



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

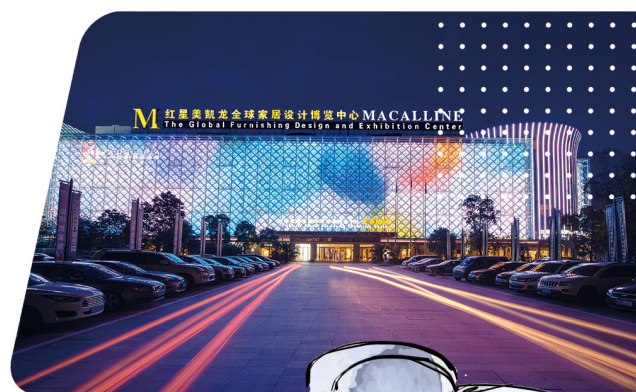
(A sino-foreign joint stock company incorporated in the People's Republic of China with limited liability)
Stock Code: 1528

2017 ANNUAL REPORT



CONTENTS

Company Profile	2
Corporate Information	3
Financial and Operational Highlights	5
Chairman's Statement	7
Management Discussion and Analysis	10
Directors, Supervisors and Senior Management	41
Report of Directors	52
Report of Supervisors	81
Corporate Governance Report	84
Social Responsibility Report	105
Auditor's Report	107
Consolidated Balance Sheet	113
Consolidated Income Statement	116
Consolidated Cash Flow Statement	118
Consolidated Statement of Changes in Equity	120
Company's Balance Sheet	122
Company's Income Statement	124
Company's Cash Flow Statement	125
Company's Statement of Changes in Equity	127
Notes to the Consolidated Financial Statements	129
Five-Year Financial Summary	426
Definitions	427



Company Profile

The Company was founded in 2007, and its H shares were listed on the Main Board of the Hong Kong Stock Exchange in June 2015 (Stock Code: 1528) and its A shares were listed on the Shanghai Stock Exchange in January 2018 (Stock Code: 601828).

As a leading home improvement and furnishings shopping mall operator in China, the Group mainly engages in the business of offering comprehensive services to the merchants, consumers and partners of the home improvement and furnishings shopping malls under “Red Star Macalline” through the operation and management of both Portfolio Shopping Malls and Managed Shopping Malls. The Group is also involved in pan-home furnishings consumption, including internet home decoration, internet retail, as well as logistics and delivery services.

According to the statistics of Frost & Sullivan, the Group is a nationwide home improvement and furnishings shopping mall operator in China which ranks first in terms of area of operational premises, the number of malls, and the geographic coverage. As at the end of the Reporting Period, we operated 256 shopping malls with a total operating area of 15,137,728 sq.m. in 177 cities in 29 provinces, municipalities and autonomous regions in China. The malls offer more than 20,000 brands in total. According to the statistics of Frost & Sullivan, in 2017, the Group had a 13.5% market share in the chain home improvement and furnishings retail mall sector and a 5.3% mall sector market share, owning the largest relevant market share in China’s rapidly growing home improvement and furnishings retail industry.

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

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



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. ZHENG Hongtao
Mr. CHEN Gang

AUDIT COMMITTEE

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

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

AUDITOR

Deloitte Touche Tohmatsu Certified Public Accountants
LLP
30/F Bund Center
222 Yan An Road East
Shanghai, the PRC

PRINCIPAL BANKS

Industrial and Commercial Bank of China
Shanghai Branch Banking Department
No. 24 Zhongshan Dongyi Road
Shanghai, the PRC

China Minsheng Bank Co., Ltd.

Shanghai Xuhui Branch
No. 1033 Zhaojiabang Road
Shanghai, the PRC

Bank of Communications

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

STOCK CODES

Hong Kong Stock Exchange: 1528
Shanghai Stock Exchange: 601828

COMPANY'S WEBSITE

www.chinaredstar.com

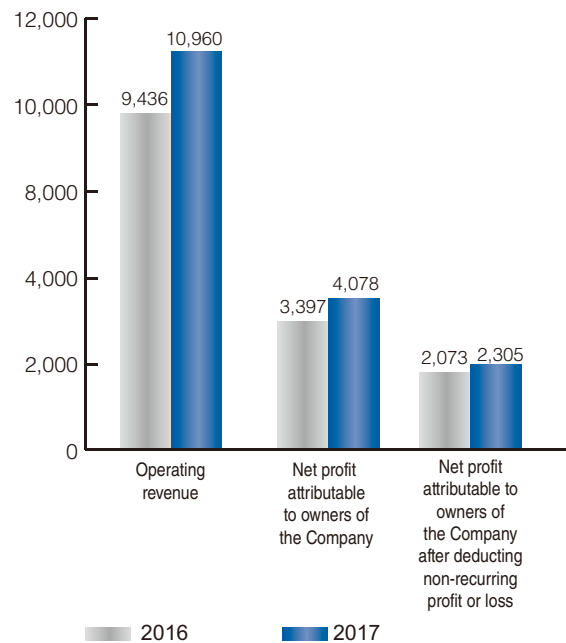
Financial and Operational Highlights

FINANCIAL HIGHLIGHTS

	For the year ended 31 December	
	2017	2016
	(Audited)	(Audited, restated)
	(in thousands of RMB, except otherwise stated)	
Revenue	10,959,513	9,436,082
Gross profit	7,796,319	6,823,314
Gross profit margin	71.1%	72.3%
Net profit	4,278,014	3,673,442
Net profit attributable to owners of the Company	4,077,898	3,397,183
Net profit margin attributable to owners of the Company	37.2%	36.0%
Net profit attributable to owners of the Company after deducting non-recurring profit or loss	2,305,431	2,072,652
Net profit margin attributable to owners of the Company after deducting non-recurring profit or loss	21.0%	22.0%
Earnings per share (basic)	RMB1.13	RMB0.94
Dividend per share (tax inclusive)	RMB0.32	RMB0.42

Key Financial Performance Indicators

RMB million



Financial and Operational Highlights

OPERATIONAL HIGHLIGHTS

	As at 31 December 2017	As at 31 December 2016
Number of shopping malls	256	200
Operating area of shopping malls (<i>sq.m.</i>)	15,137,728	12,692,393
Number of Portfolio Shopping Malls	71	66
Operating area of Portfolio Shopping Malls (<i>sq.m.</i>)	5,705,954	5,083,326
Average occupancy rate of Portfolio Shopping Malls	97.6%	96.7%
Number of Managed Shopping Malls	185	134
Operating area of Managed Shopping Malls (<i>sq.m.</i>)	9,431,775	7,609,067
Average occupancy rate of Managed Shopping Malls	97.6%	96.2%





Dear Shareholders,

On behalf of the Board, I am pleased to present the annual result report of the Company and its subsidiaries for the year ended 31 December 2017 to all shareholders:

In 2017, the Group's operating revenue amounted to RMB10,960 million; net profit attributable to owners of the Company amounted to RMB4,078 million; and net profit attributable to owners of the Company after deducting non-recurring profit and loss amounted to RMB2,305 million. We are willing to share our development outcomes with shareholders while enjoying satisfactory financial results. It was pleased to announce at the 2017 Board meeting that the 2017 cash dividend per share was RMB0.32 (tax inclusive), representing a 54.7% dividend payout ratio of net profit attributable to owners of the Company after deducting non-recurring profit and loss.

In recent years, with the continuous increase of China's national income, and people's higher requirement in quality life, the home improvement and furnishings industry has entered a material strategic opportunities period of rapid development. We should capitalize on the development opportunities arising from the home improvement and furnishings industry, be committed to "building warm and harmonious homes and enhancing taste for consumption and home life", follow the operation and management mode of "market-oriented and shopping-mall-based management", continue to provide consumers with better and professional service, and strengthen the "Red Star Macalline" brand as the expert of home living in the minds of consumers, and, meanwhile, grow into a new benchmark retailer in the home improvement and furnishings industry to lead the industry in its evolution.

CAPITALIZING ON THE DEVELOPMENT OPPORTUNITIES ARISING FROM THE HOME IMPROVEMENT AND FURNISHINGS INDUSTRY

Home furnishing is closely related to people's daily life and standard of living. Along with the growth in disposable income, people's enhanced standard of living and higher requirement in quality life, the home furnishing market in China has experienced a rapid development in the past five years. The "overall 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; meanwhile, 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 continuous development for the industry.

According to the independent authoritative market research institutions, in 2017, the total retail sales of China's home improvement and furnishings industry reached a high level of nearly RMB4.5 trillion and the home furniture retail market in the PRC recorded rapid growth of CAGR of 12.4% from 2012 to 2017; however, when it comes to per capita consumption, there is still an obvious gap between China and developed countries, such as the United States and the United Kingdom. Along with the continued steady growth in China's macro economy and people's constantly enhanced taste and requirement in living, the industry will grow rapidly at a pace faster than that of GDP growth in the coming five years.

Chairman's Statement

CONSOLIDATING OUR LEADING POSITION IN THE HOME IMPROVEMENT AND FURNISHINGS INDUSTRY

According to the independent authoritative market research institutions, we are a nationwide home improvement and furnishings shopping mall operator in China which ranks first in terms of area of operational premises, the number of malls, the geographic coverage, and with the most relevant market share in China's rapidly growing home improvement and furnishings retail industry. As at the end of the Reporting Period, we have operated 256 shopping malls in mainland China with a total operating area of more than 15,137 thousand sq.m.. However, compared with the home furnishing markets in United States and other developed countries, the market concentration of home furnishings industry in mainland China is significantly lower. As one of the most influential home furnishings enterprises in mainland China, we not only have absolute market superiority, but also have great room for growth and integration potential.

BUILDING A NEW BENCHMARK RETAILER IN THE HOME IMPROVEMENT AND FURNISHINGS INDUSTRY, CONSTRUCTING NEW LAYOUT OF RETAILS

In order to build the Group into a new benchmark retailer in the home improvement and furnishings industry, we will continue to expand our business scale through applying the two-pronged development model of Portfolio Shopping Malls and Managed Shopping Malls, take advantage of the existing network layout and influence of brand, and proactively explore various scalable business. At the same time, we integrate the use of the Internet, big data and other technologies, and develop comprehensive pan-home service system to provide consumers with one-stop service, explore the platform value of the Company.

As one of the most influential home furnishings enterprises in mainland China, we have always been committed, with a view to truly understand and serve the demands from consumers, to providing consumers with a reliable circulation platform which may integrate sufficient home improvement and furnishings industry brands, providing professional shopping guide service and in-depth experience service, assuring the quality and ecofriendly attributes of products circulated on the platform, and offering reliable distribution, installation and after-sale services. Meanwhile, we gradually expanded the application of the internet-related products and services in home improvement and furnishings business on the basis of our physical shopping malls network, including introducing online shopping malls, online home decoration, consumer financing and other expanding businesses, so as to address diversified demands of consumers in an integrated and close-loop manner and enhance the integrated O2O experience of consumers. All these measures are adopted to make our omni-channel circulation platform the most valuable one in the home improvement and furnishings industry. We will continue to promote cross-boundary integration, online and offline integration as well as synergy in various scope, unification of internal and external trading through new retail, and construct new layout through integration and synergy.



SEIZING THE OPPORTUNITIES AND PROMOTING FORWARD-LOOKING DEVELOPMENT TO LEAD THE INDUSTRY IN ITS EVOLVEMENT

Nowadays, the world has entered into a digital era, and the level of digitalization determines the long-term competitiveness of an enterprise or institution, home improvement and furnishings industry is of no exception. We are implementing a digitalized strategy, aiming to enhance the Group's long-term competitiveness and embrace new development opportunities by virtue of internet, big data, cloud computing and other information technologies to continuously push forward informatized construction and by further upgrading and reconstruction of optimization of management flow, transformation of financial functions, system research and development, information application and other aspects.

Household intelligentization is another significant development trend of the home improvement and furnishings industry. In the previous year, we have actively carried out strategic layout in the smart household field. At the same time, we have attempted asset securitization in respect of properties of Portfolio Shopping Malls and deeply integrated upstream and downstream resources via investments and mergers and acquisitions, in an effort to expand the business scale, reinforce the strength of the Group, and to lead the industry in its evolution.

The achievements made by the Company were reflective of the efforts of all individuals of Red Star Macalline. I would like to take this opportunity to express my sincere gratitude, on behalf of the Board, to all staff for their hard work and all shareholders and stakeholders for giving us trust and confidence. In the coming year, we will consistently adhere to the "spirit of craftsman" to improve ourselves as well as promote our national living quality and spread culture of furnishings through diligence and care in the home improvement and furnishings industry, and to gain more returns to our shareholders.

CHE Jianxing
Chairman

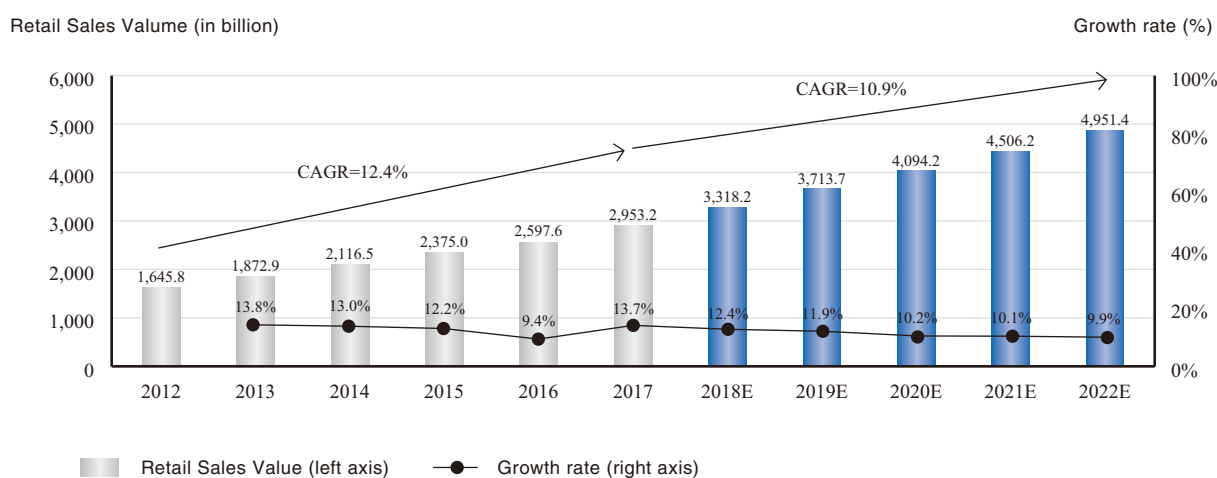
28 March 2018

Management Discussion and Analysis

INDUSTRY REVIEW

In 2017, facing the complex and volatile domestic and overseas economic environment, together with the effect of policies such as the structural reforms of supply side policies, the appropriate expansion of total demand and the steady promotion of reforms, the national economy maintained an overall stable and improving development trend, which was better than expectations, and realized a steady and sound development.

According to the statistics of the National Bureau of Statistics of the People's Republic of China, in 2017, the GDP of China grew by 6.9% on a year-on-year basis calculated based on the comparable price, while the national disposable income per capita increased by 9.0% 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 10.2%, while the accumulative value of retail sales of furniture category and construction and decoration material categories increased by 11.5%, both on a year-on-year basis. According to the statistics of Frost & Sullivan, in 2017, the retail sales of the home improvement and furnishings retail market in China increased to RMB2,953.2 billion, grew by 13.7% on a year-on-year basis. The CAGR in the coming five years is expected to be 10.9%, and the growth in the industry will be higher than that of China's macro economy.



Source: Frost & Sullivan

According to the statistics of Frost & Sullivan, in 2017, the Group had a 13.5% market share in the chain home improvement and furnishings retail mall sector and a 5.3% mall sector market share in terms of sales volume, owning the largest relevant market share in China's rapidly growing home improvement and furnishings retail industry.

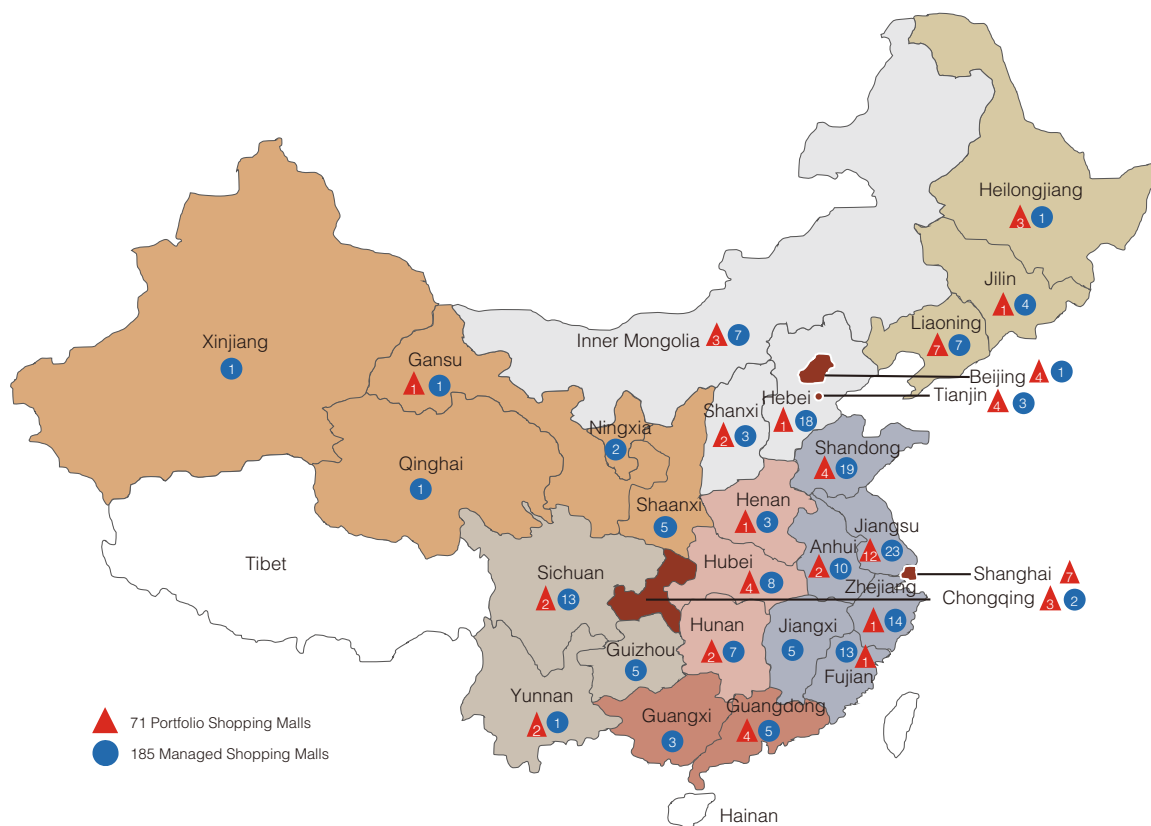
The "overall stable and improving" development trend, which was better than expectations, the continuous promotion of urbanization process and the increase of citizens' income level provide favourable conditions for the continuing development of social consumer goods market; meanwhile, compared with 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 continuous development for the industry.

BUSINESS REVIEW

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

As at the end of the Reporting Period, we operated a total of 256 shopping malls with a total operating area of 15,137,728 sq.m. in 177 cities in 29 provinces, municipalities, and autonomous regions in China. Through the two-pronged business model of Portfolio Shopping Malls and Managed Shopping Malls, we occupied properties in prime locations of Tier I and Tier II Cities, and at the same time accumulated extensive experience in operating shopping malls, constantly strengthened the brand value, and set a relatively high barrier to entry for other companies.

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





Management Discussion and Analysis

BUSINESS REVIEW (CONTINUED)

1. Business development and presence: stable development of shopping malls and strategic presence 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	
		No. of shopping malls	Sub-total of Operating Area (m ²)	No. of shopping malls	Sub-total of Operating Area (m ²)
	Beijing	4	282,894	1	82,440
	Shanghai	7	702,834	–	–
	Tianjin	4	330,044	3	129,176
	Chongqing	3	267,558	2	74,184
	Northeast China	11	910,508	12	571,493
	North China (excluding Beijing, Tianjin)	6	362,837	29	1,484,957
	East China (excluding Shanghai)	20	1,618,884	82	4,335,566
	Central China	7	672,962	19	926,921
	South China	4	246,464	8	423,468
	Western China	5	310,968	29	1,403,570
	Total	71	5,705,954	185	9,431,775

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, Yunnan Province, Sichuan Province, Guizhou Province, Tibet Autonomous Region; 4 municipalities are Beijing, Shanghai, Tianjin and Chongqing respectively.

BUSINESS REVIEW (CONTINUED)

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

During the Reporting Period, we continued to strategically locate our Portfolio Shopping Malls in prime locations in Tier I and Tier II Cities, especially in prime regions in municipalities. As at the end of the Reporting Period, we operated 71 Portfolio Shopping Malls covering a total operating area of 5,705,954 sq.m. with an average occupancy rate of 97.6%. Among these Portfolio Shopping Malls, 18 Portfolio Shopping Malls, representing 25.4% of the total number of Portfolio Shopping Malls, were located in the four municipalities of Beijing, Shanghai, Tianjin and Chongqing. The operating area of the aforesaid Portfolio Shopping Malls was 1,583,330 sq.m., representing 27.8% of the total operating area of the Portfolio Shopping Malls. The same mall growth of mature shopping malls ⁽¹⁾ during the Reporting Period was 5.4%. Such growth was due to the aggregated factors of the increase in effective unit income from operation and operating area of mature shopping malls during the Reporting Period. In addition, the replacement of business tax with value-added tax in 2016, which introduced the separation of tax from price ⁽²⁾, also exerted impact on such growth. The same mall growth after disregarding the impact of the replacement of business tax with value-added tax was 7.2%.

During the Reporting Period, we opened 7 new Portfolio Shopping Malls and closed 2 Portfolio Shopping Malls. In addition, 2 Managed Shopping Malls were converted into Portfolio Shopping Malls, and 2 Portfolio Shopping Malls were converted into Managed Shopping Malls. As at the end of the Reporting Period, we had 22 pipeline Portfolio Shopping Malls. We will continue to focus on the prime locations of Tier I and Tier II Cities to strategically expand our Portfolio Shopping Malls network in the future.

In addition, with a reputable brand name in the home improvement and furnishings industry and extensive experience in shopping mall development, strength in tenant sourcing and operational management, we continued to rapidly develop Managed Shopping Malls in Tier III Cities and other cities. We also established a strict internal screening and reviewing mechanism to ensure steady and rapid development of our Managed Shopping Malls. As at the end of the Reporting Period, we had 185 Managed Shopping Malls in operation covering a total operating area of 9,431,775 sq.m., with an average occupancy rate of 97.6%. Among these Managed Shopping Malls, 111 Managed Shopping Malls, representing 60.0% of the total number of Managed Shopping Malls, were located at eastern China and northern China. The operating area of the aforesaid Managed Shopping Malls was 5,820,524 sq.m., representing 61.7% of the total operating area of Managed Shopping Malls. During the Reporting Period, we opened 53 new Managed Shopping Malls and closed 2 Managed Shopping Malls. In addition, 2 Managed Shopping Malls were converted into Portfolio Shopping Malls, and 2 Portfolio Shopping Malls were converted into Managed Shopping Malls.

As at the end of the Reporting Period, among the pipeline Managed Shopping Malls, we have obtained land use rights/land parcels for 350 contractual projects. Along with steady social and economic development of the country, further development of urbanization strategy, and stable growth in disposable income per capita, we will focus on increasing the rate of expansion of our Managed Shopping Malls business throughout China.

Notes:

- (1) "Same mall growth of mature shopping malls" is the growth in operating income in the Reporting Period compared with the same period in the prior 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. Through refined operational management, we improved the effective unit operating income as well as optimized the operating area of shopping malls, which in turn contributed to the overall growth in operating income. We refined the indicator of the same mall growth of mature shopping malls to better present the impact of the operating businesses on the revenue and profit of the Group.
- (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 2016 as the income after the segregation of price and tax of the value-added tax.

Management Discussion and Analysis

BUSINESS REVIEW (CONTINUED)

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

2.1 Tenant sourcing management

Cater to the consumption trend in the market, continuously optimize the brands and the categories of merchandize in shopping malls to lead the home furnishings consumption trend

Based on our understanding of the home furnishings consumption trend, the research of all types of best products and the analysis of the consumption trend in the home furnishings market of various cities, we continuously adjusted the combination of product brand and category in shopping malls to cater for various consumers, market situation and competition status. We continuously endeavor to introduce flagship stores of major brands that meet consumers' demand, improved the strategic layout of shopping malls; meanwhile, we also continued to enhance our customized house-filling products in line with the changing furnishing and decoration market, constantly explored and promoted the introduction of designed products, carried out area expansion and image upgrading of household products for children, and strived to create the smart home experience zone.

In addition, we continued to maintain diversified businesses to enrich category portfolio by combining the surrounding environmental of the location of the shopping mall, property structure and characteristics of consumption needs; we continued to incorporate experiential categories such as soft decoration and catering; meanwhile, we established the "Home Decoration Experience Center" in 21 shopping malls all over the country so as to meet consumers' increasing demand of home decoration design, which provided design consultation service for consumers and increased the flow volume in shopping malls. As at the end of the Reporting Period, the operation area of new business initiatives including soft decoration, home decoration design and catering have increased by 30% compared with the corresponding period in 2016.

Continuously enhance the standards of our refined rental management to improve the sustainable rental management mechanism

Based on the mode of continuous updating and optimization of rent pricing analysis on existing shopping malls, we further improved the pricing instruments for rental of new shops, and conducted objective valuation on the area and plan, flow of people and convenience of transportation, project hardware and relevant supporting facilities, investment inclinations of dealers and other factors of the projects, and calculated the guided pricing by integrating the investment and productivity of the projects. The coverage rate of instrument utilization was 100%.

In respect of rental management, we established reasonable bid price for every display booth to attain transparency of pricing of display booth, and laid a solid foundation for the establishment of a big data system, realization of transparency and normative management. Meanwhile, we comprehensively promoted the strategy of "one booth one price", facilitating the contribution of high rental from best-selling brands to lay a foundation for realizing the implementation of point deduction of rental. Moreover, increase in tenant sourcing of area, to be leased, instant follow-up of abnormal changes of display booth, timely alert of abnormal data and other measures contributed to the increase in overall lease rate of shops in operation.

BUSINESS REVIEW (CONTINUED)

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

2.1 Tenant sourcing management (Continued)

Constantly strengthen the management of brand resources and enhance the value-added services provided to our key customers

On the basis of expanding the cooperating scope of original categories and brands, we continued to introduce the exploration of new products, strived to expand the branding resources management of soft decoration, smart home, import and other categories, and constantly sourced quality brands through investigation and research by category experts, brand rating and review conference and other means to broaden and optimized the data base of brand resources.

For brand factory customers, we regularly studied the consumption trends in home improvement and furnishings industry, analyzed competitive pattern of every factory in accordance with these consumption trends and issued reports on the development of brand management; in view of the operating status of the factories, we provided recommendations on customized product innovation, market development and upgrade of terminal operating mode of the dealers, in order to promote innovation in product development and the transformation and upgrade of the marketing mode. At the same time, we set up key standards for selecting dealers from several dimensions such as number of shops under operation, sales condition and operating concepts, established crucial data base of dealers, and provided brand factories of new categories with dealer resources support.

We also look out for future business-expanding opportunities, and established key dealer service system, including regular operating support, training enhancement and information push, so as to create and strengthen the loyalty of dealers, laying a foundation for follow-up business expansion.

These measures have been widely recognized and praised by numerous brands that we cooperated with, thus we have become the benchmarking enterprise that is truly able to provide value-added services in the home improvement and furnishings industry. During the Reporting Period, we have entered into strategic contracts with 132 brand factories.

Cater to the trend of consumption upgrading, step up our efforts in introducing global brand and continue to build the international pavilions

During the Reporting Period, following the trend of consumption upgrading, we stepped up our efforts in the introduction of global brands. In addition to the international pavilions established in Tier I and Tier II Cities, we also intensively penetrated into potential markets such as Changsha, Qingdao, Jinan and Zhengzhou to promote the introduction of global brands. Meanwhile, we constantly expanded the data base of dealers through extensive promotion of B2B product connection conference in domestic and overseas market, conducted precise analysis and selection, and cultivated professional teams of dealers to help the Company capture the high-end consumption market.

As at the end of the Reporting Period, the global brands we owned amounted to 3,157.

Management Discussion and Analysis

BUSINESS REVIEW (CONTINUED)

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

2.2 Operational management

Improving customer satisfaction through “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 order to improve customer satisfaction.

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 1,000 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, and released the “2017 List of Green and Environmental Protection Home Furnishings Leading Brands Recommended by Red Star Macalline”.

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 and launched a 60-day promotion themed “Free Furnishing Maintenance”, 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 nine 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 terms of the credit system, 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. The “Business Credit Platform” of Shanghai Municipal Commission of Commerce shot a video about the construction of Red Star Macalline credit system and released it as a promotion for reference to others. Red Star Macalline was the only business representative to attend the 2017 Inter-department Joint Meeting for Construction of Credit System of Shanghai Municipal People’s Government. Mr. Zhou Bo, the vice mayor of Shanghai, spoke highly of the Company and paid a visit to Red Star Macalline in person. We also teamed up with over 20 platform businesses (including Alibaba and Suning) and credit institutions to initiate the first cross-industry business credit alliance with the support of Shanghai Municipal Development and Reform Commission. In addition, we launched the Credit Shanghai App, bringing benefits to the public.

BUSINESS REVIEW (CONTINUED)

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

2.2 Operational management (Continued)

Improving customer satisfaction through “Word of Mouth Advertising” project (Continued)

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 adopted by 20 shopping malls.

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

Improve operational management efficiency by means of digital space management

We 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 KPI indicators of our malls including occupation of exhibition space, rental rates, occupancy rate and collection rate with our visualized space management platform, which improved the overall operation efficiency of our malls.

Continuingly launch “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 appraisal, 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. While improving the “Leading Green” appraisal scientifically and professionally, we set and amended appraisal standards that better reflect the industry development. Following the principle of “inspection at the place of origin and whole process tracking”, we developed the application manual for factory labelling, set clear standards about labels on package, specifications, brochures and advertisement for factories, outlets and dealers. We offered professional advice to consumers for buying healthy and environment-friendly products. At the same time, the “Green Household Consumption Festival” campaign was launched across our shopping malls on an adhoc basis. As at the end of Reporting Period, 571 home furnishings brands were appraised as “Leading Green” brand.

Management Discussion and Analysis

BUSINESS REVIEW (CONTINUED)

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

2.3 Marketing management

Brand Management

Continuingly raise our level of brand communication so as to transmit our brand strategy of "Selecting Global Top-notch Design Products"

We follow the trend and demand of consumption upgrading of Chinese consumers. Based on the continuous and steady operation of our main business, we have comprehensively improved its brand positioning, so as to transmit our brand strategy of "Selecting Global Top-notch Design Products".

We leverage on nationwide large-scale promotional campaigns such as "The Two Days", "May Day Big Promotion", "Luban Top-notch Design Products Festival" and "Family Day" and social marketing means to promote the brand and actively transmit the brand concept of "Red Star Macalline – Specialist of Global Top-notch Design Products", thereby boosting the continued dissemination effectiveness of the brand.

We have created the unprecedented first stage show of world-class home furnishing – Luban Top-notch Design Products Festival, and made the first contemporary interpretation of Luban Spirit – Ingenuity and Innovation, thereby further strengthening the leading brand image and the Company's image as the home furnishings expert, as well as brand connotation of inheriting the spirit of Luban.

Focusing on the concept of top-notch design products, we have conducted comprehensive upgrading of mall displays, such as showcases and public space, to provide consumers with unique shopping experience at home furnishing malls, and further enhance the individuality and reputation of the brand of Red Star Macalline.

In terms of online platform, we launched the core communication positioning of "One Stop High-end Home Decoration" on Red Star Macalline APP, effectively meeting the development trend of the consumer market. The Company fully leveraged on its advantages of shopping mall experience and service to provide consumers with one-stop shopping solutions.

We exported splendid home furnishing aesthetic concepts via WeChat and other social media platforms, having in-depth interaction with consumers to constantly guide their brand knowledge and brand preference, thereby achieving improvement in brand reputation.

At the same time, we also partnered with upstream brands to carry out brand promotion through quality resources such as airport advertising, outdoor advertising and video advertising in first-tier cities to carry out deep promotion on brand connotation of the top-notch design products.

BUSINESS REVIEW (CONTINUED)

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

2.3 Marketing management (Continued)

Marketing management

Promote customer flow marketing and marketing digitalization to realize sustained growth in both customer flow and sales

We made use of digital technology to continuously conduct R&D iterative Internet marketing tools for designers, vendors, merchants, salespersons, and marketing personnel of Red Star Macalline, and gradually achieved full traceability of internet traffic, assessment of all employees, orientation in all situations, integration of all channels and reusability of full chain.

We focused on the needs of users, referred to consumption of big data to accurately split the decoration and procurement node of users, and expanded the diversified communication between the Company and users with modern marketing tools. We relied on staged recommendation services to put precision marketing into practice, thereby improving consumption conversion and repurchase experience for new and old users, of which H5 social marketing accumulatively launched 210,000 selection guides, achieving 10.11 million times of H5 exposure on precise users, while the service-oriented member call centers increased consumption conversion rate of new members by 4.2 times, effectively realizing two-way flow of social media and app users, and shopping mall consumers.

Based on the digital marketing model of “one code (QR-code), one voucher (discount voucher)”, and by combining nationwide big promotion, we strengthened promotion O2O model, which regarded the “voucher” as the core, to achieve promotion of rapid reuse while implementation of marketing was undergone. With continuous iteration of the benefits of voucher and code, we effectively drove spontaneous attention of members, while continuous upgrading of the voucher and code products enhanced long-term interaction and loyalty cultivation during the member consumption week.

In addition, we have expanded our marketing traffic channels through cross-industry cooperation, and actively discussed the possibility of cooperation with a number of banks, travel agencies, vehicles, boutique hotels, life service, exquisite living e-commerce platform and other brands. We developed a large number of potential customers through interaction across different industries and achieved a high conversion rate of potential customer to customer.

Management Discussion and Analysis

BUSINESS REVIEW (CONTINUED)

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

2.4 Property Management

Advocate energy saving and environmental protection and create green shopping malls

We advocated energy saving and environmental protection and devoted ourselves to constructing energy-saving and environmentally friendly properties and building green shopping malls. We managed energy and pollution sources through the wide application of LED energy and other scientific and technological advancement, which benefited images of malls and continuously reduced energy consumption. During the Reporting Period, electricity consumption in 54 malls decreased by approximately 4.54% year-on-year. The product protection work in shopping malls achieved remarkable results with rate of damage of floorings, walls, ceilings, lamps, doors and windows to nearly zero.

Improve the environment of shopping malls to enhance the shopping experience of our customers

We protected and improved the environment of shopping malls through source control, beautification and repair, professional maintenance and other means. With respect to source control, we reduced environmental damage through management of and control over loading and unloading by tenants, renovation by tenants, construction by advertising companies, non-standard booth layout and other works; with respect to beautification and repair, we provided training and granted certification to tile repair professionals, prepared and launched microlectures, and beautified and repaired floor tiles of shopping malls to improve shopping environment; with respect to professional maintenance, we improved the environment of restrooms through inspection and renovation of ventilation facilities and other means; and with respect to environmental protection, we completely confine and close renovation sites, and conducted daily on-site control over daily production and disposal of garbage to prevent renovation sites from polluting the environment of the shopping malls.

Strictly control safety in our shopping malls with standardized management, focused mainly on prevention and prevented safety hazards through our staff and technology

During the Reporting Period, we continued to treat safety control as a significant task for the management of shopping malls. We further optimized the management technique requirements and safety standards in terms of high-risk fields, such as different industries, adjacent properties and contaminated sites. Meanwhile, we organized safety self-inspection campaign, routing inspection and checks nationwide, utilized professional instruments to identify safety risks of shopping malls, conducted third-party risk assessment in particular for shopping malls with potential risks, and conducted standardization, rectification and documentation of safety risks for shopping malls nationwide to effectively prevent and control potential safety risks. We established mini fire stations and trained well-equipped and skilled fire brigades to ensure that the new requirement of the shopping malls to “arrive at the scene after 90 seconds to confirm the level of emergency and for the fire brigade to arrive in three minutes to form a fighting force”. In addition, as the safety risks of shopping malls still fully rely on people’s sense of responsibility and initiatives, we continued to strengthen the professional trainings of property management personnel and fully implemented performance evaluation on all staff to improve the efficiency and initiatives of staff. During the Reporting Period, we continued to maintain “zero accident” with respect to fire, personal injuries and key facilities and equipment throughout the year at all shopping malls in the country, effectively managed and controlled safety risks and continuously upgraded safety standards of shopping malls.

BUSINESS REVIEW (CONTINUED)

3. Expansionary Business: Robust Development

During the Reporting Period, the development of our expansionary businesses flourished. We carried out upstream and downstream cross-border business extension and built 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 was officially launched, which provided consumers with industry chain services for pan-home improvement and furnishings consumption ranging from home purchase to home renovation and the 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 an interactive O2O 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 the overall operation efficiency and maximizing value creation.

Internet-based home improvement

Home decoration business is an upstream extension in the home improvement and furnishings retail industrial chain. As there is a high level of overlap between home furnishings consumers and home decoration consumers, and most consumers are not in possession of the capability for overall design and product matching, and need professional designers to offer suggestions in order to achieve better decoration results, we carried out home decoration business to help consumers with product selection, decoration style matching and product quality control, so as to further improve consumers' experience and enhance our reputation. As the industry pioneer in transformation and upgrade, our home decoration business integrates the upstream and downstream industrial chain in the home decoration industry by using the home furnishing shopping malls as a platform and our great brand impact. We provided whole-package services integrating decoration design, hard decoration construction, sale of materials, purchase of furniture and soft decoration for consumers, in order to improve the shopping experiences of our consumers, and drive sales in our shopping malls.

We established an experienced design and construction professional 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 whole-package service of comprehensive design and decoration and create synergy effect with businesses of home decoration malls, by which a unique business model of customer and supply chain sharing was created to reduce customer acquisition costs of home decoration and shopping malls, increase re-purchase rate and prices of customer orders, and improve consumers' one-stop shopping experience and sales efficiency of merchants. As of the end of the Reporting Period, we had 36 offline self-operated home decoration stores, which were located in our shopping malls in cities including Beijing, Tianjin, Shanghai, Chongqing, Nanjing, Suzhou, Shenyang, Chengdu, Zhengzhou, Hefei and Shijiazhuang.

