receive Construction Work Commencement Permit, the taxpayer may apply the simple tax calculation method to calculate the tax payables at 3%. When a common taxpayer provides construction services for projects with self-supplying materials (甲供工程), the taxpayer may apply the simple tax calculation method to calculate the tax payables at 3%. Since 1 May 2016, the Group applied the simple tax calculation method to calculate the tax payables for construction projects with commencement date before 30 April 2016 and construction services provided for projects with self-supplying materials.

Notes to the Financial Statements

For the period from 1 January to 30 June 2017

(IV) TAXATION (Continued)

2. Tax Preference and Approvals

Pursuant to Cai Shui [2011] No. 58 Notice on the Taxation Policies for Deepening the Implementation of the Western Development Strategy (《關於深入實施西部大開發戰略有關稅收政策問題的通知》) and Announcement of Taxation on Issues concerning Enterprise Income Tax in Deepening the Implementation of the Western Development Strategy (《關於深入實施西部大開發戰略有關企業所得稅問題的公告》) (SAT [2012] No. 12), with approval from local competent tax authorities, the rate on corporate income tax for 2014, 2015 and 2016 of Chongqing Red Star Macalline Shibo Home Furnishing Plaza Company Limited, Chongqing Red Star Macalline Global Home Furnishing Plaza Company Limited and Chengdu Changyi Red Star Macalline Home Furnishing Market Management Company Limited was 15%. In accordance with the communication with the local tax authorities when prepaying the income tax, Chongqing Red Star Macalline Shibo Home Furnishing Plaza Company Limited and Chongqing Red Star Macalline Global Home Furnishing Plaza Company Limited temporarily paid incorporate income tax at the rate of 15% for 2017. And in accordance with the communication with the local tax authorities when prepaying the income tax, Chengdu Changyi Red Star Macalline Home Furnishing Market Management Company Limited temporarily paid incorporate income tax at the rate of 25% for 2017.

Pursuant to Cai Shui [2011] No. 58 Notice on the Taxation Policies for Deepening the Implementation of the Western Development Strategy and Announcement of Taxation on Issues concerning Enterprise Income Tax in Deepening the Implementation of the Western Development Strategy (SAT [2012] No. 12), with approval from local competent tax authorities, the rate on corporate income tax for 2015 and 2016 of Chengdu Red Star Ogloria Brand Management Company Limited (成都紅星歐麗洛雅品牌管理有限公司), Red Star Macalline Chengdu Business Management Company Limited (紅星美凱龍成都商業管理有限公司) and Red Star Macalline Chengdu Enterprise Management and Consultancy Company Limited (紅星美凱龍成都企業管理諮詢有限公司) was 15%. In accordance with the communication with the local tax authorities when prepaying the income tax, Chengdu Red Star Ogloria Brand Management Company Limited, Red Star Macalline Chengdu Business Management Company Limited and Red Star Macalline Chengdu Enterprise Management and Consultancy Company Limited temporarily paid incorporate income tax at the rate of 15% for 2017.

Pursuant to Cai Shui [2011] No. 58 Notice on the Taxation Policies for Deepening the Implementation of the Western Development Strategy and Announcement of Taxation on Issues concerning Enterprise Income Tax in Deepening the Implementation of the Western Development Strategy (SAT [2012] No. 12), with approval from local competent tax authorities, the rate on corporate income tax for 2016 of Red Star Macalline Chengdu Business Management Company Limited was 15%. In accordance with the communication with the local tax authorities when prepaying the income tax, Red Star Macalline Chengdu Business Management Company Limited temporarily paid incorporate income tax at the rate of 15%.

Notes to the Financial Statements

For the period from 1 January to 30 June 2017

(IV) TAXATION (Continued)

2. Tax Preference and Approvals (Continued)

As stipulated in Cai Shui [2011] No. 112 Notice on Corporate Income Tax Preferential Policy in the Kashi and Khorgos Special Economic Development Zones in Xinjiang (關於新疆喀什霍爾果斯兩個特殊經濟開發區企業所得稅優惠政策的通知) and Cai Shui [2016] No. 85 Notice on Improving Xinjiang Depressed Region and Encouraged Development Industries Enterprise Income Tax Incentives Directory (關於完善新疆困難地區重點鼓勵發展產業企業所得稅優惠目錄的通知), since 1 January 2016, the income tax incentives directory applicable to the newly enterprise in Xinjiang Depressed Region and Kashi and Khorgos Special Economic Development Zones in Xinjiang shall be adjusted to be consistently performed in accordance with Xinjiang Depressed Region and Encouraged Development Industries Enterprise Income Tax Incentives Directory (Pilot (2016 version)) (《新疆困難地區重點鼓勵發展產業企業所得稅優惠目錄(試行(2016版本))》) (the hereinafter referred to as "Directory"). For newly enterprises in Kashi and Khorgos Special Economic Development Zones in Xinjiang within the scope of the Directory, they will enjoy corporate income tax exemption for five years commencing from the taxable year when acquiring the first operating revenue. Red Star Macalline Enterprise Management and Consultancy Company Limited (紅星美凱龍企業管理諮詢有限公司), Red Star Ogloria Enterprise Management Company Limited (紅星歐麗洛雅企業管理有限公司) and Khorgos Red Star Macalline Business Management Company Limited (霍爾果斯紅星美凱龍商業管理有限公司), being the subsidiaries of the Group, acquired the first operating revenue in 2017, therefore in accordance with the communication between these companies and the local tax authorities, such companies can temporarily exempt from incorporate income tax in 2017.

Red Star Xizhao Investment Company Limited, Red Star Macalline Home Furnishing Mall Management Company Limited and Red Star Zhongying Investment Company Limited (紅星眾盈投資有限公司), being the subsidiaries of the Group, were registered in Tibet Autonomous Region. Pursuant to Zangzhengfa [2014] No. 51 the Notice Issued by the People's Government of the Tibet Autonomous Region Regarding the Publication of Implementation Rules of Enterprise Income Tax Policy of the Tibet Autonomous Region, enterprises unitedly executing the Great Western Development Strategy in Tibet Autonomous Region are subject to EIT at a rate of 15%.

Notes to the Financial Statements

For the period from 1 January to 30 June 2017

(V) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Cash and Bank

RMB

Items	30 June 2017			31 December 2016		
	Amount in foreign currency	Exchange rate	Amount in RMB	Amount in foreign currency	Exchange rate	Amount in RMB
Cash:						
Renminbi (refers to "RMB")	-	-	12,410,148.32	-	-	45,828,781.83
Bank deposits (Note 1):						
RMB	-	-	7,386,816,859.54	-	-	6,004,111,777.21
US dollars (refers to "USD")	805,607.49	6.9752	5,619,275.46	14,963.34	6.4758	96,899.54
Hong Kong dollars (refers to "HKD")	122,302.24	0.8679	106,148.56	125,454.11	0.8937	112,113.08
Other cash and bank (Note 2):						
RMB	-	-	348,958,952.77	-	-	87,715,543.21
Total	-	-	7,753,911,384.65	-	-	6,137,865,114.87

As at 30 June 2017, in the Group's other cash and bank, RMB37,103,391.56 was used for long-term borrowing pledges, RMB300,353,944.48 was the registered capital and related interest for proposed establishment of a subsidiary, and temporarily deposited into the verification accounts of the Group, RMB9,000,000.00 was the proceeds collected on behalf of the tenants by the Group, and such amount was frozen by the court because the tenants had been prosecuted for its product quality issue. RMB2,501,616.73 was pledged for guarantee letters.

As at 31 December 2016, in the Group's other cash and bank, RMB70,460,665.31 was used for long-term borrowing pledges, RMB6,254,877.90 was the investors' funds fully entrusted with the banks by the Group. RMB2,000,000.00 was the registered capital for proposed establishment of a subsidiary, and temporarily deposited into the verification accounts of the Group, RMB9,000,000.00 was the proceeds collected on behalf of the tenants by the Group, and such amount was frozen by the court because the tenants had been prosecuted for its product quality issue.

As at 30 June 2017 and 31 December 2016, the Group's time deposits with maturity more than three months amounted to RMB92,536,511.45 and RMB157,724,864.24, respectively. Such term deposits cannot be withdrawn in advance.

When preparing the cash flow statement, the aforesaid restricted other cash and bank and time deposits with maturity more than three months were excluded from cash and cash equivalents.

Notes to the Financial Statements

For the period from 1 January to 30 June 2017

(V) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2. Notes Receivable

- (1) Categories of notes receivable

RMB

Item	30 June 2017	31 December 2016
Bank acceptances	4,430,000.00	900,000.00

- (2) As at 30 June 2017 and 31 December 2016, the Group had no pledged notes receivable.
- (3) As at 30 June 2017 and 31 December 2016, none of the Group's notes was converted to account receivables due to the drawers' default and there was no notes receivable endorsed or discounted by the Company and outstanding at the balance sheet date.

3. Account Receivables

- (1) Disclosure of account receivables by categories:

RMB

Category	Book balance		30 June 2017 Bad debt provision		Book value Amount
	Amount	Proportion (%)	Amount	Proportion (%)	
Account receivables that are individually significant and for which bad debts are provided for individually	647,748,555.33	38.54	515,509,904.62	79.58	132,238,650.71
Account receivables of insignificant individual amount but individually provided for bad debts	113,754,635.67	6.77	101,460,091.87	89.19	12,294,543.80
Account receivables for which bad debt are provided based on credit risk characteristics portfolio	918,982,600.27	54.69	82,449,825.38	8.97	836,532,774.89
Total	1,680,485,791.27	100.00	699,419,821.87	41.62	981,065,969.40

Notes to the Financial Statements

For the period from 1 January to 30 June 2017

(V) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

3. Account Receivables (Continued)

(1) Disclosure of account receivables by categories: (Continued)

RMB

Category	Book balance		31 December 2016 Bad debt provision		Book value Amount
	Amount	Proportion (%)	Amount	Proportion (%)	
Account receivables that are individually significant and for which bad debts are provided for individually	556,216,624.37	39.16	460,011,935.57	82.70	96,204,688.80
Account receivables of insignificant individual amount but individually provided for bad debts	142,951,833.23	10.07	93,979,411.15	65.74	48,972,422.08
Account receivables for which bad debt are provided based on credit risk characteristics portfolio	720,990,526.45	50.77	66,357,599.64	9.20	654,632,926.81
Total	1,420,158,984.05	100.00	620,348,946.36	43.68	799,810,037.69

Notes to the Financial Statements

For the period from 1 January to 30 June 2017

(V) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

3. Account Receivables (Continued)

(1) Disclosure of account receivables by categories: (Continued)

Account receivables for which bad debt are provided based on credit risk characteristics portfolio (aging are based on the date of revenue recognition):

RMB

Aging	30 June 2017			31 December 2016		
	Book balance	Amount of bad debt	Proportion for provision (%)	Book balance	Amount of bad debt	Proportion for provision (%)
Within 1 year	598,133,077.11	29,906,653.88	5.00	403,329,060.19	20,166,453.01	5.00
1 to 2 years	192,767,331.38	19,276,733.14	10.00	206,411,466.26	20,641,146.63	10.00
2 to 3 years	109,082,191.78	21,816,438.36	20.00	106,750,000.00	21,350,000.00	20.00
3 to 4 years	14,500,000.00	7,250,000.00	50.00	–	–	50.00
4 to 5 years	1,500,000.00	1,200,000.00	80.00	1,500,000.00	1,200,000.00	80.00
Over 5 years	3,000,000.00	3,000,000.00	100.00	3,000,000.00	3,000,000.00	100.00
Total	918,982,600.27	82,449,825.38	8.97	720,990,526.45	66,357,599.64	9.20

(2) Provision, recovery or reversal of provision for bad debts for the period from 1 January to 30 June 2017

For the period from 1 January to 30 June 2017, the provision for bad debts was RMB80,405,108.06, and there was no reversal of provision for bad debts, and bad debts of RMB502,232.55 was written off.

Notes to the Financial Statements

For the period from 1 January to 30 June 2017

(V) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

4. Prepayments

(1) Aging analysis of prepayments is as follows:

RMB

Aging	30 June 2017		31 December 2016	
	Amount	Proportion (%)	Amount	Proportion (%)
Within 1 year	283,642,288.11	99.03	161,519,603.45	97.98
1 to 2 years	1,366,046.09	0.48	1,100,000.00	0.67
2 to 3 years	1,422,200.00	0.49	2,222,200.00	1.35
Over 3 years	—	—	—	—
Total	286,430,534.20	100.00	164,841,803.45	100.00

As at 30 June 2017 and 31 December 2016, none of the Group's significant prepayments aged more than one year.

Notes to the Financial Statements

For the period from 1 January to 30 June 2017

(V). NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

5. Other Receivables

(1) Other receivables disclosed by categories

RMB

Category	Book balance		30 June 2017 Bad debt provision		Book value Amount
	Amount	Proportion (%)	Amount	Proportion (%)	
Other receivables that are individually significant and for which bad debts are provided for individually	53,259,800.42	6.41	53,259,800.42	100	–
Other receivables of insignificant individual amount but individually provided for bad debts	20,055,836.09	2.41	15,155,460.79	75.57	4,900,375.30
Other receivables for which bad debt are provided based on credit risk characteristics portfolio	757,273,211.72	91.18	52,615,997.33	6.95	704,657,214.39
Of which: risk portfolio I	111,023,979.82	13.37	–	–	111,023,979.82
risk portfolio II	267,948,098.41	32.26	13,397,404.92	5.00	254,550,693.49
risk portfolio III	378,301,133.49	45.55	39,218,592.41	10.37	339,082,541.08
Total	830,588,848.23	100.00	121,031,258.54	14.57	709,557,589.69

Notes to the Financial Statements

For the period from 1 January to 30 June 2017

(V). NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

5. Other Receivables (Continued)

(1) Other receivables disclosed by categories (Continued)

RMB

Category	Book amount		31 December 2016 Bad debt provision		Book value Amount
	Amount	Proportion (%)	Amount	Proportion (%)	
Other receivables that are individually significant and for which bad debts are provided for individually	53,498,978.73	4.92	53,259,800.39	99.55	239,178.34
Other receivables of insignificant individual amount but individually provided for bad debts	16,276,786.08	1.50	11,984,807.08	73.63	4,291,979.00
Other receivables for which bad debt are provided based on credit risk characteristics portfolio	1,017,549,255.96	93.58	43,400,174.93	4.27	974,149,081.03
Of which: risk portfolio I	353,054,960.24	32.47	–	–	353,054,960.24
risk portfolio II	361,439,352.99	33.24	18,071,967.65	5.00	343,367,385.34
risk portfolio III	303,054,942.73	27.87	25,328,207.28	8.36	277,726,735.45
Total	1,087,325,020.77	100.00	108,644,782.40	9.99	978,680,238.37

Notes to the Financial Statements

For the period from 1 January to 30 June 2017

(V). NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

5. Other Receivables (Continued)

(1) Other receivables disclosed by categories (Continued)

Other receivables for which bad debt are provided based on credit risk characteristics portfolio:

Portfolio I:

RMB

	30 June 2017			31 December 2016		
	Book balance	Amount of bad debts	Proportion for provision (%)	Book balance	Amount of bad debts	Proportion for provision (%)
Portfolio I	111,023,979.82	-	-	353,054,960.24	-	-

Portfolio II: the provisions for bad debt are made based on balance percentage method:

RMB

	30 June 2017			31 December 2016		
	Book balance	Amount of bad debts	Proportion for provision (%)	Book balance	Amount of bad debts	Proportion for provision (%)
Portfolio II	267,948,098.41	13,397,404.92	5.00	361,439,352.99	18,071,967.65	5.00

Notes to the Financial Statements

For the period from 1 January to 30 June 2017

(V). NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

5. Other Receivables (Continued)

(1) Other receivables disclosed by categories (Continued)

Portfolio III: the provisions for bad debt are made based on aging percentage method:

RMB

	30 June 2017			31 December 2016		
	Book balance	Balance of bad debt	Proportion for provision (%)	Book balance	Balance of bad debt	Proportion for provision (%)
Within 1 year	261,495,647.65	13,074,782.38	5	215,572,861.08	10,778,643.04	5.00
1 to 2 years	56,345,164.02	5,634,516.40	10	59,477,431.77	5,947,743.18	10.00
2 to 3 years	37,306,185.94	7,461,237.19	20	22,376,574.63	4,475,314.93	20.00
3 to 4 years	18,638,758.88	9,319,379.44	50	1,803,138.25	901,569.13	50.00
4 to 5 years	3,933,500.00	3,146,800.00	80	3,000,000.00	2,400,000.00	80.00
Over 5 years	581,877.00	581,877.00	100	824,937.00	824,937.00	100.00
Total	378,301,133.49	39,218,592.41	10.37	303,054,942.73	25,328,207.28	8.36

(2) For the period from 1 January to 30 June 2017, reversal or recovery of provision for bad debts on other receivables

For the period from 1 January to 30 June 2017, the provision for bad debts was RMB12,386,476.14, and there was no reversal of provision for bad debts and no written-off of other receivables.

Notes to the Financial Statements

For the period from 1 January to 30 June 2017

(V). NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

5. Other Receivables (Continued)

(3) Other receivables presented by nature

RMB

Item	30 June 2017	31 December 2016
Loan and advances	516,332,442.81	528,043,386.27
– to related parties	134,214,735.36	123,553,239.79
– to non-controlling interests of subsidiaries	83,249,647.98	77,428,842.27
– to third parties	298,868,059.47	327,061,304.21
Sales proceeds collected on behalf of the tenants	111,024,818.85	353,054,960.24
Deposits	52,558,428.21	76,787,193.35
Others	29,641,899.82	20,794,698.51
Total	709,557,589.69	978,680,238.37

6. Inventories

RMB

Item	30 June 2017			31 December 2016		
	Book balance	Provision for impairment	Book value	Book balance	Provision for impairment	Book value
Low-value consumables	20,753,332.50	–	20,753,332.50	11,987,314.44	–	11,987,314.44
Finished goods	41,849,901.23	–	41,849,901.23	33,436,028.84	–	33,436,028.84
Total	62,603,233.73	–	62,603,233.73	45,423,343.28	–	45,423,343.28

As at 30 June 2017 and 31 December 2016, there were no amounts used for guarantee in the inventory balance, and no borrowing costs capitalized.

Notes to the Financial Statements

For the period from 1 January to 30 June 2017

(V). NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

7. Non-current Assets Due within One Year and Other Current Assets

7.1 Non-current assets due within one year

RMB

Item	30 June 2017	31 December 2016
Entrusted loan	45,000,000.00	45,000,000.00
Total	45,000,000.00	45,000,000.00

7.2 Other current assets

RMB

Item	30 June 2017	31 December 2016
Entrusted loan	270,000,000.00	170,000,000.00
Available-for-sale financial assets	242,000,000.00	100,000,000.00
Tax recoverable	248,546,358.51	170,623,010.42
Microfinance loans	171,726,114.20	182,941,443.62
Total	932,272,472.71	623,564,454.04

Notes to the Financial Statements

For the period from 1 January to 30 June 2017

(V). NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

8. Available-for-sale Financial Assets

(1) Details of available-for-sale financial assets

RMB

Item	30 June 2017			31 December 2016		
	Book balance	Impairment provision	Book value	Book balance	Impairment provision	Book value
Available-for-sale debt instruments	120,000,000.00	-	120,000,000.00	100,000,000.00	-	100,000,000.00
Available-for-sale equity instruments	2,832,184,391.45	122,225,202.48	2,709,959,188.97	566,626,423.77	122,225,202.48	444,401,221.29
Including: measured at fair value	2,047,976,832.42	-	2,047,976,832.42	-	-	-
Measured at cost	784,207,559.03	122,225,202.48	661,982,356.55	566,626,423.77	122,225,202.48	444,401,221.29
Total	2,952,184,391.45	122,225,202.48	2,829,959,188.97	666,626,423.77	122,225,202.48	544,401,221.29

(2) Available-for-sale financial assets measured as a fair value at the end of the period

As at 30 June 2017, available-for-sale equity instruments measured as a fair value:

Classification of available-for-sale financial assets	Available-for-sale equity instruments
Cost of equity instruments	157,560,000.00
Fair value	2,047,976,832.42
Changes of fair value included in other comprehensive income	1,890,416,832.42
Amount of provision for impairment	-

9. Long-term Receivables

RMB

Item	30 June 2017			31 December 2016		
	Book balance	Impairment provision	Book value	Book balance	Impairment provision	Book value
Deposits	208,568,806.30	-	208,568,806.30	202,459,647.32	-	202,459,647.32
Project loan	757,484,153.11	-	757,484,153.11	540,913,295.89	-	540,913,295.89
Lease deposit	84,337,069.38	-	84,337,069.38	84,288,033.82	-	84,288,033.82
Total	1,050,390,028.79	-	1,050,390,028.79	827,660,977.03	-	827,660,977.03

Notes to the Financial Statements

For the period from 1 January to 30 June 2017

(V). NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

10. Long-term Equity Investments

RMB

Investee	1 January 2017	Increase/decrease during the period							Others	30 June 2017	Closing balance of Impairment provision
		Increase in investment	Decrease in investment	Investment gain/loss under equity method	Adjustment to other comprehensive income	Other changes to equity	Cash dividend or profit declared	Provision made for impairment			
I. Joint ventures											
Shanghai Mingyi Enterprise Development Company Limited ("Shanghai Mingyi")	8,667,939.77	-	-	(1,479,907.66)	-	-	-	-	-	7,188,032.11	--
Chengdu Dongtai Shopping Mall Company Limited ("Chengdu Dongtai")	699,245,619.69	-	-	42,619,977.84	-	-	-	-	-	741,865,597.53	-
Wuhu Red Star Macalline Equity Investment Fund Management Company Limited ("Wuhu Fund")	10,000,000.00	-	-	-	-	-	-	-	-	10,000,000.00	-
Xiamen Baoxiang Red Star Macalline Home Furnishing Plaza Company Limited ("Xiamen Baoxiang")	4,557,376.00	-	-	1,401,475.97	-	-	-	-	-	5,958,851.97	-
Sub-total	722,470,935.46	-	-	42,541,546.15	-	-	-	-	-	765,012,481.61	-

Notes to the Financial Statements

For the period from 1 January to 30 June 2017

(V). NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

10. Long-term Equity Investments (Continued)

Investee	1 January 2017	Increase in investment	Decrease in investment	Increase/decrease during the period				Cash dividend or profit declared	Provision made for impairment	Others	30 June 2017	Closing balance of Impairment provision
				Investment gain/loss under equity method	Adjustment to other comprehensive income	Other changes to equity						
II. Associates												
Shenzhen Red Star Macalline Century Center Home Furnishing Plaza Company Limited ("Shenzhen Red Star")	44,408,709.73	-	-	8,908,901.85	-	-	-	-	-	-	53,317,611.58	-
Haier Consume Financing Company Limited ("Haier Consume Financing")	128,895,326.08	-	-	4,499,148.08	-	-	-	-	-	-	133,394,474.16	-
Wuhan Red Star Macalline Zhengda Logistics Company Limited ("Wuhan Zhengda")	19,119,602.56	-	(19,119,602.56)	-	-	-	-	-	-	-	-	-
Hangzhou Red Star Macalline Global Home Living Company Limited ("Hangzhou Yifeng")	56,965,000.00	-	-	(580,382.37)	-	-	-	-	-	-	56,384,617.63	-
Meiwu 365 (Tianjin) Technology Company Limited ("Meiwu 365")	20,000,000.00	-	-	(1,079,863.45)	-	-	-	-	-	-	18,920,136.55	-
Shanghai Jiazhan Construction Engineering Company Limited ("Jiazhan Construction")	6,667,000.00	-	-	-	-	-	-	-	-	-	6,667,000.00	-

Notes to the Financial Statements

For the period from 1 January to 30 June 2017

(V). NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

10. Long-term Equity Investments (Continued)

Investee	1 January 2017	Increase/decrease during the period							Closing balance of Impairment provision		
		Increase in investment	Decrease in investment	Investment gain/loss under equity method	Adjustment to other comprehensive income	Other changes to equity	Cash dividend or profit declared	Provision made for impairment			
ArtPollo Network Technology (Beijing) Company Limited ("ArtPollo Network Technology")	14,120,000.00	-	-	-	-	-	-	-	-	14,120,000.00	-
Klas International Home Living Company Limited ("Klas International")	-	60,000,000.00	-	-	-	-	-	-	-	60,000,000.00	-
Shanghai Reyi Network Technology Company Limited	-	5,000,000.00	-	-	-	-	-	-	-	5,000,000.00	-
Wuhu Meihe Asset Management Company Limited	-	490,000.00	-	-	-	-	-	-	-	490,000.00	-
Shanghai UIOT Technology Company Limited (Note 14)	-	2,845,000.00	-	-	-	-	-	-	-	2,845,000.00	-
Others	-	1,900,000.00	-	-	-	-	-	-	-	1,900,000.00	-
Subtotal	290,175,638.37	70,235,000.00	(19,119,602.56)	11,747,804.11	-	-	-	-	-	353,038,839.92	-
Total	1,012,646,573.83	70,235,000.00	(19,119,602.56)	54,289,350.26	-	-	-	-	-	1,118,051,321.53	-

As of 30 June 2017, the Group has not paid its share of the registered capital of Shenzhen Red Star Macalline Longrenheng Home Furnishing Plaza Company Limited established in November 2015 and Macalline Gaohe (Wuhu) Home Furnishing Commercial Property Investment Fund Partnership (Limited Partnership) established in November 2016.

Notes to the Financial Statements

For the period from 1 January to 30 June 2017

(V) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

11. Investment Properties

Investment properties with fair value measurement model

Item	Completed properties	Properties under construction	Total
1 January 2016	54,391,000,000.00	6,970,000,000.00	61,361,000,000.00
Additions in the year	681,357,345.92	2,322,158,716.18	3,003,516,062.10
Additions from acquisition of subsidiaries	829,451,629.90	–	829,451,629.90
Changes in fair value	1,542,191,024.18	211,841,283.82	1,754,032,308.00
Transfer from properties under construction to completed properties	4,618,000,000.00	(4,618,000,000.00)	–
31 December 2016	62,062,000,000.00	4,886,000,000.00	66,948,000,000.00
Additions during the period	226,652,801.09	1,291,659,400.65	1,518,312,201.74
Additions from acquisition of subsidiaries	–	296,159,686.72	296,159,686.72
Changes in fair value	1,013,609,198.91	(53,172,087.37)	960,437,111.54
Transfer from properties under construction to completed properties	1,003,000,000.00	(1,003,000,000.00)	–
30 June 2017	64,305,262,000.00	5,417,647,000.00	69,722,909,000.00

As at 30 June 2017 and 31 December 2016, the investment properties valued RMB52,966,600,000.00 and RMB47,466,000,000.00 respectively was held by the Group as security for mortgages to acquire the bank borrowings stated in note (V), 20, note (V), 28 and note (V), 29, and guarantee for some of the related parties' bank borrowings, please see note (X), 5 for details.

For the period from 1 January to 30 June 2017 and for 2016, the borrowing costs capitalized amounted to RMB75,251,880.82 and RMB248,918,769.62 respectively.

Notes to the Financial Statements

For the period from 1 January to 30 June 2017

(V) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

11. Investment Properties (Continued)

Investment properties with fair value measurement model (Continued)

As at 30 June 2017 and 31 December 2016, the investment properties at fair value of RMB1,495,000,000.00 and RMB1,326,000,000.00 held by the Group was located in the land with the use rights owned by project partners, which was used for scientific research and designs and whose type of use rights was for allocation use. Pursuant to relevant agreement entered into with project partners, the Group recognized the investment properties as investment properties leased by financing lease. The Group held no ownership certificate for such investment properties.

As at 30 June 2017 and 31 December 2016, the investment properties held by the Group with certificates of real estate ownership not settled, because of repurchase of business, business combination under common control or acquisition of assets from related parties, valued RMB3,586,534,000.00 and RMB3,481,000,000.00 respectively.

Except for those investment properties with certificates of real estate ownership not settled as stated above, as at 30 June 2017 and 31 December 2016, the investment properties held by the Group with certificates of real estate ownership not settled valued RMB10,257,000,000.00 and RMB11,484,000,000.00 respectively. The Group considers that relevant ownership certificates may be obtained within a period without any additional costs.

The fair value of the Group's investment properties as at 30 June 2017 and 31 December 2016 was appraised by the independent appraiser WanLong (Shanghai) Assets Appraisal Co., Ltd (萬隆(上海)資產評估有限公司), who had no relationship with the Group. In estimating the fair value of the real estates, the best use of the investment properties is their current use. The valuation method adopted remained no changes. Please see note (IX) for details.

Notes to the Financial Statements

For the period from 1 January to 30 June 2017

(V) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

12. Fixed Assets

(1) Information on fixed assets

RMB

Item	Special equipment	Transport equipment	Electronic device, furniture and fixtures	Total
I. Initial carrying amount:				
1 January 2017	23,734,818.98	119,535,484.35	239,887,312.80	383,157,616.13
Increased amount at current period	–	6,536,749.29	18,068,669.27	24,605,418.56
(1) Purchase	–	6,536,749.29	12,252,499.03	18,789,248.32
(2) Transfer from construction in progress	–	–	5,816,170.24	5,816,170.24
(3) Increase from business combination	–	–	–	–
Reduced amount at current period	–	971,165.05	3,641,355.72	4,612,520.77
(1) Disposal	–	735,421.05	3,169,250.72	3,904,671.77
(2) Decrease upon disposal of subsidiaries	–	235,744.00	472,105.00	707,849.00
30 June 2017	23,734,818.98	125,101,068.59	254,314,626.35	403,150,513.92
II. Accumulated depreciation				
1 January 2017	2,726,031.21	83,435,291.84	155,333,480.94	241,494,803.99
Increased amount at current period	387,287.89	7,894,237.15	12,442,383.10	20,723,908.14
(1) Provision	387,287.89	7,894,237.15	12,442,383.10	20,723,908.14
Reduced amount at current period	–	1,818,372.31	689,594.77	2,507,967.08
(1) Disposal	–	1,641,007.56	570,751.52	2,211,759.08
(2) Decrease upon disposal of subsidiaries	–	177,364.75	118,843.25	296,208.00
30 June 2017	3,113,319.10	89,511,156.68	167,086,269.27	259,710,745.05
Carrying value				
30 June 2017	20,621,499.88	35,589,911.91	87,228,357.08	143,439,768.87
1 January 2017	21,008,787.77	36,100,192.51	84,553,831.86	141,662,812.14

As at 30 June 2017, the Group held no temporarily vacant fixed assets, fixed assets leased under finance lease arrangement, fixed assets rented out under operating lease arrangement or fixed assets with certificate of ownership not settled.