Management Discussion and Analysis

BUSINESS REVIEW (CONTINUED)

3. Expansionary Business: Robust Development (Continued)

3.1 Internet-based pan-home consumption (Continued)

Internet-based home improvement (Continued)

During the Reporting Period, we further improved our internet home decoration platform focusing on design, and completed its connection with the enterprise resource management system, the mobile terminals and POS cash register system to achieve online and offline integration, which improved management efficiency and user experience. Meanwhile, we further enriched online display of design content and a series of home decoration tool services etc. in accordance with business development and application scenarios. As at the end of the Reporting Period, our internet home decoration platform had signed agreements with 2,364 high-end home decoration companies, recruited 26,367 designer members who entered the platform and participated in the online and offline design activities of Red Star Macalline, including 4,323 designers for home decoration design business cooperation and 29,516 customers making reservation for home decoration through the platform.

We have been striving for excellence in the process R&D of design and construction with the aim of satisfying the ever-changing demands of consumers while ensuring the quality and improvement of service. During the Reporting Period, we passed the Shanghai High-tech Enterprise Certification and obtained, once again, eight national patents for construction process, including “Indoor Waterproof Structure”, “Plaster Line Structure”, “Anti-corrosive Door Stone” and “Smart Home Furnishing System”, were awarded the “Golden Diamond Award 5A Demonstration Enterprise of Whole-package Decoration Brand” by the Home Decoration Committee of the China Furniture & Decoration Chamber of Commerce, and awarded the “May 1st Labour Certificate” by Shanghai Municipal Social System Trade Union. Multiple designers were appraised as “2016–2017 Top 50 Outstanding Young Designers for Chinese Interior Design in China”, “2016–2017 Top 100 New Potential Designers for Interior Design in China”, “2016 Outstanding Designers for Chinese Architectural Decoration”, etc. by China Building Decoration Association.

Internet retail

During the Reporting Period, we further upgraded and optimized our online retail platform to cover a series of convenient services including products display, consultancy, membership marketing, online transaction, guidance for offline stores in shopping mall and booking experience. Online and offline interaction helps expand our Company’s communication channels with our consumers, enhance their satisfaction and loyalty, and drive the overall consumption demand.

Our online retail platform is mainly materialized through mobile applications user portal, and it covers a complete set of household-related products, including furniture, construction materials, electrical appliance, furnishing and textile. While integrating certain tenant resources of the offline shopping malls of Red Star Macalline, the Company proactively explored online brands and stores, thus providing more abundant and diversified choices for consumers.

BUSINESS REVIEW (CONTINUED)

3. Expansionary Business: Robust Development (Continued)

3.1 Internet-based pan-home consumption (Continued)

Internet retail (Continued)

We promoted the “flash shopping” of hot commodities, coupon collection and various discounts and promotions on the internet retail platform to stimulate consumers' consumption and shopping needs through discounts and promotions and achieved the conversion of consumers' attention from online platform to offline shopping malls which boosted the sales of the mall merchants. From the promotion of “flash shopping” in September 2017 to the end of the Reporting Period, our internet retail platform has completed a total of 11,000 orders for “flash shopping” with sales amount of RMB17.37 million. The sales of offline stores through coupons on the online platform totalled 68,000 orders with transaction amount of RMB2.44 billion.

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

As at the end of the Reporting Period, the Company has attracted 11,781 tenants to sign up for its internet-based retail platform. Based on the self-developed new retail system, 42 offline shopping malls of Red Star Macalline in 16 cities succeeded in connecting with the products and services from the online platform.

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 service, through cooperation with commercial banks, consumer finance companies and other financial institutions which provided consumers with household consumer loans. The loans obtained by the consumers can only be used in our shopping malls. During the Reporting Period, the amount of consumer loans issued by financial institutions through the above channels reached RMB1,780 million, and our relevant commission income was RMB23.6 million, which boosted businesses of tenants of our shopping malls.

In addition, in order to establish a more effective group structure, simplify the Group's business structure and reduce the risk of related businesses, we entered into two equity transfer agreements with RSM Holding in May 2017 and August 2017 respectively, and transferred all the equity interests 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. For further details, please refer to the announcements of the Company dated 11 May 2017 and 28 August 2017, respectively.

Management Discussion and Analysis

BUSINESS REVIEW (CONTINUED)

3. Expansionary Business: Robust Development (Continued)

3.3 Comprehensive logistic service: to satisfy multiple needs on both ends of the platform and achieve resources sharing

During the Reporting Period, we continued to expand the terminal service ecosystem of the home furnishings and furniture industry and provide professional distribution and installation services to our tenants and customers to facilitate the “Last Mile” distribution, installation and after-sales services, and to improve customer satisfaction and loyalty to the brands of our tenants as well as the brand of “Red Star Macalline”. We have set up logistics trial centers in 7 cities, namely Nanjing, Wuxi, Shijiazhuang, Changsha, Shenyang, Jinan and Qingdao, to provide one-stop shop professional services for customers from purchase to professional product distribution and installation. As at the end of the Reporting Period, more than 350 brands have commenced operations with our logistics service business which has a storage area of more than 55,000 sq.m..

During the Reporting Period, we jointly developed a smart logistics system with the University of Hong Kong. The system includes four sets of management service system, namely, warehouse management, vehicle arrangement, customer service and merchant service, to support the whole-process management of business cooperation, warehousing, delivery, after-sales service, evaluation and expenses. During the Reporting Period, we started establishing the Smart Logistics 1.0 Project and have developed an unmanned inventory technology with the RFID chip.

4. Upgrade and restructure the information technology infrastructure and to support the development of internet-based platform

During the Reporting Period, focusing on the objective of “integration of online and offline businesses” of the Company, we continued to promote construction of information infrastructures, thereby achieving satisfactory results in optimization of management process, transformation of financial functions, system development and data application, etc.

With respect to the optimization of management process, we promoted the target of paperless approval process across the Group, achieving a paperless rate of 94%. We achieved the coverage of all management process, and have improved internal management efficiency, and the satisfaction of tenants and in-house employees.

In terms of the transformation of financial functions, we further increased investment in research and development, and have opened the business, finance, capital and taxation channels on the basis of mastering the core business logic and design of underlying architectures, so as to promote the informatization and intelligent transformation of financial functions, and achieve the integration of finance, taxation and capital of the Group with the support of our information system.

During the Reporting Period, we launched the fully self-developed online and offline integration platform, namely the “Dragon’s Wings” platform. The platform integrates the functional modules such as investment management, commodity stores, transaction and promotion, payment and settlement, membership management, etc., forming a standardized and intelligent business process, and accumulating a large amount of business data, which provides a powerful system for the development of an internet platform business. As an upgraded version of the “Star Cloud System”, the “Dragon’s Wings” platform has promoted the transformation to the internet retail model by the Company. As at the end of the Reporting Period, the “Dragon’s Wings” platform has been launched in 66 shopping malls with the number of users reaching 133,000.

BUSINESS REVIEW (CONTINUED)

4. Upgrade and restructure the information technology infrastructure and to support the development of our internet-based platform (Continued)

The “Dragon’s Eyes” system, an APP platform developed for in-house employees and internal management of the Group, has achieved integration and full coverage of each internal system and management platform, and provided favourable conditions for mobile office of all employees, and effectively improved the efficiency of our employees and management efficiency of the Group.

We have also achieved progressive result in the establishment of a data centre and product development and applications, completing the design of the “three vertical and three horizontal” structure based on main data, application data and big data, and driven by data collection, data mart and intelligent data. Meanwhile, we vigorously promoted the establishment and application of the data collection and distribution centre of the Group, namely the “Red Star Data Centre”, to provide data support and services for the online and offline business segments of the Group.

Meanwhile, we proactively conducted research and application of human-computer interaction technology, virtual reality technology and data mining technology, etc. to further improve customers’ shopping experience, promote sales of shops and create value-added service incomes by utilizing technologies and technological innovations.

5. Highly efficient human resources management policies: to support the efficient business growth

During the Reporting Period, our human resources policies were strictly in line with our strategies and achieved success in a number of aspects including system optimization, management of overall performance, talent development and business support, human resources operation and employee relations.

In terms of system optimization, we have completed the establishment and optimization of 11 process systems, including the recruitment system, onboarding system, performance organization system, on-leave system, the system for regular employees, etc., and continued to optimize the functions of the PS (Oracle PeopleSoft) system to improve the efficiency of human resources operations.

With regard to the management of overall performance, we have established a joint project team for performance promotion to provide full coverage performance guidance for each operating department. During the Reporting Period, we have launched the performance system, and guided each operating department to achieve various performance indicators by disaggregating indicators at various levels from the perspective of organizational performance. We have collected a total of 53 outstanding cases of performance guidance from multiple dimensions, so as to guide the improvement of performance and management of all shopping malls and regions.

In terms of talent development, we have established a key training map for core positions, combining core competence standards to foster and introduce the management of the Company, so as to effectively support the operation and expansion of our home decoration shopping malls. We recruited and cultivated excellent university graduates by “Star Motivation” program to attract and prepare talents for development of the Company. During the Reporting Period, the “Star Motivation” program has introduced 315 graduates and the number of employees recruited further increased. We have enhanced the employer brand recognition among young students and our reputation in the industry through various activities such as Open Day, anniversary celebration and cooperation with major well-known colleges and universities.

Management Discussion and Analysis

BUSINESS REVIEW (CONTINUED)

5. Highly efficient human resources management policies: to support the efficient business growth (Continued)

In terms of business support, we newly recruited 233 business development personnel during the Reporting Period, organized talent development and outstanding case study activities to lay a sound foundation for continuous expansion of our business through sharing and studying outstanding cases. During the Reporting Period, we recruited 412 employees for business expansion of the Company, and further optimized the assessment mechanism for employees of the logistics and storage business, contributed to the development of business expansion, and established a human resources system in line with the business characteristics of the Company.

During the Reporting Period, we have been awarded “The Best Enterprise University” by China Chain Store & Franchise Association for seven consecutive years, “The Best Employer of the Year” by the Economic Channel of CCTV and the Peking University for five consecutive years, the “Extraordinary Employer of the Year” by Liepin.com (獵聘網) and Market and Media Research Center of the Peking University, and “The Pioneer Employer” by Tophr.net (第一資源), and won the “Outstanding Human Resources Management Award” by 51job.com (前程無憂).

We had a total of 22,621 employees as at the end of the Reporting Period.



Management Discussion and Analysis

FINANCIAL REVIEW

The key financial performance indicators of the Company can generally be categorized into operating revenue, net profit attributable to owners of the Company and net profit attributable to owners of the Company after deducting non-recurring profit and loss. These indicators provide a measurement of our performance against the key drivers of the Company. For details of the financial performance indicators, please refer to “Operating revenue” and “Net profit attributable to owners of the Company, net profit attributable to owners of the Company after deducting non-recurring profit and loss and earnings per share” on pages 27 to 28 and page 31 respectively.

1. Revenue

During the Reporting Period, the Group’s revenue amounted to RMB10,959.5 million, representing an increase of 16.1% from RMB9,436.1 million in 2016, primarily due to stable development of relevant business in our Owned/Leased Portfolio Shopping Malls and Managed Shopping Malls. During the Reporting Period, the increase in revenue of 7.0% from the leasing and management fees of our Owned/Leased Portfolio Shopping Malls was due to the increase in the number of malls and the operating area. The increase in revenue of 30.4% from our Managed Shopping Malls during the Reporting Period was the result of a new revenue source from the Group’s business expansion to provide consulting and tenant sourcing advisory services to property owners on one hand, and on the other hand, the year-on-year increase in the number of newly opened Managed Shopping Malls also brought a substantial increase in revenue from the Managed Shopping Malls.

The following table sets forth our revenue by business segment:

	2017		2016	
	(Audited) (RMB'000)	%	(Audited, Restated) (RMB'000)	%
Owned/Leased Portfolio Shopping Malls	6,394,482	58.3	5,975,408	63.3
Managed Shopping Malls	3,628,736	33.1	2,781,962	29.5
Sales of merchandise and related services	294,256	2.7	208,036	2.2
Others	642,039	5.9	470,676	5.0
Total	10,959,513	100.0	9,436,082	100.0

- Owned/Leased Portfolio Shopping Malls: The income rose from RMB5,975.4 million in 2016 to RMB6,394.5 million in 2017, representing an increase of 7.0%, mainly due to the increase of operating area, the average rent and management fee. As at the end of 2017, the number of Portfolio Shopping Malls opened by the Group was 7 more than that at the end of 2016, with the corresponding increase in the total operating area of 466,678 sq.m. At the same time, we adopted centralized management and scale effect to create a marketing synergy for all shopping malls, and offered tenants promotions and other value-added services, enhanced the operation and management level of the mall, to ensure that the level of rent and management fees could be increased when the already opened mall renewed the agreement with tenants. In 2017, the average operating income of real unit of Portfolio Shopping Malls opened by the Group was RMB108/sq. m per month, which fell slightly compared with RMB113/sq. m per month in 2016, mainly due to the separation of price and tax as a result of the change from business tax to value-added tax, and the change of two matured Portfolio Shopping Malls into Managed Shopping Malls during the Reporting Period. The same mall growth of mature shopping malls during the Reporting Period was 5.4%. Such growth was due to the aggregated factors of the increase in effective unit income from operation and operating area of mature shopping malls during the Reporting Period. In addition, the replacement of business tax with value-added tax in 2016, which introduced the separation of tax from price, also exerted impact on such growth. The same mall growth after disregarding the impact of the replacement of business tax with value-added tax was 7.2%.

Management Discussion and Analysis

FINANCIAL REVIEW (CONTINUED)

1. Revenue (Continued)

- Managed Shopping Malls: Revenue increased from RMB2,782.0 million in 2016 to RMB3,628.7 million in 2017, representing an increase of 30.4%. It was the result of a new revenue source from the Group's business expansion to provide consulting and tenant sourcing advisory services to property owners on one hand, and on the other hand, the year-on-year increase in the number of newly opened Managed Shopping Malls also brought a substantial increase in revenue from the Managed Shopping Malls.

2. Cost of sales

The cost of sales of the Group mainly included staff salary, malls rent and fixed expenses etc. that were directly related to the operation of our Owned/Leased Portfolio Shopping Malls. The cost of sales of the Group increased from RMB2,612.8 million in 2016 to RMB3,163.2 million in 2017, representing an increase of 21.1%, mainly because the number of operational staff and the salary and welfare increased due to the expansion of the shopping mall network of the Company.

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

	2017		2016	
	(Audited) (RMB'000)	%	(Audited, Restated) (RMB'000)	%
Owned/Leased Portfolio Shopping Malls	1,460,261	46.2	1,365,223	52.3
Managed Shopping Malls	1,309,962	41.4	933,462	35.7
Sales of merchandise and related services	202,426	6.4	134,553	5.1
Others	190,545	6.0	179,530	6.9
Total	3,163,194	100.0	2,612,768	100.0

- Owned/Leased Portfolio Shopping Malls: the cost of sales and services increased by 7.0% from RMB1,365.2 million in 2016 to RMB1,460.3 million in 2017, mainly due to the increase of salary of relevant staff in the newly opened shopping malls in the current period and the second half of the previous period and the increase of provision of annual bonus in the current period.
- Managed Shopping Malls: the cost of sales of Managed Shopping Malls increased from RMB933.5 million in 2016 to RMB1,310.0 million in 2017, representing an increase of 40.3%, mainly due to the significant increase in the number of our Managed Shopping Malls opened as at the end of 2017 as compared with that as at the end of 2016.

Management Discussion and Analysis

FINANCIAL REVIEW (CONTINUED)

3. Gross profit and gross profit margin

In 2017, the Group's gross profit was RMB7,796.3 million, representing an increase of 14.3% from RMB6,823.3 million in 2016. In 2017, the Group's integrated gross profit margin was 71.1%, representing a decrease of 1.2 percentage points from 72.3% in 2016, mainly due to decrease in relevant gross profit margin of Managed Shopping Malls arising from the increase in the number of newly opened Managed Shopping Malls.

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

	For the year ended 31 December	
	2017 (Audited)	2016 (Audited, Restated)
Owned/Leased Portfolio Shopping Malls	77.2%	77.2%
Managed Shopping Malls	63.9%	66.5%
Sales of merchandise and related services	31.2%	35.3%
Others	70.3%	61.9%
Integrated gross profit	71.1%	72.3%

- Owned/Leased Portfolio Shopping Malls: Gross profit increased from RMB4,610.2 million in 2016 to RMB4,934.2 million in 2017, representing an increase of 7.0%; gross profit margin in 2016 and 2017 is 77.2%, maintaining a stable level.
- Managed Shopping Malls: Gross profit increased from RMB1,848.5 million in 2016 to RMB2,318.8 million in 2017, representing an increase of 25.4%; gross profit margin decreased from 66.5% in 2016 to 63.9% in 2017, mainly due to decrease in relevant gross profit margin of Managed Shopping Malls arising from the increase in the number of newly opened Managed Shopping Malls.

4. Distribution and selling expenses

During the Reporting Period, the Group's distribution and selling expenses amounted to RMB1,513.8 million (accounting for 13.8% of the revenue), representing an increase of 25.6% from RMB1,205.7 million (accounting for 12.8% of the revenue) in 2016, primarily due to growing advertising and promotional expenses as a result of the increase of the investment in advertisements and promotion for our newly opened shopping malls.

5. General and administrative expenses

During the Reporting Period, the Group's general and administrative expenses amounted to RMB1,361.8 million (accounting for 12.4% of the revenue), representing an increase of 45.6% from RMB935.1 million (accounting for 9.9% of the revenue) in 2016, primarily due to increase in the number of staff for expansionary business, and increase in the expenses of newly-added internet application platform research and development team based on the establishment of the strategic layout of the omni-channel consumption platform for the pan-home improvement and furnishings industry. At the same time, in order to fully stimulate employees' incentive, the Group increased the bonus and enhanced the staff remuneration standard. While boosting the performance of the Group, the above measures brought a corresponding increase in labor costs.

Management Discussion and Analysis

FINANCIAL REVIEW (CONTINUED)

6. Financial expenses

During the Reporting Period, the Group's financial expenses were comprised of interest of bank and other borrowings, interest of financial lease and bond interests, etc.. Financial expenses increased from RMB877.7 million in 2016 to RMB1,131.8 million in 2017, representing an increase of 29.0%. During the Reporting Period, the Group had new bank borrowings along with its operating business expansion, actively participated in the expansion of financing channels through promotion of financial innovation, issued USD-denominated bonds and commercial mortgage backed securities, which led to expanded financing scale. The issuance of RMB3 billion domestic corporate bonds in the second half of 2016 also resulted in the increase in interest expenses. The total interest expenses increased from RMB1,209.2 million in 2016 to RMB1,481.7 million in 2017, representing an increase of 22.5%.

The financial expenses of the Group were mainly affected by relevant interest-bearing bank loans and bonds balance required by property investment. With the completion of construction of the investment property and the opening of the relevant malls, we will no longer capitalize interest expense associated with the investment properties and record it as a cost. Capitalized interest expenses decreased from RMB248.9 million in 2016 to RMB220.4 million in 2017, representing a decrease of 11.5% mainly due to the completion of the construction of part of the shopping malls and the cessation of the capitalization.

7. Impairment loss of assets

The impairment loss of assets of the Group mainly includes provision for impairment of accounts receivable, provision for impairment of other receivables as well as provision for impairment loss of available-for-sale investment and intangible assets. The impairment loss of assets in 2017 was RMB283.4 million, among which provision for impairment of accounts receivable was RMB146.4 million, mainly due to the basis of prudent standards continuously followed by us to review the recoverability of trading receivables related to income of Managed Shopping Malls and other receivables and provide impairment in accordance with the Group's accounting policy.

8. Investment income

The investment income of the Group mainly includes long-term equity interest investment income calculated by equity method, as well as investment income incurred from disposal of investment on subsidiaries. The investment income in 2017 was RMB633.9 million, among which the investment income incurred from disposal of investment on subsidiaries amounted to RMB494.7 million, mainly due to investment income incurred from disposal of investment on Shanghai Jiajinsuo Financial Information Service Co., Ltd. (上海家金所金融信息服務有限公司), Shanghai Huangpu Red Star Microfinance Co., Ltd. (上海黃浦紅星小額貸款有限公司), Tianjin Red Star Macalline International Home Furnishings Malls Company Limited (天津紅星美凱龍國際家居廣場有限公司), Tianjin Red Star Macalline International Home Furnishings Construction Material Company Limited (天津紅星美凱龍國際家具建材廣場有限公司), Beijing Hehe Juzhong Advertising Company Limited (北京和合聚眾廣告傳媒有限公司) and Changzhou Red Star Plaza Business Management Co., Ltd. (常州紅星廣場商業管理有限公司).

9. Treasury Policies and Objectives

The Group adopted prudent liquidity risk management policies in order to maintain flexibility of fund utilization, which include maintaining sufficient cash and funding through an adequate amount of committed credit facilities.

Management Discussion and Analysis

FINANCIAL REVIEW (CONTINUED)

10. Income tax expenses

During the Reporting Period, the income tax expenses of the Group amounted to RMB1,708.0 million, representing an increase of 51.4% from RMB1,128.1 million in 2016, which was mainly due to the increased income tax payable resulted from increase in the Group's operating profits and gains on disposal received by the Group during the Reporting Period. As a result, the effective income tax rate increased from 23.5% in 2016 to 28.5% in 2017.

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

During the Reporting Period, net profit attributable to owners of the Company amounted to RMB4,077.9 million, representing an increase of 20.0% from RMB3,397.2 million in 2016; the net profit attributable to owners of the Company after deducting non-recurring profit or loss amounted to RMB2,305.4 million, representing an increase of 11.2% from RMB2,072.7 million in 2016. The above good performance was a comprehensive result of the Group's steady and rapid business growth, significant revenue growth, efficiency of the scale of cost, and reasonable tax planning.

	2017 (Audited) (RMB'000)	2016 (Audited, Restated) (RMB'000)	Growth
Profit attributable to owners of the Company	4,077,898	3,397,183	20.0%
Net profit margin attributable to owners of the Company	37.2%	36.0%	1.2 percentage points
Net profit attributable to owners of the Company after deducting non-recurring profit or loss	2,305,431	2,072,652	11.2%
Net profit margin attributable to owners of the Company after deducting non-recurring profit or loss	21.0%	22.0%	-1.0 percentage points

In 2017, the Group's earnings per share was RMB1.13, as compared to RMB0.94 in 2016.

12. Accounts receivable and other receivables

As at the end of the Reporting Period, the accounts receivable and other receivables of the Group amounted to RMB2,901.9 million in total, of which accounts receivable amounted to RMB1,167.4 million, which were mainly comprised of our uncollected initiation and entrance fees, business consulting fees and tenant sourcing commissions to be paid by the partners of Managed Shopping Malls and construction consultation and management fees to be paid by constructors, represented an increase of RMB367.6 million as at the end of 2017 as compared with that as at the end of 2016. The increase was primarily due to increase in the number of newly opened Managed Shopping Malls, and increase in the business of consulting and tenant sourcing services during the Reporting Period along with the expansion of business scale of the Group, leading to an increase in the balance of accounts receivable.

At the end of the Reporting Period, the management of the Company has prudently reviewed the recoverability of accounts receivable, and reasonably carried out provision for impairment.

Management Discussion and Analysis

FINANCIAL REVIEW (CONTINUED)

13. Investment properties

As at the end of the Reporting Period, the book value of the Group's investment properties amounted to RMB70,831.0 million, representing an increase of 5.8% from RMB66,948.0 million as at the end of 2016, mainly due to the increase in rent of our Portfolio Shopping Malls and advancement in construction progress of investment properties under development during the Reporting Period. During the Reporting Period, the Group's investment properties realized gain on fair value changes of RMB1,996.2 million, which was mainly due to the increase in rent and management fees level of Portfolio Shopping Malls in most of the cities during the Reporting Period and the construction progression of shopping malls, resulting in an increase in the fair value of investment properties. The Group will continue to collect rents by investment properties, and based on market conditions, will consider disposing of certain investment properties in appropriate opportunities.

14. Capital expenditure

During the Reporting Period, the Group's capital expenditure amounted to RMB6,148.6 million (2016: RMB3,189.9 million), which was mainly attributable to the advancement in construction progress of investment properties under development and the payments for purchasing offices during the Reporting Period.

15. Bank and cash balance and cash flow

As at the end of the Reporting Period, the bank and cash balance of the Group amounted to RMB10,626.9 million (of which, the balance of cash and cash equivalents amounted to RMB10,269.3 million), representing an increase of RMB4,376.9 million from RMB5,892.4 million as at the end of 2016.

	For the year ended 31 December	
	2017 (Audited) (RMB'000)	2016 (Audited, restated) (RMB'000)
Net cash from (used for) operating activities	6,518,359	3,983,929
Net cash from (used for) investment activities	(6,011,114)	(4,908,725)
Net cash from (used for) financing activities	3,873,637	1,268,756
Impact on cash and cash equivalent from change of exchange rate	(4,013)	–
Net increase in cash and cash equivalents	4,376,869	343,960

During the Reporting Period, the Group's net cash inflow from operating activities amounted to RMB6,518.4 million, representing an increase of 63.6% as compared with net cash inflow of RMB3,983.9 million in 2016, was primarily due to increase in rental and management fee received in advance and adequate collection of revenue related to Managed Shopping Malls. At the same time, with the increase in the number of newly opened shopping malls, the year-on-year increase in deposits, warranties and pledges received, also brought positive contribution to the increase in cash inflows from operating activities.

FINANCIAL REVIEW (CONTINUED)

15. Bank and cash balance and cash flow (Continued)

During the Reporting Period, the Group's net cash outflow from investment activities amounted to RMB6,011.1 million, representing an increase of 22.5% as compared with net cash outflow of RMB4,908.7 million in 2016, mainly due to the comprehensive result of the increase in payments of property expenditure and equity investment of the Group during the Reporting Period and recovered disposal consideration funds from the disposal of two Portfolio Shopping Malls in Tianjin during the Reporting Period.

In 2017, the Group's net cash inflow from financing activities amounted to RMB3,873.6 million, representing an increase of RMB2,604.8 million as compared with net cash inflow of RMB1,268.8 million in 2016, mainly due to the increase in financing scale of the Group by issuing USD-denominated bonds amounted to US\$300 million and commercial mortgage backed securities amounted to RMB2.4 billion, and repayment of due mid-term notes and private bonds of RMB1.9 billion during the Reporting Period.

16. The debt profile and debt ratio

As of the end of the Reporting Period, the total amount of debt of the Group was RMB28,445 million, of which banks and other borrowings were RMB15,683 million, bonds payable were RMB10,383 million and commercial mortgage backed securities payables were RMB2,378 million.

The following table sets out our profile debt:

	As at 31 December 2017 (Audited) (RMB'000)	As at 31 December 2016 (Audited) (RMB'000)
Bank and other borrowings		
Bank loans, secured	1,365,535	9,705,833
Bank loans, unsecured	345,000	19,000
Other loans, secured	13,973,224	1,510,000
	15,683,759	11,234,833
Fixed-rate borrowings	1,965,363	1,510,010
Floating-rate borrowings	13,718,396	9,724,823
	15,683,759	11,234,833
The borrowings are repayable		
Within one year or on demand	3,906,594	2,787,296
More than one year, but not exceeding two years	1,749,666	3,344,038
More than two years, but not exceeding five years	5,613,257	3,444,250
More than five years	4,414,242	1,659,249
	15,683,759	11,234,833
Actual interest rate range		
Fixed rate bank borrowings	3.15–4.46	4.75–7.59
Floating rate bank borrowings	2.30–7.59	4.41–6.41

Management Discussion and Analysis

FINANCIAL REVIEW (CONTINUED)

16. The debt situation and debt ratio (Continued)

	As at 31 December 2017 (Audited) (RMB'000)	As at 31 December 2016 (Audited) (RMB'000)
Bonds		
Unsecured medium-term notes		
– Bonds due in 2017	–	894,941
– Bonds due in 2018	498,726	497,031
Private placement medium-term notes		
– Private placement notes due in 2017	–	994,527
Corporate bonds		
– Corporate bonds due in 2020	4,987,988	4,973,683
– Corporate bonds due in 2021	1,490,868	1,485,447
– Corporate bonds due in 2023	1,482,044	1,477,940
USD-denominated bonds		
–USD-denominated bonds due in 2022	1,923,566	–
	10,383,192	10,323,569

	As at 31 December 2017 (Audited) (RMB'000)	As at 31 December 2016 (Audited) (RMB'000)
Commercial mortgage backed securities payables	2,378,400	–

Among the total debt of the Group, the portion to be repaid in one year or on demand was RMB9,816.8 million; the portion to be repaid more than one year but not more than two years was RMB3,190.8 million; the portion to be repaid more than two years but not more than five years was RMB11,126.5 million; the portion to be repaid over five years was RMB4,311.2 million; the Group shall timely repay the above loans at the maturity date of the same.

The following table sets out our major debt ratio:

	As at 31 December 2017 (Audited)	As at 31 December 2016 (Audited, restated)
Asset-liability ratio ⁽¹⁾	54.7%	51.0%
Net gearing ratio ⁽²⁾	41.5%	39.7%

	For the year ended 31 December 2017 (Audited)	2016 (Audited)
Interest expenses coverage ratio ⁽³⁾	3.20	3.63

Notes:

- (1) Asset-liability ratio is calculated as the total liabilities divided by total assets as at the end of each period.
- (2) Net gearing ratio means interest-bearing liabilities (including short-term borrowings, long-term borrowings, bond payables, financial lease payables, and commercial mortgage backed securities payables) less cash and bank balance and then divided by total equity at the end of each period.
- (3) Interest expense coverage ratio is our adjusted EBITDA divided by our interest expenses before capitalization for each period. Adjusted EBITDA represents profit before tax, adding back finance expenses, depreciation, amortisation and impairment loss, further adjusted to exclude gain on fair value changes, Investment income, gains/(losses) from disposal of assets, other income, non-operating income and non-operating expenses.

FINANCIAL REVIEW (CONTINUED)

17. Credit rating

As at the end of the Reporting Period, the corporate credit rating of the Group was rated as BBB by Fitch Ratings, Inc., with a stable outlook. Standard & Poor's Financial Services LLC rated the Group as BBB, and the outlook was rated as negative.

18. Assets with restricted ownership or use rights

As at the end of the Reporting Period, the Group had pledged investment properties with book value of RMB54,025.0 million for obtaining borrowings; and the restricted currency funds of RMB263.4 million for deposit reserve placed with central bank and obtaining loans.

19. Contingent liabilities

On 8 November 2016, the Company provided 25% joint and several liability guarantee against the loan of RMB2.5 billion provided by Haier Group Finance Co., Ltd. to Haier Consume Financing Co., Ltd. As at the end of the Reporting Period, the balance of the loan was RMB1.6 billion (2016: RMB500 million).

20. Material acquisitions and disposals

On 16 May 2017, Yantai Red Star International Home Furnishings* (煙台紅星國際家居管理有限公司) (“**Yantai Red Star**”), an indirect wholly-owned subsidiary of a trust fund managed by Tianjin Changhe Shareholding Investment Fund Management Company Limited* (天津暢和股權投資基金管理有限公司) and Red Star Macalline Home Furnishings Shopping Malls Management Company Limited* (紅星美凱龍家居商場管理有限公司) (“**Red Star Management**”), a direct wholly-owned subsidiary of the Company, entered into the share swap agreement pursuant to which Yantai Red Star has conditionally agreed to sell and Red Star Management has conditionally agreed to acquire 100% equity interests in Zhengzhou Juankai Enterprise Management Consultation Company Limited (鄭州雋鎧企業管理諮詢有限公司) at a consideration of RMB2,650.0 million. The consideration shall be payable by Red Star Management by way of selling its 100% equity interests in its two wholly-owned subsidiaries, namely Tianjin Red Star Macalline International Home Furnishings Construction Materials Company Limited* (天津紅星美凱龍國際傢俱建材廣場有限公司) and Tianjin Red Star Macalline International Home Furnishings Malls Company Limited*(天津紅星美凱龍國際家居廣場有限公司), together with a cash payment. For details, please refer to the announcement of the Company dated 16 May 2017.

Save as disclosed above, as at the end of the Reporting Period, the Group had no material acquisition or disposal of the subsidiaries, associates and joint ventures during the Reporting Period.

21. Capital Commitment

As at the end of the Reporting Period, the amount of capital expenditure in respect of the acquisition and development of investment properties which the Group has contracted for but not recognized in the financial statements was RMB2,654.9 million. In addition, the Group has entered into agreements with its partners, pursuant to which the Group's commitment to contributing funds for development of investment properties jointly with the partners amounted to RMB589.9 million.

Management Discussion and Analysis

FINANCIAL REVIEW (CONTINUED)

22. Future plans for major investments

Our future major investments of the Group are primarily capital expenditures in respect of acquisition and construction of investment properties (including through acquisition of subsidiaries). We expect to capitalize on secular growth trends in the home improvement and furnishings industry by strategically opening new shopping malls in selected cities in China with attractive market attributes. As at the end of the Reporting Period, the amount of which the Group has contracted for but not provided in the financial statements was RMB2,654.9 million. In addition, the Group has entered into agreements with its partners, pursuant to which the Group's commitment to contributing funds for development of investment properties jointly with the partners amounted to RMB589.9 million. The capital commitment as disclosed in Note (XI).1 to the Consolidated Financial Statements on page 344 was primarily in relation to the development of our Portfolio Shopping Malls. It is one of our strategies, and we expect to strengthen our market leadership through strategic expansion of our shopping mall network and brand portfolio.

The source of the Group's future major investment funds will mainly come from the cash of business operation, bank loans, issuing bonds and the equity capital contributed by the Shareholders. We will adhere to a prudent and rational financial management strategy, plan and arrange the investment and operating expenses based on the cash inflow, expand financing channels while maintain a reasonable financial condition and debt ratio level to provide better funding for business development in the future. Currently, we do not have detailed plans for material investments except opening new shopping malls which are in our ordinary course of business. Accordingly, we foresee that our major source of funding will be from our operating cash flow, revenue from our shopping malls, borrowings from banks and other financing activities of the Group.

23. Foreign exchange risk

As at the end of the Reporting Period, financial assets and liabilities denominated in currencies other than the functional currency of the Group mainly included the US\$300 million USD-denominated bonds issued on 21 September 2017 and certain deposits denominated in USD and HKD. To manage this additional risk exposure, the management of the Company adopted relevant risk control measures to prepare for risk hedging, which included enhanced internal control awareness and strategy, strengthened cooperation with international banks, selection of appropriate forward and currency swaps and other hedging instruments, and close monitoring on trends of foreign exchange market. We believe that foreign exchange risk related to such assets and liabilities denominated in other currencies will not have a material impact on operating results of the Group.

24. Human Resources

As at the end of the Reporting Period, the Group had 22,621 employees (31 December 2016: 19,060 employees). The Group signs labour contracts with employees according to the Labor Law of the People's Republic of China and the relevant provisions of the employee's locality. The Group will determine the employees' basic wage and bonus level according to the employees' performance, work experience and the market wage standard, and shall pay social insurance and housing provident fund for the employees. In 2017, the Group paid a total of RMB2,997.5 million for salary expenditure (2016: RMB2,164.0 million). Meanwhile, the Group also kept investing resources to provide various education and training opportunities for the staff, aiming to standardize the management work and improve the operation performance, and continuously improved the knowledge and technical competence as well as professional practice competence of the employees.

FINANCIAL REVIEW (CONTINUED)

25. Events after the Reporting Period

The Company has completed the A Share Offering on 16 January 2018, and the A shares of the Company were listed and commenced trading on the Shanghai Stock Exchange on 17 January 2018 with stock code 601828. The total number of issued shares of the Company after the A Share Offering is 3,938,917,038 (comprising 1,062,813,069 H Shares and 2,876,103,969 A Shares). For more details, please refer to the announcement of the Company dated 16 January 2018.

The Company issued 315,000,000 A shares at the issue price of RMB10.23 per A share. The total proceeds raised amounted to RMB3,222.5 million and the net proceeds raised, after deducting the cost of the A Share Offering of RMB172.5 million, amounted to RMB3,050.0 million (the "A Share Offering Proceeds").

In order to improve the efficiency in the use of the A Share Offering proceeds, on 7 February 2018, the Board has resolved to (i) use RMB48.12 million of the balance of A Share Offering Proceeds of the Harbin Songbei Shopping Mall to fill in the gap between the A Share Offering Proceeds to be used and the actual self-owned funds used of the Hohhot Yuquan Shopping Mall and Dongguan Wanjiang Shopping Mall and to use RMB35.334 million of the balance of A Share Offering Proceeds of the Tianjin Beichen Shopping Mall and RMB73.9 million of the balance of A Share Offering Proceeds of the Harbin Songbei Shopping Mall to meet the future capital requirements of the Urumchi Expo Mall; (ii) substitute the self-owned funds which the Company has previously invested in the investment projects with the A Share Offering Proceeds of RMB1,677.58 million; (iii) temporarily use not more than RMB500 million of the idle A Share Offering Proceeds to improve the liquidity of the Company, and the period of such use shall not exceed 12 months (from the date when the A Share Offering Proceeds are transferred from the special account to the date when the A Share Offering Proceeds are returned to the special account); and (iv) use the balance of the A Share Offering Proceeds (RMB172.42 million) designated to the Urumchi Expo Mall by way of a loan to support this investment project. For further details, please refer to the announcement of the Company dated 7 February 2018.

On 7 February 2018, the Company convened the twenty-third extraordinary meeting of the third session of the Board and the Board approved the "General mandate for the issue of domestic debt financing instruments" resolution to be proposed at the extraordinary general meeting to authorize the Board and authorized person of the Board to issue debt financing instruments with a size of no more than RMB15.0 billion at an appropriate timing. The above resolution is to be approved by the Company's 2018 first extraordinary general meeting to be held on 25 April 2018.