Notes to the Financial Statements

For the period from 1 January to 30 June 2017

(V) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

12. Fixed Assets (Continued)

(1) Information on fixed assets (Continued)

Item	<i>RMB</i>			Total
	Special equipment	Transport equipment	Electronic device, furniture and fixtures	
I. Initial carrying amount:				
1 January 2016	35,923,012.06	112,188,674.31	201,996,914.08	350,108,600.45
Increased amount at current year	466,507.47	11,985,531.19	42,489,414.18	54,941,452.84
(1) Purchase	430,182.68	11,935,601.03	38,837,717.21	51,203,500.92
(2) Transfer from construction in progress	36,324.79	–	3,603,835.32	3,640,160.11
(3) Increase from business combination	–	49,930.16	47,861.65	97,791.81
Reduced amount at current year	12,654,700.55	4,638,721.15	4,599,015.46	21,892,437.16
(1) Disposal	12,654,700.55	4,638,721.15	4,162,962.78	21,456,384.48
(2) Decrease upon disposal of subsidiaries	–	–	436,052.68	436,052.68
31 December 2016	23,734,818.98	119,535,484.35	239,887,312.80	383,157,616.13
II. Accumulated depreciation				
1 January 2016	14,600,283.77	72,191,930.05	125,545,736.43	212,337,950.25
Increased amount at current year	715,289.49	15,259,693.24	31,407,516.24	47,382,498.97
(1) Provision	715,289.49	15,259,693.24	31,407,516.24	47,382,498.97
(2) Increase from business combination	–	–	–	–
Reduced amount at current year	12,589,542.05	4,016,331.45	1,619,771.73	18,225,645.23
(1) Disposal	12,589,542.05	4,016,331.45	1,500,453.76	18,106,327.26
(2) Decrease upon disposal of subsidiaries	–	–	119,317.97	119,317.97
31 December 2016	2,726,031.21	83,435,291.84	155,333,480.94	241,494,803.99
Carrying value				
31 December 2016	21,008,787.77	36,100,192.51	84,553,831.86	141,662,812.14
1 January 2016	21,322,728.29	39,996,744.26	76,451,177.65	137,770,650.20

As at 31 December 2016, the Group held no temporarily vacant fixed assets, fixed assets leased under finance lease arrangement, fixed assets rented out under operating lease arrangement or fixed assets with certificate of ownership not settled.

Notes to the Financial Statements

For the period from 1 January to 30 June 2017

(V) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

13. Construction in Progress

(1) Information on construction in progress

RMB

Item	30 June 2017			31 December 2016		
	Book balance	Impairment provision	Book value	Book balance	Impairment provision	Book value
Construction in progress	43,101,413.38	–	43,101,413.38	65,975,322.44	–	65,975,322.44

Item	Opening balance	Increase at current year	Transfer to fixed assets	Transfer to intangible assets	Other decreases (Note)	Closing balance
1 January to 30 June 2017						
Construction in progress	65,975,322.44	33,714,270.90	(5,816,170.24)	(256,410.26)	(50,515,599.46)	43,101,413.38
2016						
Construction in progress	24,163,939.96	68,177,395.12	(3,640,160.11)	(459,339.63)	(22,266,512.90)	65,975,322.44

Note: Mainly refers to the transfer to long-term prepaid expenses

For the period from 1 January to 30 June 2017 and in 2016, there was no interest capitalised in the increase in construction in progress.

Notes to the Financial Statements

For the period from 1 January to 30 June 2017

(V) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

14. Intangible Assets

(1) Information on intangible assets

RMB

Item	Software	Trademark use right	Others	Total
I. Initial carrying amount:				
1 January 2017	72,088,227.03	525,000,000.00	9,166,275.37	606,254,502.40
Increased amount				
at current period	47,230,555.06	–	–	47,230,555.06
(1) Purchase	7,950,177.20	–	–	7,950,177.20
(2) Transfer from construction in progress	39,023,967.60	–	–	39,023,967.60
(3) Increase from acquisition of subsidiaries	256,410.26	–	–	256,410.26
Reduced amount				
at current period	1,242,000.00	–	–	1,242,000.00
(1) Disposal	–	–	–	–
(2) Decrease upon disposal of subsidiaries	1,242,000.00	–	–	1,242,000.00
30 June 2017	118,076,782.09	525,000,000.00	9,166,275.37	652,243,057.46
II. Accumulated amortization				
1 January 2017	23,226,750.08	45,208,333.33	8,965,016.58	77,400,099.99
Increased amount				
at current period	5,910,828.49	6,926,291.79	10,695.00	12,847,815.28
(1) Provision	5,910,828.49	6,926,291.79	10,695.00	12,847,815.28
Reduced amount				
at current period	177,476.72	–	–	177,476.72
(1) Disposal	–	–	–	–
(2) Decrease in disposal of subsidiaries	177,476.72	–	–	177,476.72
30 June 2017	28,960,101.85	52,134,625.12	8,975,711.58	90,070,438.55
III. Impairment provision				
1 January 2017	–	100,000,000.00	–	100,000,000.00
Increased amount				
at current period	–	–	–	–
(1) Provision	–	–	–	–
Reduced amount				
at current period	–	–	–	–
(1) Disposal	–	–	–	–
(2) Decrease upon disposal of subsidiaries	–	–	–	–
30 June 2017	–	100,000,000.00	–	100,000,000.00
IV. Carrying value				
30 June 2017	89,116,680.24	372,865,374.88	190,563.79	462,172,618.91
1 January 2017	48,861,476.95	379,791,666.67	201,258.79	428,854,402.41

Notes to the Financial Statements

For the period from 1 January to 30 June 2017

(V) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

14. Intangible Assets (Continued)

(1) Information on intangible assets (Continued)

RMB

Item	Software	Trademark use right	Others	Total
I. Initial carrying amount:				
1 January 2016	58,319,325.56	525,000,000.00	9,166,275.37	592,485,600.93
Increased amount				
at current year	13,982,381.47	–	–	13,982,381.47
(1) Purchase	13,353,109.84	–	–	13,353,109.84
(2) Transfer from construction in progress	459,339.63	–	–	459,339.63
(3) Increase in acquisition of subsidiaries	169,932.00	–	–	169,932.00
Reduced amount				
at current year	213,480.00	–	–	213,480.00
(1) Disposal	205,000.00	–	–	205,000.00
(2) Decrease upon disposal of subsidiaries	8,480.00	–	–	8,480.00
31 December 2016	72,088,227.03	525,000,000.00	9,166,275.37	606,254,502.40
II. Accumulated amortization				
1 January 2016	16,592,946.19	27,708,333.33	8,917,651.77	53,218,931.29
Increased amount				
at current year	6,657,268.19	17,500,000.00	47,364.81	24,204,633.00
(1) Provision	6,657,268.19	17,500,000.00	47,364.81	24,204,633.00
Reduced amount				
at current year	23,464.30	–	–	23,464.30
(1) Disposal	22,166.67	–	–	22,166.67
(2) Decrease in disposal of subsidiaries	1,297.63	–	–	1,297.63
31 December 2016	23,226,750.08	45,208,333.33	8,965,016.58	77,400,099.99
III. Impairment provision				
1 January 2016	–	–	–	–
Increased amount				
at current year	–	100,000,000.00	–	100,000,000.00
(1) Provision	–	100,000,000.00	–	100,000,000.00
Reduced amount				
at current year	–	–	–	–
(1) Disposal	–	–	–	–
(2) Decrease upon disposal of subsidiaries	–	–	–	–
31 December 2016	–	100,000,000.00	–	100,000,000.00
IV. Carrying value				
31 December 2016	48,861,476.95	379,791,666.67	201,258.79	428,854,402.41
1 January 2016	41,726,379.37	497,291,666.67	248,623.60	539,266,669.64

Notes to the Financial Statements

For the period from 1 January to 30 June 2017

(V) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

14. Intangible Assets (Continued)

(1) Information on intangible assets (Continued)

RMB525,000,000.00 in the initial carrying amount of the right to use the trademarks is used to purchase the right to use the registered trademark of Jisheng Wellborn (“JSWB”) from Shanghai Jisheng Wellborn Furniture Company Limited (“JSWB Furniture”) by the Company. In May 2014, the Company and the controlling shareholders of the JSWB Furniture entered into a registered trademark licensing contract, pursuant to which, JSWB Furniture authorizes the Company to use eight of its registered trademarks (the “licensed trademarks”) on an exclusive basis, and the Company has the right to use the licensed trademarks in our Portfolio Shopping Mall or Managed Shopping Mall and in the business operation course related with those shopping malls. Meanwhile, the Company has the right to authorize any third parties to use the licensed trademarks within the properties of the shopping malls from 1 June 2014 to 30 May 2044. The Company shall pay an annual fee in standard for establishing shopping malls to use the licensed trademarks in addition to the nonrecurring trademark licensing fee of RMB525,000,000.00, the period for payment is the period from the opening date of the shopping mall to the day when the shopping mall ceases to use the licensing trademarks. The right to use the trademark was amortized on a straight-line basis within 30 years of the licensed period contracted by the Group since June 2014. As at 30 June 2017 and 31 December 2016, the Group’s provisions for impairment of the recoverable amounts in respect of the right to use the trademarks of JSWB determined based on revenue methods amounted to RMB100,000,000.00 and RMB100,000,000.00 respectively.

15. Development Expenditure

RMB

Item	1 January 2017	Increase in current period	Transfer to intangible assets for the current period	30 June 2017
Main APP of Red Star Macalline Home improvement and data platform	38,967,363.83	56,603.77	39,023,967.60	–
	–	29,418,402.19	–	29,418,402.19
Total	38,967,363.83	29,475,005.96	39,023,967.60	29,418,402.19

RMB

Item	1 January 2016	Increase at current year	Transfer to intangible assets for the current year	31 December 2016
Main APP of Red Star Macalline	–	38,967,363.83	–	38,967,363.83
Total	–	38,967,363.83	–	38,967,363.83

The Group developed an application platform for online sale in 2016 to capitalize the expenses qualified to be capitalized in the development stage.

Notes to the Financial Statements

For the period from 1 January to 30 June 2017

(V) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

16. Goodwill

(1) Initial carrying amount of goodwill

RMB

Name of Investee	1 January 2017	Increase in current period Arising from business combination	Decrease in current period Disposal	30 June 2017
Suzhou Zhongxiang	16,592,357.41	–	–	16,592,357.41
Total	16,592,357.41	–	–	16,592,357.41

Name of Investee	1 January 2016	Increase at current year Arising from business combination	Decrease at current year Disposal	31 December 2016
Suzhou Zhongxiang	16,592,357.41	–	–	16,592,357.41
Total	16,592,357.41	–	–	16,592,357.41

As at 30 June 2017 and 31 December 2016, the Group assessed the recoverability of goodwill of Suzhou Zhongxiang, and the recoverable amount of goodwill was determined based on the present value of expected future cash flows. Future cash flows was determined based on the financial budget for 2017–2021 approved by the management with adopting applicable discount rate and the cash flows after 2022 was calculated based on nil increase rate. The management of the Group considers that any reasonable changes in above assumptions will not cause the carrying amounts of the goodwill of the Group exceeding the recoverable amount of the goodwill, and recognize that the goodwill has not been impaired.

Notes to the Financial Statements

For the period from 1 January to 30 June 2017

(V) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

17. Long-term Prepaid Expenses

RMB

Item	1 January 2017	Increased amount in current period	Amortized amount in current period	Decreased amount in current period	30 June 2017
Improvement expenditures for fixed assets rented	144,757,310.44	67,690,708.80	27,081,654.42	2,841,599.93	182,524,764.89
Others	26,450,302.33	3,605,691.84	2,447,368.00	–	27,608,626.17
Total	171,207,612.77	71,296,400.64	29,529,022.42	2,841,599.93	210,133,391.06

Item	1 January 2016	Increased amount at current year	Amortized amount at current year	Decreased amount at current year	31 December 2016
Improvement expenditures for fixed assets rented	169,557,174.48	27,332,819.15	50,040,410.37	2,092,272.82	144,757,310.44
Others	25,116,662.75	7,137,158.60	5,803,519.02	–	26,450,302.33
Total	194,673,837.23	34,469,977.75	55,843,929.39	2,092,272.82	171,207,612.77

Notes to the Financial Statements

For the period from 1 January to 30 June 2017

(V) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

18. Deferred Tax Assets/Deferred Tax Liabilities

- (1) Deferred tax assets that are not offset

RMB

Item	30 June 2017	31 December 2016
Deferred tax assets:		
Changes in fair value of investment properties	148,723,775.85	–
Provision of unpaid expenses	201,467,471.38	142,665,353.29
Provision for bad debt	336,647,595.13	313,439,434.03
Asset-related deferred income	48,908,841.39	35,554,372.33
Cost overruns for carry-over deduction	33,165,214.34	38,426,968.86
Long-term assets capitalised in group's internal transaction	32,493,452.84	29,512,989.55
Deductible loss	205,413,822.50	198,002,725.60
Capitalisation of loan interest in the group	3,974,689.42	2,330,266.34
Subtotal	1,010,794,862.85	759,932,110.00
Deferred tax liabilities:		
Changes in fair value of investment properties	9,764,497,589.27	9,237,264,095.46
Adjustment to the fair value of non-current assets arising from business combination	25,115,743.07	25,489,984.20
Adjustment to the fair value of available-for-sale financial assets	283,562,524.86	–
Others	–	6,919,455.91
Subtotal	10,073,175,857.20	9,269,673,535.57

Base on the Group's future profit forecasts, the Group considers that it is possible to obtain sufficient taxable income in future against deductible temporary differences and deductible losses, therefore the deferred tax assets are recognised.

Notes to the Financial Statements

For the period from 1 January to 30 June 2017

(V) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

18. Deferred Tax Assets/Deferred Tax Liabilities (Continued)

(2) Offsetting of balances of deferred tax assets or liabilities

RMB

Item	30 June 2017		31 December 2016	
	Set-off amount of deferred tax assets and deferred tax liabilities	Deferred tax assets or deferred tax liabilities after offset	Set-off amount of deferred tax assets and deferred tax liabilities	Deferred tax assets or deferred tax liabilities after offset
Deferred tax assets	166,411,364.52	844,383,498.33	165,327,652.65	594,604,457.35
Deferred tax liabilities	166,411,364.52	9,906,764,492.69	165,327,652.65	9,104,345,882.92

(3) Details of unrecognised deferred tax assets

RMB

Item	30 June 2017	31 December 2016
Deductible loss	387,514,861.19	311,328,911.87
Deductible temporary difference	2,036,035,864.43	1,723,056,458.85
Total	2,423,550,725.62	2,034,385,370.72

Note: the deferred tax assets have not been recognised because it is uncertain whether sufficient taxable income will be available in the future.

Notes to the Financial Statements

For the period from 1 January to 30 June 2017

(V) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

18. Deferred Tax Assets/Deferred Tax Liabilities (Continued)

- (4) Deductible loss, for which deferred tax assets are not recognised, will expire in the following years

RMB

	30 June 2017	31 December 2016
2017	97,325,568.84	97,325,568.84
2018	239,773,667.22	239,867,313.54
2019	297,172,194.44	296,106,926.34
2020	551,023,391.19	560,169,499.33
2021	508,968,279.55	529,587,150.81
2022	341,772,763.19	–
Total	2,036,035,864.43	1,723,056,458.86

- (5) Details of taxable temporary differences and deductible temporary differences

RMB

Item	30 June 2017	31 December 2016
Deductible temporary differences and Deductible loss:		
Changes in fair value of investment properties	594,895,103.32	–
Provision of unpaid expenses	837,442,589.78	570,661,413.16
Provision for bad debt	1,369,298,093.80	1,253,757,736.12
Asset-related deferred income	195,635,365.53	142,217,489.32
Cost overruns for carry-over deduction	132,819,496.43	153,707,875.44
Long-term assets capitalised in group's internal transaction	129,973,811.36	118,051,958.20
Deductible loss	821,655,290.02	792,010,902.40
Capitalisation of loan interest in the group	15,898,757.67	9,321,065.36
Subtotal	4,097,618,507.91	3,039,728,440.00

Notes to the Financial Statements

For the period from 1 January to 30 June 2017

(V) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

18. Deferred Tax Assets/Deferred Tax Liabilities (Continued)

(5) Details of taxable temporary differences and deductible temporary differences (Continued)

Item	30 June 2017	31 December 2016
Taxable temporary differences:		
Changes in fair value of investment properties	39,057,990,357.08	36,949,056,381.84
Adjustment to the fair value of non-current assets arising from business combination	100,462,972.28	101,959,936.80
Adjustment to the fair value of available-for-sale financial assets	1,890,416,832.40	–
Others	–	27,677,823.64
Subtotal	41,048,870,161.76	37,078,694,142.28

19. Other Non-current Assets

RMB

Item	30 June 2017	31 December 2016
Prepayments for repurchase	247,705,000.00	247,705,000.00
Prepayments for land	387,234,066.47	360,774,362.17
Entrusted loan	156,270,393.08	160,222,880.86
Capital contribution to investees	187,430,000.00	198,400,000.00
Prepayments for construction	641,012,240.44	728,327,542.29
Prepayments for purchasing an office premise (Note)	2,100,809,865.00	210,080,987.00
Construction contributions	165,654,084.43	43,235,238.60
Total	3,886,115,649.42	1,948,746,010.92

Note: In 2016, the Group entered into a pre-sale contract for commercial housing regarding purchasing an office premise located in Minhang District, Shanghai at a consideration of RMB2,100,809,865.00, with a total gross floor area of approximately 57,900 square meters. The payment method of the pre-sale contract was payment by installment. As at 31 December 2016, the Group paid an installment equivalent to 10% of the consideration. As at 30 June 2017, the Group has fully paid the house purchase payment and completed the internet sign-in procedure for pre-sale of commercial housing. As of the date of publishing of these financial statements, the above properties has not yet completed or accepted.

Notes to the Financial Statements

For the period from 1 January to 30 June 2017

(V) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

20. Short-term Loans

Categories of short-term loans:

	<i>RMB</i>	
Item	30 June 2017	31 December 2016
Mortgage loans (<i>Note 1</i>)	22,000,000.00	–
Guaranteed loans (<i>Note 2</i>)	–	–
Pledge loans	10,000.00	10,000.00
Mortgage and pledge loans (<i>Note 3</i>)	–	500,000,000.00
Credit loans	245,838,000.00	–
Total	267,848,000.00	500,010,000.00

Note 1: The secured borrowings are the borrowings secured by the investment properties, please see note (V), 11.

Note 2: Please see note (X), 5(3) for details of the guarantee.

Note 3: As at 31 December 2016, the short-term loans of RMB500,000,000.00 in 2016 was secured with the investment properties of a subsidiary, Shanghai Red Star Macalline Home Furnishing City Company Limited by the Group and pledged the shareholdings of Shanghai Red Star Macalline Home Furnishing Design Expo Company Limited with carrying amount of RMB445,000,000.00. The borrowing was repaid in 2017.

As at 30 June 2017 and 31 December 2016, there were no outstanding short-term loans of the Group that were overdue.

Notes to the Financial Statements

For the period from 1 January to 30 June 2017

(V) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

21. Account Payables

(1) Details of account payables are as follows:

RMB

Item	30 June 2017	31 December 2016
Amount payables for advertisements and purchase of goods	356,244,473.31	353,219,391.21
Total	356,244,473.31	353,219,391.21

(2) As at 30 June 2017 and 31 December 2016, there were no account payables due from shareholders who hold 5% or more of the Company's voting rights or related parties.

(3) Aging analysis of account payables (based on the invoice date):

Items	30 June 2017	31 December 2016
Within 1 year	346,522,953.06	343,198,520.80
1 to 2 year	4,678,958.36	5,011,770.62
2 to 3year	4,472,768.90	4,555,215.60
More than 3 years	569,792.99	453,884.19
Total	356,244,473.31	353,219,391.21

Notes to the Financial Statements

For the period from 1 January to 30 June 2017

(V) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

22. Advance from Customers

Details of advance from customers are as follows:

Items	<i>RMB</i>	
	30 June 2017	31 December 2016
Rental	1,101,584,807.06	1,029,501,506.56
Changes for the consulting and management service titled the Company's name for the early stage of the project	591,249,781.91	599,549,999.99
Changes for the annual consulting and management service titled the Company's name for the project	134,096,500.39	123,145,010.85
Commerce and management consultancy fee over projects	66,000,000.00	66,000,000.00
Revenue from commerce consultancy and merchant commission	122,850,000.00	49,000,000.00
Advertising expenses	8,140,954.95	10,919,579.64
Others	220,339,076.35	188,997,080.04
Total	2,244,261,120.66	2,067,113,177.08

Note: The amounts received in advance by the Group are settled based on the accounting policies stated in note (III), 24.

As at 30 June 2017 and 31 December 2016, the advance from customers aged more than 1 year for the charges for the consulting and management service titled the Company's name for the early stage of the project amounted to RMB326,250,000.00 and RMB350,750,000.00 respectively, and the advance from customers aged more than 1 year for the charges for the annual consulting and managed service title the Company's name for the project amounted to RMB26,740,427.56 and RMB17,403,765.47 respectively. The revenue has not been recognised at the end of the year/period due to failure in meeting revenue recognition criterion.

Notes to the Financial Statements

For the period from 1 January to 30 June 2017

(V) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

23. Payroll Payable

(1) Details of payroll payable are as follows

RMB

Item	1 January 2017	Increase in the current period	Decrease in the current period	30 June 2017
1. Short-term compensation	530,570,893.22	1,056,171,179.23	1,336,010,404.43	250,731,668.02
2. Retirement benefits-defined contribution plans	8,655,884.13	101,920,864.11	100,866,606.92	9,710,141.32
3. Termination benefits	869,400.00	5,247,573.42	3,155,481.23	2,961,492.19
Total	540,096,177.35	1,163,339,616.76	1,440,032,492.58	263,403,301.53

(2) Details of short-term compensation are as follows

RMB

Item	1 January 2017	Increase in the current period	Decrease in the current period	30 June 2017
I. Wages or salaries, bonuses, allowances and subsidies	518,678,137.31	891,139,225.92	1,169,822,837.33	239,994,525.90
II. Staff welfare	85,535.00	60,535,712.09	60,573,044.09	48,203.00
III. Social security contributions	4,511,349.88	50,801,420.37	50,326,927.09	4,985,843.16
Including: Medical insurance	3,963,195.47	44,642,391.43	44,259,155.59	4,346,431.31
Work injury insurance	272,213.92	2,345,273.27	2,384,259.23	233,227.96
Maternity insurance	275,940.49	3,813,755.67	3,683,512.27	406,183.89
IV. Housing funds	4,263,155.48	43,439,250.24	42,729,459.76	4,972,945.96
V. Labour union and staff education fund	3,032,715.55	10,255,570.61	12,558,136.16	730,150.00
Total	530,570,893.22	1,056,171,179.23	1,336,010,404.43	250,731,668.02

Notes to the Financial Statements

For the period from 1 January to 30 June 2017

(V) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

23. Payroll Payable (Continued)

(3) Retirement benefits-defined contribution plans

RMB

Item	1 January 2017	Increase in the current period	Decrease in the current period	30 June 2017
1. Pension insurance	8,232,097.07	97,858,174.88	96,697,804.94	9,392,467.01
2. Unemployment insurance	423,787.06	4,062,689.23	4,168,801.98	317,674.31
Total	8,655,884.13	101,920,864.11	100,866,606.92	9,710,141.32

The Group participated in the pension insurance and unemployment insurance set up by the government agencies according to the regulations. According to such schemes, the Group contributes 14% to 21% and 1.0% to 2.0% of the basic salaries of its employees to these schemes, respectively. Other than aforesaid monthly contributed fees, the Group will not assume any further payments. The corresponding expenses will be charged to the profit or loss in the current period or costs of relevant assets when it occurs

For the period from 1 January to 30 June 2017, the Group shall contribute RMB97,858,174.88 and RMB4,062,689.23 to pension insurance and unemployment insurance.

As at 30 June 2017 and 31 December 2016, the Group's payable amounts of RMB9,392,467.01, RMB317,674.31 and RMB8,232,097.07, RMB423,787.06 was the outstanding amounts contributed to pension insurance and unemployment insurance scheme which has been provided at the end of this reporting period. Such payables have been paid subsequent to the reporting period.

Notes to the Financial Statements

For the period from 1 January to 30 June 2017

(V) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

24. Taxes Payables

RMB

Item	30 June 2017	31 December 2016
VAT	196,685,458.02	184,688,882.33
Enterprise income tax	349,465,046.30	199,564,377.91
Property tax	23,134,967.12	40,913,943.30
Others	34,213,825.68	28,806,829.14
Total	603,499,297.12	453,974,032.68

25. Interest Payables

RMB

Item	30 June 2017	31 December 2016
Interests on long-term loans with periodic payments of interest and return of principal at maturity	34,395,641.73	17,834,679.33
Interests on bonds	359,082,795.70	101,912,795.70
Interests payable for short-term loans	–	543,762.08
Total	393,478,437.43	120,291,237.11

As at 30 June 2017 and 31 December 2016, there was no interest payable of the Group that was overdue.

Notes to the Financial Statements

For the period from 1 January to 30 June 2017

(V) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

26. Dividends Payable

RMB

Name of entity	30 June 2017	31 December 2016
RSM Holding	1,041,732,624.24	–
Ping'an Pharmacy	1,549,046.52	–
Shanghai Jinghai Assets Management Center (Limited Partnership)	23,876,999.16	–
Shanghai Kaixing Business Administration Center (Limited Partnership)	3,187,799.58	–
Shanghai Hongmei Investment Management Center (Limited Partnership)	5,317,197.48	–
Public shareholders	404,316,356.68	–
Zhejiang Mingdu Investment Company Limited (<i>Note</i>)	70,000,000.00	120,000,000.00
Jin Yan (<i>Note</i>)	–	9,500,000.00
Shanghai Xinchangzheng (Group) Company Limited (<i>Note</i>)	5,460,000.00	7,920,000.00
Wah Lun International Development Limited (<i>Note</i>)	1,080,000.00	1,080,000.00
Total	1,556,520,023.66	138,500,000.00

Note: Zhejiang Mingdu Investment Company Limited ("Zhejiang Mingdu") is the non-controlling interests of Zhengzhou Red Star Macalline International Home Furnishing Company Limited ("Zhengzhou Red Star", the subsidiary of the Group). JIN Yan is the non-controlling interests of a subsidiary of the Group, Shanghai Red Star Macalline Home Living Market Management Company Limited. Shanghai Xinchangzheng (Group) Company Limited is the non-controlling interests of a subsidiary of the Group, Shanghai Red Star Macalline Furniture Company Limited. And Hua Lun International Development Co., Ltd. is the non-controlling interests of a subsidiary of the Group, Shenyang Red Star Macalline Home Living Expo Company Limited.

Notes to the Financial Statements

For the period from 1 January to 30 June 2017

(V) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

27. Other Payables

(1) Details of other payables are as follows:

	<i>RMB</i>	
Item	30 June 2017	31 December 2016
Proceeds collected on behalf of the tenants	1,163,410,281.05	1,303,284,841.62
Deposits from tenants	1,550,056,203.76	1,421,900,377.11
Payment received in advance from partners	271,350,000.00	270,400,000.00
Amounts due to and from partners	603,217,713.74	580,285,509.25
Accrual expenses	162,732,399.72	250,615,063.76
Rental deposits from tenants	715,007,749.49	387,412,777.26
Amounts payable to construction contractors	716,429,947.78	599,649,921.94
Lease payable	43,800,029.63	51,603,323.91
Amounts payable for equity transfer	30,988,965.89	30,988,965.89
Amounts payable for prepaid cards	70,724,697.74	88,341,679.60
Others	212,110,996.30	174,483,857.49
Total	5,539,828,985.10	5,158,966,317.83

Notes to the Financial Statements

For the period from 1 January to 30 June 2017

(V) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

28. Non-current Liabilities Due within One Year

(1) Details of non-current liabilities due within one year are as follows:

RMB

Item	30 June 2017	31 December 2016
Long-term loans due within one year	2,989,243,779.90	2,287,286,181.59
Financial lease payable due within one year	8,164,317.51	13,277,093.22
Long-term rental due within one year	20,000,000.00	20,000,000.00
Bonds payable due within one year	1,895,048,616.32	1,889,468,073.34
Total	4,912,456,713.73	4,210,031,348.15

(2) Long-term loans due within one year:

Item	30 June 2017	31 December 2016
Mortgage loans (<i>Note</i>)	2,469,973,298.89	1,823,780,000.00
Pledge loans (<i>Note</i>)	20,000,000.00	–
Mortgage and pledge loans (<i>Note</i>)	154,865,385.00	91,500,000.00
Mortgage and guaranteed loans (<i>Note</i>)	258,806,696.43	241,407,790.20
Mortgage, pledge and guaranteed loans (<i>Note</i>)	60,598,399.58	111,598,391.39
Credit loans (<i>Note</i>)	25,000,000.00	19,000,000.00
Total	2,989,243,779.90	2,287,286,181.59

Note: please see note (V), 29.