Management Discussion and Analysis

RISKS FACTORS

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

The recent years has witnessed China's persistent slackened macroeconomic growth trend. In 2016, China's GDP showed 6.9% year-on-year growth, which was the lowest growth rate for the past 25 years, and it may be further reduced in the future. The slowdown in macro-economic growth may slow down the expected urbanization in China, and pose adverse effect to the improvement of residents' disposable income and standard of living. Meanwhile, the real estate industry, as the core industry subject to continuous regulation of China, is closely related to the country's macroeconomic development with the manifestation of the strong cyclical characteristics. The potential adverse changes caused by slower growth of the macro-economy and cyclical volatility of the real estate industry may weaken the demand for home improvement and furnishings retail industry, and thus posing certain negative impact on the Company's operating performance.

According to the data of Frost & Sullivan, the sales amount achieved in China's home improvement and furnishings industry in 2017 was RMB4.5 trillion, representing an increase of 12.7% on a year-on-year basis. The industry growth rate was significantly higher than that of China's macroeconomic overall growth. The Company will actively seize favourable opportunities of the rapid development in the home improvement and furnishings industry and increase the market share by the fast and steady expansion of the shopping mall network; while improving economies of scale and operational efficiency and strengthening the sustained stability of profitability, so as to better cope with and withstand the risks associated with macroeconomic and industry volatility.

2. Risks associated with talent shortage and loss

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

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

3. Risks associated with expanding business development

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

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

OUTLOOK AND PROSPECTS

We have persistently adhered to the mission of “building a warm and harmonious homeland enhancing consumption and living taste”. In 2018 and thereafter, we will continue to follow the operation and management model of “market-oriented management and shopping mall management”, provide better and more professional services for consumers, consolidate our market leadership and strengthen the brand of “Red Star Macalline” of “Home Furnishings Expert” in the consumers’ mind to build the most pioneering and professional “omni-channel platform provider in home improvement and furnishings industry”.

Our future development plans are as follows:

1. To continue the implementation of two-pronged business model of Portfolio Shopping Malls and Managed Shopping Malls and strengthen the market leadership through strategic expansion of shopping mall network and brand portfolio

In terms of shopping mall network construction, we will fully ride the tide of the thriving trend showed in the industry arising from the acceleration of urbanization, improvement in living standard and the increased population mobility, and continue to expand our network of home furnishing malls in cities with attractiveness. We will further strengthen the market leading position in Tier I and II Cities through self-operation mode, and continue to selectively open new home shopping malls in the core cities; at the same time, by relying on the sound brand reputation, mature shopping mall development, tenant sourcing and operation and management capabilities in the home improvement and furnishings industry, we will quickly penetrate into the Tier III Cities and Other Cities through the asset-light managed business model, so as to further expand the operation coverage of companies in the country, and thus accelerating market penetration. Meanwhile, the Company will optimize the operation and management of shopping malls by means of upgrading and improving mall-based infrastructure, analysis on applicable data, marketing, incentive mechanisms for mall-oriented management team, etc. to further enhance the operational efficiency and performance of existing home shopping malls. In terms of construction of brand portfolio, we will extend our outreach to broader consumer bases and advance market segmentation to serve our merchants and in turn to further increase our market share leveraging on our diversification brand strategy. Moreover, we are also exploring vigorously the possibility of property asset securitization of owned furniture malls to promote the capital operating efficiency of enterprise.

2. To establish a comprehensive service system, striving to become new retail benchmark in home decoration and furnishing industry

As one of the most influential brands in the home industry in China, we will, from the perspective of truly understanding and satisfying the needs of consumers, always furnish consumers with a better and more in-depth experience, more professional and all-round value-added services, and more convenient and humanized service mode. We will provide a trustworthy circulation platform that can integrate a sufficient number of home decoration and furniture industry brand commodities to satisfy the various needs and consumer Pain Points, enhance the online and offline integration experience of consumers, establish the most valuable circulation platform in home decoration and furniture industry, and strive to become new retail benchmark in the home improvement and furnishing industry.

Management Discussion and Analysis

OUTLOOK AND PROSPECTS (CONTINUED)

3. To enhance the long-term competitiveness of the enterprise through digital strategies

We are implementing digital strategies that aimed at promoting information construction on an ongoing basis, further upgrading and restructuring of management procedures optimization, financial function transformation, system research and development, data application and other aspects and enhancing the long-term competitiveness of enterprise to meet new growth opportunities by making use of internet, big data, cloud computing and other information technologies.

4. To actively make innovations and value capital market and financial instruments

We will proactively explore new business model and integrate upstream and downstream resources of home decoration and furniture industry through investment, merger and acquisition and other means, and in particular look for opportunities to enter the smart household field and offer services for enlarging enterprise scale, strengthening corporate strength, preparing for the future and our leadership in the development of the industry.

5. To improve corporate governance, standardize the operation, and fulfill our social responsibility

We will make continuous improvement in our corporate governance structure, organizational process and management mechanism, abide by national laws and business ethics and create the commercial atmosphere of “standardized operation” as well as proactively undertake and fulfill social responsibility.



Directors, Supervisors and Senior Management

EXECUTIVE DIRECTORS

Mr. CHE Jianxing, aged 51, the founder of our Group, has been the chairman, an executive Director, the chief executive officer and the general manager of our Company, since its establishment in June 2007. Mr. CHE is primarily responsible for the overall management, strategic development and business planning of our Group. Mr. CHE has over 30 years of industry experience. He started his career in furniture manufacturing in the late '80s. He then established Changzhou Red Star Furniture Store* (常州市紅星傢俱城) in December 1990 and served as its general manager from 1990 to 1994. He subsequently founded Red Star Furniture Group in June 1994 and served as its chairman of the board of directors and chief executive officer from 1994 to 2007. Mr. CHE is Ms. CHEN Shuhong's husband and Ms. CHE Jianfang's brother. Mr. CHE is a member of the executive committee of All-China Federation of Industry & Commerce (中華全國工商業聯合會). Mr. CHE was awarded as the "Shanghai Outstanding Star" by Shanghai government, Shanghai Industry & Commerce (上海工商業聯合會) and Shanghai Outstanding Enterprise Promotion Association (上海光彩事業促進會) in February 2014, the "Changzhou Outstanding Entrepreneur" by Changzhou government in January 2012 and the "Working Model of Jiangsu Province" by Jiangsu Provincial People's Government in April 2006. For Mr. CHE's interest in the shares and underlying shares of the Company, please refer to the section headed "Report of Directors" of this annual report.

Ms. ZHANG Qi, aged 58, joined our Company in June 2012 and has been the vice chairman, an executive Director and a vice general manager of our Company since then. Ms. ZHANG is primarily responsible for the business development, strategy and investment planning, operating management of Managed Shopping Malls, construction progress of Portfolio Shopping Malls, Internet financial segment, overall management of the Xingyijia* (星藝佳) business, legal compliance and internal control of our Group. Prior to joining our Company, Ms. ZHANG served in various positions in the Huangpu District office, Shanghai City of the Industrial and Commercial Bank of China (中國工商銀行) ("ICBC"), including the director of South Three Sub-branch, the secretary of the communist party branch of South three sub-branch, the director of Nanjing Road East sub-branch, the vice director of deposit department, the assistant director and the vice director, from July 1984 to September 1992. From September 1992 to January 2000, she successively served as the vice president, the president and the secretary of the communist party committee of Huangpu sub-branch and Jing'an sub-branch of the Shanghai branch of ICBC. From January 2000 to March 2008, Ms. ZHANG worked in the Shanghai branch of ICBC, where she served in various positions, including the director of the retail division and the securities clearing division, the assistant president, the vice president and the deputy secretary of the communist party committee. From March 2008 to June 2012, Ms. ZHANG served as the general manager and the secretary of the communist party committee of the private banking department of ICBC.

Ms. ZHANG studied in the Cadre Class of Financing Management (金融管理幹部專修班) at the Faculty of Economics of Fudan University (復旦大學) from September 1985 to July 1987. She graduated with a master's degree in finance from Shanghai University of Finance Economics (上海財經大學) in June 1998. Ms. ZHANG also completed the executive master of business administration program jointly organized by Shanghai National Accounting Institute (上海國家會計學院) and Arizona State University in October 2005. Ms. ZHANG completed the doctoral degree program jointly organized by Shanghai Advanced Institute of Finance (上海高級金融學院) and Arizona State University in May 2016. Ms. ZHANG was accredited by ICBC as a senior economist in August 1997. She received the honor of "Shanghai Financial Talent" granted by Shanghai Financial Work Committee of Communist Party (中共上海市金融工作委員會) and Shanghai Financial Services Office (上海市金融服務辦公室) in March 2004.

Directors, Supervisors and Senior Management

EXECUTIVE DIRECTORS (CONTINUED)

Ms. CHE Jianfang, aged 49, joined our Company in June 2007 and has been an executive Director and a vice general manager of our Company since then. Ms. CHE is primarily responsible for merchandising management of our Group. Prior to joining our Company, Ms. CHE worked as the general manager at the Changzhou Red Star Furniture General Factory* (常州市紅星傢俱總廠) from 1990 to 1993, mainly responsible for general operation of the business. She served as the general manager responsible for national investment operation at Red Star Furniture Group from 1994 to 2007. Ms. CHE is Mr. XU Guofeng's wife and Mr. CHE Jianxing's sister. Ms. CHE completed the "Senior Executive Program for China" jointly organized by China Europe International Business School (中歐國際工商學院) ("CEIBS"), Harvard Business School and the School of Economics and Management of Tsinghua University (清華大學經濟管理學院) in December 2007. She also completed the China CEO Program jointly organized by Cheung Kong Graduate School of Business (長江商學院), Columbia Business School, the International Institute for Management Development and London Business School in July 2011. Ms. CHE has studied the executive master of business administration program in PBC School of Finance, Tsinghua University since March 2017. Currently, Ms. CHE serves as the vice-chairman of Shanghai Entrepreneur Association (上海市企業家聯合會) and has always been committed to social welfare undertakings. She further established Red Star Bright Fund (紅星光彩基金). For Ms. CHE's interest in the shares and underlying shares of the Company, please refer to the section headed "Report of Directors" of this annual report.

Mr. JIANG Xiaozhong, aged 48, joined our Company in June 2007 and has been an executive Director and a vice general manager of our Company since December 2012. Mr. JIANG is primarily responsible for business development and operation of our Group. Prior to joining our Company, from June 1994 to June 2007, Mr. JIANG served in various positions at Red Star Furniture Group, including as secretary of the communist party branch committee, secretary of the communist party committee and as vice president, primarily responsible for business operation, administration and communist party committee related work.

Mr. JIANG completed a three-year correspondence course for cadre in administrative management at the Communist Party School of Jiangsu Province (江蘇省委黨校) in July 1992. He graduated with an executive master of business administration degree from the executive master of business administration program at Cheung Kong Graduate School of Business (長江商學院) in September 2011.

Directors, Supervisors and Senior Management

NON-EXECUTIVE DIRECTORS

Ms. CHEN Shuhong, aged 45, joined our Company in June 2007 and has been a non-executive Director since then. Ms. CHEN is primarily responsible for overseeing our Company's management and strategic development. Prior to joining our Company, Ms. CHEN worked at the Changzhou Red Star Furniture General Factory* (常州市紅星傢俱總廠) from July 1992 to December 1993, and was mainly responsible for finance-related work. She then served as a manager of Changzhou Home Furnishing Wholesale Center* (常州建材傢俱批發中心) from January 1994 to June 1999. Ms. CHEN served as the chief financial officer of Red Star Furniture Group from June 1999 to June 2007. Ms. CHEN is Mr. CHE Jianxing's wife and Mr. CHEN Donghui's sister.

Ms. CHEN obtained a college degree for adult higher education in accounting from Industrial College of Jiangsu Province (江蘇省工業學院) (now known as Changzhou University (常州大學)) in 2003. She graduated with an executive master of business administration degree from the executive master of business administration program of The Hong Kong University of Science and Technology (香港科技大學) in June 2012. For Ms. CHEN's interest in the shares and underlying shares of the Company, please refer to the section headed "Report of Directors" of this annual report.

Mr. XU Guofeng, aged 51, joined our Company in June 2007 and has been a Director and a vice general manager of our Company since December 2010. He has been a non-executive Director of our Company since he resigned as vice general manager in November 2014. Mr. XU is primarily responsible for overseeing our Company's management and strategic development. Prior to joining our Company, Mr. XU served as a factory manager at the Changzhou Red Star Furniture General Factory* (常州市紅星傢俱總廠) from 1991 to 1994, where he was mainly responsible for production and business operation. He then served as a vice president of Red Star Furniture Group from 1994 to 2007, where he was mainly responsible for managing construction-related work and participating in the decision making for significant events. Mr. XU is Ms. CHE Jianfang's husband and Mr. XU Guoxing's brother. Mr. XU completed a correspondence course in business administration at Beijing Business Management Correspondence College (北京經濟管理函授學院) in July 2004. He also completed the executive master of business administration program at Cheung Kong Graduate School of Business (長江商學院) in September 2011.

Directors, Supervisors and Senior Management

NON-EXECUTIVE DIRECTORS (CONTINUED)

Mr. Joseph Raymond GAGNON, aged 40, joined our Company in December 2009 and has been a non-executive Director of our Company since then. Mr. GAGNON is primarily responsible for participating in formulating our Company's corporate and business strategies. He joined Warburg Pincus Asia LLC, an affiliate of Warburg Pincus (美國華平投資集團), in September 2005 and currently serves as its managing director and the head of its real estate investment business in Asia. Mr. GAGNON previously worked for GE Capital from July 2000 to August 2005, where he last served as a business development manager with GE Capital Real Estate in Tokyo. Mr. GAGNON has been a director of Vingroup Joint Stock Company, a company listed on the Ho Chi Minh City Stock Exchange (stock code: VIC), since July 2013. Mr. GAGNON also served as a non-executive director of Sunshine 100 China Holdings Ltd. (陽光100中國控股有限公司), a company listed on the Hong Kong Stock Exchange (stock code: 02608), from June 2011 to September 2014.

Mr. GAGNON graduated with a bachelor of science degree in mathematical economics from Wake Forest University in the United States in August 2000. On 14 June 2012, Mr. GAGNON was appointed as a director of Titan Investment Group Limited ("TIGL"), a company incorporated in Hong Kong. TIGL was financially distressed at the time when Mr. GAGNON was appointed as a director. Mr. GAGNON's role included seeking means of reorganizing the TIGL group for the benefit of its shareholders and creditors. On 18 June 2012, one of TIGL's shareholders made an application to the British Virgin Island court for the appointment of liquidators to TIGL. On 17 July 2012, TIGL was appointed as the liquidators as part of the reorganization process that Mr. GAGNON supported and assisted with implementing. On 17 September 2012, a consortium agreed to purchase substantially all of the assets of the TIGL group.

Mr. ZHANG Qiqi, aged 36, joined our Company in December 2010 and has been a non-executive Director of our Company since then. Mr. ZHANG is primarily responsible for participating in formulating our Company's corporate and business strategies. He joined Beijing Warburg Pincus Investment Consulting Co., Ltd., an affiliate of Warburg Pincus in July 2009 and currently serves as its managing director. Mr. ZHANG previously worked as an auditor and successively a senior auditor at the Shanghai branch of PWC Consulting (Shenzhen) Co., Ltd. from August 2003 to July 2007. Mr. ZHANG graduated with a bachelor's degree in international economics and trade (English) from Shanghai International Studies University (上海外國語大學) in July 2003 and a master of business administration degree from the Booth School of Business, University of Chicago, in June 2009.

Directors, Supervisors and Senior Management

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. LI Zhenning, aged 64, joined our Company in March 2012 and has been our independent non-executive Director since then. He is primarily responsible for participating in the decision making for our Company's significant events and advising on issues relating to corporate governance, audit, strategy and investment, and the nomination, remuneration and assessment of our Directors and senior management. Prior to joining our Company, Mr. LI engaged in investment activities and acted as a financial consultant in his personal capacity from May 1995 to December 2002. He was an independent director of Shanghai Zhangjiang Hi-tech Park Development Co., Ltd. (上海張江高科技園區發展股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 600895), from May 2008 to April 2010. Mr. LI founded Shanghai Rising Fund Management Company Ltd. (上海睿信投資管理有限公司) in December 1997 and has been serving as its chairman of the board of directors since then. He has also been serving as the chairman of the board of directors of Shanghai Juying Culture Communication Co., Ltd. (上海聚英文化傳播有限公司) since November 2006. Mr. LI graduated from Renmin University of China (中國人民大學) with a bachelor's degree in western economics in June 1982 and a master's degree in economics in June 1985.

Mr. LEE Kwan Hung, aged 52, has been appointed as our independent non-executive Director since February 2015. He is primarily responsible for participating in the decision making for our Company's significant events and advising on issues relating to the nomination of our Directors and senior management. From December 1992 to April 1994, Mr. LEE worked in the Listing Division of the Hong Kong Stock Exchange, where he successively served as a manager and a senior manager, and was a partner of Woo, Kwan, Lee & Lo from April 2001 to February 2011. Mr. LEE is currently a consultant at Howse Williams Bowers. He has been an independent non-executive director of several companies listed on the Hong Kong Stock Exchange, including Embry Holdings Limited (安莉芳控股有限公司) (stock code: 1388) since November 2006, NetDragon Websoft Inc. (網龍網絡控股有限公司) (stock code: 777) since June 2008, Asia Cassava Resources Holdings Limited (亞洲木薯資源控股有限公司) (stock code: 841) since January 2009, Newton Resources Ltd. (新礦資源有限公司) (stock code: 1231) since December 2010, Tenfu (Cayman) Holdings Company Limited (天福(開曼)控股有限公司) (stock code: 6868) since August 2011, China BlueChemical Ltd. (中海石油化學股份有限公司) (stock code: 3983) since June 2012, Landsea Green Properties Co., Ltd. (朗詩綠色地產有限公司) (stock code: 106) since July 2013, China Goldjoy Group Limited (中國金洋集團有限公司) (stock code: 1282) since November 2015, Fse Engineering Holdings Limited (豐盛機電控股有限公司) (stock code: 331) since November 2015, and Ten Pao Group Holdings Limited (天寶集團控股有限公司) (stock code: 1979) since November 2015. Mr. LEE was also an independent non-executive director of Yuexiu REIT Asset Management Limited (越秀房托資產管理有限公司), which is the manager of Yuexiu Real Estate Investment Trust (越秀房地產投資信託基金) (stock code: 405), from November 2005 to October 2014, an independent non-executive director of Far East Holdings International Limited (遠東控股國際有限公司) (stock code: 36) from March 2012 to November 2014 and an independent non-executive director of Walker Group Holdings Limited (盈進集團控股有限公司) (stock code: 1386) from February 2011 to March 2016, the shares of which or the units or shares of the said management funds are listed on the Hong Kong Stock Exchange, and Futong Technology Development Holdings Limited (富通科技發展控股有限公司) (stock code: 465) from November 2009 to November 2017. Mr. LEE obtained his Bachelor of Laws (Honours) degree and Postgraduate Certificate in Laws from the University of Hong Kong in 1988 and 1989, respectively. He was admitted as a solicitor in Hong Kong in 1991 and in the United Kingdom in 1997.

Directors, Supervisors and Senior Management

INDEPENDENT NON-EXECUTIVE DIRECTORS (CONTINUED)

Mr. DING Yuan, aged 48, joined our Company in March 2012 and has been appointed as our independent non-executive Director since then. He is primarily responsible for participating in the decision making for our Company's significant events and advising on issues relating to corporate governance and audit. Mr. DING has more than ten years of experience in teaching and researching financial accounting, financial statement analysis, corporate governance and mergers and acquisitions. Mr. DING served as a tenured professor in accounting and management control at the HEC School of Management in France from September 1999 to September 2006. Mr. DING has joined the CEIBS since September 2006, and is currently serving as the Cathay Capital professor, vice president and dean in Accounting. Since July 2013, Mr. DING has been serving as an independent non-executive director, the chairman of the audit committee and a member of the nomination committee and the remuneration committee of Landsea Green Properties Co., Ltd. (朗詩綠色地產有限公司), a company listed on the Hong Kong Stock Exchange (stock code: 106). He has been an independent non-executive director, the chairman of the remuneration committee and a member of nomination committee and audit committee of Man Wah Holdings Limited (敏華控股有限公司), a company listed on the Hong Kong Stock Exchange (stock code: 1999) since December 2016. He is currently a director of Jaccar Holdings, a private investment company. Mr. DING was an independent director and the chairman of the audit committee at Anhui Gujing Distillery Co., Ltd. (安徽古井貢酒股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 000596), from June 2008 to June 2011, and at TCL Corporation (TCL集團股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 000100), from June 2008 to June 2014. He has been a director and the chairman of the audit committee of MagIndustries Corp., a company listed on the Toronto Stock Exchange (stock code: MAA), since July 2011 to June 2015. Mr. DING graduated with a doctor of philosophy degree in management science from the College of Business Administration, Bordeaux IV University in France in May 2000.

Mr. QIAN Shizheng, aged 65, joined our Company in April 2016 and has been appointed as our independent non-executive Director of our Company since then. He is primarily responsible for participating in the decision making for our Company's significant events and advising on issues relating to corporate governance, audit and the remuneration and assessment of our Directors and senior management. Mr. QIAN has over 30 years of experience in the theory and practice of finance and accounting. Mr. QIAN served as the Deputy Dean of the Department of Accounting at Shanghai Fudan University from August 1983 to December 1997. During the period from January 1998 to June 2012, he served as the executive director and vice president of Shanghai Industrial Holdings Limited (上海實業控股有限公司), a company listed on the Hong Kong Stock Exchange (stock code: 363), and concurrently served as the vice chairman of Haitong Securities Co., Ltd. (海通證券股份有限公司), a company listed on both the Shanghai Stock Exchange (stock code: 600837) and the Hong Kong Stock Exchange (stock code: 6837). During the period from June 2014 to February 2017, Mr. Qian served as an independent director at Shanghai Chengtou Holding Co., Ltd. (上海城投控股股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 600649). Mr. QIAN returned to Shanghai Fudan University (上海復旦大學) in July 2012 and is now a professor at the School of Management of Shanghai Fudan University. Mr. QIAN is concurrently acting as an independent director at Shanghai Lujiazui Finance and Trade Zone Development Co., Ltd. (上海陸家嘴金融貿易區開發股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 600663), Shanghai Laiyifen Co., Ltd., (上海來伊份股份有限公司) a company listed on the Shanghai Stock Exchange (stock code: 603777), Spring Airlines Co., Ltd. (春秋航空股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 601021) and Asia Cuanon Technology Co., Ltd. (亞士創能科技股份有限公司)*, a company listed on the Shanghai Stock Exchange (stock code: 603378), Hanhua Financial Holding Co., Ltd. (瀚華金控股份有限公司), a company listed on the Hong Kong Stock Exchange (stock code: 3903), Jingrui Holdings Limited (景瑞控股有限公司), a company listed on the Hong Kong Stock Exchange (stock code: 1862), Lonking Holdings Limited (中國龍工控股有限公司)*, a company listed on the Hong Kong Stock Exchange (stock code: 3339), respectively. Mr. QIAN obtained his bachelor's degree in economics from the Accounting Department at Shanghai University of Finance and Economics in July 1983 and obtained his master's degree in economics and PhD in management from Shanghai Fudan University in January 1993 and July 2001, respectively.

Directors, Supervisors and Senior Management

SUPERVISORS

Ms. NG Ellen Hoi Ying, aged 37, has been the shareholder representative Supervisor of our Company since December 2010, mainly responsible for overseeing business development and operations of our Company. Ms. NG currently serves as a managing director of Warburg Pincus Asia LLC, an affiliate of Warburg Pincus. Ms. NG served as an analyst in the investment banking division of Bank of America Merrill Lynch in Hong Kong from July 2003 to September 2005. She joined Warburg Pincus Asia LLC in October 2005 and was promoted to her current position in December 2015. Ms. NG graduated with a bachelor's degree in economics from the University of Pennsylvania in May 2003. She has been a CFA charterholder accredited by CFA Institute since September 2005.

Mr. ZHENG Hongtao, aged 51, joined our Company in January 2016 and has been an independent Supervisor. He has been engaging in teaching and research work at Beijing National Accounting Institute (北京國家會計學院) as a director of corporate governance and risk control center. Mr. ZHENG was a teacher at Guangdong Zhongkai Technology and Economics College (廣東仲愷技術經濟學院) from July 1995 to December 1996. From January 1997 to October 1997, Mr. ZHENG was a researcher at the Rural Economics Research Center of the Ministry of Agriculture (農業部農村經濟研究中心). From October 1997 to September 1998, Mr. ZHENG served as an investment project manager at the investment banking division of Everbright Securities Company Limited (光大證券股份有限公司) (which was subsequently listed on both the Hong Kong Stock Exchange (stock code: 6178) and the Shanghai Stock Exchange (stock code: 601788)).

Mr. ZHENG participated in post-doctoral research in finance at Zhongnan University of Economics and Law (中南財經政法大學) from July 2002 to December 2006. He graduated from Huazhong Agricultural University (華中農業大學) with a doctoral degree in agricultural economics and management and a master's degree in agriculture in June 2001 and June 1995, respectively.

Mr. ZHENG is currently an independent director of CNNC SUFA Technology Industry Co., Ltd., iHandy, Hebei Changshan Biochemical Pharmaceutical Co. Ltd., Beijing Taikong Panel Industry Corp (北京太空板業股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 300334), Venustech Group Co., Ltd. (啟明星辰信息技術集團股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 002439), and CNFC Overseas Fisheries Co., Ltd. (中水集團遠洋股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 000798) since 2012, 2014 and 2017 respectively. In February 2010, Mr. ZHENG was named as a professor by the Ministry of Finance of the People's Republic of China. Mr. ZHENG was an independent director of Tangshan Jidong Cement Co., Ltd. (唐山冀東水泥股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 000401) and Hengxin Mobile Business Co., Ltd. (恒信移動商務股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 300081) for the years prior to the date of this annual report.

Directors, Supervisors and Senior Management

SUPERVISORS (CONTINUED)

Mr. CHEN Gang, aged 41, joined our Company in January 2016 and has been an independent Supervisor. Mr. CHEN served as the senior manager and director of the investment banking division of Huatai United Securities Co., Ltd. (華泰聯合證券有限責任公司), formerly known as United Securities Co., Ltd. (聯合證券有限責任公司) and the general manager of its investment banking (4) division of Shanghai from July 2001 to August 2006. From August 2006 to February 2007, he served as an assistant of general manager of the headquarters of mergers and acquisitions financing department of China Securities and the person in charge of the Shanghai branch of the company. From February 2007 to January 2010, he served successively as the vice general manager and the executive general manager of the investment banking division of Zhongtai Securities Co., Ltd. (中泰證券股份有限公司), formerly known as Qilu Securities Co., Ltd. (齊魯證券有限公司). From February 2010 to December 2016, he successively acted as assistant to president and general manager of the investment banking division of Zhongshan Securities Co., Ltd., vice general manager of the OTC Market division and general manager of the new third board business of Zhongshan Securities Co., Ltd. Since January 2017, he has been appointed as general manager of the investment banking division in LC Securities. Mr. CHEN graduated from Beijing University of Posts and Telecommunications (北京郵電大學) with a major in English for Science and technology and a bachelor's degree in engineering in July 1998. Mr. CHEN completed the finance courses (including insurance courses) of the Economics College in Fudan University and obtained the master's degree in economy in July 2001, completed the world economy courses of the Economics College in Fudan University and obtained doctoral degree in economy in July 2009, and engaged in post-doctoral research on politics in the International Relationships and Public Affairs College in Fudan University and graduated in July 2012. Mr. CHEN is currently a part-time master tutor at the School of Economics of the Fudan University and a master tutor in Shanghai Advanced Institute of Finance (上海交通大學高級金融學院). He is also a member of the Tenth Session of the Central Finance and Economics Committee of China National Democratic Construction Association (中國民主建國會中央財政金融委員會). Mr. CHEN was accredited as a Chinese Certified Public Accountant by Shanghai Institute of Certified Public Accountants (上海註冊會計師協會) in November 2004. In September 2009, Mr. CHEN was accredited by Jiangsu Office of Personnel (江蘇省人事廳) as a senior economist. Mr. CHEN was listed in the first batch of sponsors in Chinese securities market in 2004.

Mr. PAN Ning, aged 51, has been the chairman of the Supervisory committee of the Company since February 2012. He was previously a vice general manager of the Company from June 2007 to December 2011, mainly responsible for overseeing the audit and evaluating investment decisions of the Company. Prior to joining the Company, Mr. PAN worked as an officer successively at the Changzhou branch of the People's Bank of China, the Changzhou branch of Industrial and Commercial Bank of China and Changzhou Commercial Bank from November 1983 to March 2002. Mr. PAN served as a vice president of Red Star Furniture Group from 2002 to 2007, mainly responsible for corporate finance work.

Mr. PAN completed a part-time course in finance at Jiangsu Radio and Television University (江蘇廣播電視大學) (now known as Jiangsu Open University (江蘇開放大學)) in July 1991 and a postgraduate course in monetary banking at Suzhou University (蘇州大學) in June 1998. He completed the "Senior Executive Program for China" jointly organized by China Europe International Business School, Harvard Business School and the School of Economics and Management of Tsinghua University (清華大學經濟管理學院) in December 2009. Mr. PAN completed the finance executive master of business administration course in Shanghai Advanced Institute of Finance (上海交通大學上海高級金融學院) and obtained his master's degree in executive master of business administration in June 2016. Mr. PAN was accredited by the Jiangsu branch of Industrial and Commercial Bank of China as an economist in June 1992.

Ms. CHAO Yanping, aged 47, has been the employee representative Supervisor of the Company since December 2010. Ms. CHAO has been serving as a general manager of the Company's first development center since June 2007, mainly responsible for overseeing business development and operations of the Company. She has also been serving as an executive partner of Shanghai Hongmei Investment since February 2012. Prior to joining the Company, Ms. CHAO worked as the general manager of Shanghai region in Red Star Furniture Group from 2002 to 2007, mainly responsible for projects investment and development.

Ms. CHAO completed part-time study in business administration at the University of Shanghai for Science and Technology (上海理工大學) in January 2010.

Directors, Supervisors and Senior Management

SENIOR MANAGEMENT

Mr. LIU Yuanjin, aged 63, joined our Company in June 2007 and has been a vice general manager of our Company. He is primarily responsible for the business development and operations of our Company. Prior to joining our Company, Mr. LIU worked at Changzhou Juqian Street Primary School (常州市局前街小學) from September 1971 to January 1977. Mr. LIU was a member and a deputy secretary of the communist youth league committee of Tianning District, Changzhou City from January 1977 to September 1981. From July 1985 to August 1997, Mr. LIU worked in the government of Tianning District, Changzhou City, where he successively served as head of the industry department, head of the planning economy department and the deputy district chief. From August 1997 to December 2003, Mr. LIU served as deputy head and deputy secretary of the central management committee and a member of the party committee of the Changzhou National High Technology Development Zone (常州市國家高新技術開發區), and concurrently served as the deputy district chief and deputy secretary of the communist party committee of Xinbei District, Changzhou City. Mr. LIU served as a vice president of Red Star Furniture Group from 2004 to 2007, mainly responsible for the development of projects in their early stage.

Mr. LIU completed his studies in engineering management at Tianjin University (天津大學) in July 1985. He completed the “Senior Executive Program for China” jointly organized by CEIBS, Harvard Business School and the School of Economics and Management of Tsinghua University (清華大學經濟管理學院) in December 2007. He completed the EMBA course of Cheung Kong Graduate School of Business (長江商學院) in 2014. Mr. LIU is currently taking the CEO course of China Europe International Business School.

Mr. XI Shichang, aged 43, joined our Company in July 2010 and has been the chief financial officer of our Company since December 2010. He is primarily responsible for overseeing corporate finance and financial management of our Company. Prior to joining our Company, from October 1999 to December 2002, Mr. XI worked at Shanghai Zhong Yong Xin Accounting Firm (上海中永信會計師事務所). From January 2003 to July 2010, Mr. XI worked at Deloitte & Touche Tohmatsu Certified Public Accountants Co., Ltd.

Mr. XI graduated with a bachelor’s degree in finance from Shanghai University of Finance and Economics (上海財經大學) in July 1995 and a master of business administration degree from the executive master of business administration program at CEIBS in October 2013. Mr. XI has been a Certified Public Accountant accredited by Shanghai Institution of Certified Public Accountants (上海註冊會計師協會) since June 2011.

Mr. LI Jianhong, aged 44, joined our Company in February 2013 and has been a vice general manager of our Company since March 2013. He is primarily responsible for the investment and financing of our Company. Prior to joining our Company, Mr. LI worked as the head of the finance department of Xiamen Customs in the 1990s. Mr. LI joined Man Wah Holdings Ltd. (敏華控股有限公司), a company listed on the Hong Kong Stock Exchange (Stock Code: 01999) in September 2000 and served as its executive director, chief operating officer and vice president from April 2005 to October 2011.

Mr. LI graduated with a bachelor’s degree in accounting from Xiamen University (廈門大學) in July 1994, and obtained a distance education degree in executive master of business administration from Peking University (北京大學) in January 2007. Mr. LI obtained a master of business administration degree from Booth School of Business, University of Chicago in March 2010. Mr. LI was accredited as a Chinese Certified Public Accountant by CICPA in June 2001.

Directors, Supervisors and Senior Management

SENIOR MANAGEMENT (CONTINUED)

Mr. ZHANG Peifeng, aged 46, joined our Company in October 2008 and has been a vice general manager of our Company since 30 December 2010. He is primarily responsible for the property management of our Company. Prior to joining our Company, Mr. ZHANG worked in Whirlpool Corporation (China) (美國惠而浦水仙公司(中國)), a company mainly producing household appliances, from September 1997 to March 1999. Mr. ZHANG then worked in Shanghai B&Q Decoration and Construction Material Co., Ltd. (上海百安居裝飾建材有限公司) from June 1999 to July 2005. From August 2005 to November 2006, Mr. ZHANG worked at the Home Depot (China) (家得寶(中國)), a company mainly selling home furniture and construction materials. From January 2007 to May 2008, Mr. ZHANG worked in Best Buy Commercial (Shanghai) Co., Ltd. (百思買商業(上海)有限公司).

Mr. ZHANG graduated with a bachelor's degree in English literature from Qufu Normal University (曲阜師範大學) in July 1994 and a master's degree in English language from Shanghai International Studies University (上海外國語大學) in February 1997.

Mr. XIE Jian, aged 47, joined our Company in March 2011 and has been a vice general manager of our Company since April 2011. He is primarily responsible for human resources, cultural promotion management, administration and management of our Company. Prior to joining our Company, Mr. XIE served as a general manager responsible for human resources and service quality of New World Department Store China Ltd. (新世界百貨(中國)有限公司) from April 1995 to January 2011.

Mr. XIE completed his studies in politics and education at Wuxi Education College (無錫教育學院) in July 1990. He obtained a bachelor's degree in business management through self-study examination from Nanjing University (南京大學) in July 1995. Mr. XIE obtained a master of business administration degree from the executive master of business administration program at Shanghai Jiao Tong University in June 2015. Mr. XIE was awarded as the "Excellent Trainer of the Industry" by China Building Materials Circulation Association (中國建築材料流通協會) in November 2010 and was appointed as "First Thinktank – Human Resources Expert" and "China Pioneer HR" in October 2013 by First Thinktank (第一資源智庫). He is currently serving as the MBA occupation tutor by Antai College of Economics & Management, Shanghai Jiao Tong University (上海交通大學安泰經濟與管理學院) and the head of the Human Resources Committee of the China's Chain Stores by the CCFA. He entered the "2015 China Top 100 Individuals for Promoting the HR Reform" selected in April 2015. The team led by Mr. XIE has been awarded "Best Corporate University" for 7 years in a row since 2011 and has been granted "China Best Employer Award" for 5 years in a row since 2013. Mr. XIE is the deputy director of the Business Development & Research Institute (中國商業發展研究所), the lecturer of EMBA entrepreneurship of Antai College of Economics and Management of Shanghai Jiao Tong University, the deputy director of CCFA, the chief committee member of human resources committee and deputy chief committee member of fashion retail committee.

Mr. GUO Binghe, aged 44, joined our Company in June 2007 and has been a vice general manager of our Company since October 2011. Since December 2013, he has also been the secretary of the Board. He is primarily responsible for legal compliance, corporate governance, internal control, investor relations and information disclosure of our Company and providing support and assistance to the Board in the performance of its duties. Prior to joining our Company, Mr. GUO worked in the investment banking division of Shenyn & Wanguo Securities Co., Ltd. (申銀萬國證券股份有限公司) from July 2001 to March 2004. He then worked in Skyone Securities Co., Ltd. (天一證券有限公司) from March 2004 to October 2005. From 2006 to 2007, Mr. GUO served as assistant chief financial officer of Red Star Furniture Group.

Mr. GUO completed his studies in English education at Anhui Education College (安徽教育學院) (now known as Hefei Normal University (合肥師範學院)) in July 1998, and obtained a master's degree in economics from Fudan University in July 2001 and a degree of executive master of business administration from Cheung Kong Graduate School of Business (長江商學院). Mr. GUO was accredited as an intermediate economist by Ningbo Municipal People's Government in January 2005.

Directors, Supervisors and Senior Management

SENIOR MANAGEMENT (CONTINUED)

Mr. WANG Wei, aged 48, joined our Company in June 2007 and has been a vice general manager of our Company since March 2013. He is primarily responsible for the business development and operation of our Company. Mr. WANG has held several positions successively since joining our Company, including the general manager of Chongqing Red Star Macalline Shibo Home Living Plaza Company Limited (重慶紅星美凱龍世博家居生活廣場有限責任公司) and Chengdu Red Star Macalline Shibo Home Living Plaza Company Limited (成都紅星美凱龍世博家居生活廣場有限責任公司) from June 2007 to August 2008, the general manager of our operating center in the southwest region and Shanghai from August 2008 to June 2009, the assistant president and the general manager of our operating center in the Beijing-Shanghai Southwest region from June 2009 to August 2012 and the general manager of our operating center in the Beijing-Shanghai Southwest region from September 2010 to August 2012. Prior to joining our Company, Mr. WANG served as the assistant general manager of Wuhan GOME Electrical Appliances Ltd. (武漢國美電器有限公司) from March 2004 to December 2005. From December 2005 to June 2007, Mr. WANG served as the assistant general manager of the development center of Red Star Furniture Group, mainly responsible for the operation of shopping malls in Changzhou and Xuzhou.

Mr. WANG graduated with a bachelor's degree in Chinese from Hubei University (湖北大學) in June 1992 and a master's degree in business administration from Wuhan University of Technology (武漢理工大學) in June 2005. He graduated from Renmin University of China with an EMBA in June 2015.

Mr. CHEN Donghui, aged 41, joined our Company in June 2007 and has been a vice general manager of our Company since March 2013. He is primarily responsible for the development of online business of our Company. Mr. CHEN has held several positions successively since joining our Company, including the general manager of the fourth operating center and the general manager of Shandong, Northeast and North China regions from June 2007 to June 2010, the assistant to the president and general manager of Northeast and North China regions from June 2010 to December 2013, the vice president from January 2014 to November 2017 and has concurrently served as the COO of the Internet Division since December 2017. Prior to joining our Company, Mr. CHEN held several positions successively in Red Star Furniture Group, including as its accountant from December 1994 to July 1996, the vice general manager in charge of business operation of its several operating subsidiaries from July 1996 to August 2006, and the general manager of its fourth operation center and Shandong, Northeast and North China regions from August 2006 to June 2007. Mr. CHEN is Ms. CHEN Shuhong's brother.

Mr. CHEN completed the advanced course of business administration at Shanghai Jiao Tong University (上海交通大學) in April 2005 and his studies in business administration through online education at East China Normal University (華東師範大學) in January 2014. He obtained his master's degree in executive master of business administration in Shanghai Fudan University (上海復旦大學) in June 2016.

Mr. ZHANG Xian, aged 39, joined our Company in June 2007 and has been a vice general manager of our Company since March 2015. He is primarily responsible for the general operation of shopping malls and management of the pre-paid card, building materials collection and logistics businesses of our Company. Mr. ZHANG has held several positions successively since joining our Company, including the vice general manager of the fourth operating center, the vice general manager of Shandong and Northeast regions, and the general manager of Southern area of Jiangsu Province from June 2007 to December 2010, the assistant president and the general manager of operation and promotion center from December 2010 to January 2015. Prior to joining our Company, Mr. ZHANG held several positions successively in Red Star Furniture Group, including the head of its human resources department and the director of its president office from January 1999 to January 2005, the vice general manager of its fourth operation center, the vice general manager of Shandong and Northeast regions, and the general manager of Southern area of Jiangsu Province area from January 2005 to June 2007. Mr. ZHANG was awarded the honourable title of "Shanghai Youth 4th Medal" in April 2016.

Mr. ZHANG graduated with a master's degree in business administration from Guangxi Normal University (廣西師範大學) in June 2013.

Report of Directors

The Board of Directors is pleased to present this annual report together with the audited Consolidated Financial Statements of the Company and its subsidiaries (the “Group”) for the end of the Reporting Period.

CORPORATE INFORMATION, GLOBAL OFFERING AND A-SHARE LISTING

The Company was incorporated in the PRC on 6 January 2011 as a sino-foreign joint stock company with limited liability. The Company’s H Shares were listed on the Main Board of the Hong Kong Stock Exchange (stock code: 1528) on 26 June 2015.

The Company has completed the A Share Offering on 16 January 2018. The A Shares of the Company were listed and commenced trading on the Shanghai Stock Exchange on 17 January 2018 with stock code 601828.

PRINCIPAL ACTIVITIES

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

- i. owned/leased portfolio shopping malls including leasing floor areas to the tenants and providing comprehensive and continuous operation and management support to them;
- ii. managed shopping malls including providing initiation, consultation and management services to the Group’s partners and the construction contractors to develop and manage the shopping malls under the Group’s own brand; and
- iii. sales of merchandise and related services including retail sales of home furnishing merchandise and providing related decorating services.

Please refer to Note (VII).1 to the Consolidated Financial Statements on page 287 for details of the principal activities of the principal subsidiaries of the Group. There were no significant changes in the nature of the Group’s principal activities during the Reporting Period.

SUMMARY OF FINANCIAL INFORMATION AND OPERATING RESULTS

Please refer to the section headed “Management Discussion and Analysis” on page 10 for a summary of financial information and operating results of the Group for the end of the Reporting Period.

BUSINESS REVIEW

A review of the business of the Group during the year and a discussion on the Group’s future business development are provided in the section headed “Chairman’s Statement” on page 7 as well as the section headed “Management Discussion and Analysis” on page 10. Description of possible risks that the Group may be facing can be found in the section headed “Management Discussion and Analysis” on page 38. Also, the risk management objectives and policies of the Group can be found in the section headed “Corporate Governance Report” on page 84. Particulars of important events affecting the Group that have occurred since the end of the financial year ended 31 December 2017 are provided in Note (XII) to the Consolidated Financial Statements on page 348 and the section headed “Management Discussion and Analysis” on page 37. An analysis of the Group’s performance during the year using key financial performance indicators is provided in the section headed “Management Discussion and Analysis” on page 33.

ENVIRONMENTAL POLICIES AND PERFORMANCE

We are subject to certain environmental protection laws and regulations, including the Prevention and Control of Water Pollution Law of the People's Republic of China (《中華人民共和國水污染防治法》), the Prevention and Control of Atmospheric Pollution Law of the People's Republic of China (《中華人民共和國大氣污染防治法》), the Prevention and Control of Noise Pollution Law of the People's Republic of China (《中華人民共和國環境噪聲污染防治法》), the Prevention and Control of Environmental Pollution by Solid Waste Law of the People's Republic of China (《中華人民共和國固體廢物污染環境防治法》), the Environmental Impact Assessment Law of the People's Republic of China (《中華人民共和國環境影響評價法》), the Administrative Regulations on Environmental Protection for Acceptance Examination upon Completion of Buildings (《建設項目竣工環境保護驗收管理辦法》) and the Administrative Regulations on Environmental Protection for Development Projects (《建設項目環境保護管理條例》).

Each of our property development projects is required under People's Republic of China laws to undergo environmental impact assessments. We must submit the relevant environmental impact study or report to the environmental authorities, along with other required documents, for evaluation and approval by the authorized environmental protection authorities. The approval from the relevant government authorities will specify the standards applicable to the construction project with respect to areas such as air pollution, noise emissions and water and waste discharge. Such measures are required to be incorporated into the design, construction and operation of the particular project. Upon completion of each project, the relevant government authorities will also inspect the site to ensure that all applicable environmental standards have been complied with.

We have taken and will continue to take specific measures to ensure our compliance with applicable environmental laws and regulations, including (i) strictly selecting construction contractors and supervising the process of construction; (ii) applying for review by the relevant government authorities in a timely manner after the project is completed; and (iii) actively adopting environmentally friendly equipment and designs. We also undertake voluntary environmental protection actions and make energy conservation and emission reduction our top considerations when designing our property projects. In 2017, we incurred environmental compliance costs of approximately RMB131.69 million. We expect the annual costs of compliance going forward to be substantially similar, assuming that there will not be any material changes in environmental protection rules and regulations.

As at the end of the Reporting Period, none of our shopping malls had received any material fines or penalties associated with any breach of any environmental laws or regulations since the commencement of their operations.

The Board has overall responsibility for our environmental, social and governance (“ESG”) strategy and reporting. The Board is responsible for evaluating and determining our ESG-related risks, and ensuring that appropriate and effective ESG risk management and internal control systems are in place. A confirmation regarding effectiveness of these systems has been provided to the Board during the year ended 31 December 2017. A separate ESG report complying with the disclosure requirements under Appendix 27 to the Listing Rules will be published by the Group separately, in any event no later than three months after the publication of this annual report.

Report of Directors

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

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

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

RELATIONS WITH EMPLOYEES, SUPPLIERS AND CUSTOMERS

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

KEY RISKS AND UNCERTAINTIES

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

BANK LOANS AND OTHER BORROWINGS

Please refer to Note (V).20, 28 and 29 to the Consolidated Financial Statements on page 232 for details of bank loans and other borrowings of the Group as of the end of the Reporting Period.

BONDS

On 14 July 2016, the issue of the second tranche Corporate Bonds of the Company was completed with an issue size of RMB3,000,000,000 at coupon rates of 3.50% and 4.29% for Category I Bonds and Category II Bonds, respectively, and issue price at 100% of its principal value. Such Corporate Bonds are listed on the Shanghai Stock Exchange. The net proceeds from the Corporate Bonds are used to repay the loan of the Company and its subsidiaries. For further details, please refer to the announcements issued by the Company on 8 July, 12 July and 15 July 2016, respectively. Bonds are still outstanding as at 31 December 2017.

On 21 September 2017, Hong Kong Red Star Macalline Universal Home Furnishings Limited (香港紅星美凱龍全球家居有限公司), a wholly-owned subsidiary of the Company, issued US\$300,000,000 of 3.375% guaranteed bonds due in 2022 (the "Bonds") and intended to use the net proceeds from such issuance 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. The Bonds are listed on the Hong Kong Stock Exchange. For further details, please refer to the announcements of the Company dated 13 September and 15 September 2017, respectively.

Please refer to Note (V).30 to the Consolidated Financial Statements on page 242 for details of bonds of the Group for the end of the Reporting Period.

The Group issued commercial mortgage backed securities during the Reporting Period, please refer to Note (V).33 to the Consolidated Financial Statements on page 248 for details of commercial mortgage backed securities.

CONTINGENT LIABILITIES

Please refer to Note (XI).2 to the Consolidated Financial Statements on page 345 for details of contingent liabilities of the Group for the end of the Reporting Period.

INVESTMENT PROPERTIES

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

No.	Property	Existing Use	Market value in existing state as at the end of the Reporting Period <i>RMB'000</i>
1.	Shanghai Zhenbei Phase II Mall No. 1058 Zhenbei Road Shanghai The PRC	Shopping Mall	4,246,000

Report of Directors

INVESTMENT PROPERTIES (CONTINUED)

No.	Property	Existing Use	Market value in existing state as at the end of the Reporting Period <i>RMB'000</i>
2.	Shanghai Pudong Hunan Mall No. 518 Linyu Road Pudong New Area Shanghai The PRC	Shopping Mall	3,968,000
3.	Zhengzhou Shangdu Mall No. 1 Shangdu Road Zhengdong New District Zhengzhou City Henan Province The PRC	Shopping Mall	3,237,000
4.	Nanjing Kazimen Mall No. 29 Kazimen Street Qinhuai District Nanjing City Jiangsu Province The PRC	Shopping Mall	3,233,000
5.	Shanghai Wenshui Mall No. 1555 Wenshui Road Baoshan District Shanghai The PRC	Shopping Mall	3,172,000
6.	Beijing East Fourth-Ring Mall No. 193 East Fourth-Ring Middle Road Chaoyang District Beijing The PRC	Shopping Mall	2,792,000

INVESTMENT PROPERTIES (CONTINUED)

No.	Property	Existing Use	Market value in existing state as at the end of the Reporting Period <i>RMB'000</i>
7.	Shenyang Tiexi Mall No. 35 Bei Er East Road Tiexi District Shenyang City Liaoning Province The PRC	Shopping Mall	2,731,000
8.	Shanghai Pudong Jinqiao Mall No. 100 Jinzang Road Pudong New Area Shanghai The PRC	Shopping Mall	2,441,000
9.	Beijing West Fourth-Ring Mall No. 113 West Fourth Ring Road Fengtai District Beijing The PRC	Shopping Mall	2,285,000
10.	Shanghai Zhenbei Phase I Mall No. 1058 Zhenbei Road Shanghai The PRC	Shopping Mall	1,907,000

PROPERTY, PLANT AND EQUIPMENT

Please refer to Note (V).12 to the Consolidated Financial Statements on page 221 for details of the property, plant and equipment of the Group for the end of the Reporting Period.

Report of Directors

DISTRIBUTABLE RESERVES

The distributable reserves of the Company as at the end of the Reporting Period amounted to RMB4,470.6 million.

Please refer to the statement of changes in equity of the Company on page 120 and the balance sheet of the Company on page 113 for the change in reserves of the Company and information about the statement of financial position of the Company for the end of the Reporting Period.

MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARY, ASSOCIATES AND JOINT VENTURES

On 10 July 2017, pursuant to an agreement dated 16 May 2017 between Yantai Red Star, an indirect wholly-owned subsidiary of the a trust fund managed by Tianjin Changhe Shareholding Investment Fund Management Company Limited and Red Star Management, a direct wholly-owned subsidiary of the Company, Red Star Management acquired 100% equity interests in Zhengzhou Juankai Enterprise Management Consultation Company Limited, a subsidiary of Yantai Red Star, at a consideration of RMB2,650,000,000 (“Consideration”) which was paid by Red Star Management by way of selling its 100% equity interests in Tianjin Red Star Macalline International Home Furnishings Construction Materials Company Limited and Tianjin Red Star Macalline International Home Furnishings Malls Company Limited, indirect wholly-owned subsidiaries of the Company (“Project Companies”), together with a cash payment of RMB26,042,000 which represents the shortfall between the Consideration and the valuation of the equity interests of the Project Companies.

For further details, please refer to the announcements made by the Company dated 4 May, 16 May, 18 May, 29 June and 12 September 2017.

Save as disclosed above, as at the end of the Reporting Period, the Group had no material acquisition or disposal of the subsidiaries, associates and joint ventures during the Reporting Period.

FINAL DIVIDEND AND TAXATION RELIEF

The Board resolved to propose to the Shareholders in the forthcoming annual general meeting on 8 June 2018 for the distribution of a final dividend of RMB0.32 per share for the year ended 31 December 2017 payable to the Shareholders whose names are listed in the registers of members of the Company on 21 June 2018. The proposal for the distribution of the final dividend above is subject to the consideration and approval of the Shareholders at the AGM.

Pursuant to the PRC Individual Income Tax Law (《中華人民共和國個人所得稅法》), the Implementation Regulations of the PRC Individual Income Tax Law (《中華人民共和國個人所得稅法實施條例》), other laws and regulations and relevant regulatory documents promulgated by the State Administration of Taxation of the PRC, the Company shall, as a withholding agent, withhold and pay individual income tax at the rate of 10% for the individual holders of H Shares in respect of the dividend for 2017 to be distributed to them. The individual holders of H Shares may be entitled to certain tax preferential treatments pursuant to the tax treaties between the PRC and the countries (regions) in which the individual holders of H Shares are domiciled and the tax arrangements between mainland China, Hong Kong or Macau.

For non-resident enterprise holders of H Shares, the Company will withhold and pay enterprise income tax at the tax rate of 10% for such holders of H Shares pursuant to relevant regulatory documents of the State Administration of Taxation of the PRC.

For investors of the Shanghai Stock Exchange investing in the H Shares of the Company, the Company will distribute the cash dividend for 2017 to the Shanghai Branch of China Securities Depository and Clearing Corporation Limited which, as the nominee of the investors of H Shares of Southbound Trading, will then distribute the cash dividends to the relevant investors of H Shares of Southbound Trading through its depository and clearing system. Pursuant to the Notice on the Tax Policies Related to the Pilot Program of the Shanghai-Hong Kong Stock Connect (Caishui [2014] No. 81) (《關於滬港股票市場交易互聯互通機制試點有關稅收政策的通知》), for domestic individual investors, the Company shall withhold and pay individual income tax at the rate of 20% on behalf of the investors. For domestic securities investment funds, the tax payable shall be the same as that for individual investors. The Company will not withhold and pay the income tax of dividends for domestic enterprise investors which shall report and pay the relevant tax themselves. The record date and the date of distribution of cash dividends and other arrangements for the investors of Southbound Trading will be the same as those for the holders of H Shares of the Company.

Should the holders of H Shares of the Company have any doubt in relation to the aforesaid arrangements, they are recommended to consult their tax advisors for relevant tax impact in mainland China, Hong Kong and other countries (regions) on the possession and disposal of the H Shares of the Company.

Report of Directors

RETIREMENT BENEFITS

Please refer to Note (V).23 to the Consolidated Financial Statements on page 234 for details of retirement benefits of the Group for the end of the Reporting Period.

FINANCIAL SUMMARY

The Group's financial summary for the last five financial years is set out on page 426 of this annual report. This summary does not form part of the Consolidated Financial Statements.

MAJOR SUPPLIERS AND CUSTOMERS

Purchases from the largest supplier of the Group for the end of the Reporting Period represented approximately 26.4% of the Group's total purchases. The total purchases attributable to the five largest suppliers of the Group accounted for approximately 30.6% of the total purchases of the Group for the end of the Reporting Period.

Sales to the largest third-party customer for the end of the Reporting Period represented approximately 0.7% of the Group's total revenue. The total sales attributable to the five largest third-party customers of the Group accounted for approximately 2.1% of the Group's total revenue for the end of the Reporting Period.

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

CHARITABLE DONATIONS

The donations by the Group for the end of the Reporting Period amounted to RMB10.9 million.

CONNECTED AND CONTINUING CONNECTED TRANSACTIONS

Among the related party transactions disclosed in Note X to the Consolidated Financial Statements, the following transactions constitute continuing connected transactions and connected transactions for the Company and are required to be disclosed in this annual report in accordance with Chapter 14A of the Listing Rules. The Company confirmed that it has complied with the disclosure requirements of Chapter 14A of the Listing Rules for all the continuing connected transactions and connected transactions.

CONNECTED AND CONTINUING CONNECTED TRANSACTIONS (CONTINUED)

Continuing Connected Transactions

(i) Changzhou RSHFC Lease Agreement

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

The Changzhou RSHFC Lease Agreement has an initial term of ten years commencing from its signing date. Changzhou Macalline will pay annual rental and service fees in the fixed amount of RMB13.8 million per annum for the initial three years, followed by a 10% increase for the fourth year and a 3% increase for each of the remaining six years. Such pricing mechanism has been determined with reference to (i) the prevailing market prices of similar properties in the same area; (ii) costs of acquisition of the property by Changzhou RSHFC; and (iii) depreciation costs of the properties. During the term of the Changzhou RSHFC Lease Agreement, Changzhou Macalline has the exclusive right to use the leased property. Subject to applicable laws and regulations, the Changzhou RSHFC Lease Agreement may be renewed based on the parties' negotiation following the written notice from Changzhou Macalline at least two months before the expiry of the lease.

Since Changzhou RSHFC is an individual proprietorship enterprise established by Mr. CHE Jianxing in his personal capacity, transferring the property to our Group by way of asset transfer would give rise to tax implications for Changzhou RSHFC under the applicable PRC laws, which would ultimately be added to our purchase price for such property. Accordingly, we decided to lease the property from Changzhou RSHFC for our management and operation of Changzhou Decoration Mall.

As Changzhou RSHFC is wholly-owned by Mr. CHE, the transactions contemplated under the Changzhou RSHFC Lease Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

For each of the years ended 31 December 2015, 2016 and 2017, Changzhou Macalline paid annual rental and service fees of RMB15.5 million, RMB16.0 million and RMB16.4 million, respectively, to Changzhou RSHFC pursuant to the Changzhou RSHFC Lease Agreement. The existing annual caps for the Changzhou Lease under the Changzhou Lease RSHFC Lease Agreement expired as of 31 December 2017, the Board approved to set the new annual caps for the Changzhou RSHFC Lease for the remaining term of the Changzhou RSHFC Lease Agreement on 20 November 2017. Based on the pricing mechanism as described above, the annual caps for the lease for each of the years ending 31 December 2018, 2019, 2020 and three months ending 31 March 2021 are RMB19.0 million, RMB19.5 million, RMB20.0 million and RMB5.0 million, respectively. For further details, please refer to the announcement of the Company dated 20 November 2017.

For the Reporting Period, the rental and service fees paid and payable by Changzhou Macalline pursuant to the Changzhou RSHFC Lease Agreement amounted to RMB16.4 million.

Report of Directors

CONNECTED AND CONTINUING CONNECTED TRANSACTIONS (CONTINUED)

Continuing Connected Transactions (Continued)

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

The Company entered into a contract management agreement and the supplemental agreement (the "Contract Management Agreements"), as the case may be, with each of Xuzhou RSHFC, Xuzhou RSHFP, Yangzhou RSHFP, Jining Hongrui and Shaanxi Hongrui (the "Associated Business Partners"), pursuant to which the Company will manage and operate the home improvement and furnishings shopping malls owned by each respective Associated Business Partner. As such contract management agreements are of the same nature and have been entered into with parties connected with us by virtue of being the Associates of Mr. CHE Jianxing and Ms. CHE Jianfang, these agreements have been classified as aggregated under the Listing Rules.

As such, the contract management transactions contemplated under the Contract Management Agreements constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

Under each of the contract management agreements, the Company initially charged our Associated Business Partners a fixed amount of the management fee ranging from RMB2.0 million to RMB6.0 million per annum, as the case may be, which was in line with our pricing policy for contract management arrangements entered into prior to 2013. In December 2013 and January 2014, the Company entered into supplemental agreements with Xuzhou RSHFC, Xuzhou RSHFP and Jining Hongrui, under which the Company and the relevant Associated Business Partners agreed to revise the pricing mechanism relating to the management fee from a fixed flat rate to a percentage of the total amount of rental received by each respective Associated Business Partner, subject to a minimum amount of the annual management fee. The adjustment was made after arm's length negotiations between us and each respective Associated Business Partner to reflect current market conditions. The terms and conditions under our contract management agreements with Yangzhou RSHFP and Shaanxi Hongrui remain unchanged, except that the Company waived part of the management fee payable by Shaanxi Hongrui in 2014 on a one-off basis due to Shaanxi Hongrui's special request. Each of these five contract management agreements is for a term ranging from seven to ten years commencing from its signing date.

The amount of the management fee under the five contract management agreements was determined based on: (i) the local market conditions; (ii) our estimation of the future rental income level for each respective shopping mall; and (iii) our respective business partner's expectation of the future rental income.

For each of the years ended 31 December 2015, 2016 and 2017, the Company received management fees in the total amount of RMB13.0 million, RMB12.5 million and RMB12.3 million under the five contract management agreements with the Associated Business Partners. The existing annual caps for the five contract management agreements expired as of 31 December 2017, the Board approved to set the new annual caps for the remaining terms of each of the contract management agreements on 20 November 2017. Based on (i) the pricing mechanism as described above, (ii) the market conditions, (iii) our current estimation of the future rental income level for each respective shopping mall; and (iv) our respective business partner's expectation of the future rental income, the annual caps for the management fees for each of the years ending 31 December 2018, 2019, 2020, 2021 and 2022 are RMB16.5 million, RMB14.5 million, RMB8.0 million, RMB6.8 million and RMB2.3 million, respectively. For further details, please refer to the announcement of the Company dated 20 November 2017.

For the Reporting Period, the management fees received and receivable by the Company pursuant to these agreements and these supplemental agreements amounted to RMB12.3 million.

Most of the home improvement and furnishings shopping malls managed and operated by us under the five contract management agreements are located in Tier III Cities and Other Cities in the PRC. The Associated Business Partners intended to leverage our operational experience and reputation through cooperation with us. Our Directors believe that it is in our interest, and in line with our business strategy, to leverage the Associated Business Partners' knowledge and experience to expand our geographic coverage and improve our market share and brand awareness in these new local markets, with relatively low capital need.

CONNECTED AND CONTINUING CONNECTED TRANSACTIONS (CONTINUED)

Continuing Connected Transactions (Continued)

(iii) RSED Framework Agreement

One direct wholly-owned subsidiary of the Company, Xingyi Tonghui, entered into a pre-paid cards purchase framework agreement (the “RSED Framework Agreement”) with RSED on 20 March 2015 and a supplemental agreement dated 3 June 2015, pursuant to which, Xingyi Tonghui will sell our single-purpose pre-paid cards to RSED and/or its subsidiaries (“RSED Group”) for its use as a promotion method in connection with its property sales business. The RSED Framework Agreement has a term of three years from its signing date to 20 March 2018.

Under the RSED Framework Agreement, Xingyi Tonghui and RSED Group will enter into separate pre-paid card purchase agreements on normal commercial terms which will set out the purchase price and the purchase volume. The purchase price shall be determined after arm’s length negotiations by reference to the face value of the pre-paid cards, the actual purchase volume, and the then market conditions. Xingyi Tonghui shall provide facilities and services for cardholders to purchase products using the pre-paid cards.

RSED Group is primarily engaged in real estate development, operation and management of department stores, and the construction and management of multipurpose complexes. Our cooperation with RSED Group could promote the sales of our pre-paid cards and the performance of Xingyi Tonghui. It would also help to bring new customers to our home improvement and furnishings shopping malls and as a result increase the sales of our shopping malls.

RSED is an associate of RSM Holding, a Controlling Shareholder of the Company. As a result, RSED is a Connected Person of the Company. The RSED transactions contemplated under the RSED Framework Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

The annual caps for the RSED Framework Agreement for each of the years ended 31 December 2015, 2016 and 2017 are RMB100 million, RMB150 million and RMB200 million, respectively, in terms of face value of the pre-paid cards. Such annual caps were determined based on (i) the pricing mechanism as described above; and (ii) an estimate of RSED Group’s purchase volume of our pre-paid cards, which is expected to increase taking into account RSED Group’s current estimate of its contracted sales amount for 2015 to 2017, which is RMB10,000 million, RMB15,000 million and RMB20,000 million respectively for each of the three years ended 31 December 2017.

For the Reporting Period, there is no actual amount occurred with RSED Group.

The Directors expect that no actual amount will occur with the RSED Group for the remaining term of the RSED Framework Agreement therefore the Company does not propose to set the new annual cap for the RSED Transactions under the RSED Framework Agreement for the period commencing 1 January 2018 and ending on 20 March 2018 upon the expiry of the current annual caps of the RSED transactions. The Company does not intend to seek renewal of the RSED Framework Agreement upon the expiration of the term of the RSED Framework Agreement on 20 March 2018. For further details, please refer to the announcement of the Company dated 20 November 2017.

Report of Directors

CONNECTED AND CONTINUING CONNECTED TRANSACTIONS (CONTINUED)

Continuing Connected Transactions (Continued)

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

On 25 September 2015, the Company entered into a lease agreement with Shanghai Hongmei Properties Limited (上海洪美置業有限公司) (“Shanghai Hongmei Properties”) in connection with the leasing of the Jinshan Property (the “Lease Agreement”). In June 2016, the Company, Shanghai Red Star Macalline Kaiheng Household Co., Ltd. (上海紅星美凱龍楷恒家居有限公司) (“Red Star Macalline Kaiheng”), its wholly-owned subsidiary, and Shanghai Hongmei Properties entered into a supplemental agreement, pursuant to which, the rights and obligations of the Company under the Lease Agreement have been transferred to Red Star Macalline Kaiheng. Other than that, the terms and conditions of the Lease Agreement remain the same.

The Jinshan Property is located at the area under development in Shanghai, the PRC, and the Group has opened the first upscale large home improvement and furnishings shopping mall, namely, Shanghai Jinshan Shopping Mall (上海金山商場), in the area in May 2016. The Directors believe that the lease could enable the Group to enter into a neighboring market of Shanghai at reasonable costs and to further improve the Group's market share and brand awareness in Shanghai, which will help the Group to consolidate its leading position in the Shanghai market and will be beneficial to its long-term development.

For the years ended 31 December 2016 and 2017, the Red Star Macalline Kaiheng paid rent and other fees of RMB 4.7 million and RMB 0.3 million. The annual caps in respect of the Lease Agreement based on the annual rent and any other fees payable by the Company for each of the years ended 31 December 2016, 2017 and 2018 is expected to be RMB7 million, RMB9 million and RMB12 million, respectively. The rent payable in respect of the lease pursuant to the Lease Agreement was determined following arm's length negotiation between the Company and Shanghai Hongmei Properties with reference to the prevailing pricing mechanisms of other shopping malls operated by the Group in nearby areas and in similarly-ranked cities, the expected rent that may be received by the Company from the tenants in connection with the shopping mall to be opened at the Jinshan Property, and development stage of the home improvement and furnishings market in the local area.

For the Reporting Period, the annual rent and other fees paid and payable by the Red Star Macalline pursuant to the Lease Agreement amounted to RMB0.3 million.

The Company, the Seller, the Project Company (defined in below section headed “Connected Transaction”) and Shanghai Hongmei Properties entered into the Equity Transfer Agreement (defined in below section headed “Connected Transactions”) dated 28 August 2017 in relation to the acquisition and disposal of the Project Company which in turn holds the Jinshan Property. The transaction pursuant to the Equity Transfer Agreement constitutes a connected transaction of the Company. For further details, please refer to the announcement of the Company dated 28 August 2017. Upon completion of the Transaction, Jinshan Property is no longer owned by the Company's Connected Person and the lease pursuant to the Lease Agreement in relation to Jinshan Property no longer constitutes a continuing connected transaction for the Company.

CONNECTED AND CONTINUING CONNECTED TRANSACTIONS (CONTINUED)

Continuing Connected Transactions (Continued)

(v) Equity Transfer Agreement between RSM Holding and Shanghai Jiajinsuo Investment

On 11 May 2017, RSM Holding entered into an equity transfer agreement with Shanghai Jiajinsuo Investment Holding Company Limited (上海家金所投資控股有限公司) (“Shanghai Jiajinsuo Investment”), pursuant to which, Shanghai Jiajinsuo Investment conditionally agreed to sell and RSM Holding conditionally agreed to acquire 100% equity interests in Shanghai Jiajinsuo Financial Information Services Company Limited (上海家金所金融信息服務有限公司) (the “Target Company”), for an aggregate consideration of RMB96,069,200 (the “Transaction”). Upon completion of the Transaction, the Target Company will become a direct wholly-owned subsidiary of RSM Holding.

Shanghai Jiajinsuo Investment is a direct non wholly-owned subsidiary of the Company and the Target Company is a wholly-owned subsidiary of the Seller. As RSM Holding is a Controlling Shareholder of the Company, RSM Holding is a Connected Person of the Company and the Transaction between RSM Holding and Shanghai Jiajinsuo Investment constitutes a connected transactions of the Company under Chapter 14A of the Listing Rules.

The Transaction is an internal reorganization aimed at achieving a more efficient corporate structure and is in line with the Company’s strategy to focus on its core business and realize sustainable profitability on an on-going basis.

For further details, please refer to the announcement of the Company dated 11 May 2017.

(vi) Acquisition of Jinshan Property from Shanghai Red Star Macalline Real Estate

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) (“Shanghai Red Star Macalline Real Estate”), 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, pursuant to which, Shanghai Red Star Macalline Real Estate conditionally agreed to sell and the Company conditionally agreed to acquire 100% equity interests in the Project Company which in turn holds the Jinshan Property for an aggregate consideration of RMB520,000,000 (the “Transaction”).

As Shanghai Red Star Macalline Real Estate is an indirect non wholly-owned subsidiary of RSM Holding, a Controlling Shareholder of the Company, Shanghai Red Star Macalline Real Estate is a Connected Person of the Company and the Transaction between Shanghai Red Star Macalline Real Estate and the Company constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

Upon completion of the acquisition contemplated under the Transaction, the Group will no longer incur rental costs thereby enhancing the recurrent profit and loss of the Group. In addition, the shopping mall at Jinshan Property has been in operation over a year and its business operation is entering the maturity stage. The primary purpose of the Transaction is to acquire the Jinshan Property rather than to enjoy the operating profits of the shopping mall located at the Jinshan Property. The Transaction will allow the Group to further consolidate its leading position in the portfolio shopping mall market in Shanghai and will be beneficial to the long-term development of the core business of the Group. Upon completion of the Transaction, Jinshan Property is no longer owned by the Company’s Connected Person and the lease pursuant to the Lease Agreement in relation to Jinshan Property no longer constitutes a continuing connected transaction for the Company.

For further details, please refer to the announcement of the Company dated 28 August 2017.

Report of Directors

CONNECTED AND CONTINUING CONNECTED TRANSACTIONS (CONTINUED)

Continuing Connected Transactions (Continued)

(vii) Transfer of Equity Interests in Shanghai Huangpu Red Star Microfinance

On 30 August 2017, the Company and its two wholly-owned subsidiaries, Beijing Red Star Macalline International Home Furnishings Construction Materials Company Limited (北京紅星美凱龍國際傢俱建材廣場有限公司) and Nanjing Red Star International Home Furnishings City Company Limited (南京國際紅星傢俱裝飾城有限公司) (collectively as the "Sellers"), entered into the equity transfer agreements to dispose of their 100% equity interests in Shanghai Huangpu Red Star Microfinance Co., Ltd. (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 Commercial Management Company Limited and Kunming Red Star Commercial Management Company Limited conditionally agreed to acquire 30% equity interests in the Target Company, for an aggregate consideration of RMB201,410,000 (the "Transactions").

As RSM Holding is a Controlling Shareholder of the Company, RSM Holding is a Connected Person of the Company and the Transactions constitute connected transactions of the Company under Chapter 14A of the Listing Rules.

The Transactions are part of an internal restructuring process aimed at improving corporate efficiency and streamlining the Company's corporate business structure as well as disposing of its interests in the Target Company out of the Group after taking into account the overall strategies of the Group.

For further details, please refer to the announcement of the Company dated 30 August 2017.

The Company confirms that it has complied with the disclosure requirements in accordance with Chapter 14A of Listing Rules with respect to all of its continuing connected transactions and connected transactions.

The independent non-executive Directors, after taking into consideration of factors such as market environment, transaction amounts, corporate governance, have confirmed that the abovementioned continuing connected transactions and connected transactions for the year ended 31 December 2017 were entered into by the Group: (i) in the ordinary and usual course of its business; (ii) on normal commercial terms; and (iii) in accordance with the relevant agreements governing them and on terms that were fair and reasonable and in the interests of the Company and the Shareholders as a whole.

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

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

SHARE CAPITAL

Please refer to Note (V).34 to the Consolidated Financial Statements on page 249 for details of movements in the Company's total issued shares for the end of the Reporting Period.

EQUITY-LINKED AGREEMENT

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

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

During the Reporting Period, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

USE OF PROCEEDS FROM GLOBAL OFFERING

The net proceeds from the Global Offering amounted to approximately RMB5,573.3 million. 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.

As at the end of the Reporting Period, the Company has utilized 89% of the net proceeds in total for the development of nine Portfolio Shopping Malls, investment or acquisition of other home improvement and furnishings retailers and other market participants, refinancing of our existing indebtedness, development of our O2O business and information technology systems, working capital and other general corporate purposes.

After the Reporting Period, due to the re-orientation of business strategy and to better adapt to changing market conditions, the Company intends to change the use of the net proceeds from the Global Offering to maximize the growth opportunities of the Company. On 16 January 2018, the Board has resolved to change the use of approximately RMB543 million of the remaining net proceeds from the Global Offering intended for (i) the development of Shenyang Yuhong Mall, one of the nine Portfolio Shopping Malls; (ii) investment or acquisition of other home improvement and furnishings retailers and other market participants; and (iii) development of our O2O business and information technology systems as disclosed in the Prospectus to the Company's working capital and for other general corporate purposes. For further details, please refer to the announcement of the Company dated 16 January 2018.

The Company issued 315,000,000 A shares at the issue price of RMB10.23 per A share. The total proceeds raised amounted to RMB3,222.45 million and the net proceeds raised, after deducting the cost of the A Share Offering of RMB172.4422 million, amounted to RMB3,050.0078 million (the "A Share Offering Proceeds").

In order to improve the efficiency in the use of the A Share Offering Proceeds, on 7 February 2018, the Board has resolved to (i) use RMB48.1204 million of the balance of A Share Offering Proceeds of the Harbin Songbei Shopping Mall to fill in the gap between the A Share Offering Proceeds to be used and the actual self-owned funds used of the Hohhot Yuquan Shopping Mall and Dongguan Wanjiang Shopping Mall and to use RMB35.3335 million of the balance of A Share Offering Proceeds of the Tianjin Beichen Shopping Mall and RMB73.9002 million of the balance of A Share Offering Proceeds of the Harbin Songbei Shopping Mall to meet the future capital requirements of the Urumchi Expo Mall; (ii) substitute the self-owned funds which the Company has previously invested in the investment projects with the A Share Offering Proceeds of RMB1,677.5799 million; (iii) temporarily use not more than RMB500 million of the idle A Share Offering Proceeds to improve the liquidity of the Company and the period of such use shall not exceed 12 months (from the date when the A Share Offering Proceeds are transferred from the special account to the date when the A Share Offering Proceeds are returned to the special account); and (iv) use the balance of the A Share Offering Proceeds (RMB172.4201 million) designated to the Urumchi Expo Mall by way of a loan to support this investment project. For further details, please refer to the announcement of the Company dated 7 February 2018.

Report of Directors

BOARD OF DIRECTORS

The Directors of the Company during the Reporting Period are:

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

Each of our Directors entered into a contract with the Company in December 2016. In accordance with Article 90 of the Articles of Association, the Directors shall be elected at general meetings for a term of three years, which is renewable upon re-election when it expires.

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

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

SHARES AND UNDERLYING SHARES OF THE COMPANY AND ASSOCIATED CORPORATIONS

(i) The Company

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

Notes:

- (1) As at the end of the Reporting Period, the Company had 3,623,917,038 issued Shares in total, comprising of 2,561,103,969 Domestic Shares and 1,062,813,069 H Shares.
- (2) Mr. CHE Jianxing indirectly holds 68.44% of the issued Shares in total of the Company through his 92.00% direct interest in Red Star Macalline Holding Group Company Limited (紅星美凱龍控股集團有限公司) ("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.
- (3) Ms. CHEN Shuhong is the spouse of Mr. CHE Jianxing. Under the SFO, Ms. CHEN Shuhong is deemed to be interested in the same number of Shares in which Mr. CHE Jianxing is interested.

Report of Directors

SHARES AND UNDERLYING SHARES OF THE COMPANY AND ASSOCIATED CORPORATIONS (CONTINUED)

(ii) Associated Corporation

Name of Director	Name of Associated Corporation	Nature of interest	Equity interest in the Associated Corporation	Approximate percentage in the Associated Corporation ⁽¹⁾
CHE Jianxing (車建興)	RSM Holding ⁽¹⁾	Beneficial interest	46,000,000 (Long position)	92%
CHE Jianfang (車建芳)	RSM Holding ⁽¹⁾	Beneficial interest	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 Jianxing and as to 8% by Mr. CHE Jianxing's sister, Ms. CHE Jianfang and therefore an "associated corporation" of the Company within the meaning of Part XV of the SFO. As at 31 December 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 held by RSM Holding (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 held by RSM Holding (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.