As at 30 June 2017 and 31 December 2016, there were no overdue long-term loans due within one year, of which the durations are extended.

As at 30 June 2017 and 31 December 2016, please see note (V), 29 for details of the interest rate of the Group's borrowings.

Notes to the Financial Statements

For the period from 1 January to 30 June 2017

(V) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

29. Long-term Loans

(1) Categories of long-term loans

Item	<i>RMB</i>	
	30 June 2017	31 December 2016
Mortgage loans (<i>Note 1</i>)	6,847,191,060.55	5,962,990,000.00
Pledge loans (<i>Note 2</i>)	1,739,000,000.00	–
Mortgage and pledge loans (<i>Note 3</i>)	1,742,538,461.00	756,750,000.00
Mortgage and guaranteed loans (<i>Note 4</i>)	1,021,693,303.57	988,592,209.80
Mortgage, pledge and guaranteed loans (<i>Note 5</i>)	552,367,033.30	739,205,035.95
Credit loans (<i>Note 6</i>)	140,000,000.00	–
Total	12,042,789,858.42	8,447,537,245.75

Note 1: represents the loans obtained by securing with the investment properties. Please see note (V), 11 and note (V), 53.

Note 2: represents the loans obtained by pledging all of the operating revenue of the shopping malls during the loan period. Please see note (V), 53.

Note 3: represents the borrowings obtained by securing with the investment properties and pledging with all of the operating revenue of the shopping malls during the loan period. Please see note (V), 11 and 53.

Note 4: represents the borrowings obtained by securing with the investment properties and providing guarantee by the related parties and the third parties. Please see note (V) 11, 53 and note (X), 5(3).

Note 5: represents the borrowings obtained by securing the investment properties and pledging cash and bank and all of the operating revenue of the shopping mall during the loan period and providing guarantee by related parties. Please see note (V), 11, 53 and note (X), 5(3).

Note 6: represents the loans obtained by providing guarantees by the companies within the Group.

As at 30 June 2017 and 31 December 2016, there were no long-term loans that were overdue.

Notes to the Financial Statements

For the period from 1 January to 30 June 2017

(V) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

29. Long-term Loans (Continued)

(2) Interest rate on borrowings

As at 30 June 2017, the aforesaid fixed-rate borrowings carried interest rates at 4.75% to 7.59% per annum, and the variable-rate borrowings carried interest rates at 4.41% to 6.41% per annum.

As at 31 December 2016, the aforesaid fixed-rate borrowings carried interest rates at 4.75% to 7.59% per annum, and the variable-rate borrowings carried interest rates at 4.41% to 6.41% per annum.

As at 30 June 2017 and 31 December 2016, the variable-rate borrowings and fixed-rate borrowings by amounts present as follows:

RMB

Item	30 June 2017	31 December 2016
Fixed-rate borrowings	1,535,010,000.00	1,510,010,000.00
Variable-rate borrowings	13,764,871,638.32	9,724,823,427.34
Total	15,299,881,638.32	11,234,833,427.34
Including: Short-term borrowings	267,848,000.00	500,010,000.00
Long-term loans due within one year	2,989,243,779.90	2,287,286,181.59
Long-term loans	12,042,789,858.42	8,447,537,245.75

Notes to the Financial Statements

For the period from 1 January to 30 June 2017

(V) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

30. Bonds Payable

RMB

Item	30 June 2017	31 December 2016
First tranche of the medium-term notes of 2013 of Red Star Macalline Group Corporation Ltd.	497,867,656.08	497,030,950.08
Corporate notes of 2015 of Red Star Macalline Group Corporation Ltd. (the first tranche)	4,980,565,997.36	4,973,682,713.22
First tranche of 5-year Corporate notes of Red Star Macalline Group Corporation Ltd. in 2016	1,488,140,101.24	1,485,447,044.30
First tranche of 7-year Corporate notes of Red Star Macalline Group Corporation Ltd. in 2016	1,480,115,138.39	1,477,939,985.71
Total	8,446,688,893.07	8,434,100,693.31

Notes to the Financial Statements

For the period from 1 January to 30 June 2017

(V) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

30. Bonds Payable (Continued)

RMB

Name of bonds	Par value	Issue date	Maturity	Issue amount	Opening balance	Interests payable at the beginning of the period	Issued in the period	Interest based on par value	Amortization of premium and for discount	Repayments in the period	Interest payable at the end of the period	Closing balance
30 June 2017												
Second tranche of the medium-term notes of 2012 of Red Star Macalline Group Corporation Ltd.	900,000,000.00	13 December 2012	5 years	875,775,000.00	894,941,194.51	2,808,629.03	-	27,495,000.00	2,749,424.49	-	30,303,629.02	897,690,619.01
First tranche of the medium-term notes of 2013 of Red Star Macalline Group Corporation Ltd.	500,000,000.00	11 September 2013	5 years	492,200,000.00	497,030,950.08	12,500,000.00	-	18,750,000.00	836,706.00	-	31,250,000.00	497,867,656.08
First tranche non-public debt financing instruments of 2014 of Red Star Macalline Group Corporation Ltd.	1,000,000,000.00	8 December 2014	3 years	987,700,000.00	994,526,878.83	6,666,666.67	-	40,000,000.00	2,831,118.50	-	46,666,666.68	997,357,997.32
Corporate notes of 2015 of Red Star Macalline Group Corporation Ltd. (the first tranche)	5,000,000,000.00	10 November 2015	5 years	4,958,670,000.00	4,973,682,713.22	31,250,000.00	-	112,500,000.00	6,883,284.14	-	143,750,000.00	4,980,565,997.36
First tranche of 5-year Corporate notes of Red Star Macalline Group Corporation Ltd. in 2016	1,500,000,000.00	14 July 2016	5 years	1,463,202,830.18	1,465,447,044.30	21,875,000.00	-	26,250,000.00	2,693,056.94	-	48,125,000.00	1,488,140,101.24
First tranche of 7-year Corporate notes of Red Star Macalline Group Corporation Ltd. in 2016	1,500,000,000.00	14 July 2016	7 years	1,476,127,358.48	1,477,939,985.71	26,812,500.00	-	32,175,000.00	2,175,152.67	-	58,987,500.00	1,480,115,138.38
Total	10,400,000,000.00			10,273,675,188.66	10,323,568,766.65	101,912,795.70	-	257,170,000.00	18,168,742.74	-	359,082,795.70	10,341,737,509.39
Less: Bonds payable due within one year												1,895,048,616.32
Bonds payable due after one year												8,446,688,893.07

Notes to the Financial Statements

For the period from 1 January to 30 June 2017

(V) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

30. Bonds Payable (Continued)

RMB

Name of bonds	Par value	Issue date	Maturity	Issue amount	Balance at the beginning of the year	Interests payable at the beginning of the year	Issued for the year	Interest based on par value	Amortization of premium and for discount	Repayments for the year	Interests payable at the end of the year	Balance at the end of the year
31 December 2016												
Second tranche of the medium-term notes of 2012 of Red Star Macalline Group Corporation Ltd.	900,000,000.00	13 December 2012	5 years	875,775,000.00	889,790,640.51	2,808,629.03	-	54,990,000.00	5,150,554.00	(54,990,000.00)	2,808,629.03	894,941,194.51
First tranche of the medium-term notes of 2013 of Red Star Macalline Group Corporation Ltd.	500,000,000.00	11 September 2013	5 years	492,200,000.00	495,449,316.33	12,500,000.00	-	37,500,000.00	1,581,633.75	(37,500,000.00)	12,500,000.00	497,030,950.08
Second tranche of the medium-term notes of 2013 of Red Star Macalline Group Corporation Ltd.	500,000,000.00	5 December 2013	3 years	492,200,000.00	497,194,915.00	3,125,000.00	-	34,375,000.00	2,805,085.00	(537,500,000.00)	-	-
First tranche non-public debt financing instruments of 2014 of Red Star Macalline Group Corporation Ltd.	1,000,000,000.00	8 December 2014	3 years	987,700,000.00	989,276,326.91	6,666,666.67	-	80,000,000.00	5,250,551.92	(80,000,000.00)	6,666,666.67	994,526,878.83
Corporate notes of 2015 of Red Star Macalline Group Corporation Ltd. (the first tranche)	5,000,000,000.00	10 November 2015	5 years	4,958,670,000.00	4,960,494,407.78	31,250,000.00	-	225,000,000.00	13,188,305.44	(225,000,000.00)	31,250,000.00	4,973,682,713.22
First tranche of 5-year Corporate notes of Red Star Macalline Group Corporation Ltd. in 2016	1,500,000,000.00	14 July 2016	5 years	1,483,202,830.18	-	- 1,483,202,830.18	21,875,000.00	2,244,214.12	-	-	21,875,000.00	1,485,447,044.30
First tranche of 7-year Corporate notes of Red Star Macalline Group Corporation Ltd. in 2016	1,500,000,000.00	14 July 2016	7 years	1,476,127,358.48	-	- 1,476,127,358.48	26,812,500.00	1,812,627.23	-	-	26,812,500.00	1,477,939,985.71
Total	10,900,000,000.00			10,765,875,188.66	7,832,205,606.53	56,350,295.70	2,959,330,188.66	480,552,500.00	32,032,971.46	(934,990,000.00)	101,912,795.70	10,323,568,766.65
Less: Bonds payable due within one year												1,889,468,073.34
Bonds payable due after one year												8,434,100,693.31

Notes to the Financial Statements

For the period from 1 January to 30 June 2017

(V) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

30. Bonds Payable (Continued)

In August 2013, the Company was approved by National Association of Financial Market Institutional Investors to issue the medium-term notes in the PRC of RMB1,000 million and the registered amount would be effective for two years, and the notes may be issued in tranches during the valid period of the registration. The Company issued the first tranche of the medium-term notes of 2013 of RMB500 million in September 2013, which referred as 13 Macalline MTN001, and the issuance price was RMB100 par value with a fixed rate of interest at 7.50%. The bonds shall be payable annually in five years.

In 2015, the Company was approved by China Securities Regulatory Commission to issue corporate bonds of no more than RMB10 billion in the PRC to qualified investors, the maturity of the bonds was no more than 7 years, and the issuance price was RMB100 par value. The Company issued the first tranche of corporate bonds totally RMB5,000 million in November 2015, which referred as 15 Hongmei 01 (the bond code: 136032), with the issuance price of RMB100 par value with a fixed rate of interest at 4.5%. The maturity of the bond is five years, and shall be paid annually. And the bond is attached with the Company's option to adjust the coupon rate and the investors' option to sell back at the end of the third year.

The Company issued the second tranche of corporate bonds in July 2016. The second tranche of corporate bonds comprised of two types of bonds, the first type: referred as 16 Hongmei 01 with the issuance price of RMB100 par value with a fixed rate of interest at 3.5%. The bond shall be payable annually in five years, and was attached with the Company's option to adjust the coupon rate and the investors' option to sell back at the end of the third year; the second type: referred as 16 Hongmei 02 with the issuance price of RMB100 par value with a fixed rate of interest at 4.29%. The bond shall be payable annually in seven years and was attached with the Company's option to adjust the coupon rate and the investors' option to sell back at the end of the fifth year.

The Company adopted the effective interest rate method and subsequently measured at amortised cost in respect of bonds payable.

Notes to the Financial Statements

For the period from 1 January to 30 June 2017

(V) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

31. Long-term Payables

RMB

Item	30 June 2017	31 December 2016
Long-term rental	340,946,270.36	336,482,178.17
Compensation fees due to breach of contract	1,899,706.23	5,692,941.61
Finance lease payables (Note 1)	422,567,047.36	419,692,717.10
Amounts due to and from partners (Note 2)	680,561,958.11	674,462,914.80
Contributions from minority shareholders	39,380,899.50	39,380,899.50
Total	1,485,355,881.56	1,475,711,651.18

Note 1: financial lease payable occurs when the Group leases buildings from the lessors within the term of the building use rights. Please see below table for details.

RMB

	30 June 2017	31 December 2016
First year after the balance sheet date	36,183,376.08	36,183,376.08
Second year after the balance sheet date	31,249,088.04	31,249,088.04
Third year after the balance sheet date	31,249,088.04	31,249,088.04
Subsequent years	880,182,646.46	895,807,190.48
Total minimum lease payment	978,864,198.62	994,488,742.64
Less: Unrecognized financial charge	548,132,833.75	561,518,932.32
Financial lease payables	430,731,364.87	432,969,810.32
Including: Financial lease payables due within one year	8,164,317.51	13,277,093.22
Financial lease payables due after one year	422,567,047.36	419,692,717.10

Note 2: amounts due to and from partners are the borrowings provided by the minority shareholders of certain subsidiaries of the Group, and shall be repaid by agreements after the completion of relevant cooperation projects and existing surplus or be repaid on demands after one year. Therefore, such amounts shall be recorded as long-term payables.

Notes to the Financial Statements

For the period from 1 January to 30 June 2017

(V) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

32. Deferred Income

RMB

Item	30 June 2017	31 December 2016
Asset-related government grant	203,453,746.44	195,413,309.31
Total	203,453,746.44	195,413,309.31

Government grant:

RMB

Liabilities item	1 January 2017	Increased grants in the current year	Amount included in non-operating income in the current year	Other changes	30 June 2017	Related to assets/profit
Subsidy for gas-fired air conditioning equipment	1,417,225.00	–	126,425.00	–	1,290,800.00	Related to assets
Subsidy for land supporting expenses	193,996,084.31	10,110,000.00	1,943,137.87	–	202,162,946.44	Related to assets
Total	195,413,309.31	10,110,000.00	2,069,562.87	–	203,453,746.44	

Notes to the Financial Statements

For the period from 1 January to 30 June 2017

(V) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

32. Deferred Income (Continued)

RMB

Liabilities item	1 January 2016	Increased grants in current year	Amount included in non-operating income in the current year	Other changes	31 December 2016	Related to assets/profit
Subsidy for gas-fired air conditioning equipment	1,670,075.00	-	252,850.00	-	1,417,225.00	Related to assets
Subsidy for land supporting expenses	192,684,083.15	6,066,072.00	4,754,070.84	-	193,996,084.31	Related to assets
Total	194,354,158.15	6,066,072.00	5,006,920.84	-	195,413,309.31	

33. Other Non-Current Liabilities

RMB

Item	30 June 2017	31 December 2016
Charger for the consulting and management service titled the Company's name for the early stage of the project	752,620,500.00	400,320,500.00
Charger for the annual consulting and management service titled the Company's name for project (Note)	15,000,000.00	15,000,000.00
Total	767,620,500.00	415,320,500.00

Note: represents managed shopping malls related amounts received by the Company in advance. The amounts received in advance will be included to other non-current liabilities as the management expects the corresponding revenue to these amounts will be recognized after one year.

Notes to the Financial Statements

For the period from 1 January to 30 June 2017

(V) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

34. Share Capital

RMB

Shareholders	Changes in the current period				Closing balance
	Opening balance	New shares issued	Others	Subtotal	
1 January to 30 June 2017:					
RSM Holding	2,480,315,772.00	–	–	–	2,480,315,772.00
Ping'an Pharmacy	3,688,206.00	–	–	–	3,688,206.00
Shanghai Jinghai Assets Management Center (Limited Partnership)	56,849,998.00	–	–	–	56,849,998.00
Shanghai Kaixing Business Administration Center (Limited Partnership)	7,589,999.00	–	–	–	7,589,999.00
Shanghai Hongmei Investment Management Center (Limited Partnership)	12,659,994.00	–	–	–	12,659,994.00
Public shareholders of H Shares	1,062,813,069.00	–	–	–	1,062,813,069.00
Total	3,623,917,038.00	–	–	–	3,623,917,038.00

Notes to the Financial Statements

For the period from 1 January to 30 June 2017

(V) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

34. Share Capital (Continued)

Shareholders	Opening balance	Changes in the current year		Subtotal	Closing balance
		New shares issued	Others		
2016:					
RSM Holding	2,480,315,772.00	-	-	-	2,480,315,772.00
Ping'an Pharmacy	3,688,206.00	-	-	-	3,688,206.00
Shanghai Jinghai Assets Management Center (Limited Partnership)	56,849,998.00	-	-	-	56,849,998.00
Shanghai Kaixing Business Administration Center(Limited Partnership)	7,589,999.00	-	-	-	7,589,999.00
Shanghai Hongmei Investment Management Center (Limited Partnership)	12,659,994.00	-	-	-	12,659,994.00
Public shareholders of H Shares	1,062,813,069.00	-	-	-	1,062,813,069.00
Total	3,623,917,038.00	-	-	-	3,623,917,038.00

Notes to the Financial Statements

For the period from 1 January to 30 June 2017

(V) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

35. Capital Reserve

RMB

Item	Opening balance	Increase in the current period	Decrease in the current period	Closing balance
1 January to 30 June 2017:				
Share premium	5,620,013,738.96	–	17,354,783.26	5,602,658,955.70
Including: capital invested by investors	5,786,331,727.05	–	–	5,786,331,727.05
The difference arising from business combination under common control	(180,578,073.16)	–	–	(180,578,073.16)
Others (<i>Note 1</i>)	14,260,085.07	–	17,354,783.26	(3,094,698.19)
Total	5,620,013,738.96	–	17,354,783.26	5,602,658,955.70

Item	Opening balance	Increase in the current year	Decrease in the current year	Closing balance
2016:				
Share premium	5,626,975,204.20	9,200,000.00	16,161,465.24	5,620,013,738.96
Including: capital invested by investors	5,786,331,727.05	–	–	5,786,331,727.05
The difference arising from business combination under common control	(180,578,073.16)	–	–	(180,578,073.16)
Others (<i>Note 2</i>)	21,221,550.31	9,200,000.00	16,161,465.24	14,260,085.07
Total	5,626,975,204.20	9,200,000.00	16,161,465.24	5,620,013,738.96

Note 1: During the period from 1 January to 30 June 2017, the decrease of RMB17,354,783.26 was due to the effect of the bargain acquisition of the minority shareholding of the subsidiaries by the Group in the current period. Please see note (VII), 2 for details.

Note 2: During 2016, the increase of RMB9,200,000.00 was due to the effect of the adjustments in this year on the contribution amount by the subsidiaries. The decrease of RMB16,161,465.24 was due to the effect of the Group's discount/bargain acquisition of the minority shareholding of the subsidiaries in the year.

Notes to the Financial Statements

For the period from 1 January to 30 June 2017

(V) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

36. Other Comprehensive Income

RMB

Item	1 January 2017	Amount recognized in the current period				After-tax amount attributable to the owners of the Company	After-tax amount attributable to non-controlling interests	30 June 2017
		Amount before income tax in the current period	Less: previously included in other comprehensive income converted to current Profit&Loss	Less: income tax expense				
Other comprehensive income to be reclassified into the profit or loss subsequently								
Gains and losses from changes in fair value of available-for-sale financial assets	-	1,890,416,832.42	-	283,562,524.86	1,446,168,876.80	160,685,430.76	1,606,854,307.56	

37. Surplus Reserve

RMB

Item	Opening balance	Increase in the current period/year	Decrease in the current period/year	Closing balance
1 January to 30 June 2017:				
Statutory surplus reserve	1,226,111,855.65	-	-	1,226,111,855.65
Total	1,226,111,855.65	-	-	1,226,111,855.65
2016:				
Statutory surplus reserve	1,030,718,136.69	195,393,718.96	-	1,226,111,855.65
Total	1,030,718,136.69	195,393,718.96	-	1,226,111,855.65

Provisions may be made for surplus reserves as approved by the Articles of Association or the Board.

Statutory surplus reserves could be used to cover the loss of the Company or increase the share capital.

Notes to the Financial Statements

For the period from 1 January to 30 June 2017

(V) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

38. Retained Earnings

RMB

Item	Amount	Proportion of withdrawal or distribution
1 January to 30 June 2017:		
Opening balance of retained earnings	26,095,809,439.81	
Add: Net profit attributable to owners of the Company for the current period	2,045,171,145.99	
Less: dividend payable for ordinary shares	1,522,045,155.96	Note 1
Closing balance of retained earnings	26,618,935,429.84	
2016:		
Closing balance of retained earnings	24,597,260,932.31	
Add: Net profit attributable to owners of the Company for the current year	3,397,183,234.32	
Less: Appropriation to statutory surplus reserve	195,393,718.96	Note 2
Less: dividend payable for ordinary shares	1,703,241,007.86	Note 1
Closing balance of retained profit	26,095,809,439.81	

Note 1: On 20 March 2017, pursuant to the resolution of annual meeting of the Board of the Company, and based on the total share capital of 3,623,917,038 shares, the Company paid cash dividend RMB4.2 to all shareholders per 10 shares; on 21 March 2016, pursuant to the resolution of annual meeting of the Board of the Company, and based on the total share capital of 3,623,917,038 shares, the Company paid cash dividend RMB4.7 to all shareholders per 10 shares.

Note 2: It was appropriation pursuant to the Articles of Association. When the accumulative statutory surplus reserve amounted to more than 50% of the registered capital of the Company, it may no longer be appropriation.

As at 30 June 2017 and 31 December 2016, the balance of retained earnings of the Group included the withdrawn surplus reserves by the subsidiaries of RMB281,842,851.27 and RMB281,842,851.27.

Notes to the Financial Statements

For the period from 1 January to 30 June 2017

(V) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

39. Revenue and Costs of Sales

(1) Revenue and costs of sales

RMB

Name of sector	1 January to 30 June 2017		1 January to 30 June 2016	
	Revenue	Costs	Revenue	Costs
Principal business	5,003,766,735.14	1,365,021,504.79	4,522,272,116.96	1,159,277,219.27
Other business	67,200,589.34	9,646,697.40	61,426,064.21	16,733,630.25
Total	5,070,967,324.48	1,374,668,202.19	4,583,698,181.17	1,176,010,849.52

(2) Principal business (by sector)

RMB

Name of sector	1 January to 30 June 2017		1 January to 30 June 2016	
	Revenue from principal business	Costs of principal business	Revenue from principal business	Costs of principal business
Leasing and management revenue	3,188,830,865.46	696,929,743.37	2,966,245,991.60	633,306,795.45
Revenue from the consulting and management service titled the Company's name for the early stage of project	625,556,781.73	77,227,812.20	594,312,392.39	65,660,434.10
Revenue from annual consulting and management service title the Company's name for the project	674,117,705.65	404,279,693.74	705,152,192.34	353,602,307.54
Revenue from commerce management and consultancy over project	4,509,688.68	5,707,355.12	9,433,962.26	8,369,685.24
Revenue from commerce consultancy and merchant commission	168,867,924.52	20,130,835.75	–	–
Revenue from sales of good and home decoration services	109,284,985.25	85,057,453.53	92,625,009.42	64,500,599.06
Others	232,598,783.85	75,688,611.08	154,502,568.95	33,837,397.88
Total	5,003,766,735.14	1,365,021,504.79	4,522,272,116.96	1,159,277,219.27

Notes to the Financial Statements

For the period from 1 January to 30 June 2017

(V) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

40. Taxes and Surcharges

RMB

Item	1 January to 30 June 2017	1 January to 30 June 2016
Business tax	–	146,799,827.07
Urban maintenance and construction tax	14,023,177.94	15,748,496.59
Education surcharge	12,486,364.32	12,942,306.83
Property tax, land use tax and stamp duty	121,965,177.11	94,984,672.65
Others	4,292,053.16	409,316.24
Total	152,766,772.53	270,884,619.38

41. Distribution and Selling Expenses

RMB

Item	1 January to 30 June 2017	1 January to 30 June 2016
Salary, bonus and benefits	15,766,378.68	26,770,186.90
Depreciation and Amortization	1,033,173.40	3,680,697.05
Energy and maintenance expenses	120,022,958.86	129,687,109.75
Advertising and promotional expenses	415,439,654.69	393,403,592.60
After-sales service expenses	12,978,469.68	6,237,650.92
Office and administrative expenses	8,354,263.49	3,257,751.25
Others	3,597,050.56	5,189,583.35
Total	577,191,949.36	568,226,571.82

Notes to the Financial Statements

For the period from 1 January to 30 June 2017

(V) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

42. General and administrative Expenses

RMB

Item	1 January to 30 June 2017	1 January to 30 June 2016
Salary, bonus and allowances	231,527,404.54	158,427,746.52
Depreciation and Amortization	13,071,621.33	12,416,062.33
Energy and maintenance expenses	3,437,722.87	1,740,767.49
Professional services expenses	68,112,670.59	43,331,679.61
Office and administrative expenses	125,952,395.82	109,013,240.74
Others	25,971,757.14	28,020,319.48
Total	468,073,572.29	352,949,816.17

43. Financial Expenses

RMB

Item	1 January to 30 June 2017	1 January to 30 June 2016
Interest expenses	650,222,248.82	571,890,572.07
Less: Capitalized interest expenses	(75,251,880.82)	(128,782,803.62)
Less: Interest income	(39,982,040.44)	(36,902,736.98)
Foreign exchange differences	(470,457.37)	(2,224.40)
Others	9,694,953.52	4,081,206.20
Total	544,212,823.71	410,284,013.27

During the period from 1 January to 30 June 2017 and the period from 1 January to 30 June 2016, the average capitalisation rate of borrowings was 5.08% and 6.65% respectively.

Notes to the Financial Statements

For the period from 1 January to 30 June 2017

(V) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

44. Impairment Losses of Assets

RMB

Item	1 January to 30 June 2017	1 January to 30 June 2016
Provision of impairment of account receivables and other receivables	92,791,584.20	121,951,057.01
Provision of impairment of other non-current assets	12,000,000.00	–
Provision of impairment of loans	(113,286.15)	–
Total	104,678,298.05	121,951,057.01

45. Gains (Losses) from Changes in Fair Values

RMB

Source resulting in gains on fair value changes	1 January to 30 June 2017	1 January to 30 June 2016
Investment properties measured at fair value	960,437,111.54	856,983,362.13
Total	960,437,111.54	856,983,362.13

Notes to the Financial Statements

For the period from 1 January to 30 June 2017

(V) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

46. Investment Income

Item	<i>RMB</i>	
	1 January to 30 June 2017	1 January to 30 June 2016
Long-term equity investment income accounting under equity method	54,289,350.26	52,455,276.37
Investment gain (loss) on disposal of subsidiaries (<i>Note 1</i>)	4,559,861.19	177,168.50
Investment gain (loss) on disposal of associates	880,397.44	–
Fixed income received as agreed (<i>Note 2</i>)	1,024,999.15	830,615.38
Total	60,754,608.04	53,463,060.25

Note 1: During the period end 30 June 2017, the gain from disposals of subsidiaries was the profit or loss arising from disposals of Shanghai Jiajinsuo Financial Information Service Company (上海家金所金融信息服務有限公司) and Yantai Red Star International Home Furnishing Management Company Limited (煙台紅星國際家居管理有限公司). In 2016, the gain from disposals of subsidiaries was the investment revenue arising from disposals of the subsidiaries, namely Wuhan Xingdian Home Decorating Company Limited, Henan Xingshidai Home Decorating Company Limited, Shanghai Jinlilong Home Decorating Design Company Limited and Chengdu Shangding Home Decorating Design Company Limited.

Note 2: Pursuant to the contracts entered into between the Group and shareholders of the relevant joint ventures and other parties, during the cooperation, the Group could obtain contracted fixed revenue, and other than the contributions of the Company, the Group shared no distribution of other surplus profits and distribution of other surplus profits of joint ventures.

There are no significant restrictions in repatriation of the investment income of the Group.

Notes to the Financial Statements

For the period from 1 January to 30 June 2017

(V) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

47. Non-operating Income

(1) The breakdown of the non-operating income is set out below:

RMB

Item	1 January to 30 June 2017		1 January to 30 June 2016	
	Amount	Amount included in non-recurring profit or loss for the current period	Amount	Amount included in non-recurring profit or loss for the current period
Total gains on disposal of non-current assets	72,105.26	72,105.26	240,835.71	240,835.71
Including: Gains on disposal of fixed assets	72,105.26	72,105.26	240,835.71	240,835.71
Government grants	12,686,612.35	12,686,612.35	9,185,746.89	9,185,746.89
Income from default compensation	1,876,804.47	1,876,804.47	1,429,303.00	1,429,303.00
Income from project termination	1,415,094.34	1,415,094.34	1,415,094.33	1,415,094.33
Others	7,312,753.55	7,312,753.55	5,234,072.51	5,234,072.51
Total	23,363,369.97	23,363,369.97	17,505,052.44	17,505,052.44

(2) Government grants included in profit and loss for the period

RMB

Item	1 January to 30 June 2017	1 January to 30 June 2016	Related to assets/profit
Subsidies (Note 1)	4,550,958.15	78,210.80	Related to profit
Special government grants (Note 2)	–	4,395,923.70	Related to profit
Reward support	6,066,091.33	2,639,534.48	Related to profit
Amortisation of deferred income (Note (V), 33)	2,069,562.87	2,072,077.91	Related to assets
Total	12,686,612.35	9,185,746.89	

Note 1: Subsidy mainly refers to the tax refund received from the government.

Note 2: Special government grants mainly refer to industry-supporting fund received from the government.