Save as disclosed above, as at the end of the Reporting Period, none of our Directors, Supervisors or chief executive has any interests or short positions in the shares, underlying shares and debentures of the Company or associated corporations (a) which will have to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO) or (b) which will be required, pursuant to Section 352 of the SFO, to be recorded in the register referred to therein or (c) which will be required to be further notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code.

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

As at the end of the Reporting Period, the interests or short positions in the shares or underlying shares which will have to be notified to the Company and the 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:

Name of Shareholders	Class of Shares	Capacity/ nature of Interest	Number of Shares interested	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 I 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%
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%

Report of Directors

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES (CONTINUED)

Notes:

(1) As at 31 December 2016, 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 wholly-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.

(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 or chief executive of the Company) who had an interest or short position in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

BIOGRAPHIES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

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

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

The re-election of each Director was approved by Shareholders at the 2016 third extraordinary general meeting of the Company held on 30 December 2016. Each of our Directors entered into a contract with the Company in December 2016. The principal particulars of these service contracts comprise:

- (a) a term of three years commencing from the date on which the relevant Shareholders' approvals for the appointment were obtained; and
- (b) termination provisions in accordance with their respective terms.

Each independent non-executive Director shall be subject to retirement by rotation for every two sessions, while other Directors shall be subject to retirement by rotation for every three sessions.

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

Ms. NG Ellen Hoi Ying, the shareholder representative Supervisor, Mr. PAN Ning and Ms. CHAO Yanping, the employee representative Supervisors, as well as Mr. ZHENG Hongtao and Mr. CHEN Gang, the independent Supervisors, entered into service contracts with the Company in December 2016.

The principal particulars of these service contracts comprise:

- (a) a term of three years commencing from the date on which the relevant Shareholders' approvals for the appointment were obtained (save as from the date on which the third session of the supervisory committee commences for the employee representative Supervisors); and
- (b) termination provisions in accordance with their respective terms. The Supervisors may be re-appointed for successive reappointments.

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

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

Report of Directors

CONTRACT OF SIGNIFICANCE WITH CONTROLLING SHAREHOLDERS

Save as disclosed in this annual report with regard to those connected transactions entered into with our Controlling Shareholders, as at the end of the Reporting Period, there is no other contract of significance entered into between us and our Controlling Shareholders.

MANAGEMENT CONTRACTS

Other than the service contracts of the Directors, the Company has not entered into any contract with any individual, firm or body corporate to manage or administer the whole or any substantial part of any business of the Company during the year ended 31 December 2017.

DIRECTORS' PERMITTED INDEMNITY PROVISION

At no time during the year ended 31 December 2017 and up to the date of this annual report, there was or is, any permitted indemnity provision being in force for the benefit of any of the Directors and Supervisors (whether made by the Company or otherwise) or an associated company (if made by the Company). The Company has arranged appropriate directors' and officers' liability insurance coverage for the Directors and senior officers of the Group as of the end of the Reporting Period.

DIRECTORS' AND CONTROLLING SHAREHOLDERS' INTERESTS IN COMPETING BUSINESS

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

1. Greenland Jinniu Shopping Mall

Mr. CHE, through Chengdu Property (an indirect wholly-owned subsidiary of RSED), holds 50% equity interest in Greenland Jinniu, which in turn holds Chengdu Jinniu Shopping Mall and its corresponding assets and liabilities. Such 50% equity interest was disposed by the Company to Chengdu Property in the process of disposal of our equity interest in companies engaging in real estate development business in 2011 considering Greenland Jinniu primarily engages in real estate development business and Chengdu Jinniu Shopping Mall was then at the stage of construction-in-process. In order to consolidate the Group's Core Operations and minimize potential competition and conflict of interests with the Controlling Shareholders, the Company entered into a repurchase framework agreement in December 2011 (as supplemented by two supplemental agreements), pursuant to which the Company was granted an option to repurchase, among others, Chengdu Jinniu Shopping Mall. In anticipation of the opening of Chengdu Jinniu Shopping Mall, our Group entered into a contract management agreement with Greenland Jinniu in November 2013, pursuant to which our Group would operate and manage Chengdu Jinniu Shopping Mall under our own brand, pending repurchase of the shopping mall. After Greenland Jinniu Shopping Mall commenced operations for more than two year since August 2014, our Directors considered that its business operations have reached a mature stage. On 23 October 2015, the Company entered into the Repurchase Agreement with Chengdu Property, pursuant to which the Company agreed to repurchase 50% of the interest in Chengdu Jinniu Shopping Mall (held by Chengdu Property through Greenland Jinniu). For further details, please refer to the Prospectus – "Relationship with Our Controlling Shareholders" and the Company's announcement dated 23 October 2015. As at the end of the Reporting Period, the Company has not exercised the repurchase option as referred to in the Repurchase Agreement.

DIRECTORS' AND CONTROLLING SHAREHOLDERS' INTERESTS IN COMPETING BUSINESS (CONTINUED)

2. Property held by Changzhou RSHFC

Changzhou Macalline, a wholly-owned subsidiary of the Company, has leased a piece of property from Changzhou RSHFC for the operation and management of Changzhou Decoration Mall. Changzhou RSHFC is an individual proprietary enterprise (個人獨資企業) established by Mr. CHE under the PRC laws. Prior to April 2011, Changzhou RSHFC had used the property to operate its Portfolio Shopping Mall then named as "Changzhou Red Star Mall". In order to consolidate the Group's Core Operations and minimize potential competition and conflict of interests with the Controlling Shareholders, Changzhou RSHFC ceased to engage in home improvement and furnishing shopping mall business from April 2011 and leased property to Changzhou Macalline in view of the transfer of such property to the Group would give rise to tax implications.

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

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

NON-COMPETITION UNDERTAKING

In order to ensure that there is no competition between our Core Operations and the other business activities of Mr. CHE and his Close Associates, Mr. CHE and RSM Holding have entered into a non-competition undertaking (the "Non-Competition Undertaking") in favor of our Company, under which they have undertaken that they will not and will use their best efforts to procure that their respective Close Associates (other than any member of our Group) will not, directly or indirectly, whether as principal or agent, either on their own account or in conjunction with or on behalf of any person, firm, or company, engage, participate or hold any right or interest in any Restricted Business.

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

Mr. CHE and RSM Holding have confirmed their compliance with the Non-Competition Undertaking during the Reporting Period. The independent non-executive Directors have also reviewed the compliance with the Non-Competition Undertaking by the Mr. CHE and RSM Holding and are satisfied that they have complied with the undertakings.

DIRECTORS' AND SUPERVISORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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

Report of Directors

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

Please refer to Note (X).5 to the Consolidated Financial Statements on page 338 for details of the emoluments of the Directors, Supervisors and senior management and the five highest paid individuals of the Company.

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

(RMB)	2017 (numbers of senior management)	2016 (numbers of senior management)
1–1,000,000	–	–
1,000,000–1,500,000	–	–
1,500,000–2,000,000	2	5
2,000,000–2,500,000	4	2
2,500,000–3,000,000	1	3
3,000,000–3,500,000	2	1
3,500,000–4,000,000	–	–
4,000,000–4,500,000	–	1

REMUNERATION POLICY AND DIRECTORS' REMUNERATION

The remuneration of our employees consists of basic salary and performance bonuses. The Company conducts annual evaluations of our employees, supplemented by random checks from time to time. The evaluation results are linked directly with the employees' compensation. Selected employees with outstanding work performance and records are promoted to management positions.

In accordance with the applicable PRC laws and regulations, as well as compulsory requirements of the local authorities where our shopping malls are located, the Company contributed to various social insurance plans such as pension contribution plans, medical insurance plans, unemployment insurance plans, maternity insurance plans and work injury insurance plans for our employees. The amount of required contribution as a percentage of our employees' salaries varies from place to place, depending on relevant salary levels, location of the operation and other factors such as the average age of our employees.

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

Please refer to Note (X).5 to the Consolidated Financial Statements on page 338 for details of the Directors' remuneration for the end of the Reporting Period.

CONFIRMATION OF INDEPENDENCE FROM THE INDEPENDENT NON-EXECUTIVE DIRECTORS

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

MATERIAL LEGAL PROCEEDINGS

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

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

During the Reporting Period, except deviation from code provision A.2.1 of the Corporate Governance Code, the Company has complied with the provisions of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules, which sets out principles of good corporate governance in relation to, among other matters, the Directors, the chairman and chief executive officer, board composition, the appointment, re-election and removal of directors, their responsibilities and remuneration and communications with shareholders. Our Directors are satisfied that sufficient corporate governance measures have been put in place to manage conflicts of interest between our Group and the Controlling Shareholders and/or Directors to protect the interest of our minority shareholders. Please refer to section headed “Corporate Governance Report” on page 85 for details.

AUDITOR

The Consolidated Financial Statements have been audited by Deloitte Touche Tohmatsu Certified Public Accountants LLP, the PRC auditor of the Company.

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

In light of the alignment of accounting standards for the Company under the China Accounting Standards for Business Enterprises (“CASBE”) in relation to the application requirement for the A share listing of the Company, the Board shall propose to cease to re-appoint Deloitte Touche Tohmatsu as the international auditor of the Company, subject to the approval by the Shareholders at the forthcoming AGM. 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. For further details, please refer to the announcement of the Company dated 23 August 2017.

AUDIT COMMITTEE

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

PRE-EMPTIVE RIGHTS

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

Report of Directors

SUFFICIENCY OF PUBLIC FLOAT

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

- i. the Minimum Public Float of the Company should be at the highest of (a) 15.10%; (b) such percentage of Shares held by the public after completion of the Global Offering; and (c) such percentage of Shares held by the public after the exercise of the over-allotment option;
- ii. the Company will confirm sufficiency of public float in successive annual reports after Listing; and
- iii. the Company will implement appropriate measures to ensure continual maintenance of the Minimum Public Float prescribed by the Hong Kong Stock Exchange.

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

VOTING BY POLL

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

CLOSURE OF REGISTERS OF MEMBERS

The Registers of Members will be closed from Wednesday, 9 May 2018 to Friday, 8 June 2018, during which periods no transfer of shares will be registered. In order to qualify for attending and voting at the forthcoming AGM, unregistered holders of shares of the Company shall lodge share transfer documents with the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration before 4:30 p.m. on Tuesday, 8 May 2018. In order to qualify for the proposed final dividend (subject to the approval by the Shareholders at the forthcoming AGM), unregistered holders of shares of the Company shall lodge share transfer documents with Computershare Hong Kong Investor Services Limited at the above mentioned address for registration before 4:30 p.m. on Tuesday, 8 May 2018.

CHANGES IN INFORMATION OF DIRECTORS AND SUPERVISORS

During the Reporting Period, there was no change in information of Directors and Supervisors of the Company.

FUTURE DEVELOPMENT

Please refer to the section headed “Outlook and Prospects” on page 39 for future development of the Company.

IMPORTANT EVENTS AFTER THE REPORTING PERIOD

A Share Offering and Listing

The Board is pleased to announce that the Company has completed the A Share Offering on 16 January 2018. The A Shares of the Company were listed and commenced trading on the Shanghai Stock Exchange on 17 January 2018 with stock code 601828. The total number of issued shares of the Company after the A Share Offering is 3,938,917,038 (comprising 1,062,813,069 H Shares and 2,876,103,969 A Shares). For further details, please refer to the announcements of the Company dated 16 January 2018.

The Company issued 315,000,000 A shares at the issue price of RMB10.23 per A share. The total proceeds raised amounted to RMB3,222.45 million and the net proceeds raised, after deducting the cost of the A Share Offering of RMB172.4422 million, amounted to RMB3,050.0078 million (“A Share Offering Proceeds”).

In order to improve the efficiency in the use of the A Share Offering Proceeds, on 7 February 2018, the Board has resolved to (i) use RMB48.1204 million of the balance of A Share Offering Proceeds of the Harbin Songbei Shopping Mall to fill in the gap between the A Share Offering Proceeds to be used and the actual self-owned funds used of the Hohhot Yuquan Shopping Mall and Dongguan Wanjiang Shopping Mall and to use RMB35.3335 million of the balance of A Share Offering Proceeds of the Tianjin Beichen Shopping Mall and RMB73.9002 million of the balance of A Share Offering Proceeds of the Harbin Songbei Shopping Mall to meet the future capital requirements of the Urumchi Expo Mall; (ii) substitute the self-owned funds which the Company has previously invested in the investment projects with the A Share Offering Proceeds of RMB1,677.5799 million; (iii) temporarily use not more than RMB500 million of the idle A Share Offering Proceeds to improve the liquidity of the Company and the period of such use shall not exceed 12 months (from the date when the A Share Offering Proceeds are transferred from the special account to the date when the A Share Offering Proceeds are returned to the special account); and (iv) use the balance of the A Share Offering Proceeds (RMB172.4201 million) designated to the Urumchi Expo Mall by way of a loan to support this investment project. For further details, please refer to the announcement of the Company dated 7 February 2018.

Report of Directors

IMPORTANT EVENTS AFTER THE REPORTING PERIOD (CONTINUED)

Propose to Issue Debt Financing Instruments

On 7 February 2018, the Company convened the twenty-third extraordinary meeting of the third session of the Board and the Board approved the “General mandate for the issue of domestic debt financing instruments” resolution to be proposed at the extraordinary general meeting to authorize the Board and authorized person of the Board to issue debt financing instruments with a size of no more than RMB15.0 billion at an appropriate timing. The above resolution is to be approved by the Company’s 2018 first extraordinary general meeting to be held on 25 April 2018.

By Order of the Board

CHE Jianxing

Chairman

Shanghai, 28 March 2018



1. MEETINGS OF THE SUPERVISORY COMMITTEE AND RELEVANT RESOLUTIONS

The Supervisory Committee convened a total of three meetings in 2017, and details of the relevant meetings and the resolutions are as follows:

- (1) The first meeting of the third session of the Supervisory Committee was convened on 20 March 2017. The resolution in respect of the Report of the Supervisory Committee for the year ended 31 December 2016, the resolution in respect of the 2016 profit distribution plan of the Company, and the resolution in respect of re-appointment of Deloitte Touche Tohmatsu Certified Public Accountants LLP and Deloitte Touche Tohmatsu as the audit institutions of the Company for the year of 2017 were reviewed and passed.
- (2) The second meeting of the third session of the Supervisory Committee was convened on 28 August 2017. The resolution in respect of the financial statements (IFRSs) for the six months ended 30 June 2017, the resolution in respect of the financial statements (CASBE) for the first half of 2017, the resolution in respect of the interim dividend for the six months ended 30 June 2017, the resolution in respect of the interim report and interim results announcement for the six months ended 30 June 2017, and the resolution in respect of the Report on Self-evaluation of Internal Control of the Company as at 30 June 2017 were reviewed and passed.
- (3) The second extraordinary meeting of the third session of the Supervisory Committee was convened on 7 December 2017. The resolution in respect of the 2017 third quarterly financial statements of the Company was reviewed and passed.

Report of Supervisors

2. INDEPENDENT OPINION OF THE SUPERVISORY COMMITTEE REGARDING CERTAIN MATTERS

- (1) Statutory compliance: during the year of 2017, members of the Supervisory Committee continued to supervise the Company's operations through attending Board meetings, reviewing reports on special projects, conducting onsite inspections and meetings with staff, conducting audit and specific survey. With reference to various regulations, the Supervisory Committee was of the opinion that the decision-making process was lawful, the internal control was effective, and the Directors and the senior management of the Company have diligently carried out their duties, and there is no behavior of violation of the laws, regulations, the Articles of Association, nor had they prejudiced the Company's and Shareholders' interests. The Supervisory Committee had reviewed the Company's internal control report for the year 2017, and was of the view that the report reflected the actual situation of the Company's corporate governance and internal control, and agreed to publish the relevant report.
- (2) Financial monitoring: during the Reporting Period, the Supervisory Committee diligently performed its duty of monitoring the Company's financial situation, including reviewing the Company's operations and its risks and providing audited opinions to each periodic report. The Supervisory Committee was of the opinion that the Company's financial report reflected a true and fair view on the Company's financial position and operating results.
- (3) Use of Proceeds

Use of proceeds from the listing of A Shares

The Company has completed the A Share Offering on 16 January 2018. The A Shares of the Company were listed and commenced trading on the Shanghai Stock Exchange on 17 January 2018 with stock code 601828. The total number of issued shares of the Company after the A Share Offering is 3,938,917,038 (comprising 1,062,813,069 H Shares and 2,876,103,969 A Shares). For more details, please refer to the announcement of the Company dated 16 January 2018.

The Company issued 315,000,000 A shares at the issue price of RMB10.23 per A share. The total proceeds raised amounted to RMB3,222.45 million and the net proceeds raised, after deducting the cost of the A Share Offering of RMB172.4422 million, amounted to RMB3,050.0078 million (the "A Share Offering Proceeds").

In order to improve the efficiency in the use of the A Share Offering Proceeds, on 7 February 2018, the Board has resolved to (i) use RMB48.1204 million of the balance of A Share Offering Proceeds of the Harbin Songbei Shopping Mall to fill in the gap between the A Share Offering Proceeds to be used and the actual self-owned funds used of the Hohhot Yuquan Shopping Mall and Dongguan Wanjiang Shopping Mall and to use RMB35.3335 million of the balance of A Share Offering Proceeds of the Tianjin Beichen Shopping Mall and RMB73.9002 million of the balance of A Share Offering Proceeds of the Harbin Songbei Shopping Mall to meet the future capital requirements of the Urumchi Expo Mall; (ii) substitute the self-owned funds which the Company has previously invested in the investment projects with the A Share Offering Proceeds of RMB1,677.5799 million; (iii) temporarily use not more than RMB500 million of the idle A Share Offering Proceeds to improve the liquidity of the Company and the period of such use shall not exceed 12 months (from the date when the A Share Offering Proceeds are transferred from the special account to the date when the A Share Offering Proceeds are returned to the special account); and (iv) use the balance of the A Share Offering Proceeds (RMB172.4201 million) designated to the Urumchi Expo Mall by way of a loan to support this investment project. For further details, please refer to the announcement of the Company dated 7 February 2018.

2. INDEPENDENT OPINION OF THE SUPERVISORY COMMITTEE REGARDING CERTAIN MATTERS (CONTINUED)

(3) Use of Proceeds (Continued)

Use of proceeds from the listing of H Shares

The net proceeds from the global offering amounted to RMB5,573.3 million, used for the development of 9 Portfolio Shopping Malls, investment or acquisition of other home improvement and furnishings retailers and other market participants, refinancing of our existing indebtedness, development of our O2O business and information technology systems, working capital and other general corporate purposes. 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.

As of the end of the Reporting Period, the Company cumulatively used 89% of the proceeds from the global offering in the abovementioned fund raising investment projects.

After the Reporting Period, due to the re-orientation of business strategy and to better adapt to changing market conditions, the Company intends to change the use of the net proceeds from the Global Offering to maximize the business development opportunities of the Company. On 16 January 2018, the Board has resolved to change the use of approximately RMB543 million of the remaining net proceeds from the Global Offering intended for (i) the development of Shenyang Yuhong Mall, one of the nine Portfolio Shopping Malls; (ii) the investment or acquisition of other home improvement and furnishings retailers and other market participants; and (iii) the development of our O2O business and information technology systems as disclosed in the Prospectus to the Company's working capital and for other general corporate purposes. For further details, please refer to the announcement of the Company dated 16 January 2018.

- (4) Stock incentive plan: during the Reporting Period, the Company has no stock incentive plan.
- (5) Major asset acquisitions and disposals: during the Reporting Period, the Company did not conduct any major asset acquisitions and disposals.
- (6) Connected and continuing connected transactions: During the Reporting Period, the Supervisory Committee paid close attention to the continuing connected transactions of the Company for the year, including: (i) the Lease Agreement entered into with Changzhou RSHFC, (ii) the Contract management agreements entered into with Xuzhou RSHFC, Xuzhou RSHFP, Yangzhou RSHFP, Jining Hongrui and Shaanxi Hongrui, (iii) the RSED Framework Agreement entered into with RSED, (iv) the Lease Agreement entered into with Shanghai Hongmei in connection with the leasing of the Jinshan Property. In addition, the Supervisory Committee has also considered and reviewed the proposed new annual caps of the above continuing connected transactions. During the Reporting Period, the Supervisory Committee has considered and reviewed the connected transactions entered into by the Company including (i) the Equity Transfer Agreement between RSM Holding and Shanghai Jiajinsuo Investment; (ii) Acquisition of Jinshan Property from Shanghai Red Star Macalline Real Estate; and (iii) Transfer of Equity Interest in Shanghai Huangpu Red Star Microfinance.

In the future, with the further development of the Company's businesses, the Supervisory Committee will, based on its existing work nature, firmly implement the Company's established strategies and policies, fulfill its duties as prescribed by national laws and regulations as well as the Articles of Association, and supervise the Company to operate in such a way as to practically guarantee and safeguard the legitimate interests of the Company and Shareholders.

Red Star Macalline Group Corporation Ltd.
Supervisory Committee

28 March 2018

Corporate Governance Report

The Group is committed to high-standard corporate governance so as to protect the interests and legal rights of the Shareholders and to 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, and A Shares of the Company were listed on the Shanghai Stock Exchange on 17 January 2018.

The Company adopted the following corporate governance principles and practices:

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

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

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

Mr. CHE Jianxing ("Mr. CHE") is the Chairman and chief executive officer of the Company. In view of Mr. CHE's experience, personal profile and his roles in our Group as mentioned above and that Mr. CHE has assumed the role of chief executive officer and the general manager of the Group since June 2007, the Board considers it beneficial to the business prospect and operational efficiency of the Group that Mr. CHE, in addition to acting as the Chairman of the Board, continues to act as the chief executive officer of the Company. While this will constitute a deviation from Code Provision A.2.1 of the Corporate Governance Code, the Board believes that this structure will not impair the balance of power and authority between the Board and the management of the Company, given that: (i) decision to be made by our Board requires approval by at least a majority of our Directors and that the Board comprises 4 independent non-executive Directors out of the 12 Directors, which is in compliance with the Listing Rules requirement of one-third, and we believe that there is sufficient check and balance in the Board; (ii) Mr. CHE and the other Directors are aware of and undertake to fulfill their fiduciary duties as Directors, which require, among other things, that he acts for the benefit and in the best interests of the Company and will make decisions for the Group accordingly; and (iii) the balance of power and authority is ensured by the operations of the Board which comprises experienced and high caliber individuals who meet regularly to discuss issues affecting the operations of the Company. Moreover, the overall strategic and other key business, financial, and operational policies of the Group are made collectively after thorough discussion at both Board and senior management levels.

The Board will continue to review the effectiveness of the corporate governance structure of our Group in order to assess whether separation of the roles of Chairman and chief executive officer is necessary.

COMPLIANCE WITH THE MODEL CODE

The Company has adopted a code of conduct regarding Directors' and Supervisors' securities transactions on terms as required under the Model Code. The Company has made specific queries to the Directors and Supervisors, and all Directors and Supervisors have confirmed their compliance with the provisions set out in the Model Code during the Reporting Period.

BOARD OF DIRECTORS

Board Composition

As at the end of the Reporting Period, the Board comprises 12 Directors, including 4 executive Directors, 4 non-executive Directors and 4 independent non-executive Directors. The following list sets forth the information in respect of the current members of the Board.

Name	Positions	Date of Re-appointment ⁽¹⁾
Mr. CHE Jianxing ⁽²⁾	Chairman and Executive Director	30 December 2016
Ms. ZHANG Qi	Vice Chairman and Executive Director	30 December 2016
Ms. CHE Jianfang	Executive Director	30 December 2016
Mr. JIANG Xiaozhong	Executive Director	30 December 2016
Ms. CHEN Shuhong	Non-executive Director	30 December 2016
Mr. XU Guofeng ⁽³⁾	Non-executive Director	30 December 2016
Mr. Joseph Raymond GAGNON	Non-executive Director	30 December 2016
Mr. ZHANG Qiqi	Non-executive Director	30 December 2016
Mr. LI Zhenning	Independent non-executive Director	30 December 2016
Mr. DING Yuan	Independent non-executive Director	30 December 2016
Mr. LEE Kwan Hung	Independent non-executive Director	30 December 2016
Mr. QIAN Shizheng	Independent non-executive Director	30 December 2016

Notes:

- (1) The Directors were re-elected at the extraordinary general meeting held on 30 December 2016.
- (2) Mr. CHE Jianxing is the husband of Ms. CHEN Shuhong and the brother of Ms. CHE Jianfang.
- (3) Mr. XU Guofeng is the husband of Ms. CHE Jianfang.

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

Corporate Governance Report

BOARD OF DIRECTORS (CONTINUED)

Board Composition (Continued)

During the Reporting Period, 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. Independence of each independent non-executive Director has been confirmed in accordance with Rule 3.13 of the Listing Rules, and the Company regards them as independent.

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

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

Board Meeting

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

Other than the connected transactions to be reviewed by the Board set out in the Articles of Association, Board meetings shall be attended by more than half of the Directors.

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

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

BOARD OF DIRECTORS (CONTINUED)

Appointment, Re-election and Re-appointment of Directors

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

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

Directors' Training

Introductory and Continuous Professional Development

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

Trainings attended by all Directors in the Reporting Period are as below:

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

Notes:

- A. Trainings related to governance of listed company and directors' responsibility, organized by law firms, compliance advisor, external auditor and etc.;
- B. Reading provisions connected to company governance, Directors' responsibilities and internal control risk management and attending lecture, forum and conference, etc.

Corporate Governance Report

BOARD OF DIRECTORS (CONTINUED)

Duties Performed by the Board and Management

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

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

CORPORATE GOVERNANCE FUNCTION

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

1. To develop and review the corporate governance policy and routines of the Company;
2. To review and monitor training and continuous professional development of the Directors and senior management;
3. To review and monitor policies and routines of the Company in compliance with the requirements of all applicable laws and regulations;
4. To establish, review and monitor code of conduct and compliance guidelines suitable for the employees and Directors (if available); and
5. To review the Company's compliance with the disclosure requirements as set out in the Corporate Governance Code and Corporate Governance Report.

DIRECTORS' LIABILITY INSURANCE

The Company has purchased appropriate insurance against the litigations raised against the Directors during the Reporting Period.

BOARD COMMITTEES

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

AUDIT COMMITTEE

We have established an Audit Committee with written terms of reference in compliance with Rule 3.21 of the Listing Rules and Code Provision C.3 and Code Provision D.3 of the Corporate Governance Code. The Audit Committee consists of three independent non-executive Directors as at the end of the Reporting Period, 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 primary duties of the Audit Committee include, but not limited to, the following:

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

Corporate Governance Report

AUDIT COMMITTEE (CONTINUED)

As at the end of the Reporting Period, the Audit Committee has performed its duties with due prudence in accordance with the requirements of Company Law, the Articles of Association, the Terms of Reference of the Audit Committee of the Board of the Company and the relevant laws and regulations. The Audit Committee convened three meetings, details of which are set out below:

Name of Meeting	Time of Meetings	Contents of Meeting	Attendance at the Meeting
Audit Committee	20 March 2017	<ol style="list-style-type: none">1. To review and discuss the report prepared by the auditor of the Company in respect of the annual results of the Group as of 31 December 2016;2. To review and make recommendation to the Board of the Company about the audited financial statements, results announcement and annual report as of 31 December 2016;3. To review and make recommendation to the Board of the Company about the audited financial statements for the years of 2016, 2015 and 2014 of the Group for its A-share IPO application;4. To review and make recommendation to the Board of the Company about the profit distribution program of the Company for the year 2016;5. To consider and make recommendation to the Board of the Company about the resolution of re-appointment of Deloitte Touche Tohmatsu CPA, Ltd and Deloitte Touche Tohmatsu as the audit institutions of the Company for the year 2017;6. To review and propose to the Board of the Company in respect of the expected ongoing connected transaction of the Company for the year 2017;7. To review the summary of internal audit work of internal audit center for the year 2016 and proposed working plan for the year 2017;8. To review the corporate governance report of the Company for the year ended 31 December 2016;9. To review and make recommendation to the Board of the Company about the resolution of the self-evaluation report of internal control of the Company as of 31 December 2016.	Mr. DING Yuan, Mr. LI Zhenning and Mr. QIAN Shizheng

AUDIT COMMITTEE (CONTINUED)

Name of Meeting	Time of Meetings	Contents of Meeting	Attendance at the Meeting
	23 August 2017	The Resolution on Alignment in the Disclosure of Financial Statements in accordance with China Accounting Standards for Business Enterprises in Domestic and International Markets and Adjustment of Fair Value of Investment Properties in accordance with PRC Accepted Asset Valuation Standards	Mr. DING Yuan, Mr. LI Zhenning and Mr. QIAN Shizheng
	28 August 2017	<ol style="list-style-type: none"> 1. To review and discuss the report prepared by the auditor of the Company (the "Auditor") to the Audit Committee in respect of the financial statements of the Group for the first half 2017; 2. To review and make recommendation to the Board of the Company about the resolution on the draft of the financial statements for the first half 2017; 3. To review and make recommendation to the Board of the Company about the proposal of the interim dividend for the six months ended 30 June 2017; 4. To review and make recommendation to the Board of the Company about the draft of the interim results announcement of the Group to be published on the websites of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and the Company prepared in accordance with Financial Statements of the PRC Standards for the six months ended 30 June 2017; 5. To review and make recommendation to the Board of the Company about the draft of the interim report of the Group to be published on the websites of the Stock Exchange and the Company for the six months ended 30 June 2017; 6. To review the summary of internal audit work of the Group in the first half of 2017 and proposed working plan in the second half of 2017; 7. To review and make recommendation to the Board of the Company about the proposal of the self-evaluation report of internal control of the Group as of 30 June 2017. 	Mr. DING Yuan, Mr. LI Zhenning and Mr. QIAN Shizheng

Corporate Governance Report

AUDIT COMMITTEE (CONTINUED)

The Audit Committee oversees and monitors the risk management and internal control systems of the Company on an ongoing basis and review with our external auditors and management periodically, not less than annually, the scope, adequacy and effectiveness of the Company's corporate accounting and financial controls, risk management and internal control systems, and any related significant findings regarding risks or exposures and consider recommendations for improvement of such controls. The review should cover all material controls, including financial, operational and compliance controls. Further details regarding the annual review conducted by the Audit Committee are set out in the section headed "Risk Management and Internal Control".

REMUNERATION AND EVALUATION COMMITTEE

The Company established a Remuneration and Evaluation Committee with written terms of reference in compliance with Code Provision B.1 of the Corporate Governance Code.

As at the end of the Reporting Period, the Remuneration and Evaluation Committee consists of three Directors, including one executive Director and two independent non-executive Directors, namely Mr. CHE Jianxing, Mr. LI Zhenning and Mr. QIAN Shizheng. Mr. QIAN Shizheng serves as the chairman of the Remuneration and Evaluation Committee.

The primary duties of the Remuneration and Evaluation Committee include, but are not limited to, the following:

- formulating the remuneration plans for Directors, Supervisors and members of the senior management in accordance with the terms of reference of the Directors, Supervisors and members of the senior management and the importance of their positions as well as the remuneration benchmarks of relevant positions in other comparable companies;
- the remuneration plans include, but are not limited to, criteria and procedures of performance evaluation, the main evaluation system as well as the main reward and penalty scheme and system, etc.;
- making recommendations to the Board on the remuneration packages of individual executive Directors and senior management;
- examining the performance of Directors, Supervisors and members of the senior management of our Company, and conducting annual performance evaluation;
- supervising the implementation of our Company's remuneration plan and incentive system; and
- dealing with other matters that are authorized by the Board.

REMUNERATION AND EVALUATION COMMITTEE (CONTINUED)

As at the end of the Reporting Period, the Remuneration and Evaluation Committee has performed its duties with due prudence in accordance with the requirements of Company Laws, the Articles of Association, the Terms of Reference of the Remuneration and Evaluation Committee of the Board and the relevant laws, regulations. The Remuneration and Evaluation Committee convened one meeting, details of which are set out below:

Name of Meeting	Time of Meetings	Contents of Meeting	Attendance at the Meeting
Remuneration and Evaluation Committee	20 March 2017	<ol style="list-style-type: none"> To review on the performance of duties and annual performance assessment of Directors, supervisors and senior management of the Company for the year 2016; To review and propose to the Board of the Company in respect of the remuneration and incentives system of Directors, supervisors and senior management of the Company for the year 2017. 	Mr. QIAN Shizheng, Mr. CHE Jianxing and Mr. LI Zhenning attended the meetings

NOMINATION COMMITTEE

The Company has established a Nomination Committee with written terms of reference in compliance with Code Provision A.5 of the Corporate Governance Code. As at the end of the Reporting Period, the Nomination Committee consists of three Directors, including one executive Director and two independent non-executive Directors, namely Mr. CHE Jianxing, Mr. LEE Kwan Hung and Mr. LI Zhenning. Mr. LI Zhenning serves as the chairman of the Nomination Committee.

The primary duties of the Nomination Committee include, but are not limited to, the following:

- making recommendations to the Board on size and composition of the Board in accordance with our Company's operating activities, asset size and shareholding structure;
- researching and developing criteria and procedures for the election of the Board members, general managers and other members of the senior management, and making recommendations to the Board;
- conducting thorough investigation on suitable candidates for Directors, general managers and other members of the senior management, and making recommendation to the Board;
- reviewing and examining candidates for Directors, general managers and other members of the senior management and making recommendations to the Board; and
- dealing with other matters that are authorized by the Board.

Corporate Governance Report

NOMINATION COMMITTEE (CONTINUED)

As at the end of the Reporting Period, the Nomination Committee has performed its duties with due prudence in accordance with the requirements of Company Law, the Articles of Association, the Terms of Reference of the Nomination Committee of the Board and the relevant laws, regulations. The Nomination Committee convened 1 meeting, details of which are set out below:

Name of Meeting	Date of Meetings	Contents of Meeting	Attendance at the Meeting
Nomination Committee	20 March 2017	<ol style="list-style-type: none">To review the structure, number of persons, constituents and the diversity of members of the Board of the Company (the "Board"), various committees under the Board, general manager and other senior management persons in 2016;To review the principle of director's nomination of the third session of the board of directors, and continue to play the role of directors in the strategy and governance of the Company.	Mr. LI Zhenning, Mr. CHE Jianxing and Mr. LEE Kwan Hung attended the meeting

STRATEGY AND INVESTMENT COMMITTEE

We have established a Strategy and Investment Committee with written terms of reference. As at the end of the Reporting Period, the Strategy and Investment Committee consists of five Directors, including three executive Directors, one non-executive Director and one independent non-executive Director: namely Mr. CHE Jianxing, Ms. ZHANG Qi, Mr. JIANG Xiaozhong, Mr. ZHANG Qiqi and Mr. LI Zhenning. Mr. CHE Jianxing serves as the chairman of the Strategy and Investment Committee.

The primary duties of the Strategy and Investment Committee include, but are not limited to, the following:

- researching and recommending to the Board the long-term development and strategic plans of our Company;
- researching and recommending to the Board material investments, financing proposals, capital operation and asset management of our Company, which must be approved via Board meetings or shareholders' meetings in accordance with the Articles of Association;
- researching and recommending to the Board matters that are material to the development of our Company;
- checking the implementation of above-mentioned matters that are approved via Board meetings or shareholders' meetings; and
- dealing with other strategic matters that are authorized by the Board.

STRATEGY AND INVESTMENT COMMITTEE (CONTINUED)

As at the end of the Reporting Period, the Strategy and Investment Committee has performed its duties with due prudence in accordance with the requirements of Company Law, the Articles of Association, the Terms of Reference of the Strategy and Investment Committee of the Board and the relevant laws, regulations. The Strategy and Investment Committee convened 2 meetings, details of which are set out below:

Name of Meeting	Time of Meetings	Contents of Meeting	Attendance at the Meeting
Strategy and Investment Committee	20 March 2017	<ol style="list-style-type: none"> the development strategy of the Company; the development plan of the Company's A-Share proposed to be issued by the Company during the current year (2017) and the upcoming two years; to formulate and implement assumptions for the development plan; major difficulties faced when implementing the development plan; the relationship between the operation development plan and current operations; effect of the proposed A-Share issuance to attain the abovementioned business development goal. 	Mr. CHE Jianxing, Ms. ZHANG Qi, Mr. ZHANG Qiqi, Mr. JIANG Xiaozhong and Mr. LI Zhenning attended the meetings
	28 April 2017	<ol style="list-style-type: none"> In relation to the development strategies on the Internet. 	Mr. CHE Jianxing, Ms. ZHANG Qi, Mr. ZHANG Qiqi, Mr. JIANG Xiaozhong and Mr. LI Zhenning attended the meeting

Corporate Governance Report

ATTENDANCE RECORD OF BOARD MEETINGS

Attendance record of all Directors to the general meetings, Board meetings and committee meetings during the Reporting Period are as below:

Director's Name	Number of attending/ convening Board meetings	Number of attending/ convening Audit Committee meetings	Number of attending/ convening Remuneration and Evaluation Committee meetings	Number of attending/ convening Nomination Committee meetings	Number of attending/ convening Strategy and Investment Committee meetings	Number of attending/ convening general meeting of Shareholders
CHE Jianxing	23/23	-	1/1	1/1	2/2	4/4
ZHANG Qi	23/23	-	-	-	2/2	4/4
CHE Jianfang	23/23	-	-	-	-	4/4
JIANG Xiaozhong	23/23	-	-	-	2/2	4/4
CHEN Shuhong	23/23	-	-	-	-	4/4
XU Guofeng	23/23	-	-	-	-	4/4
Joseph Raymond GAGNON	23/23	-	-	-	-	4/4
ZHANG Qiqi	23/23	-	-	-	2/2	4/4
LI Zhenning	23/23	3/3	1/1	1/1	2/2	4/4
DING Yuan	23/23	3/3	-	-	-	4/4
LEE Kwan Hung	23/23	-	-	1/1	-	4/4
QIAN Shizheng	23/23	3/3	1/1	-	-	4/4

DIRECTORS' FINANCIAL STATEMENTS REPORTING RESPONSIBILITY

The Directors are fully aware of their responsibility of preparing the Consolidated Financial Statements of the Company for the year ended 31 December 2017 so as to provide a true and fair view of the situation of the Company and the Group as well as the results and cash flows of the Group.

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

The Directors were not aware of any material uncertainties with respect to any event or situation which may pose important threat to the sustainable operation of the Group.