Notes to the Financial Statements

For the period from 1 January to 30 June 2017

(V) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

48. Non-operating Expenses

RMB

Item	1 January to 30 June 2017		1 January to 30 June 2016	
	Amount	Amount included in non-recurring profit and loss for the current period	Amount	Amount included in non-recurring profit and loss for the current period
Total losses on disposal of non-current assets	398,847.65	398,847.65	3,058,057.10	3,058,057.10
Including: Losses on disposal of fixed assets	398,847.65	398,847.65	3,058,057.10	3,058,057.10
External donations	2,355,266.25	2,355,266.25	3,252,505.50	3,252,505.50
Compensation expenses	6,292,024.75	6,292,024.75	–	–
Others	3,411,158.43	3,411,158.43	1,070,528.01	1,070,528.01
Total	12,457,297.08	12,457,297.08	7,381,090.61	7,381,090.61

49. Income Tax Expenses

RMB

Item	1 January to 30 June 2017	1 January to 30 June 2016
Current income tax based on tax law and relevant regulations	429,281,114.67	401,293,755.10
Adjustment for settlement of income tax for prior period	27,195,962.12	(650,734.33)
Deferred income tax	268,505,840.16	274,101,817.03
Total	724,982,916.95	674,744,837.80

Notes to the Financial Statements

For the period from 1 January to 30 June 2017

(V) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

49. Income Tax Expenses (Continued)

Under the Law of People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the income tax rate of PRC companies is 25% except for the following subsidiaries:

Some PRC subsidiaries of the Group were approved to enjoy the preferential tax rate of 15% under the Western China Development Plan in accordance with the EIT Law and relevant regulations during the reporting period; Please refer to Note (IV) for the preferential tax and its relevant approval.

Some PRC subsidiaries of the Group enjoys the preferential tax rate of 15% in Tibet Autonomous Region, Please refer to Note (IV) for details.

Some PRC subsidiaries of the Group as new enterprises in Kashi and Horgos of Xinjiang, two Special Economic Development Zones, were approved to enjoy exemption from enterprise income tax in accordance with the EIT Law and relevant regulations during the reporting period; Please refer to Note (IV) for the preferential tax and its relevant approval.

Reconciliation sheet for income tax expenses and accounting profit as follows:

	1 January to 30 June 2017	1 January to 30 June 2016
Accounting profit	2,881,473,498.82	2,603,961,638.21
Income tax expenses calculated as per 25% tax rate	720,368,374.71	650,990,409.55
Tax impact of non-deductible expenses	13,819,450.81	21,730,933.97
Tax impact of intra-Group debt waived (<i>Note</i>)	–	(16,250,000.00)
Tax impact of non-taxable income	(15,798,810.61)	(13,321,472.96)
Tax impact of unrecognised deductible loss and deductible temporary difference	95,109,167.61	71,735,927.14
Tax impact of utilising deductible loss and deductible temporary difference previously not recognised	(124,958.60)	(4,888,924.77)
Impact of different tax rate in subsidiaries in other jurisdictions	(115,586,269.09)	(34,601,300.80)
Difference from income tax annual settlement for prior year	27,195,962.12	(650,734.33)
Total	724,982,916.95	674,744,837.80

Note: Pursuant to the debt forgiveness arrangement between the Company and its certain subsidiaries, the Company would waive the irrecoverable debt due from these subsidiaries, and thus reducing the Group's income tax expenses.

Notes to the Financial Statements

For the period from 1 January to 30 June 2017

(V) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

50. Calculations of Basic and Diluted Earnings per Share

In calculating the basic earnings per share, net profit attributable to ordinary shareholders is shown in the table below:

	1 January to 30 June 2017	1 January to 30 June 2016
Net profit attributable to ordinary shareholders for the current period	2,045,171,145.99	1,856,425,762.55
Including: Net profit attributable to ongoing operations	2,045,171,145.99	1,856,425,762.55
Net profit attributable to terminated operations	–	–

RMB

	1 January to 30 June 2017	1 January to 30 June 2016
Number of ordinary shares issued at the beginning of the period	3,623,917,038	3,623,917,038
Add: Weighted average number of ordinary shares issued during the period	–	–
Less: Weighted average number of ordinary shares repurchased during the period	–	–
Weighted average number of ordinary shares issued at the end of the period	3,623,917,038	3,623,917,038

Unit: share

The Group has no dilutive ordinary share.

Notes to the Financial Statements

For the period from 1 January to 30 June 2017

(V) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

50. Calculations of Basic and Diluted Earnings per Share (Continued)

Earnings per share

RMB

	1 January to 30 June 2017	1 January to 30 June 2016
Calculated based on net profit attributable to shareholders of the Company:		
Basis earnings per share	0.56	0.51
Diluted earnings per share	N/A	N/A
Calculated based on ongoing operations net profit attributable to shareholders of the Company		
Basis earnings per share	0.56	0.51
Diluted earnings per share	N/A	N/A
Calculated based on terminated operations net profit attributable to shareholders of the Company:		
Basis earnings per share	–	–
Diluted earnings per share	N/A	N/A

51. Notes to the Cash Flow Statements

(1) Other cash received in connection with operating activities

RMB

	1 January to 30 June 2017	1 January to 30 June 2016
Deposits received	498,700,126.25	184,981,895.75
Proceeds collected and paid on behalf of others	102,156,419.85	169,857,203.49
Recovery of small loans	230,637,265.57	–
P2P investors's fund received	–	23,427,884.33
Non-operating income (Note)	21,221,701.83	12,943,262.33
Interest income	36,762,205.92	41,826,617.68
Total	889,477,719.42	433,036,863.58

Note: Mainly include income-related government grant and compensation for breach of contract received for the year.

Notes to the Financial Statements

For the period from 1 January to 30 June 2017

(V) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

51. Notes to the Cash Flow Statements (Continued)

(2) Other cash paid in connection with operating activities

RMB

	1 January to 30 June 2017	1 January to 30 June 2016
Payment of expenses and other proceeds	813,586,855.20	810,781,778.11
Bank charges and other expenses	4,683,896.15	–
Non-operating expenses	11,851,684.81	4,323,033.51
Small loans extended	219,308,650.00	–
Total	1,049,431,086.16	815,104,811.62

(3) Other cash received in connection with investing activities

RMB

	1 January to 30 June 2017	1 January to 30 June 2016
Current account (<i>Note</i>)	112,601,735.64	43,710,496.20
Recovery of the entrusted loan	15,491,454.66	4,800,000.00
Government grant related to assets	10,110,000.01	–
Interest income from loans	3,219,834.52	2,610,265.04
Redemption of the wealth management products	100,000,000.00	–
Recovery of restricted cash and bank	47,008,942.62	300,000.00
Fixed bank deposits due after over 3 months	135,268,633.99	93,757,608.56
Proceeds from disposal of associates	11,000,000.00	–
Total	434,700,601.44	145,178,369.80

Note: Mainly refer to collecting loans to associates, joint ventures and partners.

Notes to the Financial Statements

For the period from 1 January to 30 June 2017

(V) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

51. Notes to the Cash Flow Statements (Continued)

(4) Other cash paid in connection with investing activities

RMB

	1 January to 30 June 2017	1 January to 30 June 2016
Current account (<i>Note</i>)	340,873,767.15	432,275,692.83
Granting the entrusted loan	221,200,000.00	51,800,000.00
Payments of fixed income investment	–	5,000,000.00
Purchase of wealth management products	242,000,000.00	–
Restricted cash and bank	308,252,352.18	33,104,218.39
Fixed bank deposits due after over 3 months	208,700,281.20	68,694,386.95
Total	1,321,026,400.53	590,874,298.17

Note: Mainly refer to loans to associates, joint ventures and partners.

(5) Other cash received in connection with financing activities

RMB

	1 January to 30 June 2017	1 January to 30 June 2016
Current account (<i>Note</i>)	6,099,043.31	–
Total	6,099,043.31	–

Note: Current accounts include loans from related parties, partners and builders.

Notes to the Financial Statements

For the period from 1 January to 30 June 2017

(V) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

51. Notes to the Cash Flow Statements (Continued)

- (6) Other cash paid in connection with financing activities

	<i>RMB</i>	
	1 January to 30 June 2017	1 January to 30 June 2016
Current account (<i>Note 1</i>)	–	194,560,321.83
Loan charges	4,540,600.00	
Acquisition of non-controlling interest (<i>Note 2</i>)	–	13,450,000.00
Total	4,540,600.00	208,010,321.83

Note 1: Current accounts include loans from related parties and partners.

Note 2: Cash paid on acquisition of non-controlling interest refers to the residual consideration of RMB13,450,000.00 paid on acquisition of non-controlling interests of Zhengzhou Red Star in 2015 by the Group during the period from 1 January to 30 June 2016.

Notes to the Financial Statements

For the period from 1 January to 30 June 2017

(V) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

52. Supplementary Information to Cash Flows Statements

(1) Supplementary information to cash flows statements

RMB

Supplementary information	1 January to 30 June 2017	1 January to 30 June 2016
1. Reconciliation from net profit to cash flows from operating activities		
Net profit	2,156,490,581.87	1,929,216,800.41
Add: Gain on fair value changes	(960,437,111.54)	(856,983,362.13)
Impairment loss of assets	104,678,298.05	121,951,057.01
Depreciation of fixed assets	20,723,908.14	22,720,761.01
Amortization of intangible assets	12,847,815.28	10,455,819.31
Amortization of long-term prepaid expenses	29,529,022.42	30,599,857.60
Amortization of deferred income	(2,069,562.87)	(2,072,077.91)
Loss of disposal of fixed assets, intangible assets and other long-term assets	326,742.39	2,817,221.39
Financial expenses	557,893,200.96	438,712,297.95
Investment loss (gain)	(60,754,608.04)	(53,463,060.25)
Increase in deferred tax assets	(249,779,040.98)	(231,914,133.26)
Increase in deferred tax liabilities	802,418,609.77	506,015,950.28
Decrease (increase) in inventories	(17,179,890.45)	(10,764,351.32)
Decrease (increase) in operating receivables	(302,961,768.88)	(221,854,505.21)
Increase (decrease) in operating payables	424,424,518.27	(221,308,372.72)
Net cash flow from operating activities	2,516,150,714.39	1,464,129,902.16
2. Significant non-cash investment and financing activities:		
Conversion of debt into capital	—	—
Convertible bonds due within six months	—	—
Fixed assets held under a finance lease	—	—
3. Changes in cash and cash equivalents:		
Cash at end of period	7,173,795,920.43	5,427,379,118.16
Less: cash at beginning of period	5,892,424,707.42	5,848,464,401.64
Add: cash equivalents at end of period	—	—
Less: cash equivalents at beginning of period	—	—
Net increase (decrease) in cash and cash equivalents	1,281,371,213.01	(421,085,283.48)

Notes to the Financial Statements

For the period from 1 January to 30 June 2017

(V) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

52. Supplementary Information to Cash Flows Statements (Continued)

(2) Net cash paid for (received from) the acquisition of subsidiaries in current period

RMB

Supplementary information	1 January to 30 June 2017	1 January to 30 June 2016
Cash and cash equivalents paid on business combination in current period	244,072,700.00	50,000,000.00
Including: Tenghui logistics	–	50,000,000.00
Xining Runling Real Estate Development Co., Ltd.		
– equity acquisition	72,162,700.00	–
Xining Runling Real Estate Development Co., Ltd.		
– other (<i>note</i>)	171,790,000.00	–
Shanghai Muye Asset Management Co., Ltd	120,000.00	–
Less: acquisition of cash and cash equivalents of subsidiary on acquisition date	48,516.23	3,375,383.27
Including: Tenghui logistics	–	3,375,383.27
Xining Runling Real Estate Development Co., Ltd	48,516.23	–
Net cash paid for (received from) the acquisition of subsidiaries	244,024,183.77	46,624,616.73

Note: Shareholder loans provided by the Group to Xining Runling Real Estate Development Co., Ltd while acquiring its equity interests were used for its debt service and releasing mortgage arrangements.

Notes to the Financial Statements

For the period from 1 January to 30 June 2017

(V) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

52. Supplementary Information to Cash Flows Statements (Continued)

(3) Net cash received from (paid to) the disposal of subsidiaries in current period

RMB

	1 January to 30 June 2017	1 January to 30 June 2016
Cash and cash equivalents received from the disposal of subsidiaries in the current period	101,069,200.00	1,492,000.00
– Xingdian Home Decorating	–	96,000.00
– Xingshidai Home Decorating Design	–	150,000.00
– Jinlilong Home Decorating	–	926,000.00
– Chengdu Shangding	–	320,000.00
– Shanghai Jiajinsuo Financial Information Service Co., Ltd	96,069,200.00	–
– Yantai Red Star International Home Furnishing Management Co., Ltd	5,000,000.00	–
Less: cash and cash equivalents held by subsidiaries on the date of losing control	82,742,069.48	4,909,768.61
– Xingdian Home Decorating	–	954,561.30
– Xingshidai Home Decorating Design	–	928,081.00
– Jinlilong Home Decorating	–	1,851,840.62
– Chengdu Shangding	–	1,175,285.69
– Shanghai Jiajinsuo Financial Information Service Co., Ltd	82,531,407.09	–
– Yantai Red Star International Home Furnishing Management Co., Ltd	210,662.39	–
Net cash paid to the disposal of subsidiaries	18,327,130.52	(3,417,768.61)

Notes to the Financial Statements

For the period from 1 January to 30 June 2017

(V) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

52. Supplementary Information to Cash Flows Statements (Continued)

(4) Composition of cash and cash equivalents

RMB

Item	1 January to 30 June 2017	1 January to 30 June 2016
I. Cash	7,173,795,920.43	5,427,379,118.16
Including: Cash on hand	12,410,148.32	8,331,804.90
Bank deposits always available for payment	7,161,385,772.11	5,419,047,313.26
II. Cash equivalents	–	–
III. Closing balance of cash and cash equivalents	7,173,795,920.43	5,427,379,118.16

Cash and cash equivalents exclude restricted cash and cash equivalents of the Company and subsidiaries as well as the time deposits due over 3 months.

Notes to the Financial Statements

For the period from 1 January to 30 June 2017

(V) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

53. Assets with Restricted Ownership or Use Right

RMB

Item	30 June 2017	31 December 2016	Causes
Cash and bank	37,103,391.56	70,460,665.31	Pledge loans
Cash and bank	–	6,254,877.90	Investment from bank custodial investor
Cash and bank	2,501,616.73	–	Retention money
Cash and bank	9,000,000.00	9,000,000.00	Frozen capital by courts
Cash and bank	300,353,944.48	2,000,000.00	Investment in company
Investment properties	52,966,600,000.00	47,466,000,000.00	Mortgage loans
Long-term equity investments (note)	578,394,474.16	573,895,326.08	For pledge, mortgage and guarantee for related parties
Total	53,893,953,426.93	48,127,610,869.29	

Note: The amounts as at 30 June 2017 and 31 December 2016 included the equity interest in subsidiaries of RMB445,000,000.00 was used for loan pledge and related party guarantee.

On 30 June 2017, all operating incomes of Shanghai Zhenbei Shopping Mall, Zhengzhou Red Star Shopping Mall, Chengdu Changyi Shopping Mall, Shanghai Jinqiao Shopping Mall, Shenyang Tiexi Shopping Mall, Harbin West Railway Station Shopping Mall, Shanghai Xinglong Shopping Mall and Beijing West Fourth Ring Shopping Mall during the relevant loan period were used for loan pledge.

54. Foreign Currency Monetary Item

RMB

Item	30 June 2017			31 December 2016		
	Amount of foreign currency	Exchange rate	Amount of RMB	Amount of foreign currency	Exchange rate	Amount of RMB
Cash and bank						
US dollars	805,607.49	6.9752	5,619,275.46	14,963.34	6.4758	96,899.54
HK dollars	122,302.24	0.8679	106,148.56	125,454.11	0.8937	112,113.08
Total	–	–	5,725,424.02	–	–	209,012.62

Notes to the Financial Statements

For the period from 1 January to 30 June 2017

(VI) CHANGE OF CONSOLIDATION SCOPE

1. Business Combination not Under Common Control

(1) Business combination not under common control in current period

RMB

Name of the acquirees	Date of acquisition	Cost on equity acquisition	Percentage of equity acquired (%)	Acquisition method	Date of acquisition	Determination basis for the acquisition date	Income of the acquiree from the acquisition date to the end of the year	Net profit of the acquiree from the acquisition date to the end of the year
Shanghai Muye Asset Management Co., Ltd	30 June 2017	120,000.00	100.00	Cash	30 June 2017	The combination date is the date on which the acquirer effectively obtains control of the acquirees	-	-

(2) Combination cost and goodwill

RMB

Combination cost	Shanghai Muye Asset Management Co., Ltd
Cash	120,000.00
The fair value of the previously-held equity interest on acquisition date	-
Total combination cost	120,000.00
Less: Acquired interest in the fair value of identifiable net assets	120,000.00
Goodwill	-
Amount that the combination cost is less than the acquired interest in the fair value of identifiable net assets	-

Notes to the Financial Statements

For the period from 1 January to 30 June 2017

(VI) CHANGE OF CONSOLIDATION SCOPE (Continued)

1. Business Combination not Under Common Control (Continued)

(3) Acquiree's identifiable assets and liabilities on the acquisition date

RMB

Combination cost	Intellectual property agency	
	Fair value on acquisition date	Carrying value on acquisition date
Assets:		
Other assets	138,500.00	138,500.00
Liability: :		
Other payables	18,500.00	18,500.00
Net assets	120,000.00	120,000.00
Less: non-controlling interests	—	
Net assets	120,000.00	

The management of the Company considers that there is no significant difference between the fair value and the carrying amount of the identifiable net assets and liabilities mentioned above.

2. Acquisition of Assets

RMB

Name of the acquired assets	Date of acquisition	Cost on acquisition	Percentage of equity acquired (%)	Acquisition method	Date of acquisition	Determination basis for the acquisition date
Xining Runling Real Estate Development Co., Ltd. (Xining Runling)	20 February 2017	72,162,700.00	100.00%	Cash	20 February 2017	The date on which the acquirer effectively obtains control of the acquirees

In 2017, the Group acquired Xining Runling from a third-party Minmetals Real Estate Hunan Development Co., Ltd. Xining Runling holds a land that can be used for the development of home furnishing shopping malls. The management of the Company considers that the above acquisition did not constitute a business acquisition and was deemed as an asset acquisition.

Notes to the Financial Statements

For the period from 1 January to 30 June 2017

(VI) CHANGE OF CONSOLIDATION SCOPE (Continued)

2. Acquisition of Assets (Continued)

- (a) Assets and liabilities carrying value of the acquiree on the acquisition date

RMB

	Xining Runling	
	Fair value on acquisition date	Carrying value on acquisition date
Assets:		
Cash and bank	48,516.23	48,516.23
Investment properties	296,159,686.72	228,604,589.46
Liability:		
Taxes payables	55,404.85	55,404.85
Other payables	223,990,098.10	223,990,098.10
Net assets	72,162,700.00	4,607,602.74
Less: Non-controlling interests	–	
Acquired net assets	72,162,700.00	

Notes to the Financial Statements

For the period from 1 January to 30 June 2017

(VI) CHANGE OF CONSOLIDATION SCOPE (Continued)

3. Disposals of subsidiaries

(1) The period from 1 January to 30 June 2017

RMB

Name of Subsidiary	Amount of disposal for equity	Ratio of disposal for equity	Mode of disposal for equity	Time of control ceases	Basis for determining the time of control ceases	Differences arising from between disposal amount and proportion of net assets held by disposal investment for the range of consolidated financial statements	Ratio of the remaining equity at the date of control ceased	Book value of the remaining equity at the date of control ceased	Fair value of the remaining equity at the date of control ceased	Gain or loss arising from the remaining equity re-measured at fair value	Recognition and key assumptions for fair value of the remaining equity at the date of ceased control
Shanghai Jiajinsuo Financial Information Service Co. Ltd. (note 1)	96,069,200.00	100.00%	Sale shares	19 May 2017	Based on the date of losing decision-making right for the production and operation of Shanghai Jiajinsuo Financial Information Service Co. Ltd.	2,866,278.24	-	-	-	-	N/A
Yantai Red Star International Home Management Co., Ltd. ("Yantai International") (note 2)	5,000,000.00	100.00%	Sale shares	17 April 2017	Based on the date of losing the decision-making right for the production and operation of Yantai Red Star International Home Management Co., Ltd.	1,693,582.95	-	-	-	-	N/A

Note 1: The Group transferred all the shares in subsidiaries to RSM Holding.

Note 2: The Group transferred all the equity interests in Yantai international to a third party. Subsidiaries of Yantai international, including Shanghai Red Star Macalline Advertising Company Limited, Shanghai Hongmei E-commerce Company Limited, Shanghai Meihao Home Decorating Design Company Limited, Henan Xixiliya Property Management Company Limited, Shanghai Red Star Macalline Intellectual Property Agency Company Limited, Shanghai Jia Ju Information Technology Co., Ltd. and Zhengzhou Juankai Enterprise Management Consultation Company Limited were disposed of.

Notes to the Financial Statements

For the period from 1 January to 30 June 2017

(VI) CHANGE OF CONSOLIDATION SCOPE (Continued)

4. Other Reasons for Consolidation Scope Changes

(1) The period from 1 January to 30 June 2017

Company Abbreviation	Company Name	Main business site	Place of incorporation	Nature of business	Shareholding ratio		Reasons for change
					Direct	Indirect	
Newly-incorporated and be included in consolidation scope subsidiaries:							
Changzhou business management	Changzhou Red Star Plaza Business Management Co., Ltd	Jiangsu	Jiangsu	Site leasing management	-	80%	Newly-established company
Xinjiang Macalline Enterprise Management Co., Ltd	Red Star Macalline Enterprise Management Consulting Co., Ltd	Xinjiang Autonomous Region	Xinjiang Autonomous Region	Consultancy	100%	-	Newly-established company
Red Star Ogloria	Red Star Ogloria Enterprise Management Company Limited	Xinjiang Autonomous Region	Xinjiang Autonomous Region	Consultancy	-	100%	Newly-established company
Khorgos Xingyijia	Khorgos Red Star Macalline Business Management Company Limited	Xinjiang Autonomous Region	Xinjiang Autonomous Region	Consultancy	-	100%	Newly-established company
Nanchang Red Star	Nanchang Red Star Macalline Global Home Furnishing Plaza Company Limited	Jiangxi	Jiangxi	Site leasing management	51%	-	Newly-established company
Shaanxi Macalline Logistics	Shaanxi Red Star Macalline Logistics Company Limited	Shaanxi	Shaanxi	Logistics	-	100%	Newly-established company
Fanju Network Technology	Shanghai Fanju Network Technology Company Limited	Shanghai	Shanghai	Network Technology	-	61%	Newly-established company
Labor Dispatch Company	Shanghai Red Star Macalline Labor Dispatch Company Limited	Shanghai	Shanghai	Labour despatching	100%	-	Newly-established company
Jiajinsuo Financial Technology	Shanghai Jiajinsuo Financial Technology Information Services Company Limited	Shanghai	Shanghai	Investment management	-	70%	Newly-established company
Yantai Xinhua	Yantai Xinhua Enterprise Management Company Limited	Shandong	Shandong	Consultancy	-	100%	Newly-established company

Notes to the Financial Statements

For the period from 1 January to 30 June 2017

(VI) CHANGE OF CONSOLIDATION SCOPE (Continued)

4. Other Reasons for Consolidation Scope Changes (Continued)

(1) The period from 1 January to 30 June 2017 (Continued)

Company Abbreviation	Company Name	Main business site	Place of incorporation	Nature of business	Shareholding ratio		Reasons for change
					Direct	Indirect	
Chongqing Macalline Logistics	Chongqing Red Star Macalline Logistics Company Limited	Chongqing	Chongqing	Logistics	-	100%	Newly-established company
Macalline International Trade	Shanghai Red Star Macalline International Trading Company Limited	Shanghai	Shanghai	Import and export	55%	-	Newly-established company
Be cancelled and no longer included in consolidation scope subsidiaries:							
Shanghai Yongdian	Shanghai Yongdian Home Decorating Design Company Limited ("Shanghai Yongdian")	Shanghai	Shanghai	Home decoration	-	100%	Cancellation
Subsidiaries that are no longer included in consolidation scope due to capital increase from other investors							
None							

Notes to the Financial Statements

For the period from 1 January to 30 June 2017

(VII) INTERESTS IN OTHER ENTITIES

1. Interests in Subsidiaries

(1) Constitution of subsidiaries

(a) The period from 1 January to 30 June 2017

Company Abbreviation	Company Name	Main business site	Place of incorporation	Nature of business	Shareholding ratio		Acquisition method
					Direct	Indirect	
Changzhou Macalline	Changzhou Macalline International Computer and Electronics Furnishing Plaza Co., Ltd.	Jiangsu	Jiangsu	Site leasing management	100%	–	Business combinations under common control
Changzhou Worldwide	Changzhou Worldwide Home Furnishing Plaza Company Limited ("Changzhou Worldwide")	Jiangsu	Jiangsu	Site leasing management	100%	–	Business combinations under common control
Wuxi Red Star	Wuxi Red Star International Home Furnishing Company Limited	Jiangsu	Jiangsu	Site leasing management	90%	10%	Business combinations under common control
Lianyungang Red Star	Lianyungang Red Star International Home Furnishing Plaza Company Limited	Jiangsu	Jiangsu	Site leasing management	60%	40%	Business combinations under common control
Nanjing Furnishing Mall	Nanjing Red Star International Home Furnishing Mall Company Limited	Jiangsu	Jiangsu	Site leasing management	100%	–	Business combinations under common control
Nanjing Mingdu	Nanjing Mingdu Home Furnishing Plaza Company Limited ("Nanjing Mingdu")	Jiangsu	Jiangsu	Site leasing management	60%	40%	Business combinations under common control
Shanghai Decorative Mall	Shanghai Red Star Macalline Decorative Furniture Mall Co., Ltd	Shanghai	Shanghai	Site leasing management	89%	5%	Business combinations under common control
Shanghai Global Home Furnishing	Shanghai Red Star Macalline Global Home Furnishing Company Limited	Shanghai	Shanghai	Site leasing management	100%	–	Business combinations under common control
Shanghai Shanhai Art Furniture	Shanghai Shanhai Art Furniture Company Limited	Shanghai	Shanghai	Site leasing management	–	100%	Business combinations under common control
Hongxin Oukai (note 6)	Shanghai Hongxin Oukai Home Furnishing Company Limited	Shanghai	Shanghai	Site leasing management	50%	–	Business combinations not under common control
Xinwei Property	Shanghai Xinwei Property Company Limited	Shanghai	Shanghai	Site leasing management	40%	56%	Business combinations not under common control

Notes to the Financial Statements

For the period from 1 January to 30 June 2017

(VII) INTERESTS IN OTHER ENTITIES (Continued)

1. Interests in Subsidiaries (Continued)

(1) Constitution of subsidiaries (Continued)

(a) The period from 1 January to 30 June 2017 (Continued)

Company Abbreviation	Company Name	Main business site	Place of incorporation	Nature of business	Shareholding ratio		Acquisition method
					Direct	Indirect	
Shanghai Management	Shanghai Red Star Macalline Home Furnishing Market Management Company Limited	Shanghai	Shanghai	Market company	90%	–	Business combinations under common control
Changsha Furniture	Changsha Red Star Macalline Home Furnishing Plaza Company Limited	Hunan	Hunan	Site leasing management	100%	–	Acquisition by the company through establishment or investment
Changsha Home Furnishing Expo	Changsha Red Star Macalline International Home Furnishing Art Expo Company Limited ("Changsha International")	Hunan	Hunan	Site leasing management	100%	–	Business combinations under common control
Jinan Red Star (note 5)	Jinan Red Star Macalline Shibo Home Living Plaza Company Limited	Shandong	Shandong	Site leasing management	70%	–	Business combinations under common control
Chengdu Red Star	Chengdu Red Star Macalline Shibo Home Living Plaza Company Limited	Sichuan	Sichuan	Site leasing management	100%	–	Business combinations under common control
Zhengzhou Red Star (note 4)	Zhengzhou Red Star Macalline International Home Furnishing Company Limited	Henan	Henan	Site leasing management, Real Estate Development	51%	9.3%	Business combinations under common control
Changzhou Market	Changzhou Red Star Macalline Home Furnishing and Decorating Market Company Limited ("Changzhou Home Furnishing")	Jiangsu	Jiangsu	Market company	–	100%	Business combinations under common control
Shanghai Decorating Market	Shanghai Red Star Macalline Home Furnishing and Decorating Market Management Company Limited ("Shanghai Home Furnishing")	Shanghai	Shanghai	Market company	45%	51.7%	Business combinations under common control
Zhengzhou Management	Zhengzhou Red Star Macalline Global Home Living Plaza Management Company Limited	Henan	Henan	Market company	51%	–	Business combinations not under common control

Notes to the Financial Statements

For the period from 1 January to 30 June 2017

(VII) INTERESTS IN OTHER ENTITIES (Continued)

1. Interests in Subsidiaries (Continued)

(1) Constitution of subsidiaries (Continued)

(a) The period from 1 January to 30 June 2017 (Continued)