Statement of the Directors' reporting responsibilities of Consolidated Financial Statements of the Company made by auditors of the Company is recorded in Independent Auditor's Report on pages 111 to 112 of this annual report.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board has established the risk management and internal control systems, monitored and reviewed their effectiveness on an ongoing basis in compliance with Paragraph C.2 of the Corporate Governance Code. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, to promote effective and efficient operation, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board reviews the effectiveness of the risk management and internal control systems on an annual basis, and assesses all important monitoring aspects including financial monitoring, operation monitoring and compliance monitoring as per five internal control elements, namely, internal environment, risk assessment, control activities, information and communication and internal supervision and make sure the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting, internal audit and financial reporting functions to ensure that effective risk management and internal control systems are in place.

Corporate Governance Report

RISK MANAGEMENT AND INTERNAL CONTROL ORGANISATIONAL SYSTEM

The Company has established a complete risk management and internal control organisational system, which consists of the Board, the Audit Committee, the Internal Control Management Committee (a sub-committee under the Audit Committee), the Internal Control Compliance Department, the Audit Department and all divisions of the Company. Various functions of the Company form the first line of defence of risk management and internal control, which are responsible for the direct identification and management of the risks arising in the course of business during our daily operation, and developing response strategies and specific solutions. The Internal Control Compliance Department and Internal Control Management Committee form the second line of defence of risk management and internal control, which is responsible for building and maintaining the comprehensive risk management framework of the Company, and coordinating the establishment of risk management between various functions of the headquarter and different regions and shopping malls. The Audit Department and the Audit Committee forms the third line of defence, which is responsible for conducting independent supervision which involves supervision and examination to determine if the Company is able to conduct risk management and internal control in accordance with relevant policies, systems and processes for risk management and internal control, and if such measures are effective. The Board undertakes the ultimate responsibility for the establishment and perfection of the risk management and internal control systems as well as the effective implementation of risk management, and acts as the ultimate decision-making body in the Company with respect to risk management and internal control.

In addition, the Board arranges adequate training courses and related budget in respect of the risk management and internal control systems on an annual basis, and has also conducted periodic training on the concept, knowledge, process of risk management and methods of internal control to ensure the adequacy of management resources in risk management and internal control.

CARRYING OUT RISK MANAGEMENT WORK

In order to better cope with the changing market environment and ensure the realization of the Company's business objectives, in 2017, the Company initiated the construction of a comprehensive risk management system at the company-wide level. The system is designed to manage various potential risks to which the Company is exposed in the course of operation through procedures and measures of risk identification, risk assessment, risk response, risk reporting and monitoring. The Company has systematically established a database for risks based on the status quo of our current business and management, with a view to achieving comprehensive identification of and response to risks.

On the basis of risk identification, the Company has established the major risk evaluation criteria from two dimensions, namely the probability of occurrence and the magnitude of influence of relevant risks. Various forms of measures, including risk questionnaire, risk investigation and interviews, as well as forum for risk assessment, were conducted to carry out the multilevel and comprehensive risk assessment work. These measures are developed to identify major risk areas affecting the objectives of the Company and to specify the priority and allocation of resources on risk management.

In order to align the risk points with specific control measures and responsibilities of different roles in the management system, and to ensure sufficient control of such risks, the Company implements basic risk management measures of internal control through specific business processes, including preparation and disclosure of financial reports, inside information processing and disclosure and other management procedures and internal control measures for significant procedures in accordance with laws, regulations and regulatory requirements of Listing Rules.

In respect of external information and communication, the company developed information disclosure and reporting management rules, such as Information Disclosure Management System, News Release and News Spokesman System, etc., to establish a standardized information collection, collation, validation and disclosure of the insider control program, which identified the message security measures. Before the information is completely disclosed to the public, the Company will ensure that the information is absolutely confidential. For information which confidentiality is difficult to maintain or is already leaked, our Company will disclose the relevant information in a timely manner, so as to ensure the effective protection of investors and the interests of related parties.

The major risks to which the Company are exposed will vary with the changes in internal and external business environment and business situations. The Company will continuously monitor the information on significant risks and changes in risks arising from the operation and management of the different risk liability departments and conduct supervision and evaluation on whether each of the departments is able to carry out risk management and the effectiveness of their efforts in accordance with relevant provisions, with a view to further improve the risk management mechanism.

Corporate Governance Report

OPERATION OF INTERNAL CONTROL MECHANISM

The management of the Company has set up the Internal Control Management Committee, which leads the Internal Control Compliance Department in the overall planning, design and guidance in relation to the building of the risk management and internal control management system. In 2017, the Internal Control Compliance Department played a leading role in the establishment of the internal control evaluation working group, which carried out self-evaluation of internal control and assessment of the effectiveness of the design and implementation of internal control for the Company's main business and matters. For all deficiencies in internal control as identified in the assessment, the management of the Company has developed feasible rectification plans and promoted the implementation of such rectification. The Internal Control Compliance Department has followed up on such areas subject to rectification, and continued to monitor the progress and the overall effectiveness of the rectification of deficiencies, thus achieving the organized operation of overall internal control.

The Board and the Audit Committee are responsible for the continuous supervision and review of the effective implementation of the Company's risk management and internal control management system and the deficiencies of internal control. Specific supervision and review is carried out by the Audit Department. The Audit Department exercises the right of audit supervision independently without any interference from other departments, units and individuals. This mechanism is designed to maintain the independence, impartiality and authority of the internal audit function.

The Board has reviewed risk management and internal control work carried out in 2017. There has been no significant risk control failure, and no significant risk control weakness has been identified within the Company. The management processes including financial report and information disclosure of the Company are in strict compliance with the Listing Rules. The Board has reviewed the risk management and internal control work conducted by the Company during the Reporting Period and considers the risk management and internal control system effective and sufficient within 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 MOF and 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. For further details, please refer to the announcement of the Company dated 23 August 2017.

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. 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 further details, please refer to the announcement of the Company dated 23 August 2017 and the 2017 interim report of the Company dated 26 September 2017.

Corporate Governance Report

AUDITOR'S REMUNERATION

Statement of the Company's external auditor related to the reporting responsibilities of consolidated financial statements is recorded in the Independent Auditor's Report on pages 111 to 112 of this annual report.

Remuneration of the Company's external auditor Deloitte Touche Tohmatsu Certified Public Accountants LLP paid/ payable for the year ended 31 December 2017 was RMB6.5million. The external auditor also provide non-audit service for the year ended 31 December 2017 with remuneration of RMB0.5 million.

CESSATION OF APPOINTMENT OF INTERNATIONAL AUDITOR AND APPOINTMENT OF EXTERNAL AUDITORS

During the Reporting Period, the Company re-appointed Deloitte Touche Tohmatsu as its international auditor for 2017 for a term of one year, who was responsible for the auditing of the Company's financial statements prepared in accordance with the IFRS. In view of the Arrangement and the successful listing of the Company's A Shares on the Shanghai Stock Exchange on 17 January 2018, the Board resolved to propose to the Shareholders in the forthcoming annual general meeting on 8 June 2018 for the cessation of appointment of Deloitte Touche Tohmatsu as the international auditor of the Company for the year ending 31 December 2018. Deloitte Touche Tohmatsu Certified Public Accountants LLP ("Deloitte"), 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. The Company will propose that Deloitte will be appointed as 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 going forward.

COMPANY SECRETARY

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

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

For the year ended 31 December 2017, Mr. GUO and Ms. LEUNG have already completed professional training of no less than 15 hours in accordance with Rule 3.29 of the Listing Rules, respectively.

COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS

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

The annual general meeting of Shareholders of the Company provides the shareholders with opportunities to communicate with the Directors directly. The chairman of the Board and directors of the committees will attend the meeting if possible, to answer questions raised by the shareholders. The external auditor of the Company will attend the meeting and answer the questions regarding auditing items, preparation and contents of the auditor's report, accounting policy and independence of the auditor.

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

SHAREHOLDERS' RIGHTS

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

Extraordinary Shareholders' Meeting Convening and Proposal

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

1. Shareholders who separately or jointly hold more than 10% of the Shares may request the Board to convene an extraordinary Shareholders' meeting or Shareholders' class meeting by signing a written requirement or several copies with the same format and to illustrate the subject of the meetings. The Board shall convene an extraordinary Shareholders' meeting or Shareholders' class meeting as soon as possible upon the receipt of the aforesaid written request. The Shareholders shall calculate the aforesaid number of shareholdings as of the date of the submission of the written requirement.
2. If the Board fails to issue a notice of meeting within 30 days upon the receipt of the aforesaid written request, the Supervisory Committee may convene a meeting itself within four months upon the Board's receipt of such request; if the Supervisory Committee fails to convene and chair the meeting, the Shareholders who separately or jointly hold more than 10% of the Shares of our Company for more than 90 consecutive days may convene and preside over themselves, of which the convening procedure shall be at best the same as if convened by the Board. If the Shareholders call and convene a meeting by themselves due to the Board being unable to convene a meeting in accordance with the aforesaid requirement, the expenses reasonably incurred therefrom shall be borne by the Company and be deducted from the amounts due to the relevant Directors as a result of negligence of duty.

Corporate Governance Report

SHAREHOLDERS' RIGHTS (CONTINUED)

Extraordinary Shareholders' Meeting Convening and Proposal (Continued)

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

The Shareholder(s) holding, separately or jointly, 3% or more of the total shares of our Company may put forward extempore proposals to the Company 10 days prior to the convening of the general meeting by submitting the proposals in writing to the convener. The convener shall issue a supplementary notice of the general meeting to the Shareholders within two days upon the receipt of the proposals.

Queries Made to Board of Directors

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

Articles of Association

For the year ended 31 December 2017, there had been no alternations to the Articles of Association. The existing Articles of Association are published on the websites of the Hong Kong Stock Exchange and the Company respectively, while the amended Articles of Association will be effective and valid upon Shareholders' consideration and approval at the extraordinary general meeting of the Company on 25 April 2018.



INTRODUCTION

This social responsibility report does not constitute an ESG report under Appendix 27 of the Listing Rules. An ESG report complying with the disclosure requirements under Appendix 27 of the Listing Rules will be published by the Group separately.

RESPONSIBILITY TO THE INDUSTRY

As a leading brand in the home furnishing circulation industry, Red Star Macalline has been committed to promoting the development and reform of the industry through profound market researches and strategic innovations. Red Star Macalline has been making positive efforts in the introduction and development of new brands and new business models. Xingyi•Home Loan (星易•家居貸) was launched to provide unsecured, unguaranteed and low-cost credit services for personal home furnishing consumption. We will collaborate with financial institutions in the future, engaging financial institutions to offer on-site services to satisfy consumers' requirements. We will also promote the "Home Loan" series to become a flagship service for the whole industry.

As a leading company in the home furnishings industry, Red Star Macalline encourages home furnishing enterprises to focus on originality and adhere to the principle of originality and innovated design, in order to provide customers with better products and improve Chinese residents' home improvement tastes. On the design exhibition of 23th China International Furniture Expo held in 2017, we built an original design platform and staged the DESIGN DREAM SHOW. On the fashion forum of TALK, we invited famed design masters to present their insight and promoted our ambition in developing Chinese design.

RESPONSIBILITY TO OUR PARTNERS

We are committed to a set of code of business conduct focusing on integrity and share benefits with suppliers. We monitored the environment-friendliness of products supplied, set strict supplier selection and assessment mechanism, thus ensuring that all products and brands in Red Star Macalline malls meet environmental requirements. We had close supervision on the environment and social risk of suppliers and urged them to perform environmental and social responsibilities.

As for cooperation with our business partners, we made analysis of each supplier's competitive landscape and issued a brand operation and development report on a regular basis to give brand-specific improvement suggestions based on its operating condition, helping them improve their brand image. These measures were widely accepted and recognized by a large number of cooperative brands, and enabled us to become a benchmark enterprise in the home improvement and furniture industry which can truly provide value-added services.

RESPONSIBILITY TO OUR CUSTOMERS

Upholding the belief that "Customers are the base of a corporation", we are committed to offering customers high-quality services. Promoting the "Word of Mouth Advertising" project, we aim to satisfy customers' demands in price, service, quality, workforce and environment, so as to win satisfaction and loyalty from customers and to build a strong brand.

The year of 2017 marked the fifth year for the "Leading Green Brand Campaign", during which, we were determined to incorporate environmental protection into our mission and promised that every product we sold meet environmental standards. Based on national and industry standards and advanced quality management systems established both at home and abroad, the Leading Green brand appraisal gave comprehensive assessment on selected brands and was recognized by customers and the industry.

Social Responsibility Report

RESPONSIBILITY TO OUR STAFF

Following an open and fair employment principle, Red Star Macalline offered equal opportunities to talents and attached importance to the diversity of workforce. We are opposed to any form of discrimination and protect our staff from any racial, religious and gender discrimination.

Upholding the philosophy of high pay for high performance, Red Star Macalline offers its staff competitive remuneration and benefits. We also care about development of our staff, and establish management school to improve the staff training system. The management school was honored “2017 CEFE – Best Learning Ecosystem Operation (2017年CEFE優秀學習生態運營獎)” and was named “CCFA Top 10 Corporate Universities (CCFA十佳企業大學)” for seven consecutive years.

Red Star Macalline is devoted to building a safe, healthy and comfortable working and living environment for its staff. We build roof-top farms to offer balanced diet to staff, offer subsidized houses, gyms and libraries to improve life quality of staff, and hold sport meetings to relieve staff from pressure and make a balance between work and life. We also set up Red Star Macalline Caring Fund (紅星摯愛基金) to provide financial support to staff or their families who suffer from disease, thereby relieving them from worries.

RESPONSIBILITY TO ENVIRONMENT AND SOCIAL PUBLIC

Paying high attention to resource conservation and environmental protection, Red Star Macalline incorporates environmental protection into the decision making process, management and corporate culture, giving top priority to environmental protection in all aspects and stages of business operation. We develop a series of energy conservation and emission reduction strategies against the major consumed energy resources including water, electricity, gas and construction materials, reduce emission of greenhouse gas and play a part in combating global warming.

In the pursuit of growth and quality improvement, Red Star Macalline builds close relation with communities, shares its development achievements with the society, and never forgets to perform its social responsibilities. As a leader in the home furnishing industry, we spare no effort to spread home culture with our expertise, and propagandize home aesthetics and family concept through “YUDAO” WeChat Official Account. We also built green showroom in shopping malls and, by displaying the 15 steps for home decoration, offer advice to customers on how to select products that fit their needs in a cost-effective way.

Red Star Macalline also takes an active part in public welfare undertakings. Total charitable donations amounted to RMB10.9 million in 2017.

THE MAIN AWARDS OF RED STAR MACALLINE ON PERFORMING THE SOCIAL RESPONSIBILITY IN 2017

Awards/honors	Issuing organization
Top 10 Companies with Best After-sales Services (全國行業十佳售後服務單位)	
CCFA Staff's Favorite Chain Enterprise (CCFA中國連鎖業員工最喜愛公司)	
Best Employer of 2017(2017年度最佳僱主)	
Top Human Resources Management Awards (人力資源管理傑出獎)	
CCFA Top 10 Corporate Universities (CCFA十佳企業大學)	
2017 China Charitable Company (2017年度中國公益企業)	

TO THE SHAREHOLDERS RED STAR MACALLINE GROUP CORPORATION LTD.,

1. OPINION

We have audited the accompanying financial statements of Red Star Macalline Group Corporation Ltd. (hereinafter referred as "the Company"), which comprise the consolidated and the company's balance sheets as at 31 December 2017, the consolidated and the company's income statements, the consolidated and the company's statements of changes in shareholders' equity and the consolidated and the company's cash flow statements for the year then ended, and notes to the financial statements.

In our opinion, the financial statements of the Company present fairly, in all material respects, the consolidated and the company's financial position for the year ended 31 December 2017, and the consolidated and the company's results of operations and cash flows for the year then ended in accordance with Accounting Standards for Business Enterprises ("ASBEs").

2. BASIS FOR OPINION

We conducted our audit in accordance with China Standards on Auditing ("CSAs"). Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We are independent of the Company in accordance with the Code of Ethics for Chinese Certified Public Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

3. KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined the matters described below to be key audit matters to be communicated in our report.

(i) **Recognition of revenue from the consulting and management service titled the Company's name in the early stage of the project**

Description

The Group recognizes revenue from the consulting and management service titled the Company's name in the early stage of the project on the condition that contract terms are satisfied and that there is no material uncertainty about the recoverability of revenue from the consulting and management service titled the Company's name in the early stage of the project. During the year, revenue from the consulting and management service titled the Company's name in the early stage of the project of the Group amounts to RMB1,587,200,094.98. For details, please refer to Note (V).39.

In view of the large amount, we identify the recognition of revenue from the consulting and management service titled the Company's name in the early stage of the project as a key audit matter.

Auditor's Report

For the year ended 31 December 2017

3. KEY AUDIT MATTERS (CONTINUED)

(I) **Recognition of revenue from the consulting and management service titled the Company's name in the early stage of the project (Continued)**

Audit response

Audit procedures we have performed in respect of the recognition of revenue from the consulting and management service titled the Company's name in the early stage of the project include:

- 1) Review agreements signed between the Group and partners under the Managed Shopping Malls, and get informed of relevant transaction terms;
- 2) Get informed of the procedures which the management adopts to analyze whether revenue from the consulting and management service titled the Company's name in the early stage of the project for each project is qualified for revenue recognition; test key control procedures related to recognition of revenue from the consulting and management service titled the Company's name in the early stage of the project, including the management's regular review of ongoing projects;
- 3) Obtain evidence which the management relies on to assess the progress of relevant projects (including whether to obtain land use right certificates), and pay visit to some of the projects on a random basis to check the actual progress;
- 4) Select collection information related to revenue from the consulting and management service titled the Company's name in the early stage of the project on a random basis, review bank statements and bank slips, and check the payer against the signing party of relevant contract;
- 5) Assess the reasonability of the management's estimate about whether economic benefits related to the transaction would probably flow into the Group.

(II) **Impairment of accounts receivable related to revenue from the consulting and management service titled the Company's name in the early stage of the project**

Description

As at the end of the year, balances of accounts receivable related to revenue from the consulting and management service titled the Company's name in the early stage of the project ("accounts receivable in early stage of management") reach RMB1,220,255,000.00, and provision for impairment loss amounts to RMB438,194,750.00. For details, please refer to Note (V).3.

In view of the large amount and the judgements and estimates involved in the assessment of recoverability of accounts receivable by the management of the Group, we identify impairment of accounts receivable in early stage of management as a key audit matter.

3. KEY AUDIT MATTERS (CONTINUED)

(II) Impairment of accounts receivable related to revenue from the consulting and management service titled the Company's name in the early stage of the project (Continued)

Audit response

Audit procedures we have performed in respect with impairment of accounts receivable in early stage of management include:

- 1) Get informed of the policy regarding impairment of accounts receivable in early stage of management and the approach adopted by the management to estimate impairment amount, and test key control procedures related to impairment of accounts receivable in early stage of management;
- 2) Obtain and verify evidence of project progress, further determine whether there exists objective evidence for the necessity of provision for impairment loss, and assess the reasonability of major assumption applied by the management to determine whether it is necessary to make provision for impairment loss on accounts receivable in early stage of management;
- 3) Analyze provision for impairment loss made by the Group with reference to the collection of accounts receivable in early stage of management after the balance sheet date, and have a sampling check on bank slips and other documents related to collection of accounts receivable after the balance sheet date;
- 4) Assess the reasonability of provision for impairment loss on accounts receivable in early stage of management made by the management.

(III) Impairment of receivables related to minority shareholders of the Portfolio Shopping Malls and partners under the Managed Shopping Malls (collectively as "partners")

Description

As at the end of the year, receivables related to partners (excluding entrusted loan and advances) include other receivables with initial carrying amount of RMB141,085,384.40 and provision for impairment loss of RMB7,596,808.77, and long-term receivables with initial carrying amount of RMB507,525,250.00. For details, please refer to Note (V).5 and 9.

In view of the large amount and the judgements and estimates involved in the assessment of recoverability of receivables related to partners by the management of the Group, we identify impairment of receivables related to partners as a key audit matter.

Auditor's Report

For the year ended 31 December 2017

3. KEY AUDIT MATTERS (CONTINUED)

(III) Impairment of receivables related to minority shareholders of the Portfolio Shopping Malls and partners under the Managed Shopping Malls (collectively as "partners") (Continued)

Audit response

Audit procedures we have performed in respect of impairment of receivables related to partners include:

- 1) Get informed of the approach adopted by the management to estimate and determine the amount of provision for impairment loss, and test key control procedures related to impairment of receivables related to partners;
- 2) Obtain the management's estimate about the recoverability of receivables related to partners, and assess the reasonability of major assumption applied by the management to determine whether it is necessary to make provision for impairment loss on receivables related to partners by getting informed of the progress of projects related to such receivables, obtaining financial statements of partners and checking whether such funds are secured or guaranteed;
- 3) Review the management's calculation of expected future cash flows, and assess the reasonability of provision for impairment loss on such receivables made by the management.

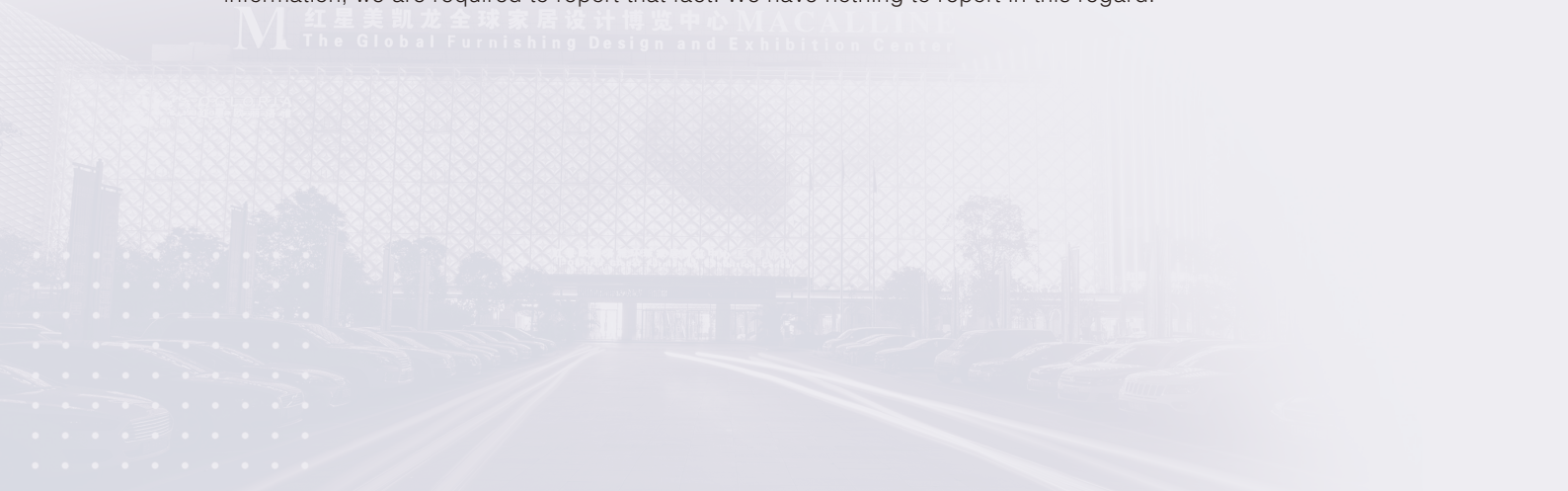
4. OTHER INFORMATION

The management of the Company is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.


M 红星美凯龙全球家居设计博览中心 MACALLINE
The Global Furnishing Design and Exhibition Center

5. RESPONSIBILITIES OF MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE FOR THE FINANCIAL STATEMENTS

The management of the Company is responsible for the preparation and fair presentation of the financial statements in accordance with ASBEs, and designing, implementing and maintaining the internal control that is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern assumption unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

6. AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with CSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with CSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- (1) Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- (2) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. But the purpose is not to express an opinion on the effectiveness of internal control.
- (3) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- (4) Conclude on the appropriateness of the management's use of going concern assumption and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required by CSAs to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

Auditor's Report

For the year ended 31 December 2017

6. AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

As part of an audit in accordance with CSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also: (continued)

- (5) Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- (6) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Deloitte Touche Tohmatsu CPA LLP.

Chinese Certified Public Accountants:
(The engagement partner)

M 红星美凯龙全球家居设计博览中心 MACALLINE
The Global Furnishing Design and Exhibition Center

Shanghai, China

Chinese Certified Public Accountants:

28 March 2018

Consolidated Balance Sheet

At 31 December 2017

RMB

Item	Notes	Closing balance	Opening balance
Current Assets:			
Cash and bank balances	(V)1	10,626,917,788.54	6,137,865,114.87
Notes receivable	(V)2	3,000,000.00	900,000.00
Accounts receivable	(V)3	1,167,430,013.77	799,810,037.69
Prepayments	(V)4	267,777,107.29	164,841,803.45
Other receivables	(V)5	1,734,498,124.83	978,680,238.37
Inventories	(V)6	120,291,360.44	45,423,343.28
Non-current assets due within one year	(V)7	120,000,000.00	45,000,000.00
Other current assets	(V)7	527,577,887.53	623,564,454.04
Total Current Assets		14,567,492,282.40	8,796,084,991.70
Non-current Assets:			
Available-for-sale financial assets	(V)8	3,062,451,062.40	544,401,221.29
Long-term receivables	(V)9	1,301,785,294.30	827,660,977.03
Long-term equity investments	(V)10	1,613,818,294.75	1,012,646,573.83
Investment properties	(V)11	70,831,000,000.00	66,948,000,000.00
Fixed assets	(V)12	158,862,688.00	141,662,812.14
Construction in progress	(V)13	66,100,052.88	65,975,322.44
Intangible assets	(V)14	458,617,045.42	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	229,333,419.48	171,207,612.77
Deferred tax assets	(V)18	718,579,066.08	594,604,457.35
Other non-current assets	(V)19	3,960,574,126.00	1,948,746,010.92
Total non-current assets		82,447,131,808.91	72,739,319,111.42
Total assets		97,014,624,091.31	81,535,404,103.12

Consolidated Balance Sheet

At 31 December 2017

RMB

Item	Notes	Closing balance	Opening balance
Current liabilities:			
Short-term loans	(V)20	300,010,000.00	500,010,000.00
Accounts payable	(V)21	491,215,018.66	353,219,391.21
Advance from customers	(V)22	3,068,282,301.16	2,067,113,177.08
Payroll payable	(V)23	800,537,116.04	540,096,177.35
Taxes payables	(V)24	927,266,639.50	453,974,032.68
Interest payables	(V)25	178,691,354.69	120,291,237.11
Dividends payable	(V)26	61,960,000.00	138,500,000.00
Other payables	(V)27	7,338,709,537.17	5,158,966,317.83
Non-current liabilities due within one year	(V)28	9,550,075,473.97	4,210,031,348.15
Total current liabilities		22,716,747,441.19	13,542,201,681.41
Non-current liabilities:			
Long-term loans	(V)29	11,372,664,484.81	8,447,537,245.75
Bonds payable	(V)30	4,896,478,160.15	8,434,100,693.31
Long-term payables	(V)31	1,415,698,075.42	1,475,711,651.18
Deferred income	(V)32	192,141,221.74	195,413,309.31
Deferred tax liabilities	(V)18	9,714,400,823.89	9,104,345,882.92
Other non-current liabilities	(V)33	2,774,520,500.00	415,320,500.00
Total non-current liabilities		30,365,903,266.01	28,072,429,282.47
Total liabilities		53,082,650,707.20	41,614,630,963.88

M 红星美凯龙全球家居设计博览中心 MACALLINE
The Global Furnishing Design and Exhibition Center

Consolidated Balance Sheet

At 31 December 2017

RMB

Item	Notes	Closing balance	Opening balance
Equity:			
Share capital	(V)34	3,623,917,038.00	3,623,917,038.00
Capital reserve	(V)35	5,362,115,385.55	5,620,013,738.96
Other comprehensive income	(V)36	1,562,965,633.10	–
Surplus reserve	(V)37	1,623,080,808.19	1,226,111,855.65
Retained earnings	(V)38	28,254,693,080.77	26,095,809,439.81
Total equity attributable to shareholders of the Company		40,426,771,945.61	36,565,852,072.42
Non-controlling interests		3,505,201,438.50	3,354,921,066.82
Total equity		43,931,973,384.11	39,920,773,139.24
Total liabilities and equity		97,014,624,091.31	81,535,404,103.12

The notes are an integral part of these financial statements

The financial statements set forth from page 113 to 425 are signed by the following persons-in-charge:

Legal representative:

Person in charge of accounting:

Person in charge of the
accounting department:

Consolidated Income Statement

For the year ended 31 December 2017

RMB

Item	Notes	Amount for the current period	Amount for the prior period
I. Revenue	(V)39	10,959,512,669.77	9,436,081,755.29
Less: Costs of sales	(V)39	3,163,193,516.38	2,612,767,511.67
Taxes and surcharges	(V)40	317,329,519.05	413,922,513.42
Distribution and selling expenses	(V)41	1,513,829,389.14	1,205,697,587.59
General and administrative expenses	(V)42	1,361,788,199.04	935,078,887.46
Financial expenses	(V)43	1,131,840,043.65	877,707,890.38
Impairment loss of assets	(V)44	283,436,250.82	572,890,325.59
Add: Gain on fair value changes	(V)45	1,996,188,694.30	1,754,032,308.00
Investment income	(V)46	633,897,111.33	130,896,456.03
Including: Investment income from associates and joint ventures		129,258,920.85	136,217,986.32
Gains/(Losses) from disposal of assets	(V)47	35,964,572.41	(4,615,478.68)
Other income	(V)48	62,288,005.83	–
II. Operating profit		5,916,434,135.56	4,698,330,324.53
Add: Non-operating income	(V)49	112,250,229.35	119,076,037.54
Less: Non-operating expenses	(V)50	42,647,769.39	15,888,661.20
III. Total profit		5,986,036,595.52	4,801,517,700.87
Less: Income tax expenses	(V)51	1,708,022,775.23	1,128,075,879.79
IV. Net profit		4,278,013,820.29	3,673,441,821.08
(1) According to the classification of continuity of operation			
1. Net profit from continuing operations		4,278,013,820.29	3,673,441,821.08
2. Net profit from discontinued operations		–	–
(2) According to the classification of ownership			
1. Non-controlling interests		200,116,070.83	276,258,586.76
2. Net profit attributable to owners of the Company		4,077,897,749.46	3,397,183,234.32

M 红星美凯龙全球家居设计博览中心 MACALLINE
The Global Furnishing Design and Exhibition Center

Consolidated Income Statement

For the year ended 31 December 2017

RMB

Item	Notes	Amount for the current period	Amount for the prior period
V. Other comprehensive income (after tax)		1,736,628,481.22	–
Other comprehensive income (after tax) attributable to owners of the Company		1,562,965,633.10	–
(1) Other comprehensive income that will not be reclassified to profit or loss		–	–
(2) Other comprehensive income that will be reclassified to profit or loss		1,562,965,633.10	–
1. Gain or loss on changes in fair value of available-for-sale financial assets		1,562,965,633.10	–
Other comprehensive income (after tax) attributable to non-controlling interests		173,662,848.12	–
VI. Total comprehensive income		6,014,642,301.51	3,673,441,821.08
Total comprehensive income attributable to owners of the Company		5,640,863,382.56	3,397,183,234.32
Total comprehensive income attributable to non-controlling interests		373,778,918.95	276,258,586.76
VII. Earnings per share:			
(1) Basic earnings per share	(V)52	1.13	0.94
(2) Diluted earnings per share	(V)52	N/A	N/A

Consolidated Cash Flow Statement

For the year ended 31 December 2017

RMB

	Notes	Amount for the current period	Amount for the prior period
I. Cash Flows from Operating Activities:			
Cash received from the sales of goods and rendering of services		12,184,489,800.57	9,429,560,443.73
Other cash received relating to operating activities	(V)53(1)	2,272,530,770.97	653,445,383.04
Sub-total of cash inflow from operating activities		14,457,020,571.54	10,083,005,826.77
Cash payments for goods purchased and services received		1,353,768,114.19	931,576,478.69
Cash payments to and on behalf of employees		2,731,713,050.70	2,012,983,198.59
Payments of various types of taxes		1,439,972,395.48	1,681,409,743.73
Other cash payments relating to operating activities	(V)53(2)	2,413,208,082.34	1,473,107,648.81
Sub-total of cash outflow from operating activities		7,938,661,642.71	6,099,077,069.82
Net Cash Flows from Operating Activities	(V)54(1)	6,518,358,928.83	3,983,928,756.95
II. Cash Flows from Investing Activities:			
Cash received from disposal of investments		86,800,000.00	34,567,187.71
Cash received from investment income		1,025,000.00	3,060,000.00
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		38,051,932.66	490,241.82
Net cash received from disposal of subsidiaries and other business units	(V)54(3)	2,781,119,596.23	–
Other cash received relating to investing activities	(V)53(3)	1,322,168,756.14	1,061,139,192.43
Sub-total of cash inflow from investing activities		4,229,165,285.03	1,099,256,621.96
Cash paid to purchase and construct fixed assets, intangible assets and other long-term assets		5,840,426,576.29	3,265,420,672.51
Cash paid for investments		1,607,414,912.91	569,828,606.80
Net cash paid for acquisition of subsidiaries and other business units	(V)54(2)	740,285,674.10	783,363,520.86
Net cash paid for disposal of subsidiaries and other business units	(V)54(3)	–	3,417,768.61
Other cash paid relating to investing activities	(V)53(4)	2,052,152,346.63	1,385,951,191.70
Sub-total of cash outflow from investing activities		10,240,279,509.93	6,007,981,760.48
Net Cash Flow from Investing Activities		(6,011,114,224.90)	(4,908,725,138.52)

Consolidated Cash Flow Statement

For the year ended 31 December 2017

RMB

	<i>Notes</i>	Amount for the current period	Amount for the prior period
III. Cash Flows from Financing Activities:			
Cash receipts from capital contributions		134,457,880.00	10,000,000.00
Including: cash receipts from capital contributions from minority shareholders of subsidiaries		134,457,880.00	10,000,000.00
Cash received from borrowings		12,894,832,370.23	8,123,460,188.66
Other cash received relating to financing activities	(V)53(5)	6,099,043.31	10,350,000.00
Sub-total of cash inflow from financing activities		13,035,389,293.54	8,143,810,188.66
Cash repayments of borrowings		6,038,656,350.99	3,753,847,777.65
Cash payments for distribution of dividends or profits or settlement of interest expenses		2,808,194,256.59	2,881,381,326.74
Including: payments for distribution of dividends or profits to minority shareholders of subsidiaries		173,249,654.35	85,063,283.72
Other cash payments relating to financing activities	(V)53(6)	314,901,264.13	239,824,396.92
Sub-total of cash outflow from financing activities		9,161,751,871.71	6,875,053,501.31
Net Cash Flow from Financing Activities		3,873,637,421.83	1,268,756,687.35
IV. Effect of Foreign Exchange Rate Changes on Cash and Cash Equivalents			
		(4,013,093.73)	–
V. Net Increase in Cash and Cash Equivalents			
Add: Opening balance of cash and cash equivalents	(V)54(4)	5,892,424,707.42	5,548,464,401.64
VI. Closing balance of cash and cash equivalents	(V)54(4)	10,269,293,739.45	5,892,424,707.42

Consolidated Statement of Changes in Equity

For the year ended 31 December 2017

RMB

Item	Amount for the current period								
	Attributable to shareholders of the Company						Sub-total	Non-controlling interest	Total equity
	Share capital	Capital reserve	Other comprehensive income	Surplus reserve	Retained earnings				
I. Balance at the beginning of the year	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 the current year									
(I) Net profit	-	-	-	-	4,077,897,749.46	4,077,897,749.46	200,116,070.83	4,278,013,820.29	
(II) Total comprehensive income	-	-	1,562,965,633.10	-	-	1,562,965,633.10	173,662,848.12	1,736,628,481.22	
Sub-total of (I) and (II)	-	-	1,562,965,633.10	-	4,077,897,749.46	5,640,863,382.56	373,778,918.95	6,014,642,301.51	
(III) Owners' contributions and reduction in capital									
1. Capital contributions from owners	-	-	-	-	-	-	134,457,880.00	134,457,880.00	
2. Others (Note)	-	(257,898,353.41)	-	-	-	(257,898,353.41)	(261,246,772.92)	(519,145,126.33)	
(IV) Profit distribution									
1. Transfer to surplus reserve	-	-	-	396,968,952.54	(396,968,952.54)	-	-	-	
2. Distributions to shareholders	-	-	-	-	(1,522,045,155.96)	(1,522,045,155.96)	(96,709,654.35)	(1,618,754,810.31)	
III. Balance at the end of the year	3,623,917,038.00	5,362,115,385.55	1,562,965,633.10	1,623,080,808.19	28,254,693,080.77	40,426,771,945.61	3,505,201,438.50	43,931,973,384.11	

Note: Changes in 2017 are primarily attributable to the effect of transactions with minority shareholders. For details, please refer to Note (VII)2.

M 红星美凯龙全球家居设计博览中心 MACALLINE
The Global Furnishing Design and Exhibition Center

Consolidated Statement of Changes in Equity

For the year ended 31 December 2017

RMB

Item	Amount for the prior period				Sub-total	Non-controlling interest	Total equity
	Share capital	Capital reserve	Surplus reserve	Retained earnings			
I. Balance at the beginning of the year	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 the current year							
(I) Net profit	-	-	-	3,397,183,234.32	3,397,183,234.32	276,258,586.76	3,673,441,821.08
(II) Other comprehensive income	-	-	-	-	-	-	-
Sub-total of (I) and (II)	-	-	-	3,397,183,234.32	3,397,183,234.32	276,258,586.76	3,673,441,821.08
(III) Owners' contributions and reduction in capital							
1. Capital contributions from owners	-	-	-	-	-	10,000,000.00	10,000,000.00
2. Others (<i>Note</i>)	-	(6,961,465.24)	-	-	(6,961,465.24)	(54,023,220.54)	(60,984,685.78)
(IV) Profit distribution							
1. Transfer to surplus reserve	-	-	195,393,718.96	(195,393,718.96)	-	-	-
2. Distributions to shareholders	-	-	-	(1,703,241,007.86)	(1,703,241,007.86)	(194,713,283.72)	(1,897,954,291.58)
III. Balance at the end of the year	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

Note: Changes in 2016 are mainly attributable to the effect of contribution to subsidiaries at premium during the year and the effect of acquisition of non-controlling interest in subsidiaries at discount/premium. For details, please refer to Note (VII)2.