Company Abbreviation	Company Name	Main business site	Place of incorporation	Nature of business	Shareholding ratio		Acquisition method
					Direct	Indirect	
Shanghai Global Home Furnishing	Shanghai Red Star Macalline Global Home Furnishing Design Expo Company Limited ("Shanghai Global")	Shanghai	Shanghai	Site leasing management	-	94%	Acquisition by the company through establishment or investment
Hangzhou Shibo Furniture	Hangzhou Red Star Macalline Shibo Furniture Plaza Company Limited ("Hangzhou Shibo Furniture")	Zhejiang	Zhejiang	Site leasing management	100%	-	Acquisition by the company through establishment or investment
Chengdu Changyi (note 6)	Chengdu Changyi Red Star Macalline Home Living Market Management Company Limited	Sichuan	Sichuan	Site leasing management	-	50%	Business combinations not under common control
Red Star Macalline Brand Management	Shanghai Red Star Macalline Brand Management Company Limited ("Shanghai Brand Management")	Shanghai	Shanghai	Brand management	100%	-	Acquisition by the company through establishment or investment
Chongqing Global Home Furnishing	Chongqing Red Star Macalline Global Home Furnishing Plaza Company Limited ("Chongqing Global")	Chongqing	Chongqing	Site leasing management	100%	-	Acquisition by the company through establishment or investment
Chongqing Shibo Home Furnishing	Chongqing Red Star Macalline Global Home Furnishings Plaza Co., Ltd.	Chongqing	Chongqing	Site leasing management	100%	-	Business combinations under common control
Wuhan Red Star	Wuhan Red Star Macalline Shibo Home Living Plaza Company Limited	Hubei	Hubei	Site leasing management	100%	-	Acquisition by the company through establishment or investment
Beijing Xingkai Jingzhou	Beijing Xingkai Jingzhou Furniture Plaza Company Limited	Beijing	Beijing	Site leasing management	-	51%	Acquisition by the company through establishment or investment
Shanghai Home Furnishing Expo	Shanghai Red Star Macalline Home Furnishing Design Expo Company Limited ("Shanghai Design Expo")	Shanghai	Shanghai	Site leasing management	100%	-	Acquisition by the company through establishment or investment

Notes to the Financial Statements

For the period from 1 January to 30 June 2017

(VII) INTERESTS IN OTHER ENTITIES (Continued)

1. Interests in Subsidiaries (Continued)

(1) Constitution of subsidiaries (Continued)

(a) The period from 1 January to 30 June 2017 (Continued)

Company Abbreviation	Company Name	Main business site	Place of incorporation	Nature of business	Shareholding ratio		Acquisition method
					Direct	Indirect	
Shanghai Dingsheng	Shanghai Dingsheng Construction Management and Design Company Limited	Shanghai	Shanghai	Engineering design	-	100%	Business combinations not under control
Shanghai Global Market	Shanghai Red Star Macalline Global Home Furnishing Market Management Company Limited ("Shanghai Global Market")	Shanghai	Shanghai	Market company	-	99.4%	Acquisition by the company through establishment or investment
Yantai Red Star <i>(note 4)</i>	Yantai Red Star Macalline Home Furnishing Company Limited	Shandong	Shandong	Site leasing management	100%	-	Acquisition by the company through establishment or investment
Shenyang Mingdu	Shenyang Mingdu Home Furnishing Plaza Company Limited	Liaoning	Liaoning	Site leasing management	60%	-	Acquisition by the company through establishment or investment
Beijing Europe and America Business <i>(note 5)</i>	Beijing Century Europe and America Business Investment Company Limited	Beijing	Beijing	Site leasing management	-	80%	Acquisition by the company through establishment or investment
Chongqing Expo Home Furnishing	Chongqing Red Star Macalline Expo Home Furnishing Plaza Company Limited ("Chongqing Expo")	Chongqing	Chongqing	Site leasing management	100%	-	Acquisition by the company through establishment or investment
Changsha Yinhong	Changsha Yinhong Home Furnishing Company Limited ("Changsha Yinhong")	Hunan	Hunan	Site leasing management	100%	-	Acquisition by the company through establishment or investment
Shanghai Jingdu	Shanghai Jingdu Investment Company Limited	Shanghai	Shanghai	Investment management	51%	-	Acquisition by the company through establishment or investment
Tianjin Home Furnishings Plaza	Tianjin Red Star Macalline Home Furnishings Plaza Co., Ltd	Tianjin	Tianjin	Site leasing management	100%	-	Acquisition by the company through establishment or investment

Notes to the Financial Statements

For the period from 1 January to 30 June 2017

(VII) INTERESTS IN OTHER ENTITIES (Continued)

1. Interests in Subsidiaries (Continued)

(1) Constitution of subsidiaries (Continued)

(a) The period from 1 January to 30 June 2017 (Continued)

Company Abbreviation	Company Name	Main business site	Place of incorporation	Nature of business	Shareholding ratio		Acquisition method
					Direct	Indirect	
Panjin Red Star (note 1)	Panjin Red Star Macalline Global Home Furnishings Plaza Co., Ltd.	Liaoning	Liaoning	Site leasing management	100%	-	Acquisition by the company through establishment or investment
Red Star Consulting	Shanghai Red Star Macalline Business Consulting Company Limited ("Shanghai Business Consulting")	Shanghai	Shanghai	Investment management	65%	-	Acquisition by the company through establishment or investment
Shenyang Home Furnishing	Shenyang Red Star Macalline Home Furnishing Company Limited	Liaoning	Liaoning	Site leasing management	100%	-	Acquisition by the company through establishment or investment
Xingkai Chengpeng	Shanghai Xingkai Chengpeng Business Management Company Limited	Shanghai	Shanghai	Investment management	100%	-	Business combinations under common control
Hongmei E-Commerce	Shanghai Hongmei E-Commerce Company Limited ("Hongmei E-Commerce")	Shanghai	Shanghai	E-commerce	-	100%	Business combinations under common control
Changzhou Hongyang (note 5)	Changzhou Hongyang Home Furnishing Plaza Company Limited	Jiangsu	Jiangsu	Site leasing management	-	51%	Business combinations under common control
Red Star Trading	Shanghai Red Star Macalline Trading Company Limited ("Shanghai Trading")	Shanghai	Shanghai	Investment management	100%	-	Acquisition by the company through establishment or investment
Haerbin Red Star	Haerbin Red Star Macalline Shibo Furniture Plaza Company Limited	Heilongjiang	Heilongjiang	Site leasing management	100%	-	Acquisition by the company through establishment or investment
Xingjia Building Materials	Shanghai Xingjia Decoration and Building Materials Company Limited	Shanghai	Shanghai	Construction material markets	-	100%	Acquisition by the company through establishment or investment

Notes to the Financial Statements

For the period from 1 January to 30 June 2017

(VII) INTERESTS IN OTHER ENTITIES (Continued)

1. Interests in Subsidiaries (Continued)

(1) Constitution of subsidiaries (Continued)

(a) The period from 1 January to 30 June 2017 (Continued)

Company Abbreviation	Company Name	Main business site	Place of incorporation	Nature of business	Shareholding ratio		Acquisition method
					Direct	Indirect	
Chongqing Zhongkun	Chongqing Red Star Macalline Zhongkun Home Living Plaza Company Limited*	Chongqing	Chongqing	Site leasing management	55%	-	Acquisition by the company through establishment or investment
Zhongshan shibo	Zhongshan Red Star Macalline Shibo Furniture Plaza Company Limited	Guangdong	Guangdong	Site leasing management	100%	-	Acquisition by the company through establishment or investment
Shenyang Dadong	Shenyang Dadong Red Star Macalline Home Furnishing Company Limited ("Shenyang Dadong")	Liaoning	Liaoning	Site leasing management	100%	-	Acquisition by the company through establishment or investment
Wuxi Home Furnishing	Wuxi Red Star Macalline Home Furnishing Plaza Company Limited	Jiangsu	Jiangsu	Site leasing management	100%	-	Business combinations not under common control
Xi'an Home Furnishing	Xi'an Red Star Macalline Home Furnishing Plaza Company	Shaanxi	Shaanxi	Site leasing management	75%	-	Acquisition by the company through establishment or investment
Daqing Shibo Furniture	Daqing Red Star Macalline Shibo Furniture Company Limited	Heilongjiang	Heilongjiang	Site leasing management	70%	-	Acquisition by the company through establishment or investment
Langfang Kaihong Home Living	Langfang Kaihong Home Living Plaza Company Limited*	Hebei	Hebei	Site leasing management	70%	-	Business combinations not under control
Changzhou Jiapindao	Changzhou Jiapindao Home Furnishing and Decorating Company Limited ("Changzhou Jiapindao")	Jiangsu	Jiangsu	Self-managed sale	-	100%	Acquisition by the company through establishment or investment
Beijing Furnishing Market	Beijing Red Star Macalline Furnishing Market Company Limited	Beijing	Beijing	Brand management	-	100%	Acquisition by the company through establishment or investment

Notes to the Financial Statements

For the period from 1 January to 30 June 2017

(VII) INTERESTS IN OTHER ENTITIES (Continued)

1. Interests in Subsidiaries (Continued)

(1) Constitution of subsidiaries (Continued)

(a) The period from 1 January to 30 June 2017 (Continued)

Company Abbreviation	Company Name	Main business site	Place of incorporation	Nature of business	Shareholding ratio		Acquisition method
					Direct	Indirect	
Wuhan Global Home Furnishing	Wuhan Red Star Macalline Global Home Furnishing Plaza Development Company Limited ("Wuhan Global")	Hubei	Hubei	Commodity rental	100%	–	Acquisition by the company through establishment or investment
Beijing Century Kailong	Beijing Century Kailong Business Investment Company Limited ("Beijing Century Kailong")	Beijing	Beijing	Site leasing management	100%	–	Acquisition by the company through establishment or investment
Tianjin Fashion	Tianjin Red Star Macalline Home Fashion Plaza Company Limited ("Tianjin Fashion")	Tianjin	Tianjin	Site leasing management	100%	–	Acquisition by the company through establishment or investment
Shanghai Red Star Ogloria	Shanghai Red Star Ogloria Home Living Market Management Company Limited*	Shanghai	Shanghai	Market company	100%	–	Acquisition by the company through establishment or investment
Hefei Shibo Furniture	Hefei Red Star Macalline Shibo Furniture Plaza Company Limited	Anhui	Anhui	Commodity rental	100%	–	Acquisition by the company through establishment or investment
Nanjing International Home Living	Nanjing Red Star Macalline International Home Living Company Limited	Jiangsu	Jiangsu	Commodity rental	100%	–	Acquisition by the company through establishment or investment
Yijia Decorating	Shanghai Red Star Macalline Yijia Home Decorating Company Limited ("Shanghai Yijia")	Shanghai	Shanghai	home decoration	–	100%	Acquisition by the company through establishment or investment
Xingyitong	Shanghai Xingyi Tonghui Business Service Company Limited	Shanghai	Shanghai	Business services	100%	–	Acquisition by the company through establishment or investment

Notes to the Financial Statements

For the period from 1 January to 30 June 2017

(VII) INTERESTS IN OTHER ENTITIES (Continued)

1. Interests in Subsidiaries (Continued)

(1) Constitution of subsidiaries (Continued)

(a) The period from 1 January to 30 June 2017 (Continued)

Company Abbreviation	Company Name	Main business site	Place of incorporation	Nature of business	Shareholding ratio		Acquisition method
					Direct	Indirect	
Youmei Home	Shanghai Youmei Home Furnishing Company Limited ("Shanghai Youmei")	Shanghai	Shanghai	Self-managed sale	-	100%	Acquisition by the company through establishment or investment
Tianjin International Expo	Tianjin Red Star Macalline International Home Furnishing Expo Company Limited ("Tianjin International Expo")	Tianjin	Tianjin	Commodity rental	65%	-	Acquisition by the company through establishment or investment
Tianjin World Trade	Tianjin Red Star Macalline World Trade Home Furnishing Company Limited ("Tianjin World Trade")	Tianjin	Tianjin	Commodity rental	100%	-	Acquisition by the company through establishment or investment
Haerbin International home furnishing	Haerbin Red Star Macalline International Home Furnishing Company Limited	Haerbin	Haerbin	Commodity rental	100%	-	Acquisition by the company through establishment or investment
Fengdilong Decorating	Shanghai Fengdilong Home Decorating Design Company Limited	Shanghai	Shanghai	Home decoration	-	80%	Acquisition by the company through establishment or investment
Changchun Red Star	Changchun Red Star Macalline Shibo Home Living Plaza Company Limited	Jilin	Jilin	Commodity rental	70%	-	Acquisition by the company through establishment or investment
Xizhao Investment	Red Star Xizhao Investment Company Limited ("Xizhao Investment")	Xizang	Xizang	Investment management	90%	-	Acquisition by the company through establishment or investment
Red Star Mall Management	Red Star Macalline Home Furnishing Mall Management Company Limited ("RSM Mall Management")	Xizang	Xizang	Investment management	100%	-	Acquisition by the company through establishment or investment

Notes to the Financial Statements

For the period from 1 January to 30 June 2017

(VII) INTERESTS IN OTHER ENTITIES (Continued)

1. Interests in Subsidiaries (Continued)

(1) Constitution of subsidiaries (Continued)

(a) The period from 1 January to 30 June 2017 (Continued)

Company Abbreviation	Company Name	Main business site	Place of incorporation	Nature of business	Shareholding ratio		Acquisition method
					Direct	Indirect	
Shanghai Jiading	Shanghai Jiading Construction Home Decorating Design Company Limited	Shanghai	Shanghai	home decoration	-	80%	Acquisition by the company through establishment or investment
Yangzhou International	Yangzhou Red Star Macalline International Home Furnishing Plaza Company Limited ("Yangzhou International")	Jiangsu	Jiangsu	Brand management	100%	-	Acquisition by the company through establishment or investment
Changsha Yali	Changsha Yali Home Decorating Design Company Limited	Changsha	Changsha	home decoration	-	70%	Acquisition by the company through establishment or investment
Shanghai Longmei	Shanghai Red Star Macalline Longmei Home Furnishing Market Management Company Limited ("Shanghai Longmei")	Shanghai	Shanghai	Market company	100%	-	Acquisition by the company through establishment or investment
Chongqing Jiaxin	Chongqing Jiaxin Home Decorating Design Company Limited	Chongqing	Chongqing	Home decoration	-	70%	Acquisition by the company through establishment or investment
Sunan Construction	Jiangsu Sunan Construction Company Limited	Jiangsu	Jiangsu	Building construction	100%	-	Business combinations under common control
Shenyang Shibo Home Furnishing	Shenyang Red Star Macalline Shibo Home Furnishing Company Limited	Liaoning	Liaoning	Site leasing management	73%	-	Acquisition by the company through establishment or investment
Construction and Furnishing Materials Trading	Shanghai Red Star Macalline Bulk Purchasing of Construction and Furnishing Materials Trading Company	Shanghai	Shanghai	Site leasing management	100%	-	Acquisition by the company through establishment or investment
Shenyang Expo	Shenyang Red Star Macalline Home Living Expo Company Limited	Liaoning	Liaoning	Site leasing management	100%	-	Business combinations under common control

Notes to the Financial Statements

For the period from 1 January to 30 June 2017

(VII) INTERESTS IN OTHER ENTITIES (Continued)

1. Interests in Subsidiaries (Continued)

(1) Constitution of subsidiaries (Continued)

(a) The period from 1 January to 30 June 2017 (Continued)

Company Abbreviation	Company Name	Main business site	Place of incorporation	Nature of business	Shareholding ratio		Acquisition method
					Direct	Indirect	
Lanzhou Shibo	Lanzhou Red Star Macalline Shibo Home Furnishing Plaza Company Limited	Gansu	Gansu	Site leasing management	100%	–	Acquisition by the company through establishment or investment
Jisheng Wellborn Brand Management	Shanghai Jisheng Wellborn Global Home Furnishing Brand Management Company Limited	Shanghai	Shanghai	Management consultancy	100%	–	Acquisition by the company through establishment or investment
Shanghai Decorating and Furnishing Market	Shanghai Red Star Macalline Home Decorating and Furnishing Market Management Company Limited	Shanghai	Shanghai	Brand management	–	100%	Acquisition by the company through establishment or investment
Macalline Network Technology	Shanghai Red Star Macalline Network Technology Company Limited	Shanghai	Shanghai	E-commerce	–	100%	Acquisition by the company through establishment or investment
Decorating Public Network Technonlogy	Shanghai Red Star Macalline Decorating Public Network Technology Company Limited	Shanghai	Shanghai	E-commerce	–	100%	Acquisition by the company through establishment or investment
Urumchi Red Star	Urumchi Red Star Macalline Shibo Furniture Plaza Company Limited	Xinjiang	Xinjiang	Site leasing management	100%	–	Acquisition by the company through establishment or investment
Dongguan Red Star	Dongguan Red Star Macalline Shibo Furniture Plaza Company Limited	Dongguan	Dongguan	Site leasing management	70%	–	Acquisition by the company through establishment or investment
Anjia Network	Shanghai Anjia Network Technology Company Limited	Shanghai	Shanghai	E-commerce	–	100%	Acquisition by the company through establishment or investment

Notes to the Financial Statements

For the period from 1 January to 30 June 2017

(VII) INTERESTS IN OTHER ENTITIES (Continued)

1. Interests in Subsidiaries (Continued)

(1) Constitution of subsidiaries (Continued)

(a) The period from 1 January to 30 June 2017 (Continued)

Company Abbreviation	Company Name	Main business site	Place of incorporation	Nature of business	Shareholding ratio		Acquisition method
					Direct	Indirect	
Aiguangjia E-Commerce	Shanghai Aiguangjia E-commerce Company Limited	Shanghai	Shanghai	E-commerce	-	100%	Acquisition by the company through establishment or investment
HongmeiNetwork Technology	Shanghai Hongmei Network Technology Company Limited	Shanghai	Shanghai	E-commerce	-	100%	Acquisition by the company through establishment or investment
Chengdu Red Star Ogloria	Chengdu Red Star Ogloria Brand Management Company Limited	Chengdu	Chengdu	Brand management	-	100%	Acquisition by the company through establishment or investment
Hohhot Shibo	Hohhot Red Star Macalline Shibo Home Furnishing Plaza Company Limited	Hohhot	Hohhot	Site leasing management	60%	-	Business combinations not under common controls
Diken Trading	Kunming Diken Trading Company Limited	Kunming	Kunming	Site leasing management	63%	-	Business combinations not under common control
Jiabeide Decorating	Shanghai Jiabeide Decorating Company Limited	Shanghai	Shanghai	Home decoration	-	50%	Business combinations not under common control
Shanxi Xingyi Tonghui	Shanxi Xingyi Tonghui Network Technology Company Limited	Shanxi	Shanxi	E-commerce	-	100%	Acquisition by the company through establishment or investment
Suzhou Zhongxiang	Suzhou Industry Park Zhongxiang Meitong Storage Company Limited	Jiangsu	Jiangsu	Site leasing management	55%	-	Business combinations not under common control
Changsha Shibo	Changsha Red Star Macalline Shibo Home Furnishing Plaza Company Limited	Hunan	Hunan	Site leasing management	100%	-	Acquisition by the company through establishment or investment

Notes to the Financial Statements

For the period from 1 January to 30 June 2017

(VII) INTERESTS IN OTHER ENTITIES (Continued)

1. Interests in Subsidiaries (Continued)

(1) Constitution of subsidiaries (Continued)

(a) The period from 1 January to 30 June 2017 (Continued)

Company Abbreviation	Company Name	Main business site	Place of incorporation	Nature of business	Shareholding ratio		Acquisition method
					Direct	Indirect	
Macalline Assets Management	Shanghai Red Star Macalline Assets Management Company Limited	Shanghai	Shanghai	Investment management	-	70%	Acquisition by the company through establishment or investment
Xinghe Home Furnishing	Shanghai Xinghe Zhaipei Home Furnish Service Company Limited	Hebei	Hebei	Home decoration	100%	-	Acquisition by the company through establishment or investment
Macalline Logistics	Red Star Macalline Group (Shanghai) Logistics Company Limited	Shanghai	Shanghai	Logistics services	60%	-	Acquisition by the company through establishment or investment
Red Star Industrial	Shanghai Red Star Macalline Industrial Company Limited	Shanghai	Shanghai	Investment management	100%	-	Business combinations under common control
Xinglong Home Furnishing	Shanghai Red Star Macalline Xinglong Home Furnish Company Limited	Shanghai	Shanghai	Site leasing management	100%	-	Acquisition by the company through establishment or investment
Macalline Chengdu Business Management	Red Star Macalline Chengdu Business Management Company Limited	Chengdu	Chengdu	Enterprise Management Consulting	-	100%	Acquisition by the company through establishment or investment
Macalline Chengdu Enterprise Consulting	Red Star Macalline Chengdu Enterprise Management Consulting Company Limited	Chengdu	Chengdu	Enterprise Management Consulting	-	100%	Acquisition by the company through establishment or investment
Beijing International Home Furnishing	Beijing Red Star Macalline International Home Furnishing Plaza Company Limited	Beijing	Beijing	Site leasing management	100%	-	Business combinations under common control

Notes to the Financial Statements

For the period from 1 January to 30 June 2017

(VII) INTERESTS IN OTHER ENTITIES (Continued)

1. Interests in Subsidiaries (Continued)

(1) Constitution of subsidiaries (Continued)

(a) The period from 1 January to 30 June 2017 (Continued)

Company Abbreviation	Company Name	Main business site	Place of incorporation	Nature of business	Shareholding ratio		Acquisition method
					Direct	Indirect	
Beijing Shibo Furniture	Beijing Red Star Macalline Shibo Furniture Plaza Company Limited	Beijing	Beijing	Site leasing management	100%	–	Business combinations under common control
Tianjin Home Furnishing	Tianjin Red Star Macalline International Home Furnishing Malls Company Limited	Tianjin	Tianjin	Site leasing management	–	100%	Business combinations under common control
Tianjin Construction Materials	Tianjin Red Star Macalline International Home Furnishings Construction Materials Company Limited	Tianjin	Tianjin	Site leasing management	–	100%	Business combinations under common control
Beijing Home Furnishing Market	Beijing Macalline Home Furnishing Material Market Company Limited	Beijing	Beijing	Market company	20%	80%	Business combinations under common control
Beijing Shibo Home Furnishing	Beijing Red Star Macalline Shibo Home Furnishing Plaza Company Limited	Beijing	Beijing	Market company	–	100%	Business combinations under common control
Beijing Global Home Furnishing	Red Star Macalline Global (Beijing) Home Furnishing Plaza Company Limited	Beijing	Beijing	Site leasing management	–	100%	Business combinations under common control
Baotou Red Star	Baotou Red Star Macalline Home Furnishing Plaza Company Limited	Inner Mongolia	Inner Mongolia	Site leasing management	100%	–	Business combinations under common control
Tianjin Shibo Home Furnishing	Red Star Macalline Shibo (Tianjin) Home Furnishing Plaza Company Limited	Tianjin	Tianjin	Site leasing management	51%	–	Acquisition by the company through establishment or investment
Hehe Juzhong	Beijing Hehe Juzhong Advertising Company Limited	Beijing	Beijing	Advertising companies	70%	–	Acquisition by the company through establishment or investment
Kunshan Red Star	Kunshan Red Star Macalline Global Home Furnishing Company Limited	Jiangsu	Jiangsu	Brand management	100%	–	Acquisition by the company through establishment or investment

Notes to the Financial Statements

For the period from 1 January to 30 June 2017

(VII) INTERESTS IN OTHER ENTITIES (Continued)

1. Interests in Subsidiaries (Continued)

(1) Constitution of subsidiaries (Continued)

(a) The period from 1 January to 30 June 2017 (Continued)

Company Abbreviation	Company Name	Main business site	Place of incorporation	Nature of business	Shareholding ratio		Acquisition method
					Direct	Indirect	
Tongxiang Red Star	Tongxiang Red Star Macalline Shibo Home Furnishing Plaza Management Company Limited	Zhejiang	Zhejiang	Brand management	100%	–	Acquisition by the company through establishment or investment
Beijing Business Management	Beijing Red Star Macalline Business Management Company Limited	Beijing	Beijing	Brand management	90%	10%	Acquisition by the company through establishment or investment
Wuxi Business Management	Wuxi Red Star Macalline Business Management Company Limited	Jiangsu	Jiangsu	Brand management	70%	30%	Acquisition by the company through establishment or investment
Quzhou Red Star	Quzhou Red Star Macalline Shibo Market Management Service Company Limited	Zhejiang	Zhejiang	Brand management	100%	–	Acquisition by the company through establishment or investment
Anhui Shengshidingtong Logistics	Anhui Shengshi Dingtong Logistics Company Limited	Anhui	Anhui	Logistics	100%	–	Business combination not under common control
Tenghui Investment Hefei Company	Anhui Tenghui Investment Group Hefei Company Limited	Anhui	Anhui	Investment management	100%	–	Business combination not under common control
Nanjing Home Furnishing	Nanjing Red Star International Home Furnishing Plaza Management Service Company Limited	Jiangsu	Jiangsu	Management company	–	100%	Acquisition by the company through establishment or investment
Changshu Red Star	Changshu Red Star Macalline Global Home Furnishing Company Limited	Jiangsu	Jiangsu	Brand management	–	100%	Acquisition by the company through establishment or investment
Shangahi Qixing	Shanghai Qixing Investment Company Limited	Shanghai	Shanghai	Investment management	–	100%	Acquisition by the company through establishment or investment

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For the period from 1 January to 30 June 2017

(VII) INTERESTS IN OTHER ENTITIES (Continued)

1. Interests in Subsidiaries (Continued)

(1) Constitution of subsidiaries (Continued)

(a) The period from 1 January to 30 June 2017 (Continued)

Company Abbreviation	Company Name	Main business site	Place of incorporation	Nature of business	Shareholding ratio		Acquisition method
					Direct	Indirect	
Shanghai Jinshan	Shanghai Red Star Macalline Kaiheng Household Company Limited	Shanghai	Shanghai	Site leasing management	100%	–	Acquisition by the company through establishment or investment
Chengdu Tianfu Shibo	Chengdu Red Star Macalline Tianfu Expo Home Furninshing Plaza Company Limited	Sichuan	Sichuan	Site leasing management	100%	–	Acquisition by the company through establishment or investment
Chengdu Tianfu New District	Chengdu Tianfu New District Red Star Macalline World Trade Home Furnishing Company Limited	Sichuan	Sichuan	Site leasing management	100%	–	Acquisition by the company through establishment or investment
Hongkong Red Star Macalline	Hongkong Red Star Macalline Global Home Furnishing Company Limited	Hong Kong	Hong Kong	Investment management	100%	–	Acquisition by the company through establishment or investment
Macalline Yuejia	Shanghai Red Star Macalline Yuejia Network Technology Company Limited	Shanghai	Shanghai	E-commerce	–	76%	Acquisition by the company through establishment or investment
Macalline Business Management	Red Star Macalline (Shanghai) Business Management Company Limited	Shanghai	Shanghai	Enterprise Management Consulting	100%	–	Acquisition by the company through establishment or investment
Hefei Macalline Logistics	Hefei Red Star Macalline Logistics Company Limited	Hefei	Hefei	Logistic+s	–	100%	Acquisition by the company through establishment or investment
Red Star Small Loan Company	Shanghai Huangpu Red Star Small Loan Company Limited	Shanghai	Shanghai	Small loan	70%	30%	Acquisition by the company through establishment or investment

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For the period from 1 January to 30 June 2017

(VII) INTERESTS IN OTHER ENTITIES (Continued)

1. Interests in Subsidiaries (Continued)

(1) Constitution of subsidiaries (Continued)

(a) The period from 1 January to 30 June 2017 (Continued)

Company Abbreviation	Company Name	Main business site	Place of incorporation	Nature of business	Shareholding ratio		Acquisition method
					Direct	Indirect	
Changsha Jinxia	Changsha Red Star Macalline Jinxia Home Living Plaza Company Limited*	Hunan	Hunan	Site leasing management	100%	–	Acquisition by the company through establishment or investment
Shanghai Dingshi	Shanghai Dingshi Business Management Partnership (Limited Partnership (LP))	Shanghai	Shanghai	Enterprise Management Consulting	–	95%	Acquisition by the company through establishment or investment
Shanghai Hezhu	Shanghai Hezhu Business Management Partnership (Limited Partnership (LP))	Shanghai	Shanghai	Enterprise Management Consulting	–	1%	Acquisition by the company through establishment or investment
Shanghai Jiliang	Shanghai Jiliang Business Management Partnership (Limited Partnership (LP))	Shanghai	Shanghai	Enterprise Management Consulting	–	1%	Acquisition by the company through establishment or investment
Shanghai Juzun	Shanghai Juzun Business Management Partnership (Limited Partnership (LP))	Shanghai	Shanghai	Enterprise Management Consulting	–	1%	Acquisition by the company through establishment or investment
Shanghai Juqin	Shanghai Juqin Business Management Partnership (Limited Partnership (LP))	Shanghai	Shanghai	Enterprise Management Consulting	–	1%	Acquisition by the company through establishment or investment
Shanghai Juchu	Shanghai Juchu Business Management Partnership (Limited Partnership (LP))	Shanghai	Shanghai	Enterprise Management Consulting	–	1%	Acquisition by the company through establishment or investment
Shanghai Jibin	Shanghai Jibin Business Management Partnership (Limited Partnership (LP))	Shanghai	Shanghai	Enterprise Management Consulting	–	1%	Acquisition by the company through establishment or investment

Notes to the Financial Statements

For the period from 1 January to 30 June 2017

(VII) INTERESTS IN OTHER ENTITIES (Continued)

1. Interests in Subsidiaries (Continued)

(1) Constitution of subsidiaries (Continued)

(a) The period from 1 January to 30 June 2017 (Continued)

Company Abbreviation	Company Name	Main business site	Place of incorporation	Nature of business	Shareholding ratio		Acquisition method
					Direct	Indirect	
Shanghai Jici	Shanghai Jici Business Management Partnership (Limited Partnership (LP))	Shanghai	Shanghai	Enterprise Management Consulting	-	1%	Acquisition by the company through establishment or investment
Shanghai Herou	Shanghai Herou Business Management Partnership (Limited Partnership (LP))	Shanghai	Shanghai	Enterprise Management Consulting	-	1%	Acquisition by the company through establishment or investment
Shanghai Hezeng	Shanghai Hezeng Business Management Partnership (Limited Partnership (LP))	Shanghai	Shanghai	Enterprise Management Consulting	-	1%	Acquisition by the company through establishment or investment
Wuhan Global Home Furnishing	Wuhan Red Star Macalline Global Home Furnishing Plaza Development Company Limited ("Wuhan Global")	Hubei	Hubei	Site leasing management	100%	-	Acquisition by the company through establishment or investment
Changzhou Commerce Management (note 2)	Changzhou Red Star Plaza Commerce Management Company Limited	Jiangsu	Jiangsu	Site leasing management	-	80%	Acquisition by the company through establishment or investment
Sinkiang Macalline Business Management (note 2)	Red Star Macalline Business Management Consulting Company Limited	Xinjiang Autonomous Region	Xinjiang Autonomous Region	Enterprise Management Consulting	100%	-	Acquisition by the company through establishment or investment
Sinkiang Red Star Oulluoya (note 2)	Red Star Oulluoya Business Management Company Limited	Xinjiang Autonomous Region	Xinjiang Autonomous Region	Enterprise Management Consulting	-	100%	Acquisition by the company through establishment or investment

Notes to the Financial Statements

For the period from 1 January to 30 June 2017

(VII) INTERESTS IN OTHER ENTITIES (Continued)

1. Interests in Subsidiaries (Continued)

(1) Constitution of subsidiaries (Continued)

(a) The period from 1 January to 30 June 2017 (Continued)

Company Abbreviation	Company Name	Main business site	Place of incorporation	Nature of business	Shareholding ratio		Acquisition method
					Direct	Indirect	
Khorgos Xingyijia (note 2)	Khorgos Red Star Macalline Business Management Company Limited	Xinjiang Autonomous Region	Xinjiang Autonomous Region	Enterprise Management Consulting	-	100%	Acquisition by the company through establishment or investment
Nanchang Red Star (note 2)	Nanchang Red Star Macalline Global Home Furnishing Plaza Company Limited	Jiangxi	Jiangxi	Site leasing management	51%	-	Acquisition by the company through establishment or investment
Shannxi Macalline Logistics (note 2)	Shannxi Red Star Macalline Logistics Company Limited	Shaanxi	Shaanxi	Logistics	-	100%	Acquisition by the company through establishment or investment
Fanju Network Technology (note 2)	Shanghai Fanju Network Technology Company Limited	Shanghai	Shanghai	Network technology	-	100%	Acquisition by the company through establishment or investment
Labour Despatching Company (note 2)	Shanghai Red Star Macalline Labour Despatching Company Limited	Shanghai	Shanghai	Labour despatching	100%	-	Acquisition by the company through establishment or investment
Jiajinsuo Financial Technology (note 2)	Shanghai Jiajinsuo Financial Technology Information Services Company Limited	Shanghai	Shanghai	Investment management	-	70%	Acquisition by the company through establishment or investment
Yantai Xinhuan (note 2)	Yantai Xinhuan Business Management Company Limited	Shandong	Shandong	Enterprise Management Consulting	-	100%	Acquisition by the company through establishment or investment
Chongqing Macalline Logistics (note 2)	Chongqing Red Star Macalline Logistics Company Limited	Chongqing	Chongqing	Logistics	-	100%	Acquisition by the company through establishment or investment

Notes to the Financial Statements

For the period from 1 January to 30 June 2017

(VII) INTERESTS IN OTHER ENTITIES (Continued)

1. Interests in Subsidiaries (Continued)

(1) Constitution of subsidiaries (Continued)

(a) The period from 1 January to 30 June 2017 (Continued)

Company Abbreviation	Company Name	Main business site	Place of incorporation	Nature of business	Shareholding ratio		Acquisition method
					Direct	Indirect	
Xining Red Star Macalline Shibo Home Furnishing (note 3)	Xining Red Star Macalline Shibo Home Furnishing Plaza Company Limited	Qinghai	Qinghai	Site leasing management	100%	–	Acquisition by the company through establishment or investment
Tianjin Macalline Logistics	Tianjin Red Star Macalline Logistics Company Limited	Tianjin	Tianjin	Logistics	–	60%	Acquisition by the company through establishment or investment
Jianjinsuo Investment Holding Company	Shanghai Jianjinsuo Investment Holding Company Limited	Shanghai	Shanghai	Investment management	70%	–	Acquisition by the company through establishment or investment
Red Star Zhongying Investment	Red Star Zhongying Investment Company Limited	Tibet Autonomous Region	Tibet Autonomous Region	Venture capital	100%	–	Acquisition by the company through establishment or investment
Xinghe Asset Management	Shanghai Macalline Xinghe Asset Management Company Limited	Shanghai	Shanghai	Enterprise Management Consulting	100%	–	Acquisition by the company through establishment or investment
Yumu Business Management	Shanghai Yumu Business Management Company Limited	Shanghai	Shanghai	Enterprise Management Consulting	100%	–	Acquisition by the company through establishment or investment
Yuxu Business Management	Shanghai Yuxu Business Management Company Limited	Shanghai	Shanghai	Enterprise Management Consulting	100%	–	Acquisition by the company through establishment or investment
Yuzhu Business Management	Shanghai Yuzhu Business Management Company Limited	Shanghai	Shanghai	Enterprise Management Consulting	100%	–	Acquisition by the company through establishment or investment

Notes to the Financial Statements

For the period from 1 January to 30 June 2017

(VII) INTERESTS IN OTHER ENTITIES (Continued)

1. Interests in Subsidiaries (Continued)

(1) Constitution of subsidiaries (Continued)

(a) The period from 1 January to 30 June 2017 (Continued)

Company Abbreviation	Company Name	Main business site	Place of incorporation	Nature of business	Shareholding ratio		Acquisition method
					Direct	Indirect	
Yuxiao Business Management	Shanghai Yuxiao Business Management Company Limited	Shanghai	Shanghai	Enterprise Management Consulting	100%	–	Acquisition by the company through establishment or investment
Zhengzhou Dongsheng	Zhengzhou Dongsheng Business Management Company Limited	Henan	Henan	Enterprise Management Consulting	–	100%	Acquisition by the company through establishment or investment
Glory Casa	Red Star Macalline Glory Casa (Shanghai) Home Furnishing Company Limited	Shanghai	Shanghai	Independent sale	100%	–	Acquisition by the company through establishment or investment
Muye Asset	Shanghai Muye Asset Management Company Limited	Shanghai	Shanghai	Enterprise Management Consulting	100%	–	Business combination not under common control
Macalline International Trade	Shanghai Red Star Macalline International Trade Company Limited	Shanghai	Shanghai	Import and export	55%	–	Acquisition by the company through establishment or investment

Notes to the Financial Statements

For the period from 1 January to 30 June 2017

(VII) INTERESTS IN OTHER ENTITIES (Continued)

1. Interests in Subsidiaries (Continued)

(1) Constitution of subsidiaries (Continued)

(a) The period from 1 January to 30 June 2017 (Continued)

Shopping Mall Business Division

Business units	Main business site	Place of incorporation	Nature of Business	Voting ratio	
				Direct	Indirect
Home Furnishing Shopping Mall Business Division Of Yunnan Red Star Macalline Property Company Limited ("Yunnan Property")	Yunnan	Yunnan	Site leasing management	87.47%	–
Home Furnishing Shopping Mall Business Division Of Dalian Red Star Macalline Investment Development Company Limited ("Dalian Investment")	Liaoning	Liaoning	Site leasing management	62%	–
Home Furnishing Shopping Mall Business Division Of Suzhou Kairun Properties Company Limited ("Suzhou Kairun")	Jiangsu	Jiangsu	Site leasing management	60%	–

Note 1: Please refer to Note (VII). 2, for details of the acquisition of non-controlling interests during the period from 1 January to 30 June 2017.

Note 2: Please refer to Note (VI). 4, for details of the change in the scope of consolidation due to the newly established company during the period from 1 January to 30 June 2017.

Note 3: Please refer to Note (VI). 2, for details of assets acquisition during the period from 1 January to 30 June 2017.

Note 4: The proportions of the Group's shareholding in Zhengzhou Red Star and Yantai Red Star are different from their respective proportions of voting right.

Note 5: Minority shareholders obtain a fixed return from Jinan Red Star, Beijing Europe and Beijing Europe and America Business and Changzhou Hongyang.

Note 6: The investee subsidiaries in which the Group holds half of the voting rights but which are still controlled by the Group are Hongxin Oukai and Chengdu Changyi.

Notes to the Financial Statements

For the period from 1 January to 30 June 2017

(VII) INTERESTS IN OTHER ENTITIES (Continued)

1. Interests in Subsidiaries (Continued)

(2) Important non-wholly owned subsidiaries

RMB

Name of subsidiaries	Minority shareholders interests ratio	Profit/loss attributable to minority shareholders for the period of 1 January to 30 June 2017	Dividends paid to minority shareholders for the period of 1 January to 30 June 2017	Changes in minority shareholders interests caused by other transactions for the period of 1 January to 30 June 2017	Accumulated minority shareholders interests by end of period
Zhengzhou Red Star	40.5%	69,714,820.36	(5,299,654.35)	–	970,946,143.90
Chengdu Changyi	50%	11,941,828.36	–	–	476,711,284.53

RMB

Name of subsidiaries	Minority shareholders interests ratio	Profit/loss attributable to minority shareholders for the period of 1 January to 30 June 2016	Dividends paid to minority shareholders for the period of 1 January to 30 June 2016	Changes in minority shareholders interests caused by other transactions for the period of 1 January to 30 June 2016	Accumulated minority shareholders interests by end of period
Zhengzhou Red Star	40.5%	46,256,147.61	(62,360,000.00)	–	853,244,830.29
Chengdu Changyi	50%	12,383,204.48	–	–	452,386,251.69

Notes to the Financial Statements

For the period from 1 January to 30 June 2017

(VII) INTERESTS IN OTHER ENTITIES (Continued)

(2) Important non-wholly owned subsidiaries (Continued)

(3) Important financial information of major non-wholly owned subsidiaries

RMB

Name of subsidiaries	30 June 2017					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Zhengzhou						
Red Star	242,857,119.40	3,220,920,939.30	3,463,778,058.70	216,101,779.85	951,609,646.86	1,167,711,426.71
Chengdu Changyi	316,756,173.96	1,304,052,594.67	1,620,808,768.63	36,574,481.54	653,842,146.71	690,416,628.25

RMB

Name of subsidiaries	31 December 2016					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Zhengzhou						
Red Star	270,768,465.94	3,081,125,105.41	3,351,893,571.35	147,860,305.38	929,710,986.10	1,077,571,291.48
Chengdu Changyi	166,695,455.98	1,203,467,266.82	1,370,162,722.80	168,618,671.89	300,771,696.68	469,390,368.57

Notes to the Financial Statements

For the period from 1 January to 30 June 2017

(VII) INTERESTS IN OTHER ENTITIES (Continued)

(2) Important non-wholly owned subsidiaries (Continued)

(3) Important financial information of major non-wholly owned subsidiaries (Continued)

RMB

Name of subsidiaries	1 January to 30 June 2017			
	Revenue	Net profit	Total comprehensive income	Cash flows from operating activities
Zhengzhou Red Star	122,843,918.43	172,135,358.91	172,135,358.91	125,986,626.11
Chengdu Changyi	34,477,301.01	23,883,656.72	23,883,656.72	18,665,541.94

RMB

Name of subsidiaries	1 January to 30 June 2016			
	Revenue	Net profit	Total comprehensive income	Cash flows from operating activities
Zhengzhou Red Star	142,598,288.75	114,248,006.02	114,248,006.02	98,014,631.69
Chengdu Changyi	38,874,996.72	24,766,408.94	24,766,408.94	8,549,459.24

Notes to the Financial Statements

For the period from 1 January to 30 June 2017

(VII) INTERESTS IN OTHER ENTITIES (Continued)

2. Transactions with Changes in Equities Attributable to Owners of Subsidiaries and Still Control over It

(1) Details of changes in equities attributable to owners of subsidiaries

(a) For the period from 1 January to 30 June 2017

The Group acquired 49% equity interest in Panjin Red Star from minority shareholders of Panjin Red Star, at RMB48,187,000.00. After the completion of the acquisition, equities of Panjin Red Star attributable to the Group increased from 51% to 100%, writing down capital reserve by RMB17,354,783.26.

(2) Impact of transactions on equities of minority shareholders and attributable to owners of the Company

(a) For the period from 1 January to 30 June 2017

The Group acquired 49% equity interest in Panjin Red Star from minority shareholders of Panjin Red Star, at RMB48,187,000.00. After the completion of the acquisition, equities of Panjin Red Star attributable to the Group increased from 51% to 100%, writing down capital reserve by RMB17,354,783.26.

RMB

	Panjin Red Star
Purchase cost	
– Cash	48,187,000.00
Total purchase cost and consideration	48,187,000.00
Less: the share of net assets of the subsidiary calculated based on the percentage of equity acquired	30,832,216.74
Differences	17,354,783.26
Including: Capital reserve adjustment	17,354,783.26

3. Interest in Joint Ventures or Associates

(1) Important joint ventures or associates

The period from 1 January to 30 June 2017

Name of joint venture	Main business site	Place of incorporation	Nature of business	Shareholding ratio		Accounting treatment of investments in associates and joint ventures
				Direct	Indirect	
Chengdu Dongtai	Sichuan	Sichuan	Site leasing management	50%	-	Equity method

Notes to the Financial Statements

For the period from 1 January to 30 June 2017

(VII) INTERESTS IN OTHER ENTITIES (Continued)

3. Interest in Joint Ventures or Associates (Continued)

(2) Major financial information on important joint ventures

RMB

	Chengdu Dongtai	
	1 January to 30 June 2017/ 30 June 2017	1 January to 30 June 2016/ 31 December 2016
Current assets	285,583,258.91	368,542,045.36
Including: cash and cash equivalents	22,488,196.07	101,645,677.47
Non-current assets	1,610,276,597.50	1,546,936,928.65
Total assets	1,895,859,856.41	1,915,478,974.01
Current liabilities	84,793,886.35	109,788,117.25
Non-current liabilities	327,334,775.00	407,199,617.40
Total liabilities	412,128,661.35	516,987,734.65
Net assets share calculated based on the percentage of shareholding	741,865,597.53	699,245,619.68
Book value in the investment of joint ventures equity	741,865,597.53	699,245,619.68
Fair value of joint venture equity investment of public offer	N/A	N/A
Revenue	80,548,485.87	83,833,315.34
Finance expenses	1,335,597.40	4,230,552.52
Income tax expense	28,214,792.14	20,025,511.20
Net profit	85,239,953.98	55,124,578.58
Other comprehensive income	–	–
Total comprehensive income	85,239,953.98	55,124,578.58
Dividends received from joint ventures for the year	–	–

Notes to the Financial Statements

For the period from 1 January to 30 June 2017

(VII) INTERESTS IN OTHER ENTITIES (Continued)

3. Interest in Joint Ventures or Associates

(3) Consolidated financial information on unimportant joint ventures and associates

RMB

	1 January to 30 June 2017/ 30 June 2017	1 January to 30 June 2016/ 31 December 2016
Joint ventures:		
Total book value of the investments	23,146,884.08	62,584,180.89
The aggregate of following items calculated based on the percentage of shareholding		
– Net profits (Net losses)	(78,431.69)	354,598.71
– Other comprehensive income	–	–
– Total comprehensive income	(78,431.69)	354,598.71
Associates:		
Total book value of the investments	353,038,840.71	171,095,844.83
The aggregate of following items calculated based on the percentage of shareholding		
– Net profit	12,628,202.34	24,538,388.37
– Other comprehensive income	–	–
– Total comprehensive income	12,628,202.34	24,538,388.37

(4) Risk information related to the interests of the Group in joint ventures and associates

At 30 June 2017 and 31 December 2016, the long-term equity investment held by the Group was not limited by the ability of the investee to transfer capital to the Group with cash dividends, repayment of loans or advances.

At 30 June 2017 and 31 December 2016, the Group has no unidentified investment losses due to the excess losses incurred by the investee.

Notes to the Financial Statements

For the period from 1 January to 30 June 2017

(VII) INTERESTS IN OTHER ENTITIES (Continued)

3. Interest in Joint Ventures or Associates (Continued)

(5) Contingent liabilities related to investments in joint ventures or associates

On 24 February 2012, the Company provided guarantee for Chengdu Dongtai, the joint venture of Company, to Sichuan Trust Co., Ltd. (四川信託有限公司) to guarantee the borrowing of RMB400,000,000.00 under the Property Income Right Trust established by Chengdu Dongtai with its property lease income right and the trust revenue. Chengdu Dongtai has set up Property Income Right Trust with its property lease income right. The Trust is managed, used and handled by Sichuan Trust Co., Ltd. in accordance with the terms of the trust contract and is pledged with the operating property income right, and mortgaged by intangible assets of Chengdu Dongtai. As at 31 December 2016, the balance of borrowings was RMB98,000,000.00. In February 2017, the property income right trust was over.

On 25 July 2015, Beijing International Furniture (北京國際家具), a subsidiary of the Company, based on its shareholding percentage in associate Haier Consume Financing, provided a guarantee of RMB375,000,000.00 to Haier Consume Financing against the loan of RMB1,500,000,000.00 lent by Haier Consume Financing to Haier Group Finance Co., Ltd. (海爾集團財務責任有限公司). Among the guarantee amount, RMB225,000,000.00 was provided by Beijing International Furniture to Haier Consume Financing by way of the pledge of its 25% equity interests in Haier Consume Financing. The remaining RMB150,000,000.00 was provided by Beijing International Furniture by way of joint and several liability guarantees. On 30 June 2017 and 31 December 2016, the balances of borrowings were RMB200,000,000.00 and RMB500,000,000.00 respectively.

On 8 November 2016, the Company provided 25% joint and several liability guarantees against the loan of RMB2,500,000,000.00 lent by Haier Consume Financing to Haier Group Finance Co., Ltd. On 30 June 2017 and 31 December 2016, the balances of borrowings were RMB1,100,000,000.00 and RMB500,000,000.00 respectively.

Notes to the Financial Statements

For the period from 1 January to 30 June 2017

(VIII) RISKS RELATED TO FINANCIAL INSTRUMENTS

Financial instruments the Group invested mainly include cash and bank, receivables, derivative financial liabilities, payables, available-for-sale financial assets, borrowings, long-term payables, bonds payable, etc. For details, please see Note (V). The following will show the risks relating to these financial instruments and the risk management policies the Group adopted to reduce the relative risks. Management of the Group manages and supervises the exposures of these financial instruments to ensure that they are within control.

Sensitivity analysis is adopted by the Group to analyze possible impact on the current profit and loss or shareholders' equity by the reasonable and possible changes of risk variables. Since any risk variables seldom happen individually, relativity between variables will cause significant influences on the ultimate impacted amount of the change in a risk variable, so the following statement is based on supposition that each variable happens independently.

1. Goal and Policies of Risk Management

Financial instruments the Group invested mainly include cash and bank, equity investment, debt investments, account receivables, other receivables, account payables, other payables, borrowings, bonds payable, etc. For details, please see Note (V). The following will show the risks relating to these financial instruments and the risk management policies the Group adopted to reduce the relative risks. Management of the Group manages and supervises the exposures of these financial instruments to ensure that they are within control.

Sensitivity analysis is adopted by the Group to analyze possible impact on the current profit and loss or shareholders' equity by the reasonable and possible changes of risk variables. Since any risk variables seldom happen individually, relativity between variables will cause significant influences on the ultimate impacted amount of the change in a risk variable, so the following statement is based on supposition that each variable happens independently.

Notes to the Financial Statements

For the period from 1 January to 30 June 2017

(VIII) RISKS RELATED TO FINANCIAL INSTRUMENTS (Continued)

1. Goal and Policies of Risk Management (Continued)

The goal of risk management of the Group is to achieve balance between risk and income, reducing the negative impacts by risk on the operation result of the Group to the lowest level, and maximizing interests of shareholders and other equity investors. Based on this goal, the basic strategy of risk management for the Group is to ascertain and analyze all the risks that the Group confronts, establish appropriate bottom line for risk-taking, and manage the risks accordingly, in the meantime supervise all the risks in a timely and reliable manner, controlling the risks within the limited scope.

1.1 Market risks

Interest rate risk is the principal risk confronted by the Group. There has been no significant change in the Group's exposure to market risk and in the ways of the management and recognition of these risks during the period from 1 January to 30 June 2017.

1.1.1. Interest rate risk – Risk of changes in cash flow

Risks related to changes in financial instruments' cash flow due to interest rates' variation mainly involve bank borrowings and bank deposits with floating interest rates, please see Note V.1, 20, 29 for details. These items adopt a deposit interest rate or floating interest rate based on the benchmark interest rate published by the People's Bank of China. The Group's policy is to maintain the floating rate of these borrowings to eliminate the risk of changes in the fair value of interest rates.

The section of "Liquidity risk" of this Note details the Group's exposure to risks of interest rates on financial liabilities.

The following sensitivity analysis is based on the fact that the balance of bank deposits and bank borrowings with floating interest rate at the end of the reporting year is not paid throughout the year. When reporting interest rate risks to the management, the bank borrowings with floating interest rate terms are increased or decreased by 50 basis points, and by 25 basis points for bank deposits, which represent the estimations made by the management on the possibly reasonable changes in the relevant interest rates of bank borrowings and bank deposits.

If the bank borrowings interest rate with the floating interest rate rises by 50 basis points and all other variables remain unchanged, the decreases in net profit of the Group (excluding the impact of interest capitalization) for the periods from 1 January to 30 June 2017 and from 1 January to 30 June 2016 are as follows:

Notes to the Financial Statements

For the period from 1 January to 30 June 2017

(VIII) RISKS RELATED TO FINANCIAL INSTRUMENTS (Continued)

1. Goal and Policies of Risk Management (Continued)

1.1 Market risks (Continued)

1.1.1. Interest rate risk – Risk of changes in cash flow (Continued)

Changes in interest rate	1 January to 30 June 2017/ 30 June 2017 <i>RMB'000</i>	1 January to 30 June 2016/ 30 June 2016 <i>RMB'000</i>
Net profit decrease	51,618	14,331
Equity decrease	51,618	14,331

If the floating interest rate of bank borrowings falls by 50 basis points and all other variables remain unchanged, the annual net profit will increase by the same amounts in the above table.

If the interest rate of bank account balance and the restricted bank deposits rises by 25 basis points and all other variables remain unchanged, the increases in net profit of the Group for the periods from 1 January to 30 June 2017 and from 1 January to 30 June 2016 are as follows:

Changes in interest rate	1 January to 30 June 2017/ 30 June 2017 <i>RMB'000</i>	1 January to 30 June 2016/ 30 June 2016 <i>RMB'000</i>
Net profit decrease	14,365	7,005
Equity decrease	14,365	7,005

If the interest rate of bank deposits falls by 25 basis points and all other variables remain unchanged, the annual net profit will decrease by the same amounts in the above table.

Notes to the Financial Statements

For the period from 1 January to 30 June 2017

(VIII) RISKS RELATED TO FINANCIAL INSTRUMENTS (Continued)

1. Goal and Policies of Risk Management (Continued)

1.2 Credit risks

As at 30 June 2017, the biggest exposure of credit risks that can cause financial losses of the Group comes when the other Party of the contract doesn't carry out its obligations, including:

- (1) *At the end of the financial reporting period, the carrying amount of the financial assets that have been separately recognized in the balance sheet.*
- (2) *The amount of contingent liabilities related to the financial guarantee of the Group*

A special team has been set up to be in charge of setting credit amounts, approving credit limits and exercising other supervisory procedures to make sure all necessary measures are taken to retrieve overdue creditor's rights, thus reducing credit risk. Moreover, the Group supervisors every single receivable on every Balance Sheet date to make sure sufficient provision on bad debt will be in place for those irretrievable receivables. Therefore, the management considers the Group exposure to the credit risks greatly reduced.

There is no significant credit concentration risk for account receivables from non-related parties of the Group, since account receivables are from a large number of customers in various industries and regions.

There is a credit concentration risk in the account receivables from the related parties of the Group, but the risk is very limited due to the good financial position of the related parties.

There is a credit concentration risk in the Group's liquidity as it is mainly deposited with several banks with high ratings by international credit rating agencies, the credit concentration risk is very limited.

1.3 Liquidity risks

The Group's management has established an appropriate liquidity risk management framework to meet the Group's short-, medium- and long-term capital and liquidity management requirements. The Group manages the liquidity risk by maintaining sufficient reserves, bank credit lines and reserve loan credit lines, continuously monitoring expected and actual cash flows, matching the maturity date of the portfolio of financial assets and liabilities.

As at 30 June 2017 and 31 December 2016, the registered amounts of private bonds and corporate bonds available to the Group were RMB2 billion and RMB2 billion respectively.

In addition, the following table sets out the remaining contract maturities of the Group's non-derivative financial liabilities based on the repayment terms specified in the contract. The table is prepared based on the undiscounted cash flow of the earliest time that the Group may be required to repay. The following table includes interests and principal cash flows.

If the changed floating interest rate is different from the interest rate estimated at the end of each reporting period, the amount of non-derivative financial liabilities with floating rate listed in the table below will also change.

Notes to the Financial Statements

For the period from 1 January to 30 June 2017

(VIII) RISKS RELATED TO FINANCIAL INSTRUMENTS (Continued)

1. Goal and Policies of Risk Management (Continued)

1.3 Liquidity risks (Continued)

RMB'000

30 June 2017	On demand or due within				Total undiscounted	
	1 year	1 to 2 years	2 to 5 years	Over 5 years	cash flows	Carrying amount
Payables	7,787,401	-	-	-	7,787,401	7,787,401
Long-term payables	-	753,502	56,781	252,506	1,062,789	1,062,789
Bank borrowings-fixed rate	600,856	748,750	249,996	11,689	1,611,291	1,535,010
Bank borrowings with floating interest rate	2,812,671	2,317,706	3,884,611	5,427,697	14,442,685	13,764,872
Bonds payable	2,355,009	5,860,600	2,012,775	1,500,000	11,728,384	10,349,902
Financial lease payables	36,183	31,249	31,249	880,183	978,864	422,567
Financial guarantees	325,000	-	-	-	325,000	325,000
	13,917,120	9,711,807	6,235,412	8,072,075	37,936,414	35,247,541

RMB'000

31 December 2016	On demand or due within				Total undiscounted	
	1 year	1 to 2 years	2 to 5 years	Over 5 years	cash flows	Carrying amount
Payables	5,985,607	-	-	-	5,985,607	5,985,607
Long-term payables	-	739,537	65,145	251,337	1,056,019	1,056,019
Bank borrowings-fixed rate	85,692	1,261,406	209,588	29,624	1,586,310	1,510,010
Bank borrowings with floating interest rate	2,838,043	2,252,012	3,413,493	1,716,000	10,219,548	9,724,823
Bonds payable	2,414,340	5,879,350	2,248,050	1,628,700	12,170,440	10,323,569
Financial lease payables	36,183	31,249	93,747	833,309	994,488	419,693
Financial guarantees	348,000	-	-	-	348,000	-
	11,707,865	10,163,554	6,030,023	4,458,970	32,360,412	29,019,721

The amounts of financial guarantees in the above table refer to the maximum amounts that may be required to be repaid by the counterparties. Notwithstanding the forecast at the end of the reporting period, the Board of Directors of the Group is of the view that the above amounts are likely not to be paid. But the estimate may change based on the possibility that the counterparty will make a claim in accordance with the guarantee contract on the credit loss suffered from the guaranteed receivables held.

Notes to the Financial Statements

For the period from 1 January to 30 June 2017

(VIII) RISKS RELATED TO FINANCIAL INSTRUMENTS (Continued)

2. Capital Risk Management

The Group manages capital by optimizing the structure of liabilities and equities to ensure that entities in the Group will be able to continue as a going concern while maximizing the return to shareholders. The Group's overall strategy remains unchanged for the period from 1 January to 30 June 2017.

The capital structure of the Group consists of net liabilities including bank loans, bonds payable and finance leases payable (net of cash and cash equivalents) and the Group's equity attributable to the parent company (including paid-in capital, capital reserve, surplus reserve and retained earnings).

The Group is not subject to external mandatory capital management requirements. The management of the Group regularly reviews the capital structure of the Group.

(IX) FAIR VALUE MEASUREMENT

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 valuation technique. Fair value measurement and/or disclosure in the financial statements are determined according to the above basis.

1. Assets and Liabilities not Measured at Fair Value but Disclosed at Fair Value

The Group's financial assets and financial liabilities measured at amortized cost mainly include: notes receivable, account receivables, other receivables, long-term receivables, short-term borrowings, account payables, other payables, non-current liabilities due within one year, bonds payable, long-term loans and long-term payables etc.

Except for relevant financial liabilities listed below, the Group's management believes that the carrying amounts of other financial assets and financial liabilities in the financial statements are close to the fair values of such assets and liabilities.