Company's Balance Sheet

At 31 December 2017

RMB

Item	Notes	Closing balance	Opening balance
Current Assets:			
Cash and bank balances		1,969,876,777.44	1,505,388,102.38
Accounts receivable	(XIV)1	484,757,225.91	512,471,830.88
Other receivables	(XIV)2	18,405,457,235.10	17,245,244,177.58
Prepayments		48,766,995.40	485,019,571.78
Dividends receivable		3,131,960,000.00	988,680,000.00
Inventories		5,730,984.40	2,676,389.90
Other current assets		49,830,391.58	127,180,170.73
Total Current Assets		24,096,379,609.83	20,866,660,243.25
Non-current Assets:			
Available-for-sale financial assets		669,543,221.29	189,051,221.29
Long-term receivables		808,560,382.87	622,071,328.39
Long-term equity investments	(XIV)3	11,388,694,251.59	10,887,097,479.63
Fixed assets		25,497,724.38	15,059,226.68
Construction in progress		13,762,311.97	10,333,657.91
Intangible assets	(XIV)4	418,061,037.62	425,166,329.80
Long-term prepaid expenses		21,357,637.10	22,089,620.75
Deferred tax assets		384,913,111.65	346,183,868.71
Other non-current assets	(XIV)5	1,908,490,377.66	964,936,869.68
Total Non-current Assets		15,638,880,056.13	13,481,989,602.84
TOTAL ASSETS		39,735,259,665.96	34,348,649,846.09

M 红星美凯龙全球家居设计博览中心 MACALLINE
The Global Furnishing Design and Exhibition Center

Company's Balance Sheet

At 31 December 2017

RMB

Item	Notes	Closing balance	Opening balance
Current Liabilities:			
Short-term loans		300,010,000.00	500,010,000.00
Accounts payable		121,642,406.76	110,234,392.05
Advance from customers	(XIV)6	731,167,637.28	668,558,019.54
Payroll payable		287,449,474.82	179,716,855.22
Taxes payable	(XIV)7	172,165,530.70	126,615,139.07
Interest payable		101,305,582.17	106,215,655.01
Other payables		11,689,985,295.61	6,582,526,311.12
Non-current liabilities due within one year		5,486,714,288.88	2,929,468,073.32
Total current liabilities		18,890,440,216.22	11,203,344,445.33
Non-current liabilities			
Long-term loans		2,210,000,000.00	1,460,000,000.00
Bonds payable		2,972,912,335.65	8,434,100,693.31
Long-term payables		34,621,903.57	31,663,866.41
Other non-current liabilities		304,520,500.00	344,420,500.00
Total non-current liabilities		5,522,054,739.22	10,270,185,059.72
Total liabilities		24,412,494,955.44	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		1,443,262,240.96	1,046,293,288.42
Retained earnings		4,470,604,335.68	2,419,928,918.74
Total equity		15,322,764,710.52	12,875,120,341.04
Total liabilities and equity		39,735,259,665.96	34,348,649,846.09

Company's Income Statement

For the year ended 31 December 2017

RMB

Item	Notes	Amount for the current period	Amount for the prior period
I. Revenue	(XIV)8	1,883,634,069.86	1,504,091,874.91
Less: Costs of sales	(XIV)8	276,523,553.00	205,762,466.67
Taxes and surcharges	(XIV)9	10,792,314.26	25,855,093.15
Distribution and selling expenses		377,277,042.14	176,138,932.31
General and administrative expenses		649,245,347.45	471,165,423.41
Financial expenses		357,214,111.15	339,822,456.65
Impairment loss of assets		247,590,661.48	831,163,567.23
Add: Gain on fair value changes		–	–
Investment income	(XIV)10	4,012,981,415.45	2,341,984,767.94
Including: Investment income from associates and joint ventures		93,420,154.33	131,140,153.93
Gains from disposal of assets		358,379.26	20.94
Other income		4,489,199.06	–
II. Operating profit		3,982,820,034.15	1,796,168,724.37
Add: Non-operating income		4,194,339.21	51,847,809.13
Less: Non-operating expenses		10,911,170.27	2,780,419.08
III. Total profit		3,976,103,203.09	1,845,236,114.42
Less: income tax expenses (benefits)	(XIV)11	6,413,677.65	(114,201,985.82)
IV. Net profit		3,969,689,525.44	1,959,438,100.24
(1) Net profit from continuing operations		3,969,689,525.44	1,959,438,100.24
(2) Net profit from discontinued operations		–	–
V. Other comprehensive income (after tax)		–	–
VI. Total comprehensive income		3,969,689,525.44	1,959,438,100.24

M 红星美凯龙全球家居设计博览中心 MACALLINE
The Global Furnishing Design and Exhibition Center

Company's Cash Flow Statement

For the year ended 31 December 2017

RMB

Item	Notes	Amount for the current period	Amount for the prior period
I. Cash Flows from Operating Activities:			
Cash received from the sales of goods and rendering of services		1,777,718,452.65	913,451,252.86
Other cash received relating to operating activities		32,229,405.94	40,893,634.54
Sub-total of cash inflow from operating activities		1,809,947,858.59	954,344,887.40
Cash payments for goods purchased and services received		93,571,215.65	103,178,723.10
Cash payments to and on behalf of employees		517,453,347.16	369,114,807.06
Payments of various types of taxes		170,876,989.77	158,951,584.07
Other cash payments relating to operating activities		408,387,376.23	302,465,532.64
Sub-total of cash outflow from operating activities		1,190,288,928.81	933,710,646.87
Net Cash Flows from Operating Activities	(XIV)12	619,658,929.78	20,634,240.53
II. Cash Flows from Investing Activities:			
Cash received from disposal of investments		250,000.00	271,059,000.00
Cash received from investment income		111,195,000.00	1,506,859,000.00
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		450,976.92	20.94
Net cash received from acquisition or disposal of subsidiaries and other business units		156,700,000.00	–
Other cash received relating to investing activities		30,929,543,209.74	9,846,939,246.00
Sub-total of cash inflow from investing activities		31,198,139,186.66	11,624,857,266.94
Cash paid to purchase and construct fixed assets, intangible assets and other long-term assets		1,203,754,596.19	22,471,426.43
Cash paid for investments		2,012,432,356.51	991,948,924.29
Net cash paid for acquisition of subsidiaries		–	787,598,402.78
Other cash paid relating to investing activities		30,197,086,276.26	15,069,198,031.13
Sub-total of cash outflow from investing activities		33,413,273,228.96	16,871,216,784.63
Net Cash Flow from Investing Activities		(2,215,134,042.30)	(5,246,359,517.69)

Company's Cash Flow Statement

For the year ended 31 December 2017

RMB

Item	Notes	Amount for the current period	Amount for the prior period
III. Cash Flows from Financing Activities:			
Cash received from borrowings		1,050,010,000.00	5,157,510,000.00
Other cash received relating to financing activities		32,884,755,382.04	64,441,304,947.50
Sub-total of cash inflow from financing activities		33,934,765,382.04	69,598,814,947.50
Cash repayments of borrowings		3,440,010,000.00	1,410,000,000.00
Cash payments for distribution of dividends or profits or settlement of interest expenses		2,377,372,996.83	2,296,354,955.67
Other cash payments relating to financing activities		26,057,418,597.63	61,339,265,270.56
Sub-total of cash outflow from financing activities		31,874,801,594.46	65,045,620,226.23
Net Cash Flow from Financing Activities		2,059,963,787.58	4,553,194,721.27
IV. Effect of Foreign Exchange Rate Changes on Cash and Cash Equivalents		—	—
V. Net Increase in Cash and Cash Equivalents		464,488,675.06	(672,530,555.89)
Add: Opening balance of cash and cash equivalents	(XIV)12	1,505,388,102.38	2,177,918,658.27
VI. Closing balance of cash and cash equivalents	(XIV)12	1,969,876,777.44	1,505,388,102.38

M 红星美凯龙全球家居设计博览中心 MACALLINE
The Global Furnishing Design and Exhibition Center

Company's Statement of Changes in Equity

For the year ended 31 December 2017

RMB

Item	Amount for the current period				Total equity
	Share capital	Capital reserve	Surplus reserve	Retained earnings	
I. Balance at the beginning of the year	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
II. Changes in the current year					
(I) Net profit	-	-	-	3,969,689,525.44	3,969,689,525.44
(II) Other comprehensive income	-	-	-	-	-
Sub-total of (I) and (II)	-	-	-	3,969,689,525.44	3,969,689,525.44
(III) Owners' contributions and reduction in capital					
1. Capital contributions from owners	-	-	-	-	-
(IV) Profit distribution					
1. Transfer to surplus reserve	-	-	396,968,952.54	(396,968,952.54)	-
2. Distributions to shareholders	-	-	-	(1,522,045,155.96)	(1,522,045,155.96)
III. Balance at the end of the year	3,623,917,038.00	5,784,981,095.88	1,443,262,240.96	4,470,604,335.68	15,322,764,710.52

Company's Statement of Changes in Equity

For the year ended 31 December 2017

RMB

Item	Share capital	Capital reserve	Amount for the prior period		Total equity
			Surplus reserve	Retained earnings	
I. Balance at the beginning of the year	3,623,917,038.00	5,784,981,095.88	850,899,569.46	2,359,125,545.32	12,618,923,248.66
II. Changes in the current year					
(I) Net profit	-	-	-	1,959,438,100.24	1,959,438,100.24
(II) Other comprehensive income	-	-	-	-	-
Sub-total of (I) and (II)	-	-	-	1,959,438,100.24	1,959,438,100.24
(III) Owners' contributions and reduction in capital					
1. Capital contributions from owners	-	-	-	-	-
2. Others	-	-	-	-	-
(IV) Profit distribution					
1. Transfer to surplus reserve	-	-	195,393,718.96	(195,393,718.96)	-
2. Distributions to shareholders	-	-	-	(1,703,241,007.86)	(1,703,241,007.86)
III. Balance at the end of the year	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

M 红星美凯龙全球家居设计博览中心 MACALLINE
The Global Furnishing Design and Exhibition Center

Notes to the Consolidated Financial Statements

For the year ended 31 December 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 Consolidated Financial Statements

For the year ended 31 December 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 Consolidated Financial Statements

For the year ended 31 December 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 on 8 May 2015 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 26 June 2015, the Company completed the issuance of 543,588,000 overseas-listed foreign shares (H Shares) with a par value of RMB1.00 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 RMB1.00 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. On 26 June 2015, such overseas-listed foreign shares (H Shares) publicly issued were listed and traded on the Hong Kong Stock Exchange. The Company completed the business registration in respect of such change on 7 September 2015.

Approved at the second extraordinary general meeting of 2016 and permitted on 22 December 2017 in Reply on Approval of Initial Public Offering of Shares by Red Star Macalline Group Corporation Ltd. Zheng Jian Xu Ke [2017] No. 2373 Document issued by the China Securities Regulatory Commission, the Company carried out public offering of no more than 315,000,000 RMB-denominated ordinary shares (A shares), which were listed and traded at the Shanghai Stock Exchange. As at 17 January 2018, the Company completed the public offering of RMB-denominated ordinary shares (A shares) totaling 315,000,000 shares with a nominal value of RMB1.00 per share, and the issue price per share amounted to RMB10.23. Upon completion of the offering, the paid-in capital (share capital) of the Company amounted to RMB3,938,917,038.00, among which, the amount of RMB-denominated shares (A shares) subject to trading moratorium was 2,561,103,969 shares; the amount of RMB-denominated shares (A shares) not subject to trading moratorium was 315,000,000 shares, and the amount of overseas listed foreign shares (H shares) not subject to trading moratorium was 1,062,813,069 shares. The Company completed the business registration in respect of such change on 20 March 2018.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

(I) GENERAL INFORMATION OF THE COMPANY (CONTINUED)

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 Consolidation Scope”.

(II) BASIS OF PREPARATION OF 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”) as well as Public Issuance of Securities Company Information Disclosure Rules 15 – General Financial Report (revised in 2014) to disclose relevant financial information. In addition, these financial statements contain relevant disclosures required by the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on the Stock Exchange of Listing Hong Kong Limited.

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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

(II) BASIS OF PREPARATION OF FINANCIAL STATEMENTS (CONTINUED)

Basis of Preparation and Principle of Measurement (CONTINUED)

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 at 31 December 2017, the Group's current liabilities in aggregate exceeded its current assets in aggregate with an amount of RMB8.149 billion. The management of the Group had assessed its ongoing operation for the 12 months starting from 1 January 2018, and after taking into account unutilized bank facilities, proceeds from subsequent public offering of RMB-denominated ordinary shares (A Shares) and expected net cash inflows from operating activities as at 31 December 2017, believes that the liquidity risk arising from the fact that its current assets is less than its current liabilities as at the end of Reporting Period that the Group is exposed to falls within the range of control, and thus has no material effect on the ongoing operation of the Group. Therefore, these financial statements have been prepared on a going concern basis.

Notes to the Consolidated Financial Statements

For the year ended 31 December 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). (25) 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 consolidated and the company's financial position as at 31 December 2017, the consolidated and the company's operating results and the consolidated and the company's cash flows for the year then ended.

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 Consolidated Financial Statements

For the year ended 31 December 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 recognized 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 Consolidated Financial Statements

For the year ended 31 December 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 recognized 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 recognizes 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.


M 红星美凯龙全球家居设计博览中心 MACALLINE
The Global Furnishing Design and Exhibition Center

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

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

6. Preparation of consolidated financial statement (Continued)

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.

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 is 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 is 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 recognizes 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 Consolidated Financial Statements

For the year ended 31 December 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 recognized 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) "14.3.2. Long-term equity investment accounted for by equity method".

The Group as a joint operator recognizes 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 recognized 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.


M 红星美凯龙全球家居设计博览中心 MACALLINE
The Global Furnishing Design and Exhibition Center

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

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

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.

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 recognized 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 capitalized as part of the cost of the qualifying asset during the capitalization 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 recognized 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 recognized as other comprehensive income and included in shareholders' equity.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

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

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

9.2 Translation of financial statements denominated in foreign currencies (Continued)

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 prior year are presented at the translated amounts in the prior year's financial statements.

10. Financial Instrument

Financial assets and financial liabilities are recognized 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 recognized in profit or loss. For other financial assets and financial liabilities, relevant transaction costs are included in their initial recognized amounts.

10.1 Effective interest method

The effective interest method is a method of calculating the amortized 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

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

10. Financial Instrument (Continued)

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 recognized and derecognized 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, accounts receivable, other receivables, other current assets, other non-current assets and long-term receivables.

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

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 recognized as other comprehensive income, except for impairment losses and exchange difference related to monetary financial assets in foreign currency and amortized cost which are recognized in profit or loss until the financial assets are derecognized for the period, and upon the derecognition, the gains or losses are released and recognized 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 recognized 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

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

10. Financial Instrument (Continued)

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;
- (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;

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

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

10. Financial Instrument (Continued)

10.3 Impairment of financial assets (Continued)

- (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.

– *Impairment of financial assets measured at amortized cost*

If financial assets carried at amortized 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 recognized as an impairment loss in profit or loss. If, subsequent to the recognition of an impairment loss on financial assets carried at amortized 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 recognized, the previously recognized 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 amortized cost would have been had the impairment not been recognized.

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 recognized are not included in a group of financial assets with similar credit risk characteristics for collective assessment of impairment.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

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

10. Financial Instrument (Continued)

10.3 Impairment of financial assets (Continued)

(9) Other objective evidence indicating there is an impairment of a financial asset. (Continued)

– *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 recognized 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 amortization) and the current fair value, less any impairment loss on that financial asset previously recognized 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 recognized, the previously recognized impairment loss is reversed. The amount of reversal of impairment loss on available-for-sale equity instruments is recognized as other comprehensive income, while the amount of reversal of impairment loss on available-for-sale debt instruments is recognized in profit or loss.

– *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 recognized as an impairment loss in profit or loss. The impairment loss on such financial asset is not reversed once it is recognized.

M 红星美凯龙全球家居设计博览中心 MIA C.A.L.L.I
The Global Furnishing Design and Exhibition Center

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

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

10. Financial Instrument (Continued)

10.4 Transfer of financial assets

The Company derecognizes 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 recognizes the financial asset to the extent of its continuing involvement in the transferred financial asset and recognizes 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 recognized in other comprehensive income, is recognized 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 recognized and the part that is derecognized, based on the respective fair values of those parts. The difference between the carrying amount allocated to the part derecognized; and the sum of the consideration received for the part derecognized and any cumulative gain or loss allocated to the part derecognized which has been previously recognized in other comprehensive income, is recognized in profit or loss.

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 an 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

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

10. Financial Instrument (Continued)

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

10.5.1 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 recognizing 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 recognized in profit or loss.


M 红星美凯龙全球家居设计博览中心 MACALLINE
The Global Furnishing Design and Exhibition Center

Notes to the Consolidated Financial Statements

For the year ended 31 December 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 amortized cost using the effective interest method, with gain or loss arising from derecognition or amortization recognized 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 recognized less cumulative amortization recognized in accordance with the principles set out in Accounting Standard for Business Enterprises No. 14 – Revenue.

10.6 Derecognition of financial liabilities

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 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 recognized financial assets and financial liabilities, and intends either to settle on a net basis, or to realize 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 recognized. 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.

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 recognized in the individual test is not included in a group of financial assets with similar credit risk characteristics to be tested for impairment collectively.

M 红星美凯龙全球家居设计博览中心
The Global Furnishing Design and Exhibition Center

Notes to the Consolidated Financial Statements

For the year ended 31 December 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 accounts receivable 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.

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 prior years as well as estimated losses existing in the portfolio of receivables into (1) credit portfolio of accounts receivable; (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

- Credit portfolio for accounts receivable: 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 accounts receivable, 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;

Notes to the Consolidated Financial Statements

For the year ended 31 December 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.


M 红星美凯龙全球家居设计博览中心 MACALLINE
The Global Furnishing Design and Exhibition Center

Notes to the Consolidated Financial Statements

For the year ended 31 December 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 analysis method

Aging	Proportions of bad debt provided (%)	
	Accounts receivable	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%

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 recognized in bad debt provision.

Notes to the Consolidated Financial Statements

For the year ended 31 December 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 Consolidated Financial Statements

For the year ended 31 December 2017

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

13. Classified as assets held for sale

The Company shall classify a non-current asset or disposal group as held for sale if its carrying amount will be recovered principally through a sale transaction (including a non-monetary asset exchange of commercial substance) rather than through continuous use.

Non-current assets or disposal group classified as held for sale shall meet the following criteria: (1) Disposable immediately under current conditions based on similar transactions for disposals of such assets or practices for the disposal group; (2) Probable disposal; that is, a decision has been made on a plan for disposal and an undertaking to purchase has been obtained, and the disposal is expected to be completed within a year.

Where the Group has lost control of a subsidiary due to reasons such as disposal of investment in a subsidiary, regardless of the Group retaining part equity investment after the disposal, upon the investment in subsidiary intended to be disposed of satisfying the conditions for classification as held as available-for-sale, the investment in subsidiary will be generally classified as held as available-for-sale in the parent's separate financial statements, and all assets and liabilities of the subsidiary is classified as held as available-for-sale in the consolidated financial statements.

The Group measured held for sale non-current assets and disposal group at the lower of the fair value less costs to sell and the carrying amount. Where book value is higher than the net value of fair value less disposal expenses, the difference between book value and the net value of fair value less disposal expenses is recognized as asset impairment loss in profit and loss in the current period, and at the same time, provision is made for impairment of held as available-for-sale asset. Where there is increase in net value of fair value less disposal expenses for non-current assets held as available-for-sale on subsequent balance sheet dates, the previously charged difference should be recovered and reversed in asset impairment loss recognized after classification as held as available-for-sale investment, with the reversal amount recognized in profit and loss in the current period. Asset impairment loss recognized before classification as held as available-for-sale investment is not reversible.

No depreciation or amortization is provided for a non-current asset in the non-current assets or disposal groups held for sale. Interest and other expenses attributable to the liabilities of a disposal group held for sale shall continue to be recognized.

Equity investments in associates or joint ventures are all or partially classified as assets held for sale, the portion classified as held for sale will no longer accounted for using the equity method from the date on which it is classified as held for sale.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

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

14. Long-term Equity Investment

14.1 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.

14.2 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

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

14. Long-term Equity Investment (Continued)

14.2 Determination of investment cost (Continued)

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 recognized in profit or loss when they are incurred.

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.

14.3 Subsequent measurement and recognition of profit or loss

14.3.1 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 recognized in the period in accordance with the attributable share of cash dividends or profit distributions declared by the investee.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

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

14. Long-term Equity Investment (Continued)

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

14.3.2 Long-term equity investment accounted for by equity method

Except for all or part of the investment in associates and joint ventures classified as assets held for sale, 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 recognized in profit or loss for the period, and the cost of the long-term equity investment is adjusted accordingly.

Under the equity method, the Group recognizes 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 recognized in the capital reserve and the carrying amount of the long-term equity investment is adjusted accordingly. The Group recognizes 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 recognize 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, unrealized intra-group profits or losses are recognized as investment income or loss to the extent that those attributable to the Group's proportionate share of interest are eliminated. However, unrealized losses resulting from the Group's transactions with its associates and joint ventures which represent impairment losses on the transferred assets are not eliminated.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

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

14. Long-term Equity Investment (Continued)

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

The Group discontinues recognizing 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 recognized 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 recognizing its share of those profits only after its share of the profits exceeds the share of losses previously not recognized.

14.4 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 recognized 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 recognized 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 recognized 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 recognized 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 recognized 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

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

14. Long-term Equity Investment (Continued)

14.4 Disposal of long-term equity investments (Continued)

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 recognized in profit or loss for period. Other comprehensive income recognized 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 recognized 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.

In event that the Group loses joint control or significant influence over an investee due to disposal of part of equity investments, remaining equity after disposal 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 joint control or significant influence is recognized in profit or loss for period. For other comprehensive income recognized in the original equity investment due to the equity method is adopted, it shall be treated using the same accounting basis as the investee used for direct disposal of relevant assets or liabilities when ceasing to use the equity method. All owner's equities which are recognized due to other changes of owner's equity except for net profits and losses, other comprehensive income and profit distributions shall be transferred into the current profit or loss when ceasing to use the equity method.


M 红星美凯龙全球家居设计博览中心 MACALLINE
The Global Furnishing Design and Exhibition Center

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

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

15. 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 recognized 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 recognized 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 recognized 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 recognized in profit or loss for the period.

16. Fixed Assets

16.1 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 recognized 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 derecognized. Other subsequent expenditures except for above expenditures that included in the cost of the fixed asset are recognized in profit or loss in the period in which they are incurred.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

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

16. Fixed Assets (Continued)

16.2 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:

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.

16.3 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 derecognized. 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 recognized 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.

M 红星美凯龙全球家居设计博览中心 MACALLINE
The Global Furnishing Design and Exhibition Center

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

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

17. 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 capitalized 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.

18. 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; Capitalization 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 capitalized 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 capitalized on such borrowings by applying a capitalization rate to the weighted average of the excess of cumulative expenditures on the asset over the amounts of specific-purpose borrowings. The capitalization rate is the weighted average of the interest rates applicable to the general-purpose borrowings.

19. 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 amortized over its estimated useful life period by period using the straight-line method.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

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

19. Intangible Assets (Continued)

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%

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

Research and development expenses

Expenditure on the research phase is recognized 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 recognized 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;

M 红星美凯龙全球家居设计博览中心 MACALLINE
The Global Furnishing Design and Exhibition Center

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

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

19. Intangible Assets (Continued)

Research and development expenses (Continued)

- (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 recognized in profit or loss as incurred.

20. 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 recognized 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 recognized 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 recognized for above-mentioned assets, it will not be reversed in any subsequent period.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

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

21. Long-term Prepaid Expenses

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

22. Employee Benefits

22.1 Accounting treatment of short-term remuneration

Actually occurred short-term employee benefits are recognized 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 recognized 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 recognized 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.

22.2 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 recognized as liabilities, and recognized in current profit or loss or related costs of assets.

22.3 Accounting treatment of termination benefits

When the Group provides termination benefits to employees, employee benefit liabilities are recognized 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 recognizes costs or expenses related to restructuring that involves the payment of termination benefits.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

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

23. Estimated liabilities

Estimated liabilities are recognized 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 recognized 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.

24. 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.

24.1 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 recognized in relevant cost or expense for the period and the capital reserve is adjusted accordingly.

25. Revenue

25.1 Revenue from sales of goods and home decoration

25.1.1 Revenue from sale of goods

Revenue from sale of goods is recognized 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 Consolidated Financial Statements

For the year ended 31 December 2017

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

25. Revenue (Continued)

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

25.1.2 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 recognized 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.

25.2 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 recognized on a straight-line basis within the contractual period.

25.3 Revenue Relating to Managed Shopping Malls

25.3.1 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 recognized 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 Consolidated Financial Statements

For the year ended 31 December 2017

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

25. Revenue (Continued)

25.3 Revenue Relating to Managed Shopping Malls (Continued)

25.3.1 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 recognized 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 recognized 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.

25.3.2 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 recognized 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 Consolidated Financial Statements

For the year ended 31 December 2017

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

25. Revenue (Continued)

25.3 Revenue Relating to Managed Shopping Malls (Continued)

25.3.3 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 recognized 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.

25.3.4 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 recognized 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.

25.4 Other revenues

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

25.4.1 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 recognized by the Group at the amount agreed in the agreement a straight-line basis within the validity period of the agreement.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

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

25. Revenue (Continued)

25.4 Other revenues (Continued)

25.4.2 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 recognized 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.

25.4.3 Project construction income

The revenue received by the Group from external project construction works undertaken by the Group is recognized pursuant to construction contracts. The revenue is recognized 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 recognized to the extent of recoverability of the actual contractual cost; and the contractual cost is recognized as contractual expenses in the period in which it is incurred; if the contractual cost is not recoverable, it is recognized as expenses immediately upon its occurrence and not contractual revenue is recognized. 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 recognized by the method of completion percentage.

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

The net amount of cumulative costs accrued and cumulative gross profits (or losses) recognized 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) recognized 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) recognized for the contracts of construction in progress is presented as advances from customers.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

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

26. Government Grants

Government grants are transfer of monetary assets and non-monetary assets from the government to the Group at no consideration. A government grant is recognized 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.

26.1 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 recognized as deferred income, and shall be accounted for in the profit and loss on straight-line basis by instalment over the life of related assets.

26.2 Criterion and accounting treatment of income-related government grant

Please refer to Note (V).48 and 49 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 recognized as deferred income, and is recognized in profit or loss for the period during the period in which related costs, expenses and losses are recognized. If as compensation for related costs, expenses and losses already incurred, such grant is recognized immediately in the profit and loss for the period.

A government grant related to the daily activities of the Group is recognized in other income for the period based on its economic and business nature. A government grant unrelated to the daily activities of the Group is recognized in non-operating revenue or expense.


M 红星美凯龙全球家居设计博览中心 MACALLINE
The Global Furnishing Design and Exhibition Center

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

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

27. Deferred Income Tax Assets/Deferred Income Tax Liabilities

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

27.1 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.

27.2 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 recognized as assets or liabilities and their tax base that can be determined according to tax laws, deferred tax assets and liabilities are recognized using the balance sheet liability method.

Deferred tax is generally recognized for all temporary differences. Deferred tax assets for deductible temporary differences are recognized 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 recognized.

For deductible losses and tax credits that can be carried forward, deferred tax assets are recognized 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

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

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

27.2 Deferred tax assets and deferred tax liabilities (Continued)

Deferred tax liabilities are recognized 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 recognized to the extent that it is probable that there will be taxable profits against which to utilize 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 realized or the liability is settled.

Current and deferred tax expenses or income are recognized in profit or loss for the period, except when they arise from transactions or events that are directly recognized in other comprehensive income or in shareholders' equity, in which case they are recognized 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 realize 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 realize 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

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

28. 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.

28.1 The Group as a lessee under operating leases

Operating lease payments are recognized 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.

28.2 The Group as a lessor under operating leases

Rental income from operating leases is recognized 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 capitalized when incurred, and are recognized 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.

28.3 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 unrecognized 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.

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

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

29. 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 recognized in the period of the change, if the change affects that period only; or recognized in the period of the change and future periods, if the change affects both.

- 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 recognized 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, when the Group 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: when the Group and partners have entered into management framework agreement or contract and the partners have obtained land transaction confirmation or land use right certificate, the initial revenue from the consulting and management services titled the Company's name for the early stage of the projects is recognized by the Group at the amount agreed in the contract. When relevant Managed Shopping Malls opened, the rest revenue from the consulting and management service titled the Company's name for the early stage of the project is recognized by the Group at the amount agreed in the contract.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

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

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

Deferred tax for investment properties

The Group apply fair value model to carry out subsequent measurement for self-owned mall property. 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:

Fair Value Measurements and Valuation Procedure for Investment Properties

At the end of the current year and prior year, the carrying amount of the Group's investment properties measured at fair value amounted to RMB70,831,000,000.00 and RMB66,948,000,000.00, respectively. 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).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

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

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

Income Tax

At the end of the current year and prior year, after deducting relevant income tax liabilities. (please see note (V), 18 for details), the deferred tax assets of the Group amounted to RMB718,579,066.08 and RMB594,604,457.35 respectively. 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 entity 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 entity 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.

Fixed assets

At the end of the current year and prior year, the initial carrying amount of the fixed assets of the Group amounted to RMB392,882,286.21 and RMB383,157,616.13 respectively, while the net carrying amount was RMB158,862,688.00 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.

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. At the end of the current year and prior year, management of the Group has not found any impairment of fixed assets.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

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

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

Intangible assets

At the end of the current year and prior year, the initial carrying amount of the Group's intangible assets was RMB661,502,586.47 and RMB606,254,502.40, respectively, and the net amount was RMB458,617,045.42 and RMB428,854,402.41, respectively. 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 assets group 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. At the end of the current year and prior year, the impairment on intangible assets of the Group was both RMB100,000,000.00.

Accounts receivable and other receivables

The Group provides impairment allowance by assessing the recoverability of accounts receivable 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 accounts receivable and other receivables, the carrying amount and impairment loss of accounts receivable and other receivables will change when future actual results and expects are different from those previously estimated.

At the end of the current year and prior year, the balance of provision for bad debts in relation to accounts receivable of the Group amounted to RMB766,752,183.69 and RMB620,348,946.36 respectively. At the end of the current year and prior year, the balance of provision for bad debts in relation to other receivables amounted to RMB208,984,259.16 and RMB108,644,782.40.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

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

30. Changes in the accounting policies and accounting estimates of the Company or remedies for major accounting errors

Changes in accounting policies

Details and reasons for changes in the accounting policies	Approval procedure
<p>The Group started adopting Accounting Standards for Business Enterprises No.42 – Non-current Assets Held for Sale and Disposal Groups and Discontinued Operations newly issued by the Ministry of Finance (“MoF”) in 2017 and the Accounting Standards for Business Enterprises No. 16 – Government Grants amended by Ministry of Finance in 2017 since 28 May 2017 and 12 June 2017 respectively. Besides, the financial statements have been prepared in accordance with the Notice of the Revised Format of Financial Statements for General Business Enterprises issued by the MoF on 25 December 2017.</p>	<p>These changes in accounting policies are approved by the Company’s meeting of Board of Directors.</p>
<p>Held-for-sale Non-current Assets and Disposal Groups and Discontinued Operations</p> <p>Accounting Standards for Business Enterprises No.42 Held-for-sale Non-current Assets and Disposal Groups and Discontinued Operations specifies regulations for classifications and measurement of held-for-sale non-current assets or disposal groups, requiring separately present profit or loss arising from continued operations or discontinued operations in the income statement with detailed disclosures about information of the held-for-sale non-current assets or disposal groups and discontinued operations. This standard requires prospective approach for accounting treatment, which has no impact on the financial statements for the comparable year.</p>	
<p>Government grants</p> <p>Prior to the implementation of the Accounting Standards for Business Enterprises No.16 – Government Grants (revised), a government grant related to an asset of the Group is recognized as deferred income and evenly amortized to non-operating income over the useful life of the asset. For a government grant related to income, if the grant is a compensation for related expenses or losses to be incurred in subsequent periods, the grant is recognized as deferred income, and included in profit or loss over the periods in which the related costs are recognized. If the grant is a compensation for related expenses or losses already incurred, the grant is recognized immediately in profit or loss for the period.</p>	

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

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

30. Changes in the accounting policies and accounting estimates of the Company or remedies for major accounting errors (Continued)

Changes in accounting policies (Continued)

Details and reasons for changes in the accounting policies	Approval procedure
<p>After the implementation of the Accounting Standards for Business Enterprises No.16 – Government Grants (revised), a government grant related to an asset is recognized as deferred income, and included to profit or loss in tranches over the useful life of the related asset on a straight-line basis. For a government grant related to income, if the grant is a compensation for related expenses or losses to be incurred in subsequent periods, the grant is recognized as deferred income, and included in profit or loss over the periods in which the related costs or losses are recognized; if the grant is a compensation for related expenses or losses already incurred, the grant is recognized immediately in profit or loss for the period. A government grant related to the Group's business activities is recognized in other income based on the substance of economic activities; a government grant not related to the Group's business activities is recognized in non-operating income and expenses.</p> <p>The Company adopted the effective interest rate method and subsequently measured at amortized cost in respect of bonds payable.</p> <p>Presenting profit or loss from disposal of assets</p> <p>Prior to the release of the Cai Kuai No. 30 Document, the gains or losses recognized from sales of held-for-sale non-current assets (excluding financial instruments, long-term equity investment and investment properties) or disposal groups, and gains or losses arising from disposal of fixed assets, construction in progress, and intangible assets not classified as held-for-sale are presented under the item of "non-operating income" or "non-operating expenses". After the release of the Cai Kuai No.30 Document, gains or losses recognized from sales of held-for-sale non-current assets (excluding financial instruments, long-term equity investment and investment properties) or disposal groups, and gains or losses arising from disposal of fixed assets, construction in progress, and intangible assets not classified as held-for-sale are presented under the item of "gains from disposal of non-current assets". The Group has accounted for the above change in presenting accounts retrospectively, and adjusted comparable data for prior year.</p>	

Notes to the Consolidated Financial Statements

For the year ended 31 December 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% (Note 1)
	Income from site-leasing businesses and management services	5% and 11% (Note 3)
	Revenue from construction contracts	3% and 11% (Note 4)
	Sales amount of the small-scale taxpayers calculated as relevant tax rules	3% (Note 2)
Business tax (Note 1)	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%
Urban 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%

M 红星美凯龙全球家居设计博览中心 MACALLINE
The Global Furnishing Design and Exhibition Center

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

(IV) TAXATION (CONTINUED)

1. Major Categories of Taxes and Tax Rate (Continued)

Category of tax	Basis of tax computation	Tax rate
Property tax	<p>With approval from competent tax authorities, the real estate tax rate for Chengdu Changyi Red Star Macalline Home Furnishing Market Management Company Limited, Yunnan Red Star Macalline Home Furnishing Plaza Company Limited (Yunnan Red Star), 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, 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 (Suzhou Zhongxiong), 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, Hefei Red Star Macalline Shibo Furniture 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 Consolidated Financial Statements

For the year ended 31 December 2017

(IV) TAXATION (CONTINUED)

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

Note 1: The Group'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 in the mainland 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.

M 红星美凯龙全球家居设计博览中心 MACALLINE
The Global Furnishing Design and Exhibition Center

Notes to the Consolidated Financial Statements

For the year ended 31 December 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 2016 of Chongqing Red Star Macalline Shibo Home Furnishing Plaza Company Limited, Chongqing Red Star Macalline Global Home Furnishing Plaza Company Limited, Chengdu Changyi Red Star Macalline Home Furnishing Market Management Company Limited, 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, Chongqing Red Star Macalline Shibo Home Furnishing Plaza Company Limited, Chongqing Red Star Macalline Global Home Furnishing Plaza Company Limited, 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) 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.

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 (《西藏自治區人民政府關於印發〈西藏自治區企業所得稅政策實施辦法〉的通知》), enterprises unitedly executing the Great Western Development Strategy in Tibet Autonomous Region are subject to EIT at a rate of 15%.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

(V) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Cash and Bank

RMB

Items	Closing balance			Opening balance		
	Amount in foreign currency	Exchange rate	Amount in RMB	Amount in foreign currency	Exchange rate	Amount in RMB
Cash on hand:						
Renminbi (refers to "RMB")			47,859,870.87			45,828,781.83
Bank deposits:						
RMB			10,069,660,980.46			6,004,111,777.21
US dollars	37,632,036.13	6.5342	245,895,250.48	14,963.34	6.4758	96,899.54
Hong Kong dollars	120,764.37	0.8359	100,948.14	125,454.11	0.8937	112,113.08
Other cash and bank:						
RMB			263,400,738.59			87,715,543.21
Total			10,626,917,788.54			6,137,865,114.87

As at the end of this year, in the Group's other cash and bank, RMB32,262,664.29 was used for long-term borrowing pledges, RMB16,032,670.36 was pledged for guarantee letters, RMB205,655,403.94 was placed as deposit reserve in the People's Bank of China by Red Star Macalline Finance Corporation, a subsidiary of the Group, RMB9,450,000.00 was the proceeds collected on behalf of the tenants by the Group, and such amount cannot be freely withdrawn because the tenants had been prosecuted for its product quality issue..

As at the end of the prior year, 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 cannot be freely withdrawn because the tenants had been prosecuted for its product quality issue.

As at the end of the current year and prior year, the Group's time deposits with maturity more than three months amounted to RMB94,223,310.50 and RMB157,724,864.24, respectively.

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 Consolidated Financial Statements

For the year ended 31 December 2017

(V) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2. Notes Receivable

(1) Categories of notes receivable

RMB

Category	Closing balance	Opening balance
Bank acceptances	3,000,000.00	900,000.00

(2) As at the end of the current year and prior year, the Group had no pledged notes receivable.