Notes to the Financial Statements

For the period from 1 January to 30 June 2017

(IX) FAIR VALUE MEASUREMENT (Continued)

1. Assets and Liabilities not Measured at Fair Value but Disclosed at Fair Value (Continued)

RMB

Item	30 June 2017		31 December 2016	
	Book amortized cost	Fair value	Book amortized cost	Fair value
Bonds payable				
Second tranche of the medium-term notes of 2012 of Red Star Macalline Group Corporation Ltd.	897,690,619.01	902,817,000.00	894,941,194.51	916,731,000.00
First tranche of the medium-term notes of 2013 of Red Star Macalline Group Corporation Ltd.	497,867,656.08	512,885,000.00	497,030,950.08	529,199,500.00
First tranche non-public issuance of debt financing instruments of 2014 of Red Star Macalline Group Corporation Ltd.	997,357,997.33	1,053,052,000.00	994,526,878.83	1,023,404,000.00
First tranche of 5-year corporate bonds of Red Star Macalline Group Corporation Ltd. in 2015	4,980,565,997.36	4,955,000,000.00	4,973,682,713.22	5,118,825,000.00
5-year Corporate notes of 2016 of Red Star Macalline Group Corporation Ltd.(the first tranche)	1,488,140,101.24	1,438,500,000.00	1,485,447,044.30	1,487,631,000.00
7-year Corporate notes of 2016 of Red Star Macalline Group Corporation Ltd.(the first tranche)	1,480,115,138.38	1,470,000,000.00	1,477,939,985.71	1,577,493,000.00
Total	10,341,737,509.40	10,332,254,000.00	10,323,568,766.65	10,653,283,500.00

The fair value hierarchy of the above financial liabilities is as follows:

RMB

	30 June 2017 Second level of fair value	31 December 2016 Second level of fair value
Bonds payable		
Second tranche of the medium-term notes of 2012 of Red Star Macalline Group Corporation Ltd.	902,817,000.00	916,731,000.00
First tranche of the medium-term notes of 2013 of Red Star Macalline Group Corporation Ltd.	512,885,000.00	529,199,500.00
First tranche non-public issuance of debt financing instruments of 2014 of Red Star Macalline Group Corporation Ltd.	1,053,052,000.00	1,023,404,000.00
First tranche of 5-year corporate bonds of Red Star Macalline Group Corporation Ltd. in 2015	4,955,000,000.00	5,118,825,000.00
5-year Corporate notes of 2016 of Red Star Macalline Group Corporation Ltd.(the first tranche)	1,438,500,000.00	1,487,631,000.00
7-year Corporate notes of 2016 of Red Star Macalline Group Corporation Ltd.(the first tranche)	1,470,000,000.00	1,577,493,000.00
Total	10,332,254,000.00	10,653,283,500.00

Notes to the Financial Statements

For the period from 1 January to 30 June 2017

(IX) FAIR VALUE MEASUREMENT (Continued)

2. Closing Fair Value of Assets Measured at Fair Value of the Group

Item	30 June 2017 Closing fair value			Total
	Fair value measurement in first level	Fair value measurement in second level	Fair value measurement in third level	
I. Persistent fair value measurement				
Available- for-sale financial assets	2,047,976,832.42	-	-	2,047,976,832.42
Investment properties	-	-	69,722,909,000.00	69,722,909,000.00
Total assets measured continuously at fair value	2,047,976,832.42	-	69,722,909,000.00	71,770,885,832.42
Item	31 December 2016 Closing fair value			Total
	Fair value measurement in first level	Fair value measurement in second level	Fair value measurement in third level	
Investment properties	-	-	66,948,000,000.00	66,948,000,000.00
Total assets measured continuously at fair value	-	-	66,948,000,000.00	66,948,000,000.00

During the periods from 1 January to 30 June 2017 and from 1 January and 30 June 2016, there was no mutual transfer between the non-fair value levels.

Notes to the Financial Statements

For the period from 1 January to 30 June 2017

(IX) FAIR VALUE MEASUREMENT (Continued)

3. Valuation techniques used and the qualitative and quantitative information of key parameters for recurring fair value measurements categorised within Level 3

The Group's valuation techniques used for investment properties are as follows:

We use the income approach for the valuation of the completed properties put into use: Based on the expected future rental income and the relevant cash flow forecast, select an appropriate capitalization rate to discount to determine the valuation value of investment properties.

We use direct comparison approach for the valuation of the properties under construction at an early development stage: Based on the income that can be received immediately on disposal of investment properties in its current state, and with reference to the relevant information on the comparable transactions in the market where the investment properties is located.

We use hypothetical development method for the valuation of investment properties at other stages of development: Assuming that such investment properties will be developed to the condition for use according to the established development plan. In order to obtain their fair value, a direct comparison is made by taking into account the available and comparable data in the relevant markets and deducting the construction costs and professional costs incurred by the valuer from the Valuation date to the date of completion of development.

The fair value of the Group's investment properties as at 30 June 2017 and 31 December 2016 were assessed by Wanlong (Shanghai) Asset Valuation Company Limited, an independent valuer from the Group. In estimating the fair value of the properties, the best use purpose of investment properties is its current use. There is no change in the valuation techniques used.

The following table provides basic information on how to determine the fair value of the investment property, including valuation techniques, input(s), and significant unobservable input(s) and range used in the fair value measurement.

Notes to the Financial Statements

For the period from 1 January to 30 June 2017

(IX) FAIR VALUE MEASUREMENT (Continued)

3. Valuation techniques used and the qualitative and quantitative information of key parameters for recurring fair value measurements categorised within Level 3 (Continued)

On 30 June 2017

Investment properties held by the Group	Fair value hierarchy	Valuation technique(s)	Input(s)	Significant unobservable input (s) and range
Completed properties	Level 3	Income approach	Market rent per month of unit area leasable (per square meter)	Market rent month of unit area leasable (per square meter) RMB11 to RMB295
Properties under construction at an early development stage	Level 3	Direct comparison approach	Unit area price of investment real estate(per square meter)	Capitalization rate 5.5% to 8.0% Unit area price of investment real estate (per square meter) RMB545 to RMB6,111
Other Properties under construction	Level 3	Assumption approach	Market rent per month of unit area leasable (per square meter) Capitalization rate	Market rent per month of unit area leasable (per square meter) RMB40.8 to RMB74.6 Capitalization rate 6.5% to 7.5%

If the market monthly rent of lettable area per unit used in the valuation is increased slightly and the other variables remain unchanged, the valuation of the fair value may have a significant increase, and vice versa.

If the capitalization rate used in the valuation is increased slightly and the other variables remain unchanged, the valuation of the fair value may suffer a significant decrease, and vice versa.

If the price per unit area of investment properties used in the valuation is increased slightly and the other variables remain unchanged, the valuation of the fair value may have a significant increase, and vice versa.

Notes to the Financial Statements

For the period from 1 January to 30 June 2017

(IX) FAIR VALUE MEASUREMENT (Continued)

4. Adjustment Information of Carrying Amounts between the Beginning of Period/year and the End of Period/year for Recurring Fair Value Measurements categorised within Level 3

RMB

Item	1 January 2017	Transferred into level 3	Transferred into level 3	Total gain or loss for the period		Purchase, issue, sell and settle				30 June 2017	For the assets held at the end of the reporting period, the changes in the current unrealised profit or loss included in the current profits or losses
				Included in profit or loss	Included in other comprehensive income	Purchase	Issue	Sell	Settle		
Investment properties	66,948,000,000.00	-	-	960,437,111.54	-	1,814,471,888.46	-	-	-	69,722,909,000.00	960,437,111.54

(X) RELATED PARTIES AND RELATED PARTY TRANSACTIONS

1. Parent of the Company

RMB

Parent company name	Related relationship	Company type	Place of incorporation	Legal representative	Nature of business	Registered capital	Equity proportion of the parent in the Company	Voting rights proportion of the parent in the Company	Ultimate controlling party of the Company	Organization code
RSM Holding	Parent of the Company	Limited liability company	Shanghai, China	Che Jian xin	Investment management	RMB100 Million	68.44%	68.44%	Che Jianxing	66071460-7

2. Subsidiaries of the Company

For basic and related information of the subsidiaries of the Company, please refer to Note (VII). 1.

3. Joint Ventures and Associates of the Company

For the details of joint ventures and associates of the Group, please refer to Note (VII). 3.

Notes to the Financial Statements

For the period from 1 January to 30 June 2017

(X) RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

4. Other Related Parties of the Group

Name of other related parties	Relationship between other related parties and the company
Chen Shuhong	Family member who has a close relationship with the ultimate actual controller
Che Jianfang	Family member who has a close relationship with the ultimate actual controller
Che Jianlin	Family member who has a close relationship with the ultimate actual controller
QianYumei	Family member who has a close relationship with the ultimate actual controller
Che Guoxing	Family member who has a close relationship with the ultimate actual controller
Red Star Furniture Group	Corporate controlled by the ultimate actual controller
Changzhou Red Star Furnishing Mall ("Changzhou Furnishing Mall")	Corporate controlled by the ultimate actual controller
Changzhou Red Star Furniture Plant Co., Ltd. ("Red Star Furniture Plant")	Corporate controlled by the family member who has a close relationship with the ultimate actual controller
Jining Hongrui Real Estate Co., Ltd. ("Jining Hongrui")	Corporate controlled by the family member who has a close relationship with the ultimate actual controller
Shaanxi Hongrui Home Furnishing Plaza Company Limited ("Shaanxi Hongrui")	Corporate controlled by the family member who has a close relationship with the ultimate actual controller
Xuzhou Red Star Macalline Global Home Furnishing Plaza Company Limited ("Xuzhou Furnishing Plaza")	Corporate controlled by the family member who has a close relationship with the ultimate actual controller
Xuzhou Red Star Macalline International Home Furnishing Mall Company Limited ("Xuzhou Home Furnishing Mall")	Corporate controlled by the family member who has a close relationship with the ultimate actual controller
Yangzhou Kailong Consulting Co., Ltd. ("Yangzhou Kailong")	Corporate controlled by the family member who has a close relationship with the ultimate actual controller
Yangzhou Red Star Macalline Global Home Furnishings Plaza Property Co., Ltd. ("Yangzhou Property")	Corporate controlled by the family member who has a close relationship with the ultimate actual controller
Xinghua Xingkai Home Furnishing Plaza Company Limited ("Xinghua Xingkai")	Corporate significantly influenced by the family member who has a close relationship with the ultimate actual controller
Chongqing Qifa	Corporate held by RSM Holding

Notes to the Financial Statements

For the period from 1 January to 30 June 2017

(X) RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

4. Other Related Parties of the Group (Continued)

Name of other related parties	Relationship between other related parties and the company
Shanghai Dingxing Investment Management Co., Ltd. ("Dingxing Investment")	Corporate held by RSM Holding
Shanghai Taiye Industry Co., Ltd.	Subsidiary of Chongqing Qifa
Changzhou Red Star Macalline Property Company Limited ("Changzhou Property")	Subsidiary of Chongqing Qifa
Chengdu Property	Subsidiary of Chongqing Qifa
Yunnan Property	Subsidiary of Chongqing Qifa
Dalian Red Star Macalline Investment Development Company Limited ("Dalian Investment")	Subsidiary of Chongqing Qifa
Shanghai Red Star Macalline Property Company Limited. ("Shanghai Property")	Subsidiary of Chongqing Qifa
Shanghai Hongmei Property Company Limited ("Hongmei Property") (Note 3)	Subsidiary of Chongqing Qifa
Shanghai Red Star Macalline Real Estate Group Company Limited ("Shanghai Real Estate")	Subsidiary of Chongqing Qifa
Shenyang Red Star Macalline Shibo Home Furnishing Company Limited ("Shenyang Property")	Subsidiary of Chongqing Qifa
Xingkai Operation	Subsidiary of Chongqing Qifa
Shanghai Jinshan Red Star Macalline Global Home Furnishing Company Limited ("Jinshan Red") (Note 3)	Subsidiary of Chongqing Qifa
Greenlang Jinniu Real Estate	Joint venture of Chongqing Qifa
Wuhu Minghui Business Management Co., Ltd. ("Wuhu Minghui")	Subsidiary of a joint venture
Jinke Real Estate Group Co. Ltd. ("Jinke Share") (Note 2)	Corporate in which director, supervisor or senior management invests or has a part-time job
Cao Zhongmin	Close family member of director, supervisor or senior management
Zhang Jianfang	Close family member of director, supervisor or senior management
Zhu Qingling	Close family member of director, supervisor or senior management
Changzhou Yizhi Furniture Company Limited ("Changzhou Yizhi")	Corporate controlled by close family member of director, supervisor or senior management
Ningbo Longkai (Note 1)	Corporate for which Che Guoxing works
Ningbo Aoyang	Corporate for which Che Guoxing works

Notes to the Financial Statements

For the period from 1 January to 30 June 2017

(X) RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

4. Other Related Parties of the Group (Continued)

Note 1: On 23 January 2017, Che Guoxing stopped serving as a director of Ningbo Longkai, since then, Ningbo Longkai was not a related party.

Note 2: "Jinke Share" is the lessor of shopping malls of Chongqing Shibo Furniture, a holding subsidiary of the Company, in which Pan Ping, the Company's deputy general manager has served as a director since 13 May 2014, so "Jinke Share" became a related party of the Company. On 23 March 2015, Mr. Pan Ping resigned from the directorship, so "Jinke Share" was no longer a related party of the Company.

Note 3: Hongmei Properties was spun off in 2017 and Jinshan Red Star was then set up(while Hongmei Properties still existed), and the property right of shopping malls will be owned by Jinshan Red Star after the completion of the spin-off.

Notes to the Financial Statements

For the period from 1 January to 30 June 2017

(X) RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

5. Related Party Transactions

- (1) Connected transactions of the purchase and sale of goods, provision and receipt of services

RMB

Related Parties	Details of Connected Transactions	1 January to 30 June 2017	1 January to 30 June 2016
Ningbo Aoyang	Revenue from annual consulting and management service titled the Company's name for the project	1,646,761.01	1,708,999.13
Yangzhou Property	Revenue from annual consulting and management service titled the Company's name for the project	943,396.20	981,132.08
Jining Hongrui	Revenue from annual consulting and management service titled the Company's name for the project	1,415,094.36	1,473,412.60
Xuzhou Home Furnishing Mall	Revenue from annual consulting and management service titled the Company's name for the project	716,981.16	485,660.40
Ningbo Longkai	Revenue from annual consulting and management service titled the Company's name for the project	–	1,471,739.98
Wuhu Minghui	Revenue from annual consulting and management service titled the Company's name for the project	1,415,094.36	1,471,698.12
Xuzhou Home Furnishing Plaza	Revenue from annual consulting and management service titled the Company's name for the project	1,169,811.36	1,176,603.80
Shaanxi Hongrui	Revenue from annual consulting and management service titled the Company's name for the project	1,415,094.36	1,471,698.12
Greenland Jinniu Real Estate	Revenue from annual consulting and management service titled the Company's name for the project	1,886,792.46	1,962,264.14
Xinghua Xingkai	Revenue from annual consulting and management service titled the Company's name for the project	1,179,245.28	438,321.71
Bengbu Red Star	Revenue from annual consulting and management service titled the Company's name for the project	–	–
Total		11,788,270.55	12,641,530.08
Hongmei Property	Design consultation income	453,600.00	–
Total		453,600.00	–

Notes to the Financial Statements

For the period from 1 January to 30 June 2017

(X) RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

5. Related Party Transactions (Continued)

- (1) Connected transactions of the purchase and sale of goods, provision and receipt of services
(Continued)

Related Parties	Details of Connected Transactions	1 January to 30 June 2017	1 January to 30 June 2016
Xuzhou Home Furnishing Mall	Xingyi Tonghui Commission income regarding pre-paid cards	1,902.64	36,928.81
Shaanxi Hongrui	Xingyi Tonghui Commission income regarding pre-paid cards	–	49,969.62
Chengdu Dongtai	Xingyi Tonghui Commission income regarding pre-paid cards	28,206.82	106,152.38
Wuhu Minghui	Xingyi Tonghui Commission income regarding pre-paid cards	166,302.63	214,316.70
Yangzhou Kailong	Xingyi Tonghui Commission income regarding pre-paid cards	80,597.78	310,426.68
Total		277,009.87	717,794.19
Red Star Furniture Plant		–	21,878.29
Dingxing Investment		–	1,747.58
Shanghai Real Estate		–	103,980.59
Xiamen Baoxiang	Service income	23,256.60	–
Haier Consumer Finance	Service income	163,753.43	–
Xiamen Baoxiang	Service income	90,566.04	–
Cao Zhongmin	Service income	3,144.65	–
Qian Yumei	Service income	2,830.19	–
Total		283,550.91	127,606.46
Changzhou Yizhi	Loan interest income	4,259.96	–
Zhu Qingling	Loan interest income	239,764.15	–
Total		244,024.11	–

Notes to the Financial Statements

For the period from 1 January to 30 June 2017

(X) RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

5. Related Party Transactions (Continued)

(2) Particulars of connected leasing

Statement of the Company as the lessor:

RMB

Lessor's name	Lessee's name	Details on lease asset	Inception date of lease	Expiration date of lease	Revenue from operating leases		Determination basis of lease charge
					1 January to 30 June 2017	1 January to 30 June 2016	
Nanjing Furnishing City	QianYumei	Shop(s) in shopping mall	1 January 2011	31 August 2017	52,185.00	503,424.54	Contract agreement
Nanjing Mingdu	QianYumei	Shop(s) in shopping mall	1 January 2011	15 March 2018	284,452.00	318,273.20	Contract agreement
Changzhou Macalline	Cao Zhongmin	Shop(s) in shopping mall	1 November 2012	31 March 2018	6,965.73	5,143.45	Contract agreement
Changzhou Home World	Cao Zhongmin	Shop(s) in shopping mall	1 June 2012	31 March 2018	400,978.50	1,057,704.01	Contract agreement
Changzhou Macalline	Zhang Jianfang	Shop(s) in shopping mall	1 August 2015	31 May 2018	91,865.48	90,347.04	Contract agreement
Wuxi Binghu	Cao Zhongmin	Shop(s) in shopping mall	31 December 2015	6 February 2016	–	29,829.08	Contract agreement
Shanghai Jinshan	Red Star Furniture Plant	Shop(s) in shopping mall	1 May 2016	15 June 2016	–	32,348.25	Contract agreement
Total					836,446.71	2,037,069.93	

Statement of the Company as the lessee:

RMB

Lessor's name	Lessee's name	Details on lease asset	Inception date of lease	Expiration date of lease	Lease expense		Determination basis of lease charge
					1 January to 30 June 2017	1 January to 30 June 2016	
Changzhou Furnishing City	Changzhou Macalline	Shopping mall(s)	1 April 2011	31 March 2021	8,135,999.46	7,926,367.81	Contract agreement
Che Guoxing	Beijing Shibo Furniture	Dormitory	1 January 2016	31 December 2016	168,000.00	168,000.00	Contract agreement
Jinke	Chongqing Shibo Furniture	Shopping mall(s)	1 July 2006	31 December 2026	–	–	Contract agreement
Hongmei Property	Shanghai Jinshan	Shopping mall(s)	1 May 2016	30 April 2019	272,233.30	4,495,072.80	Contract agreement
Jinshan Red Star(Notes)	Shanghai Jinshan	Shopping mall(s)	1 May 2016	30 April 2019	3,561,100.00	–	Contract agreement
Total					12,137,332.76	12,589,440.61	

Note: Hongmei Properties was spun off in 2017 and Jinshan Red Star was then set up, and the property right of shopping malls will be owned by Jinshan Red Star after the completion of the spin-off.

Notes to the Financial Statements

For the period from 1 January to 30 June 2017

(X) RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

5. Related Party Transactions (Continued)

(3) Guarantees with related parties

RMB

Guarantor	Guaranteed party	Amount of guarantees	Inception date of guarantee	Expiration date of guarantee	Whether guarantee has been performed
30 June 2017					
Providing guarantees:					
Short-term loans :					
Beijing International Furniture Company (note 2)	Haier Consume Financing	50,000,000.00	4 August 2015	4 August 2018	No
	Haier Consume Financing	275,000,000.00	8 November 2016	8 November 2019	No
Sub-total		325,000,000.00			
Guarantees accepted:					
Long-term borrowings :					
Che Jianxing (note 3)	Hongxin Oukai	280,000,000.00	4 March 2014	19 February 2019	No
Che Jianxing (note 4)	Chongqing Bolan Home	380,000,000.00	8 June 2016	8 June 2026	No
Che Jianxing (note 5)	Tianjin Hedong	40,000,000.00	24 December 2013	29 November 2023	No
Che Jianxing, Red Star Macalline Holding Group Limited, Red Star Furniture Group (note 6)	Beijing Shibo Furniture	612,965,432.88	9 October 2012	9 October 2022	No
Red Star Furniture Group Limited (note 7)	Changzhou Home World	52,500,000.00	10 September 2007	27 October 2017	No
Red Star Furniture Group Limited (note 8)	Wuxi Red Star	178,000,000.00	30 October 2008	20 December 2019	No
Sub-total		1,543,465,432.88			

Notes to the Financial Statements

For the period from 1 January to 30 June 2017

(X) RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

5. Related Party Transactions (Continued)

(3) Guarantees with related parties (Continued)

Note 1: On 25 July 2015, Beijing International Furniture* (北京國際家具), a subsidiary of the Company, based on its shareholding percentage in associate Haier Consume Financing, provided a guarantee of RMB375,000,000.00 to Haier Consume Financing against the loan of RMB1,500,000,000.00 lended by Haier Consume Financing to Haier Group Finance Co., Ltd.* (海爾集團財務責任有限公司). Among the guarantee amount, RMB225,000,000.00 was provided by Beijing International Furniture to Haier Consume Financing by way of the pledge of its 25% equity interests in Haier Consume Financing. The remaining RMB150,000,000.00 was provided by Beijing International Furniture by way of joint and several liability guarantees. On 30 June 2017, the balance of borrowings was RMB200,000,000.00.

Note 2: On 8 November 2016, the Company provided 25% joint and several liability guarantees against the loan of RMB2,500,000,000.00 lended by Haier Consume Financing to Haier Group Finance Co., Ltd. On 30 June 2017, the balance of borrowings was RMB1,100,000,000.00.

Note 3: The loan is also secured by Hongxin Oukai's investment property.

Note 4: The loan is also secured by Chongqing Shibo Furniture's investment property.

Note 5: The loan is also secured by Tianjin Hedong's investment property.

Note 6: The loan is also secured by Beijing Shibo Furniture's investment property, and is pledged with cash and bank and all operating revenues of shopping malls during the loan period.

Note 7: The loan is also secured by Changzhou Home World's investment property.

Note 8: The loan is guaranteed by Red Star Furniture Group with the maximum amount of RMB350 million yuan and is secured by the Wuxi Red Star's investment property.

Notes to the Financial Statements

For the period from 1 January to 30 June 2017

(X) RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

5. Related Party Transactions (Continued)

(4) Loans and borrowings of the related parties

RMB

Related parties	Lending amount	Inception date	Expiration date	Closing balance	Remarks
1 January to 30 June 2017					
Borrowed from					
Shenzhen Red Star	–	N/A	N/A	11,544,722.36	No rate and no fixed term
Chongqing Qifa	–	N/A	N/A	30,988,965.89	No rate and no fixed term
Greenland Jinniu	23,923,856.89	N/A	N/A	1,819,989.48	No rate and no fixed term
Total	23,923,856.89			44,353,677.73	
Lent to					
Shanghai Mingyi	4,800,000.00	N/A	N/A	102,400,000.50	No rate and no fixed term
Ningbo Longkai	–	N/A	N/A	24,000,000.00	No rate and no fixed term
Xi'an Jiaxin	–	N/A	N/A	50,000.00	No rate and no fixed term
Shaanxi Hongrui	7,500,000.00	N/A	N/A	14,846,929.85	No rate and no fixed term
Wuhan Zhengda	–	N/A	N/A	117,092,354.89	No rate and no fixed term
Xiamen Baoxiang	–	N/A	N/A	22,500,000.00	No rate and no fixed term
Hangzhou Global	–	N/A	N/A	123,795,691.00	No rate and no fixed term
Total	12,300,000.00	N/A	N/A	404,684,976.24	

Notes to the Financial Statements

For the period from 1 January to 30 June 2017

(X) RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

5. Related Party Transactions (Continued)

- (5) Compensation for key management personnel

RMB'000

Item	1 January to 30 June 2017	1 January to 30 June 2016
Compensation for key management personnel	20,273	20,628

Notes to the Financial Statements

For the period from 1 January to 30 June 2017

(X) RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

6. Amounts Due from/to Related Parties

(1) Amounts due from related parties

RMB

Item	Related party	30 June 2017		31 December 2016	
		Book balance	Bad debt provision	Book balance	Bad debt provision
Account receivables	Xuzhou Home Furnishings City	-	-	30,196.05	1,509.80
	Shanghai Real Estate	-	-	3,600.00	-
	Ningbo Aoyang	155,866.67	7,793.33	-	-
	Shanghai Hongmei Real Estate	453,600.00	22,680.00	-	-
	Total	609,466.67	30,473.33	33,796.05	1,509.80
Other receivables	Shanghai Mingyi	102,400,000.50	5,120,000.03	97,600,000.50	4,880,000.03
	Ningbo Longkai	24,000,000.00	1,200,000.00	24,000,000.00	1,200,000.00
	Shaanxi Hongrui	14,846,929.85	742,346.49	8,395,738.33	419,786.92
	Xi'an Jiaxin	50,000.00	25,000.00	50,000.00	2,500.00
	Wuhan Zhengda	10,303.05	5,151.53	10,303.05	515.15
	Total	141,307,233.40	7,092,498.05	130,056,041.88	6,502,802.10
Other current assets	Zhu Qingling	10,000,000.00	-	-	-
	Changzhou Yizhi	800,000.00	-	-	-
	Total	10,800,000.00	-	-	-
Long-term receivables	Wuhan Zhengda	117,092,354.89	-	117,092,354.89	-
	Xiamen Baoxiang	22,500,000.00	-	46,500,000.00	-
	Hangzhou Global	123,795,691.00	-	123,795,691.00	-
	Total	263,388,045.89	-	287,388,045.89	-
Other non-current assets	Chengdu Property (Note)	247,705,000.00	-	247,705,000.00	-
	Total	247,705,000.00	-	247,705,000.00	-

Note: On 30 June 2017 and 31 December 2016, other non-current assets of Chengdu Property were advances paid for the repurchase of the home furnishing shopping mall business section of the Greenland Jinniu Real Estate.

Notes to the Financial Statements

For the period from 1 January to 30 June 2017

(X) RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

6. Amounts Due from/to Related Parties (Continued)

(2) Payables

RMB

Item	Related Parties	30 June 2017	31 December 2016	
Other payables	Chongqing Qifa	30,988,965.89	30,988,965.89	
	Shenzhen Red Star	11,544,722.36	11,544,722.36	
	Xingkai Operation	–	–	
	Greenland Jinniu	1,819,989.48	1,559,896.94	
	Ningbo Aoyang	720,744.27	970,477.28	
	Ningbo Longkai	4,084,531.92	4,146,696.02	
	Zhuzhou Red Star	–	1,738,795.55	
	Cao Zhongmin	44,500.00	32,000.00	
	Chengdu Dongtai	425,700.00	444,381.59	
	Shaanxi HongruiShaanxi Hongrui	–	5.20	
	Wuhu Minghui	5,000.00	301,560.20	
	Xuzhou Home Furnishings City	–	5.00	
	Yangzhou Kailong	514,531.95	182,209.20	
	Shanghai Jiazhan	1,031,000.00	–	
	Qian Yumei	40,000.00	–	
		Total	51,219,685.87	51,909,715.23
	Advance from customers	Wuhu Minghui	2,184,246.58	684,246.58
Xuzhou RSHFP		355,435.37	385,631.43	
Greenland Jinniu		2,610,045.66	2,610,045.66	
Jining Hongrui		422,366.77	922,366.77	
Ningbo Aoyang		–	1,039,007.94	
Qian Yumei		113,592.40	46,061.60	
Xinghua Xingkai		32,009.10	992,009.11	
Red Star Furniture		–	13,730.59	
Cao Zhongmin		–	5,995.23	
Zhang Jianfang		16,575.98	30,115.80	
Yangzhou Property		1,000,000.00	–	
	Total	6,734,271.86	6,729,210.71	

The unsettled amount is not guaranteed and will be settled in cash.

Notes to the Financial Statements

For the period from 1 January to 30 June 2017

(X) RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

7. Equity transfers and asset acquisitions

Please refer to Note (VI).3 for the Group's disposals of subsidiaries to related parties.

(XI) COMMITMENTS AND CONTINGENCIES

1. Significant Commitments

(1) Capital commitments

RMB'000

	30 June 2017	31 December 2016
Contracted but not recognised in the financial statements:		
– Commitment for acquisition and construction of long-term assets	1,466,688	3,819,315
– Commitment for external investment	664,104	540,154
Total	2,130,792	4,359,469

(2) Operating lease commitments

As at the balance sheet date, the information on irrevocable operating lease contracts entered into between the Group and external parties are as follows:

RMB'000

	30 June 2017	31 December 2016
Minimum lease payment under irrevocable operating lease:		
First year after the balance sheet date	608,582	529,273
Second year after the balance sheet date	593,126	549,486
Third year after the balance sheet date	545,230	505,373
Subsequent years	3,439,716	3,515,134
Total	5,186,654	5,099,266

Notes to the Financial Statements

For the period from 1 January to 30 June 2017

(XI) COMMITMENTS AND CONTINGENCIES (Continued)

2. Contingencies

- (1) Contingent liabilities and its financial implications arising from pending litigations and arbitrations

In February 2014, Ruiyi International Culture Communication (Beijing) Co., Ltd.* (瑞怡國際文化傳播(北京)有限公司) and Beijing Baoying Expo Public Relations Consultants Co., Ltd.* (北京寶盈博覽公關顧問有限公司) (hereinafter referred to as "Ruiyi International" and "Beijing Baoying") and Puhua Times (Beijing) International Advertising Media Co., Ltd* (普華時代(北京)國際廣告傳媒有限公司) (hereinafter referred to as "Puhua Company") entrusted by the Company signed a cooperation agreement, under which, Ruiyi International and Beijing Baoying should arrange well-known sports stars and sports hosts at home and abroad to participate in the marketing activities organized by the Company. In May 2014, Ruiyi International and Beijing Baoying claimed that the Company and Puhua Company had breached the agreement in that they not paid in full and on time and do not confirm the activity scheduling, so they had filed a lawsuit in the People's Court in Chaoyang District, Beijing, requiring that the Company and Puhua Company continue to fulfill the cooperation agreement and jointly pay the arrears, liquidated damages and overdue payments totaling RMB18.7 million to the plaintiff. In December 2015, the Company and Puhua Company filed a counterclaim to claim that the other party breached the agreement after receiving the payment, requesting an order to terminate the cooperation agreement signed by the two sides, and asking the defendant of the counterclaim to compensate for their goodwill losses of 1 million yuan caused by the breach of contract and to pay the legal fare. On 19 July 2017, the People's Court in Chaoyang District ruled that the agreement shall be terminated; and that Ruiyi International and Beijing Baoying shall compensate the Company for the losses of 160,000 yuan, and shall return to Puhua Company the contract amount of 6.52 million yuan. In August 2017, Ruiyi International and Beijing Baoying filed an appeal to the Beijing Third Intermediate People's Court. The Company is unlikely to pay liquidated damages or indemnities on the basis of the available evidences and the legal advices.

In 2012, Nanjing Mingdu, a subsidiary of the Group, and tenant Gao Haixia signed a lease agreement, under which, Nanjing Mingdu agreed to rent out a booth in the shopping malls operated by it to Gao, with the lease period commencing from 18 July 2012 to 17 July 2013. After the expiration of the lease, the two parties of the agreement disputed on the renewal of the lease contract. After having repeatedly asked Gao Haixia to move out of the rental booth but all failed, Nanjing Mingdu filed a lawsuit in August 2013, to request the court to order that the defendant shall compensate for its losses caused by her illegal occupation of the booth. Both sides refused to accept the first-instance judgment made by the People's Court in Qinhuai District, Nanjing so they filed an appeal to the Intermediate People's Court of Nanjing, Jiangsu Province. In June 2014, the Intermediate Court revoked the original first-instance judgment and sent the case back for retrial. In August 2014, Gao Haixia filed a counterclaim, requiring Nanjing Mingdu to compensate for her total losses of 10.8 million yuan, including decoration losses of 3.2 million yuan, the goods losses of 5.6 million yuan, and losses caused by suspense of business of 2 million yuan. In 15 August 2017, the People's Court in Qinhuai District made a judgment on the counterclaim, ordered Nanjing Mingdu to compensate Gao Haixia for her total losses of 4.6318 million yuan, including decoration losses of 2.5651 million yuan, goods and office supplies losses of 2.072 million yuan. In August 2017, Nanjing Mingdu instituted an appeal to the Nanjing Intermediate People's Court. The Company is unlikely to pay liquidated damages or indemnities on the basis of the available evidences and the legal advices.

Notes to the Financial Statements

For the period from 1 January to 30 June 2017

(XI) COMMITMENTS AND CONTINGENCIES (Continued)

2. Contingencies (Continued)

- (1) Contingent liabilities and its financial implications arising from pending litigations and arbitrations (Continued)

In March 2012, the partner Changsha Ideal Real Estate Development Co., Ltd.* (長沙理想房地產開發有限公司) (hereinafter referred to as "Changsha Ideal") signed a project cooperation contract with the Company, for the cooperate in the construction and operation of furniture and building materials shopping mall projects in Changsha, under which Changsha Ideal provides the project land and the Company provides all the construction funds and is also responsible for applying for the approval of the projects. According to the contract, the Company shall commence construction before 18 July 2012, and complete and put shopping malls into operation before 18 January 2014. In March 2017, Changsha Ideal filed a lawsuit in the Hunan Provincial Higher People's Court, claiming that the Company had not allocated construction funds for the projects and failed to open business before the agreed time. Then it changed claims in May and June, 2017 respectively, requesting to terminate the project cooperation contract with the Company. The Company has paid a non-refundable performance bond of RMB60 million, compensated liquidated damages of RMB137.4 million, and an expected return of RMB273.408 million to Changsha Ideal and bore fees for pit backfilling on sites and litigation costs and other related costs.

The Company believes that Changsha Ideal's performance of the cooperation contract constitutes a breach of contract, so it filed a counterclaim in April and May, 2017 at the Hunan Provincial Higher People's Court to request the termination of the project cooperation contract signed by the Company and Changsha Ideal, and require Changsha Ideal to refund to the Company twice the performance bonds of RMB120 million and RMB62.102 million which had been invested by the Company in the joint venture project, and compensate the Company for RMB6.534 million, 20% of the amount of litigious claim by the Company as well as bear attorney fees and other related costs of RMB1.6 million.

As of the date of approval of the financial statements, the case has completed the second evidence exchange in count and cross-examination, but has not yet conducted court debate. The Company believes, on the basis of the available evidences and the legal advices, that Changsha Ideal's claims won't be supported, and that the Company is unlikely to pay liquidated damages or indemnities.

Except for the above matters, the Company did not have any other contingent liabilities arising from the pending significant litigations or arbitrations as at 30 June 2017 and 31 December 2016.

Notes to the Financial Statements

For the period from 1 January to 30 June 2017

(XI) COMMITMENTS AND CONTINGENCIES (Continued)

2. Contingencies (Continued)

- (2) The contingent liabilities and its financial implications arising from the provision of debt guarantees for other entities

On 24 February 2012, the Company provided guarantee for Chengdu Dongtai, the joint venture of Company, to Sichuan Trust Co., Ltd.* (四川信託有限公司) to guarantee the borrowing of RMB400,000,000.00 under the Property Income Right Trust established by Chengdu Dongtai with its property lease income right and the trust revenue. Chengdu Dongtai has set up Property Income Right Trust with its property lease income right. The Trust is managed, used and handled by Sichuan Trust Co., Ltd. in accordance with the terms of the trust contract and is pledged with the operating property income right, and mortgaged by intangible assets of Chengdu Dongtai. As at 30 June 2017 and 31 December 2016, the balance of borrowings was RMB0 and RMB98,000,000.00 respectively.

On 25 July 2015, Beijing International Furniture* (北京國際家具), a subsidiary of the Company, based on its shareholding percentage in associate Haier Consume Financing, provided a guarantee of RMB375,000,000.00 to Haier Consume Financing against the loan of RMB1,500,000,000.00 lent by Haier Consume Financing to Haier Group Finance Co., Ltd.* (海爾集團財務責任有限公司). Among the guarantee amount, RMB225,000,000.00 was provided by Beijing International Furniture to Haier Consume Financing by way of the pledge of its 25% equity interests in Haier Consume Financing. The remaining RMB150,000,000.00 was provided by Beijing International Furniture by way of joint and several liability guarantees. On 30 June 2017, 31 December 2016, the balances of borrowings were RMB200,000,000.00 and RMB500,000,000.00 respectively.

On 8 November 2016, the Company provided 25% joint and several liability guarantees against the loan of RMB2,500,000,000.00 lent by Haier Consume Financing to Haier Group Finance Co., Ltd. On 30 June 2017 and 31 December 2016, the balances of borrowings were RMB1,100,000,000.00 and RMB500,000,000.00 respectively.

Notes to the Financial Statements

For the period from 1 January to 30 June 2017

(XII) EVENTS AFTER THE BALANCE SHEET DATE

1. Asset securitization transactions

In May 2017, the Company agreed to sell its two wholly-owned subsidiaries, namely Tianjin Red Star Macalline International Home Furnishings Construction Materials Company Limited ("Tianjin Red Star Home Furnishings Construction Materials") and Tianjin Red Star Macalline International Home Furnishings Malls Company Limited ("Tianjin Red Star Home Furnishings"), to a trust fund managed by Tianjin Changhe Shareholding Investment Fund Management Company Limited. Upon completion of the Disposal, the Fund will, upon obtaining relevant governmental approval in the PRC, proceed with securitizing the shopping malls held by Tianjin Red Star Home Furnishings Construction Materials and Tianjin Red Star Home Furnishings and launch a Quasi-REITS Programme ("Quasi-REITS Programme") in the PRC.

On 29 June 2017, the abovementioned Quasi-REITS Programme has been approved by the relevant Chinese regulatory authorities. As of the date of this report, Quasi-REITS Programme has not yet been issued.

2. Acquisition of Jinshan Properties from Shanghai Red Star Macalline Real Estate Co. Ltd.

On 28 August 2017, the Company entered into the Equity Transfer Agreement with the related parties, namely Shanghai Red Star Macalline Real Estate Co. Ltd., Shanghai Jinshan Red Star Macalline Global Home Furnishing Company Limited and Shanghai Hongmei Properties Limited, pursuant to which the Company agreed to acquire 100% equity interests in Shanghai Jinshan Red Star Macalline Global Home Furnishing Company Limited at an consideration of RMB520,000,000.00. As of the date of this financial report, the transaction has not yet been completed.

3. Disposal of Shanghai Huangpu Red Star Small Loans Company Limited, the subsidiary of the Company

On 30 August 2017, the Company and its subsidiaries entered into the Equity Transfer Agreements with the related parties, namely RSM Holding, Fuzhou Red Star Commercial Management Company Limited and Kunming Red Star Commercial Management Company Limited, pursuant to which the Company and its subsidiaries agreed to dispose of their 100% equity interests in Shanghai Huangpu Red Star Small Loans Company Limited to RSM Holding, Fuzhou Red Star Commercial Management Company Limited and Kunming Red Star Commercial Management Company Limited, at an consideration of RMB201,410,000.00. The transaction has been approved by the Shanghai Financial Services Office and Finance Bureau of Huangpu District of Shanghai. As of the date of this financial report, the transaction has not yet been completed.

Notes to the Financial Statements

For the period from 1 January to 30 June 2017

(XIII) OTHER SIGNIFICANT EVENTS

1. Segment reporting

According to the Group's internal organizational structure, management requirements and internal reporting system, the business operations of the Group are divided into four reporting segments, namely, the leasing and management section, the entrusted operation and management section, the merchandise sales segment and other segment, which are determined based on an internal management and reporting system. The management of the Group regularly evaluates the operating results of these reporting segments to decide on the allocation of resources to them and to evaluate their performance. Revenues from the main services provided by the respective reporting segments of the Group refer to income from Owned/Leased Portfolio Shopping Malls, and income related to entrusted operation and management of shopping malls (including revenue from the consulting and management service titled the Company's name for the early stage of the project, revenue from annual consulting and management service titled the Company's name for the project, and revenue from commerce and management consultancy fee), merchandise sales and other income.

The Group's revenue sources and non-current assets are located in mainland China.

The inter-segment transfer transactions are measured on the basis of the actual transaction price, and the segment revenue and segment costs are determined by the actual revenue and expenses of each segment.

Segment assets and liabilities, and other segment data are not presented as such information is not reported to the management on a regular basis and used for the purpose of resource allocation and performance evaluation.

During the period from 1 January to 30 June 2017, the Group had no customer who contributed more than 10% of the total income.

Segment reporting information is disclosed based on the accounting policies and measurement standards used by the segments to report to the management, which are consistent with the accounting and measurement basis for the preparation of financial statements.

Notes to the Financial Statements

For the period from 1 January to 30 June 2017

(XIII) OTHER SIGNIFICANT EVENTS (Continued)

1. Segment reporting (Continued)

(1) Reporting segment's information

RMB'000

	1 January to 30 June 2017						Total
	Revenue from own/leased portfolio shopping malls	Relevant revenue of managed shopping malls	Revenue from sales of merchandise and related services	Other revenue	Unallocated item	Inter-segment eliminations	
Operating revenue							
External revenue	3,188,831	1,473,052	109,285	299,799	-	-	5,070,967
Less: Taxes and surcharges	138,889	9,367	499	4,012	-	-	152,767
External revenue(after deducting business taxes and surcharges)	3,049,942	1,463,685	108,786	295,787	-	-	4,918,200
Inter-segment revenue	-	-	-	-	-	-	-
Total segment operating revenue	3,049,942	1,463,685	108,786	295,787	-	-	4,918,200
Operating cost	696,930	507,346	85,057	85,335	-	-	1,374,668
Operating profit (loss)	1,708,326	719,534	(43,232)	149,758	336,182	-	2,870,568
Non-operating income	-	-	-	-	23,363	-	23,363
Less: Non-operating expense	-	-	-	-	12,457	-	12,457
Total profit (loss)	1,708,326	719,534	(43,232)	149,758	347,088	-	2,881,474
Less: Income tax expenses	-	-	-	-	724,983	-	724,983
Net profit (loss)	1,708,326	719,534	(43,232)	149,758	(377,895)	-	2,156,491

Notes to the Financial Statements

For the period from 1 January to 30 June 2017

(XIII) OTHER SIGNIFICANT EVENTS (Continued)

1. Segment reporting (Continued)

(1) Reporting segment's information (Continued)

RMB'000

	1 January to 30 June 2016						Total
	Revenue from own/leased portfolio shopping malls	Relevant revenue of managed shopping malls	Revenue from sales of merchandise and related services	Other revenue	Unallocated item	Inter-segment eliminations	
Operating revenue							
External revenue	2,966,246	1,308,898	92,625	215,929	-	-	4,583,698
Less: Taxes and surcharges	209,554	57,949	2,601	780	-	-	270,884
External revenue(after deducting business taxes and surcharges)	2,756,692	1,250,949	90,024	215,149	-	-	4,312,814
Inter-segment revenue	-	-	-	-	-	-	-
Total segment operating revenue	2,756,692	1,250,949	90,024	215,149	-	-	4,312,814
Operating cost	633,307	427,632	64,501	50,571	-	-	1,176,011
Operating profit (loss)	1,577,707	562,222	(31,862)	129,428	356,343	-	2,593,838
Non-operating income	-	-	-	-	17,505	-	17,505
Less: Non-operating expense	-	-	-	-	7,381	-	7,381
Total profit (loss)	1,577,707	562,222	(31,862)	129,428	366,467	-	2,603,962
Less: Income tax expenses	-	-	-	-	674,745	-	674,745
Net profit (loss)	1,577,707	562,222	(31,862)	129,428	(308,278)	-	1,929,217

Notes to the Financial Statements

For the period from 1 January to 30 June 2017

(XIV) NOTES TO THE MAJOR ITEMS IN THE FINANCIAL STATEMENTS OF THE COMPANY

1. Account Receivables

(1) Account receivables by categories:

Category	30 June 2017					31 December 2016				
	Book balance		Bad debt provision		Carrying amount	Book balance		Bad debt provision		Carrying amount
	Amount	Ratio (%)	Amount	Provision proportion (%)		Amount	Ratio (%)	Amount	Provision proportion (%)	
Account receivables that are individually significant and for which bad debts are provided for individually	610,416,555.33	53.92	490,301,534.77	80.32	120,115,020.56	527,217,981.40	48.22	450,596,606.98	85.47	76,621,374.42
Account receivables for which bad debts are provided based on credit risk characteristics portfolio	421,983,914.64	37.28	49,918,558.23	11.83	372,065,356.41	487,547,957.60	44.60	53,402,295.14	10.95	434,145,662.46
Account receivables of insignificant individual amount but individually provided for bad debts	99,656,982.40	8.80	93,825,820.10	94.15	5,831,162.30	78,493,283.52	7.18	76,788,489.52	97.83	1,704,794.00
Total	1,132,057,452.37	100.00	634,045,913.10	56.01	498,011,539.27	1,093,259,222.52	100	580,787,391.64	53.12	512,471,830.88

Account receivables for which bad debts are provided based on credit risk characteristics portfolio

RMB

Aging	30 June 2017			31 December 2016		
	Book balance	Bad debt provision	Proportion (%)	Book balance	Bad debt provision	Proportion (%)
Within 1 year	174,761,048.53	8,738,052.44	5.00	187,550,012.40	9,377,500.62	5.00
1 to 2 years	135,140,674.33	13,514,067.43	10.00	192,747,945.20	19,274,794.52	10.00
2 to 3 years	96,082,191.78	19,216,438.36	20.00	102,750,000.00	20,550,000.00	20.00
3 to 4 years	14,500,000.00	7,250,000.00	50.00	–	–	50.00
4 to 5 years	1,500,000.00	1,200,000.00	80.00	1,500,000.00	1,200,000.00	80.00
Over 5 years	–	–	100.00	3,000,000.00	3,000,000.00	100.00
Total	421,983,914.64	49,918,558.23	11.83	487,547,957.60	53,402,295.14	10.95

Notes to the Financial Statements

For the period from 1 January to 30 June 2017

(XIV) NOTES TO THE MAJOR ITEMS IN THE FINANCIAL STATEMENTS OF THE COMPANY (Continued)

1. Account Receivables (Continued)

- (2) Provision, recovery or reversal of bad debt provision for the period from 1 January to 30 June 2017

During the period from 1 January to 30 June 2017, the provision for bad debts amounted to RMB53,258,521.46, and there was no reversal of provision for bad debts and no written-off of account receivables.

2. Other Receivables

- (1) Other receivables disclosed by categories:

RMB

Category	30 June 2017					31 December 2016				
	Book balance		Bad debt provision		Book value Amount	Book balance		Bad debt provision		Book value Amount
	Amount	Proportion (%)	Amount	Proportion (%)		Amount	Proportion (%)	Amount	Proportion (%)	
Other receivables that are individually significant and for which bad debts are provided for individually	2,555,174,153.11	13.95	449,150,939.60	17.58	2,106,023,213.51	3,071,124,851.57	17.33	449,150,939.60	14.62	2,621,973,911.97
Other receivables of insignificant individual amount but individually provided for bad debts	7,350,000.00	0.04	7,350,000.00	100.00	-	7,350,000.00	0.04	7,350,000.00	100.00	-
Other receivables for which bad debts are provided based on credit risk characteristics portfolio	15,751,092,336.08	86.01	14,900,148.91	0.09	15,736,192,187.17	14,639,676,114.83	82.63	16,405,849.22	0.11	14,623,270,265.61
Including: Risk portfolio I	195,923.74	-	-	-	195,923.74	85,211.82	-	-	-	85,211.82
Risk portfolio II	198,400,921.00	1.08	9,920,046.05	5.00	188,480,874.95	241,832,712.77	1.36	12,091,635.64	5.00	229,741,077.13
Risk portfolio III	30,607,467.84	0.17	4,980,102.86	16.27	25,627,364.98	42,348,543.44	0.24	4,314,213.58	10.19	38,034,329.86
Risk portfolio IV (Note)	15,521,888,023.50	84.76	-	-	15,521,888,023.50	14,355,409,646.80	81.03	-	-	14,355,409,646.80
Total	18,313,616,489.19	100.00	471,401,088.51	2.57	17,842,215,400.68	17,718,150,966.40	100.00	472,906,788.82	2.67	17,245,244,177.58

Note: Portfolio IV is the Company's receivables due from subsidiaries of the Group. The Company believes, this portfolio has minor credit risks, thus for which no bad debt is provided.

Other receivables for which bad debts are provided based on credit risk characteristics portfolio:

Portfolio I:

RMB

Item	30 June 2017	31 December 2016
Book balance of Portfolio No. 1 – within 1 year	195,923.74	85,211.82

Notes to the Financial Statements

For the period from 1 January to 30 June 2017

(XIV) NOTES TO THE MAJOR ITEMS IN THE FINANCIAL STATEMENTS OF THE COMPANY (Continued)

2. Other Receivables (Continued)

(1) Other receivables disclosed by categories: (Continued)

*Other receivables for which bad debts are provided based on credit risk characteristics portfolio:
(Continued)*

Portfolio II: Bad debts are provided based on balance percentage method:

RMB

	30 June 2017			31 December 2016		
	Book balance	Amount of bad debts	Provision ratio (%)	Book balance	Amount of bad debts	Provision ratio (%)
Portfolio II	198,400,921.00	9,920,046.05	5.00	241,832,712.77	12,091,635.64	5.00

Portfolio III: Bad debts are provided based on aging percentage method:

RMB

Aging	30 June 2017			31 December 2016		
	Book balance	Amount of bad debts	Provision ratio (%)	Book balance	Amount of bad debts	Provision ratio (%)
Within 1 year	17,919,959.49	895,997.97	5.00	16,958,995.02	847,949.75	5.00
1 to 2 years	5,597,369.93	559,736.99	10.00	18,729,458.55	1,872,945.86	10.00
2 to 3years	471,004.39	94,200.88	20.00	5,789,089.87	1,157,817.97	20.00
3 to 4 years	6,217,134.03	3,108,567.02	50.00	871,000.00	435,500.00	50.00
4 to 5 years	402,000.00	321,600.00	80.00	-	-	80.00
Over 5 years	-	-	100.00	-	-	100.00
Total	30,607,467.84	4,980,102.86	16.27	42,348,543.44	4,314,213.58	10.19

Portfolio IV:

	30 June 2017			31 December 2016		
	Book balance	Amount of bad debts	Provision ratio	Book balance	Amount of bad debts	Provision ratio
Portfolio IV	15,521,888,023.50	-	-	14,355,409,646.80	-	-

Notes to the Financial Statements

For the period from 1 January to 30 June 2017

(XIV) NOTES TO THE MAJOR ITEMS IN THE FINANCIAL STATEMENTS OF THE COMPANY (Continued)

2. Other Receivables (Continued)

- (2) Provision, recovery or reversal of bad debt provision for the current period

During the period from 1 January to 30 June 2017, the provision for bad debts of RMB1,505,700.31 was reversed, and there was no written-off of other receivables.

- (3) Other receivables presented by nature

RMB

Item	30 June 2017	31 December 2016
Loan and advances	17,825,789,018.68	17,207,044,737.02
– to related parties	17,725,216,237.49	17,070,228,771.07
– to minority shareholders of subsidiaries	35,077,643.76	35,077,643.76
– to third parties	65,495,137.43	101,738,322.19
Deposits	14,608,622.62	35,879,078.18
Others	1,817,759.38	2,820,362.38
Total	17,842,215,400.68	17,245,744,177.58

3. Long-term Equity Investments

- (1) Details of long-term equity investments are as follows:

RMB

Items	30 June 2017	31 December 2016
Investments in subsidiaries – cost method	10,714,412,590.40	10,027,466,231.89
Investments in joint ventures – equity method	755,012,480.81	712,470,935.45
Investments in associates – equity method	142,189,365.77	147,160,312.29
Total	11,611,614,436.98	10,887,097,479.63

Notes to the Financial Statements

For the period from 1 January to 30 June 2017

(XIV) NOTES TO THE MAJOR ITEMS IN THE FINANCIAL STATEMENTS OF THE COMPANY (Continued)

4. Other Non-current Assets

RMB

Item	30 June 2017	31 December 2016
Prepayments for equity transfer	278,485,000.00	278,485,000.00
Prepayments for land	67,000,000.00	–
Prepayments for construction	359,199,400.00	366,199,400.00
Entrusted loan	251,878,253.06	255,867,231.08
Capital contribution to investees	19,150,000.00	21,150,000.00
Capital contribution for construction	90,654,084.43	43,235,238.60
Total	1,066,366,737.49	964,936,869.68

5. Advance from Customers

RMB

Item	30 June 2017	31 December 2016
Rental	35,998,456.67	68,907,780.73
Charges for the consulting and management service titled the Company's name for the early stage of the project	426,270,000.00	402,249,999.99
Charges for annual consulting and management service titled the Company's name for the project	118,925,078.50	119,861,905.82
Others	91,812,500.24	77,538,333.00
Total	673,006,035.41	668,558,019.54

Note: The Company's advances from customers are recognised as revenue in accordance with the accounting policies described in Note (III).(24).

As at 30 June 2017 and 31 December 2016, the balance of the charges for the consulting and management service titled the Company's name for the early stage of the project received in advance with aging over one year amounted to RMB219,250,000.00 and RMB355,250,000.00, respectively; the balance of the charges for annual consulting and management service titled the Company's name for the project received in advance with aging over one year amounted to RMB26,740,427.56 and RMB17,403,765.47 respectively. As the income recognition conditions have not yet been met, the income has not yet been recognised as revenue at the end of the period.

Notes to the Financial Statements

For the period from 1 January to 30 June 2017

(XIV) NOTES TO THE MAJOR ITEMS IN THE FINANCIAL STATEMENTS OF THE COMPANY (Continued)

6. Taxes Payables

RMB

Item	30 June 2017	31 December 2016
Value-added tax	118,287,680.72	119,933,610.71
Enterprise income tax	110,627,618.99	1,619,803.40
Urban maintenance and construction tax	1,521,810.80	382,649.67
Others	11,983,550.40	4,679,075.29
Total	242,420,660.91	126,615,139.07

7. Revenue and Costs of Sales

(1) Revenue and costs of sales

RMB

Name of sector	1 January to 30 June 2017		1 January to 30 June 2016	
	Revenue	Costs	Revenue	Costs
Principal businesses	773,162,466.47	103,423,331.97	601,929,428.57	75,154,263.12
Other businesses	55,320,831.93	–	13,288,084.74	–
Total	828,483,298.40	103,423,331.97	615,217,513.31	75,154,263.12

Notes to the Financial Statements

For the period from 1 January to 30 June 2017

(XIV) NOTES TO THE MAJOR ITEMS IN THE FINANCIAL STATEMENTS OF THE COMPANY (Continued)

7. Revenue and Costs of Sales (Continued)

(2) Principal businesses (by sector)

RMB

Name of sector	1 January to 30 June 2017		1 January to 30 June 2016	
	Revenue	Costs of sales	Revenue	Costs of sales
Revenue from the consulting and management service titled the Company's name for the early stage of the project	129,000,178.00	78,865,687.38	280,716,037.72	66,784,577.88
Revenue from annual consulting and management service titled the Company's name for the project	117,570,672.99	–	153,737,896.01	–
Revenue from commerce and management consultancy fee over projects	–	5,707,355.12	–	8,369,685.24
Leasing and management revenue	428,383,284.70	18,850,289.47	86,973,922.26	–
Other revenue	98,208,330.78	–	80,501,572.58	–
Total	773,162,466.47	103,423,331.97	601,929,428.57	75,154,263.12

8. Taxes and Surcharges

RMB

Item	1 January to 30 June 2017	1 January to 30 June 2016
Business tax	–	28,676,221.97
Urban maintenance and construction tax	1,952,918.22	1,065,250.49
Educational surcharge	3,148,958.34	1,400,906.76
Others	531,612.40	183,119.51
Total	5,633,488.96	31,325,498.73

Notes to the Financial Statements

For the period from 1 January to 30 June 2017

(XIV) NOTES TO THE MAJOR ITEMS IN THE FINANCIAL STATEMENTS OF THE COMPANY (Continued)

9. Investment Income

Details of investment income

RMB

Item	1 January to 30 June 2017	1 January to 30 June 2016
Gain on long-term equity investment based on cost method	4,358,000.00	186,153,750.27
Gain on long-term equity investment based on equity method	49,790,201.39	54,545,608.61
Investment gain from disposal of long-term equity investments	880,397.39	1,796,745.83
Total	55,028,598.78	242,496,104.71

There is no significant restriction on the remittance of the Company's investment income.

10. Income Tax Expenses

RMB

Item	1 January to 30 June 2017	1 January to 30 June 2016
Current income tax based on tax law and relevant regulations	125,799,899.63	45,453,856.75
Adjustment for settlement of income tax for the previous period	10,455,549.32	(3,213,240.65)
Deferred income tax	(85,303,587.12)	(71,672,134.68)
Total	50,951,861.83	(29,431,518.58)

Notes to the Financial Statements

For the period from 1 January to 30 June 2017

(XIV) NOTES TO THE MAJOR ITEMS IN THE FINANCIAL STATEMENTS OF THE COMPANY (Continued)

10. Income Tax Expenses (Continued)

Adjustment to income tax expenses and accounting profit are as follows:

RMB

	1 January to 30 June 2017	1 January to 30 June 2016
Accounting profit	191,424,661.75	121,270,523.34
Income tax expenses calculated as per 25% tax rate	47,856,165.42	30,317,630.85
Tax impact of non-deductible expenses	4,515,789.02	3,970,953.20
Tax impact of non-taxable income	(13,757,149.70)	(60,506,861.98)
Tax impact of unrecognised deductible loss and deductible temporary difference	1,881,507.76	–
Difference from settlement for the prior year	10,455,549.33	(3,213,240.65)
Total	50,951,861.83	(29,431,518.58)

Notes to the Financial Statements

For the period from 1 January to 30 June 2017

(XIV) NOTES TO THE MAJOR ITEMS IN THE FINANCIAL STATEMENTS OF THE COMPANY (Continued)

11. Supplementary Information to the Cash Flow Statement

(1) Supplementary information to the cash flow statement

RMB

Supplementary information	1 January to 30 June 2017	1 January to 30 June 2016
1. Reconciliation of net profit to cash flow from operating activities:		
Net profit	140,472,799.92	150,702,041.92
Add: Provision for impairment losses of assets	51,752,821.06	167,456,521.92
Depreciation of fixed assets	3,129,332.18	3,499,661.58
Intangible asset amortization	10,169,042.08	11,440,431.81
Amortisation of long-term prepaid expenses	1,977,353.83	1,105,219.47
Financial expenses	175,230,251.86	168,070,393.72
Investment losses (gains)	(55,028,598.78)	(242,496,104.71)
Decrease (increase) of deferred tax assets	(77,816,186.35)	(71,672,134.66)
Decrease (increase) of inventories	(2,921,063.63)	(500,179.96)
Decrease (increase) of operating receivables	64,751,498.78	(92,376,999.32)
Increase (decrease) of operating payables	(97,012,359.41)	(408,674,344.41)
The net cash flow incurred from operating activities	214,704,891.54	(313,445,492.64)
2. Significant investing and financing activities that do not involving cash:		
Fixed assets held under a finance lease	–	–
3. Net changes in cash and cash equivalents:		
Closing amount of cash	1,746,662,107.61	1,489,298,079.45
Less: Opening amount of cash	1,505,388,102.38	2,477,918,658.27
Net increase (decrease) in cash and cash equivalents	241,274,005.23	(988,620,578.82)