(3) As at the end of the current year and prior year, none of the Group's notes was converted to accounts receivable 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. Accounts receivable

(1) Disclosure of accounts receivable by categories:

RMB

Category	Book balance		Closing balance		Book value Amount
	Amount	Proportion (%)	Bad debt provision Amount	Proportion (%)	
Accounts receivable that are individually significant and for which bad debts are provided for individually	655,902,174.73	33.91	547,912,155.26	83.54	107,990,019.47
Accounts receivable of insignificant individual amount but individually provided for bad debts	111,908,641.80	5.79	109,427,317.93	97.78	2,481,323.87
Accounts receivable for which bad debt are provided based on credit risk characteristics portfolio	1,166,371,380.93	60.30	109,412,710.50	9.38	1,056,958,670.43
Total	1,934,182,197.46	100.00	766,752,183.69	39.64	1,167,430,013.77

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

(V) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

3. Accounts Receivable (Continued)

(1) Disclosure of accounts receivable by categories: (Continued)

RMB

Category	Book balance		Opening balance		Book value Amount
	Amount	Proportion (%)	Amount	Proportion (%)	
Accounts receivable 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
Accounts receivable 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
Accounts receivable 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

M 红星美凯龙全球家居设计博览中心 MACALLINE
The Global Furnishing Design and Exhibition Center

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

(V) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

3. Accounts Receivable (Continued)

(1) Disclosure of accounts receivable by categories: (Continued)

Accounts receivable that are individually significant and for which bad debts are provided for individually as at the end of the year are as follows:

RMB

Details of accounts receivable	Book balance	Closing balance		Reason for provision
		Bad debt amount	Proportion for provision (%)	
Changzhou Wujin Construction Engineering Co., Ltd. (常州市武進建設工程有限公司)	55,000,000.00	55,000,000.00	100.00	Accounts receivable are expected to be unrecoverable.
The Second Construction Group Corporation Limited Of Yancheng Jiangsu (江蘇鹽城二建集團有限公司)	31,432,000.00	31,432,000.00	100.00	Accounts receivable are expected to be unrecoverable.
Jiangsu Jiangzhong Group Company Limited (江蘇江中集團有限公司)	30,000,000.00	30,000,000.00	100.00	Accounts receivable are expected to be unrecoverable.
Fuqing Xingrong Real Estate Co., Ltd. (福清市星融置業有限公司)	17,000,000.00	17,000,000.00	100.00	Accounts receivable are expected to be unrecoverable.
Jiangsu Jiangdu Construction Group Co., Ltd. (江蘇江都建設集團有限公司)	16,000,000.00	16,000,000.00	100.00	Accounts receivable are expected to be unrecoverable.
Shanghai Jiazhan Construction Engineering Company Limited (上海嘉展建築裝潢工程有限公司)	13,000,000.00	13,000,000.00	100.00	Accounts receivable are expected to be unrecoverable.
Jiangxi Lixin Property Investment Group Co., Ltd. (江西立信置業投資集團有限公司)	11,500,000.00	11,500,000.00	100.00	Accounts receivable are expected to be unrecoverable.
Guizhou Wanshang Real Estate Co., Ltd. (貴州萬商置業有限公司)	11,000,000.00	11,000,000.00	100.00	Accounts receivable are expected to be unrecoverable.
Guangxi Yuanchen Hakka Cultural City Investment Co., Ltd. (廣西遠辰客家文化城投資有限公司)	10,000,000.00	10,000,000.00	100.00	Accounts receivable are expected to be unrecoverable.
Nanning Runjia Real Estate Development Co., Ltd. (南寧潤嘉房地產開發有限公司)	10,000,000.00	10,000,000.00	100.00	Accounts receivable are expected to be unrecoverable.
Guangzhou City Huan Bo Exhibition Company Limited (廣州市環博展覽有限公司)	9,666,667.68	9,666,667.68	100.00	Accounts receivable are expected to be unrecoverable.
Yangquan Haomen Real Estate Development Co., Ltd. (陽泉市豪門房地產開發有限公司)	9,246,575.34	9,246,575.34	100.00	Accounts receivable are expected to be unrecoverable.
Guizhou Jinyuan Huafu Property Co., Ltd. (貴州金源華府置業有限公司)	9,000,000.00	9,000,000.00	100.00	Accounts receivable are expected to be unrecoverable.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

(V) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

3. Accounts Receivable (Continued)

(1) Disclosure of accounts receivable by categories: (Continued)

Accounts receivable that are individually significant and for which bad debts are provided for individually as at the end of the year are as follows: (Continued)

RMB

Details of accounts receivable	Book balance	Closing balance		Reason for provision
		Bad debt amount	Proportion for provision (%)	
Wenzhou Honglian Home Furnishing Company Limited (温州红联家居有限公司)	8,465,479.46	8,465,479.46	100.00	Accounts receivable are expected to be unrecoverable.
Guizhou Wanjin Company (贵州万晋置业有限公司)	8,000,000.00	8,000,000.00	100.00	Accounts receivable are expected to be unrecoverable.
Anhui Kaiyue Real Estate Development Co., Ltd. (安徽凯越房地产开发有限公司)	7,500,000.00	7,500,000.00	100.00	Accounts receivable are expected to be unrecoverable.
Guizhou Jinyuanda Real Estate Development Co., Ltd. (贵州金源达房地产开发有限公司)	7,500,000.00	7,500,000.00	100.00	Accounts receivable are expected to be unrecoverable.
Hangzhou Wenhua Real Estate Co., Ltd. (杭州文华置业有限公司)	7,500,000.00	7,500,000.00	100.00	Accounts receivable are expected to be unrecoverable.
Shanxi Guangyu Investment Group Co., Ltd. (山西光宇投资集团有限公司)	7,500,000.00	7,500,000.00	100.00	Accounts receivable are expected to be unrecoverable.
Hong Kong Royal Holdings Group Limited (香港皇室控股集团有限公司)	7,500,000.00	7,500,000.00	100.00	Accounts receivable are expected to be unrecoverable.
Tea Bohui Investment Co., Ltd. (茶博匯投资有限公司)	7,000,000.00	7,000,000.00	100.00	Accounts receivable are expected to be unrecoverable.
Ningde Lianxin Real Estate Co., Ltd. (宁德联信置业有限公司)	7,000,000.00	7,000,000.00	100.00	Accounts receivable are expected to be unrecoverable.
Shaanxi Jinxiong Industry and Trade Co., Ltd. (陕西锦雄工贸有限公司)	6,500,000.00	6,500,000.00	100.00	Accounts receivable are expected to be unrecoverable.
Shenzhen Buji Sanlian Industrial Development Co., Ltd. (深圳市布吉三聯實業發展有限公司)	6,273,965.27	6,273,965.27	100.00	Accounts receivable are expected to be unrecoverable.
Shanxi Xinghe Real Development Co., Ltd. (山西星河房地產開發有限公司)	6,000,000.00	6,000,000.00	100.00	Accounts receivable are expected to be unrecoverable.
Xuchang Fengtai Real Estate Company Limited (许昌豐泰地產有限公司)	6,000,000.00	6,000,000.00	100.00	Accounts receivable are expected to be unrecoverable.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

(V) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

3. Accounts Receivable (Continued)

(1) Disclosure of accounts receivable by categories: (Continued)

Accounts receivable that are individually significant and for which bad debts are provided for individually as at the end of the year are as follows: (Continued)

RMB

Details of accounts receivable	Book balance	Closing balance		Reason for provision
		Bad debt amount	Proportion for provision (%)	
Yong'an Haoyuan Real Estate Co., Ltd. (永安市吳元置業有限公司)	6,000,000.00	6,000,000.00	100.00	Accounts receivable are expected to be unrecoverable.
Yuyao Longding Commercial Plaza Co., Ltd. (余姚市龍鼎商業廣場有限公司)	6,000,000.00	6,000,000.00	100.00	Accounts receivable are expected to be unrecoverable.
Xiangfan Yuanchi Industrial Co., Ltd. (襄樊遠馳實業有限公司)	5,800,000.00	5,800,000.00	100.00	Accounts receivable are expected to be unrecoverable.
Hebei Jingao Real Estate Development Co., Ltd. (河北景奧房地產開發有限公司)	5,500,000.00	5,500,000.00	100.00	Accounts receivable are expected to be unrecoverable.
Wuhan New Beacon Holdings Limited. (武漢紐寶凱控股有限公司)	5,500,000.00	5,500,000.00	100.00	Accounts receivable are expected to be unrecoverable.
Fenyi County Yongkang Real Estate Co., Ltd. (分宜縣永康置業有限公司)	5,000,000.00	5,000,000.00	100.00	Accounts receivable are expected to be unrecoverable.
Funan County Tianfu Property Development Co., Ltd. (阜南縣天阜置業發展有限公司)	5,000,000.00	5,000,000.00	100.00	Accounts receivable are expected to be unrecoverable.
Jiangxi Wengan Industrial Development Co., Ltd. (江西溫贛實業發展有限公司)	5,000,000.00	5,000,000.00	100.00	Accounts receivable are expected to be unrecoverable.
Jinzhong Tianhe Real Estate Development Co., Ltd. (晉中市天河房地產開發有限公司)	5,000,000.00	5,000,000.00	100.00	Accounts receivable are expected to be unrecoverable.
Leshan Wutongqiao District Tiancheng Trading Company (樂山市五通橋區天成商貿有限公司)	5,000,000.00	5,000,000.00	100.00	Accounts receivable are expected to be unrecoverable.
Mudanjiang Changxing Real Estate Co., Ltd. (牡丹江昌星置業股份有限公司)	5,000,000.00	5,000,000.00	100.00	Accounts receivable are expected to be unrecoverable.
Nantong Deer Logistics Co., Ltd. (南通德爾物流有限公司)	5,000,000.00	5,000,000.00	100.00	Accounts receivable are expected to be unrecoverable.
Sanmenxia Xindu Real Estate Co., Ltd. (三門峽市鑫都置業有限公司)	5,000,000.00	5,000,000.00	100.00	Accounts receivable are expected to be unrecoverable.
Shenzhen Zhongyi Shenfa Investment Development Co., Ltd. (深圳中溢申發投資發展有限公司)	5,000,000.00	5,000,000.00	100.00	Accounts receivable are expected to be unrecoverable.
Tongren Jiacheng Real Estate Co., Ltd. (銅仁佳誠置業有限公司)	5,000,000.00	5,000,000.00	100.00	Accounts receivable are expected to be unrecoverable.
Wuhan Zhifeng Real Estate Development Co., Ltd. (武漢致豐房地產開發有限公司)	5,000,000.00	5,000,000.00	100.00	Accounts receivable are expected to be unrecoverable.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

(V) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

3. Accounts Receivable (Continued)

(1) Disclosure of accounts receivable by categories: (Continued)

Accounts receivable that are individually significant and for which bad debts are provided for individually as at the end of the year are as follows: (Continued)

RMB

Details of accounts receivable	Closing balance		Proportion for provision (%)	Reason for provision
	Book balance	Bad debt amount		
Suzhou City Shengyuan Household Information Co., Ltd. (宿州市晟源家居資訊有限公司)	5,000,000.00	5,000,000.00	100.00	Accounts receivable are expected to be unrecoverable.
Yunnan Jindinggao Industrial Co., Ltd. (雲南金鼎高實業有限公司)	5,000,000.00	5,000,000.00	100.00	Accounts receivable are expected to be unrecoverable.
Zhejiang Ganghai Construction Group Co., Ltd. (浙江港海建設集團有限公司)	5,000,000.00	5,000,000.00	100.00	Accounts receivable are expected to be unrecoverable.
Baoding Fangbei Real Estate Development Co., Ltd. (保定方北房地產開發有限公司)	3,000,000.00	3,000,000.00	100.00	Accounts receivable are expected to be unrecoverable.
Jiangsu Hurun Real Estate Co., Ltd. (江蘇潤置置業有限公司)	1,800,000.00	1,800,000.00	100.00	Accounts receivable are expected to be unrecoverable.
Yantai North Wenzhou City Development Co., Ltd. (煙臺北方溫州城開發有限公司)	8,749,965.52	8,134,904.95	92.97	Part of the accounts receivable are expected to be unrecoverable.
Guizhou Xinfeng Pharmaceutical Co., Ltd. (貴州新峰藥業有限公司)	6,870,000.00	6,043,500.00	87.97	Part of the accounts receivable are expected to be unrecoverable.
Jilin Province Songyuan Feiyu Real Estate Development Co., Ltd. (吉林省松原飛宇房地產開發有限公司)	5,750,000.00	5,037,500.00	87.61	Part of the accounts receivable are expected to be unrecoverable.
Hangzhou Kangsheng Trading Co., Ltd. (杭州康昇貿易有限公司)	7,500,000.00	6,300,000.00	84.00	Part of the accounts receivable are expected to be unrecoverable.
Binzhou Yisen Real Estate Development Co., Ltd. (濱州怡森房地產開發有限公司)	7,451,000.00	5,076,000.00	68.13	Part of the accounts receivable are expected to be unrecoverable.
Guangxi Shengli Decoration Engineering Co. Ltd. (廣西晟力裝飾工程有限公司)	54,000,000.00	30,000,000.00	55.56	Part of the accounts receivable are expected to be unrecoverable.
Jiangsu Provincial Construction Group Co., Ltd. (江蘇省建築工程集團有限公司)	31,000,000.00	14,071,232.88	45.39	Part of the accounts receivable are expected to be unrecoverable.
Shijiazhuang Runxin Real Estate Development Co., Ltd. (石家莊潤鑫房地產開發有限公司)	55,914,383.56	13,841,438.36	24.75	Part of the accounts receivable are expected to be unrecoverable.
Jiangsu Golden Pecker Decoration Engineering Co., Ltd. (江蘇金啄木裝飾工程有限公司)	22,000,000.00	4,590,753.42	20.87	Part of the accounts receivable are expected to be unrecoverable.
Tonghua Kailong Commercial Plaza Company Limited (通化市凱龍商業廣場有限公司)	16,232,137.90	15,282,137.90	94.15	Part of the accounts receivable are expected to be unrecoverable.
Guizhou Lingzhi Agricultural Group Real Estate Co., Ltd. (貴州靈智農業集團置業有限公司)	11,250,000.00	10,350,000.00	92.00	Part of the accounts receivable are expected to be unrecoverable.
Total	655,902,174.73	547,912,155.26	83.54	

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

(V) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

3. Accounts Receivable (Continued)

(1) Disclosure of accounts receivable by categories: (Continued)

The portfolio of receivables for which bad debts are provided by portfolio of credit risk characteristics is as follows:

RMB

	Closing balance			Opening balance		
	Book balance	Bad debt amount	Proportion for provision (%)	Book balance	Bad debt amount	Proportion for provision (%)
Within 1 year	752,264,745.72	37,613,234.58	5.00	403,329,060.19	20,166,453.01	5.00
1 to 2 years	278,218,511.10	27,821,851.10	10.00	206,411,466.26	20,641,146.63	10.00
2 to 3 years	87,388,124.11	17,477,624.82	20.00	106,750,000.00	21,350,000.00	20.00
3 to 4 years	44,000,000.00	22,000,000.00	50.00	-	-	50.00
4 to 5 years	-	-	80.00	1,500,000.00	1,200,000.00	80.00
Over 5 years	4,500,000.00	4,500,000.00	100.00	3,000,000.00	3,000,000.00	100.00
Total	1,166,371,380.93	109,412,710.50	9.38	720,990,526.45	66,357,599.64	9.20

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

(V) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

3. Accounts Receivable (Continued)

- (2) Provision, recovery or reversal of bad debt provision for the current year

During the year, the provision for bad debts was RMB152,123,237.33, and the provision for bad debts of RMB5,720,000.00 was reversed, and there was no actual written-off of accounts receivable.

Recovery or reversal of bad debt provision at significant amount for the year is as follows:

RMB

Name of entity	Amount recovered or reversed	Recovery Method
Liaoyang Hongmei Property Co., Ltd. (遼陽紅美置業有限公司)	5,000,000.00	Recovery of accounts receivable

- (3) Top five trade receivables by closing balance collection of the borrower

RMB

Name of entity	Book balance	Proportion of the total amount to accounts receivable (%)	Provision for bad debts
Shijiazhuang Runxin Real Estate Development Co., Ltd. (石家莊潤鑫房地產開發有限公司)	55,914,383.56	2.88	13,841,438.36
Changzhou Wujin Construction Engineering Co., Ltd. (常州市武進建設工程有限公司)	55,000,000.00	2.83	55,000,000.00
Guangxi Shengli Decoration Engineering Co. Ltd. (廣西晟力裝飾工程有限公司)	54,000,000.00	2.78	30,000,000.00
The Second Construction Group Corporation Limited Of Yancheng Jiangsu (江蘇鹽城二建集團有限公司)	31,432,000.00	1.62	31,432,000.00
Jiangsu Construction Engineering Co., Ltd. (江蘇省建築工程集團有限公司)	31,000,000.00	1.60	14,071,232.88
Total	227,346,383.56	11.71	144,344,671.24

- (4) As at the end of the current year and prior year, the Group had no derecognition of accounts receivable due to the transfer of financial assets.
- (5) As at the end of this year, balance of accounts receivable relating to the revenue from the consulting and management service titled the Company's name for the early stage of project amounted to RMB1,220,255,000.00, and impairment provision amounted to RMB438,194,750.00.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

(V) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

4. Prepayments

(1) Aging analysis of prepayments

RMB

Aging	Closing balance		Opening balance	
	Amount	Proportion (%)	Amount	Proportion (%)
Within 1 year	261,983,675.65	97.84	161,519,603.45	97.98
1 to 2 years	2,591,231.64	0.97	1,100,000.00	0.67
2 to 3 years	980,000.00	0.37	2,222,200.00	1.35
Over 3 years	2,222,200.00	0.82	-	-
Total	267,777,107.29	100.00	164,841,803.45	100.00

As at the end of the current year and prior year, none of the Group's significant prepayments aged more than one year.

(2) Top five entities with the largest amounts of prepayments as at the end of the year

RMB

Name of entity	Amount	Proportion of the total amount to prepayments (%)
Beijing Beiyuan Xinghua Comprehensive Market Co., Ltd. (北京北苑星華綜合市場有限公司)	14,955,275.00	5.58
GIANNI VERSACE S.P.A	10,255,509.93	3.83
Shanghai Jinguo 365 Enterprise Services Co., Ltd. (上海巾幗三六五企業服務有限公司)	8,760,899.35	3.27
China International Capital Corporation Limited (中國國際金融股份有限公司)	7,547,169.81	2.67
Jinke Property Group Co., Ltd. (金科地產集團股份有限公司)	7,143,459.56	2.67
Total	48,662,313.65	18.17

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

(V) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5. Other Receivables

(1) Other receivables disclosed by categories are as follows:

RMB

Category	Book balance		Closing balance		Book value Amount
	Amount	Proportion (%)	Bad debt provision		
			Amount	Proportion (%)	
Other receivables that are individually significant and for which bad debts are provided for individually	93,162,035.06	4.79	92,922,856.72	99.74	239,178.34
Other receivables of insignificant individual amount but individually provided for bad debts	40,063,187.55	2.06	35,491,774.59	88.59	4,571,412.96
Other receivables for which bad debt are provided based on credit risk characteristics portfolio	1,810,257,161.38	93.15	80,569,627.85	4.45	1,729,687,533.53
Of which: risk portfolio I	553,075,277.01	28.46	–	–	553,075,277.01
risk portfolio II	254,910,612.43	13.12	12,745,530.62	5.00	242,165,081.81
risk portfolio III	1,002,271,271.94	51.57	67,824,097.23	6.77	934,447,174.71
Total	1,943,482,383.99	100.00	208,984,259.16	10.75	1,734,498,124.83

M 红星美凯龙全球家居设计博览中心 MACALLINE
The Global Furnishing Design and Exhibition Center

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

(V) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5. Other Receivables (Continued)

(1) Other receivables disclosed by categories are as follows: (Continued)

RMB

Category	Book balance		Opening balance		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 Consolidated Financial Statements

For the year ended 31 December 2017

(V) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5. Other Receivables (Continued)

(1) Other receivables disclosed by categories are as follows: (Continued)

Other receivables that are individually significant and for which bad debts are provided for individually as at the end of the year are as follows:

RMB

Details of other receivables	Closing balance		Proportion for provision (%)	Reason for provision
	Book balance	Bad debt amount		
Nan Dwei Investment Co., Ltd. (南德威投资有限公司)	16,781,457.96	16,781,457.96	100.00	Accounts receivable are expected to be unrecoverable
Lizhuo Xingyu Entertainment Media Advertising(Beijing)Co., Ltd. (立卓興宇影視傳媒廣告(北京)有限公司)	14,045,187.00	14,045,187.00	100.00	Accounts receivable are expected to be unrecoverable
Weifang Kaili Property Company Limited (濰坊凱利置業有限公司)	12,000,000.00	12,000,000.00	100.00	Accounts receivable are expected to be unrecoverable
Ningbo Longkai Home Living Shopping Company Limited (寧波隆凱家居生活購物有限公司)	24,000,000.00	24,000,000.00	100.00	Accounts receivable are expected to be unrecoverable
Shijiazhuang Runxin Real Estate Development Co., Ltd. (石家莊潤鑫房地產開發有限公司)	15,663,056.33	15,663,056.33	100.00	Accounts receivable are expected to be unrecoverable
Taiyuan Fairview Home Building Materials & Home Decoration Market Co., Ltd. (太原錦繡家園建材家居裝飾市場有限公司)	10,672,333.77	10,433,155.43	97.76	Part of the accounts receivable are expected to be unrecoverable
Total	93,162,035.06	92,922,856.72	99.74	

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

(V) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5. Other Receivables (Continued)

(1) Other receivables disclosed by categories are as follows: (Continued)

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

Portfolio I:

RMB

	Closing balance			Opening balance		
	Book balance	Bad debt amount	Proportion for provision (%)	Book balance	Bad debt amount	Proportion for provision (%)
Portfolio I	553,075,277.01	-	-	353,054,960.24	-	-

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

	Closing balance			Opening balance		
	Book balance	Bad debt amount	Proportion for provision (%)	Book balance	Bad debt amount	Proportion for provision (%)
Portfolio II	254,910,612.43	12,745,530.62	5.00	361,439,352.99	18,071,967.65	5.00

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

(V) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5. Other Receivables (Continued)

(1) Other receivables disclosed by categories are as follows: (Continued)

Other receivables for which bad debt are provided based on credit risk characteristics portfolio are as follows: (Continued)

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

RMB

	Closing balance			Opening balance		
	Book balance	Bad debt balance	Proportion for provision (%)	Book balance	Bad debt balance	Proportion for provision (%)
Within 1 year	901,613,850.97	45,080,692.55	5.00	215,572,861.08	10,778,643.04	5.00
1 to 2 years	48,466,346.02	4,846,634.60	10.00	59,477,431.77	5,947,743.18	10.00
2 to 3 years	34,466,339.65	6,893,267.93	20.00	22,376,574.63	4,475,314.93	20.00
3 to 4 years	12,978,538.30	6,489,269.15	50.00	1,803,138.25	901,569.13	50.00
4 to 5 years	1,159,820.00	927,856.00	80.00	3,000,000.00	2,400,000.00	80.00
Over 5 years	3,586,377.00	3,586,377.00	100.00	824,937.00	824,937.00	100.00
Total	1,002,271,271.94	67,824,097.23	6.77	303,054,942.73	25,328,207.28	8.36

M 红星美凯龙全球家居设计博览中心 MACALLINE
The Global Furnishing Design and Exhibition Center

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

(V) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5. Other Receivables (Continued)

- (2) Provision, recovery or reversal of bad debt provision for the current year

During the current year, the provision for bad debts was RMB100,339,476.76, and there was no reversal of provision for bad debts and no actual written-off of other receivables.

- (3) Other receivables presented by nature is as follows:

RMB

Item	Closing balance	Opening balance
Loan and advances	678,234,257.94	528,043,386.27
– to related parties	118,226,176.43	123,553,239.79
– to non-controlling interests of subsidiaries	89,450,113.93	77,428,842.27
– to third parties	470,557,967.58	327,061,304.21
Equity transfer receivables	354,264,500.00	–
Sales proceeds collected on behalf of the tenants	553,075,277.01	353,054,960.24
Deposits	99,631,452.25	76,787,193.35
Others	49,292,637.63	20,794,698.51
Total	1,734,498,124.83	978,680,238.37

Note: As at the end of the year, other receivables include loans from minority shareholders of Portfolio Shopping Malls and partnership for Managed Shopping Malls (both of which hereinafter referred to as the "partnership") amounted to RMB141,085,384.40, and related impairment provision amounted to RMB7,596,808.77.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

(V) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5. Other Receivables (Continued)

(4) Top five entities with the largest amounts of other receivables as at the end of the year

RMB

Name of entity	Nature of amount	Closing balance	Proportion of the total amount to other receivables (%)	Bad debt provision as at the end of the year
Changzhou Dongfang New City Construction Co., Ltd. (常州東方新城建設有限公司) (note)	Equity transfer	372,910,000.00	19.19	18,645,500.00
Shanghai Mingyi Enterprise Development Company Limited (上海名藝商業企業發展有限公司) ("Shanghai Mingyi")	Borrowing	105,400,000.50	5.42	5,270,000.02
Changzhou Red Star Plaza Business Management Co., Ltd (常州紅星廣場商業管理有限公司)	Borrowing	90,320,920.55	4.65	4,516,046.03
Huaihua Xingqi Real Estate Development Construction Company Limited (懷化星旗房地產開發建設有限公司)	Borrowing	49,748,807.08	2.56	2,508,170.91
LIU Peng (劉鵬)	Borrowing	36,923,835.54	1.90	1,846,191.78
Total		655,303,563.67	33.72	32,785,908.74

Note: In January 2018, the Group received the equity transfer amount due from Changzhou Dongfang New City Construction Co., Ltd. (常州東方新城建設有限公司) of RMB360,000,000.00.

(5) As at the end of the current year and prior year, the Group had no other receivables involving government grants, and no derecognition of other receivable due to the transfer of financial assets.

M 红星美凯龙全球家居设计博览中心 MACALLINE
The Global Furnishing Design and Exhibition Center

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

(V) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

6. Inventories

RMB

Item	Closing balance			Opening balance		
	Book balance	Provision for impairment	Book value	Book balance	Provision for impairment	Book value
Low-value consumables	22,436,272.95	-	22,436,272.95	11,987,314.44	-	11,987,314.44
Finished goods	97,855,087.49	-	97,855,087.49	33,436,028.84	-	33,436,028.84
Total	120,291,360.44	-	120,291,360.44	45,423,343.28	-	45,423,343.28

As at the end of the current year and prior year, there were no amounts used for guarantee in the inventory balance, and no borrowing costs capitalized.

Notes to the Consolidated Financial Statements

For the year ended 31 December 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	Closing balance	Opening balance
Entrusted loan (Note (V). 19, Note 4)	120,000,000.00	45,000,000.00
Total	120,000,000.00	45,000,000.00

7.2 Other current assets

RMB

Item	Closing balance	Opening balance
Entrusted loan (note 1)	250,000,000.00	170,000,000.00
Available-for-sale financial assets (note 2)	3,000,000.00	100,000,000.00
Tax recoverable	274,577,887.53	170,623,010.42
Microfinance loans (note 3)	–	182,941,443.62
Total	527,577,887.53	623,564,454.04

M 红星美凯龙全球家居设计博览中心 MACALLINE
The Global Furnishing Design and Exhibition Center

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

(V) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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

7.2. Other current assets (Continued)

Note 1: Details of entrusted loans as at the end of the year are as follows:

RMB

Borrower	Relationship with the Company	Start date of the borrowing	End date of the borrowing	Type of currency	Rate (%)	Interest balance
Zhejiang Borui Holding Group Company Limited (浙江博瑞控股集團有限公司) (note)	Partnership	19 December 2016	17 November 2018	RMB	6.02	100,000,000.00
Zhejiang Borui Holding Group Company Limited (浙江博瑞控股集團有限公司) (note)	Partnership	19 December 2016	17 November 2018	RMB	8.00	10,000,000.00
Hebei Zhuohang Real Estate Development Co., Ltd. (河北卓航房地產開發有限公司)	Partnership	20 March 2017	19 March 2018	RMB	10.00	60,000,000.00
Hancheng Xinding Real Estate Development Co., Ltd. (韓城市鑫鼎房地產開發有限責任公司)	Partnership	28 September 2017	25 September 2018	RMB	9.00	80,000,000.00
Total						250,000,000.00

Note: The original maturity date of the entrusted loan provided by Shanghai Xinwei Property Company Limited (上海新偉置業有限公司), a subsidiary of the Group, to Zhejiang Borui Holding Group Company Limited (浙江博瑞控股集團有限公司) was 18 December 2017, and was extended from December 2017 to 17 November 2018.

Note 2: RMB3,000,000.00 as at the end of the year represents the guaranteed wealth management product purchased by the Group from China Minsheng Bank's "Extraordinary Asset Management 89 – Tiananyin 174th Public Fund" (非凡資產管理89天安贏第174期對公款). RMB100,000,000.00 as at the end of the prior year represents the rolling RMB corporate wealth management product purchased by the Group from Ping An Bank's Excellence Plan (平安銀行卓越計劃), which has been redeemed by the end of this year.

Note 3: Opening balance of RMB182,941,443.62 for the year represents the small loans granted by Shanghai Huangpu Red Star Microfinance Co., Ltd. (上海黃浦紅星小額貸款有限公司), the Group's subsidiary, to its third party with its own funds, of which balance of the small loan granted to the shop owners of Red Star Macalline Home Furnishing Mall was RMB67,960,000.00, and balance of the small loan granted to furnishings manufacturers of Red Star Macalline mall was RMB45,000,000.00. As at the beginning of this year, the provision for bad debts equivalent to 1% of the balance of small loan was RMB1,847,893.37. In 2017, the Group disposed of the entire equity interest of Shanghai Huangpu Red Star Microfinance Co., Ltd. (上海黃浦紅星小額貸款有限公司). Please see Note (VI). 3.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

(V) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

8. Available-for-sale Financial Assets

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

RMB

Item	Closing balance			Opening balance		
	Book balance	Impairment provision	Book value	Book balance	Impairment provision	Book value
Available-for-sale debt instruments <i>(note)</i>	120,000,000.00	–	120,000,000.00	100,000,000.00	–	100,000,000.00
Available-for-sale equity instruments	3,089,251,264.88	146,800,202.48	2,942,451,062.40	566,626,423.77	122,225,202.48	444,401,221.29
Including:						
measured at fair value	2,200,652,330.85	–	2,200,652,330.85	–	–	–
Measured at cost	888,598,934.03	146,800,202.48	741,798,731.55	566,626,423.77	122,225,202.48	444,401,221.29
Total	3,209,251,264.88	146,800,202.48	3,062,451,062.40	666,626,423.77	122,225,202.48	544,401,221.29

Note: In February 2016, the Group contributed capital of RMB100 million to set up the Gopher Red Star Special Opportunity M&A No. 2 Fund (歌斐紅星特殊機會併購二號基金) ("No. 2 Fund"), and Gopher Asset Management Co., Ltd. contributed capital of RMB100 million to set up the Gopher Red Star Special Opportunity M&A No. 3 Fund (歌斐紅星特殊機會併購三號基金) ("No. 3 Fund"). Also, the Group and Gopher Asset Management Co., Ltd. ("Gopher") contributed capital of RMB10 million to establish Wuhu Red Star Macalline Equity Investment Fund Management Company Limited (蕪湖紅星美凱龍股權投資基金管理有限公司) ("Wuhu Fund") (See Note (V). 10). No.2 Fund, No.3 Fund and Wuhu Fund contributed capital of RMB100 million, RMB100 million and RMB13 million, respectively, to subscribe for the "Wanjia Gongying Tangshan Wanli Leather City – Special Asset Management Scheme" managed by Wanjia Gongying Asset Management Company Limited (萬家共贏資產管理有限公司) ("asset management scheme"), which granted an entrusted loan through the bank to Tangshan Wanli Real Estate Development Co., Ltd. (唐山萬力房地產開發有限公司) ("Tangshan Wanli"). The entrusted loan was subsequently due in 2016 and incurred default payment, hence the court ruled that the property of Tangshan Wanli located in Tangshan City would be used to compensate to the asset management scheme. In December 2016, the asset management scheme and Tangshan Feikai Real Estate Development Co., Ltd. (唐山斐凱房地產開發有限公司) ("Tangshan Feikai") under Gopher reached a debt transfer agreement, pursuant to which the entrusted loan (including principal, interest and penalty interest thereon) would be transferred to Tangshan Feikai at a consideration of approximately RMB253 million. As at the end of this year, Tangshan Feikai had paid for the consideration, made property compensation according to the above court judgment and then became the owner of the property. After the investment were recovered, Funds No. 2 and No. 3, being limited partners, contributed capital of RMB100 million and RMB100 million, respectively, to invest in Wuhu Gopher Haoli Investment Center (LIMITED PARTNERSHIP) which lent the same to Tangshan Feikai. As of the end of this year, the Group has additionally invested RMB20 million for Fund No. 2 in Wuhu Gopher Haoli Investment Center (LIMITED PARTNERSHIP) which lent the same to Tangshan Feikai.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

(V) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

8. Available-for-sale Financial Assets (Continued)

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

As at the end of this year, available-for-sale equity instruments measured at fair value are as follows:

Classification of available-for-sale financial assets	Available-for-sale equity instruments (Note)
Cost of equity instruments	157,560,000.00
Fair value	2,200,652,330.85
Changes of fair value included in other comprehensive income	2,043,092,330.85
Amount of provision for impairment	–

Note: In 2013, the Group, by increasing its capital invested in Oppein Home Group Inc (“Oppein Home”), representing 4.99% of the equity interest of the investee. Oppein Home is mainly engaged in furniture manufacture business. The Group’s cost for equity investment in Oppein Home was RMB157,560,000.00. As at the beginning of this year, it was measured at cost, as there was no quoted price in the active market and its fair value could not be reliably measured. In March 2017, Oppein Home was listed on the Shanghai Stock Exchange. The Group changed to fair value measurement, resulting in an increase in fair value by RMB2,043,092,330.85 for this year, and the book balance as at the end of this year was RMB2,200,652,330.85.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

(V) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

8. Available-for-sale Financial Assets (Continued)

(3) Available-for-sale financial assets measured at cost as at the end of the year

Investee	Book balance			Closing balance	Impairment provision			Closing balance	Proportion of shareholding in the investee as at the end of this year (%)	Cash dividend for this year
	Opening balance	Increase for the year	Decrease for the year		Opening balance	Increase for the year	Decrease for the year			
Beijing Bluepower Technology Co., Ltd. (北京藍華業科技股份有限公司) ("Bluepower") (Note 1)	44,151,221.29	-	-	44,151,221.29	-	-	-	-	Stock	-
Jinan Caijin Fosun Weishi Equity Investment Fund Joint Venture (LIMITED PARTNERSHIP) (濟南財金復星惟實股權投資基金(有限合伙)) ("Jinan Caijin Fosun Weishi Fund") (Note 2)	45,000,000.00	-	-	45,000,000.00	-	-	-	-	7.50%	-
Beijing Tingjiandan Information Technology Co., Ltd. (北京停簡資訊技術有限公司) ("Tingjiandan Information Technology") (Note 3)	32,500,000.00	-	-	32,500,000.00	-	-	-	-	5.7018%	-

M 红星美凯龙全球家居设计博览中心 MACALLINE
The Global Furnishing Design and Exhibition Center

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

(V) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

8. Available-for-sale Financial Assets (Continued)

(3) Available-for-sale financial assets measured at cost as at the end of the year (Continued)

Investee	Book balance			Closing balance	Impairment provision			Closing balance	Proportion of shareholding in the investee as at the end of this year (%)	Cash dividend for this year
	Opening balance	Increase for the year	Decrease for the year		Opening balance	Increase for the year	Decrease for the year			
Soccer World (Shanghai) Sports Development Co., Ltd. (索福德(上海)體育發展有限公司) ("Soccer World Sports") (Note 4)	25,000,000.00	-	-	25,000,000.00	-	-	-	-	5.0000%	-
Beijing Haozu Technology Development Co., Ltd. (北京好租科技發展有限公司) ("Beijing Haozu Technology") (Note 5)	20,000,000.00	-	-	20,000,000.00	-	-	-	-	2.5974%	-
Guangdong Animation Cartoon Game Life Technology Co., Ltd. (廣州酷漫居動漫科技有限公司) ("Guangdong Comagic") (Note 6)	24,740,000.00	-	-	24,740,000.00	-	-	-	-	4.7297%	-
Shanghai Harbour Home Investment Centre (LIMITED PARTNERSHIP) (上海海寓投資中心(有限合伙)) ("Harbour Home Investment") (Note 7)	50,000,000.00	-	(50,000,000.00)	-	-	-	-	-	35.3600%	-
Guangzhou Snimay Home Furnishing Co., Ltd. (廣州市詩尼曼家居有限公司) ("Guangzhou Snimay") (Note 8)	-	33,610,000.00	-	33,610,000.00	-	-	-	-	4.9900%	-
Aupu Home Co., Ltd. (奧普家居股份有限公司) ("Aupu Home") (Note 9)	-	240,527,474.60	-	240,527,474.60	-	-	-	-	4.2368%	-
Oriental Standard Human Resources Holdings Limited ("Oriental Standard") (Note 10)	-	55,503,660.66	-	55,503,660.66	-	-	-	-	10.0000%	-

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

(V) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

8. Available-for-sale Financial Assets (Continued)

(3) Available-for-sale financial assets measured at cost as at the end of the year (Continued)

Investee	Book balance			Closing balance	Impairment provision			Closing balance	Proportion of shareholding in the investee as at the end of this year (%)	Cash dividend for this year
	Opening balance	Increase for the year	Decrease for the year		Opening balance	Increase for the year	Decrease for the year			
Sinostone (Guangdong) Co., Ltd. (廣東中旗新材料科技有限公司) ("Sinostone Guangdong") (Note 11)	-	32,980,000.00	-	32,980,000.00	-	-	-	-	4.8500%	-
Keeson Technology Corporation Limited (麒盛科技股份有限公司) ("Keeson Technology") (Note 12)	-	75,430,875.00	-	75,430,875.00	-	-	-	-	4.5000%	-
Foshan Junda Enterprise Management Co., Ltd. (佛山郡達企業管理有限公司) (Note 13)	-	20,607,000.00	-	20,607,000.00	-	-	-	-	19.0000%	-
Shanghai Scholar Home Enterprise Management Consulting Centre (LIMITED PARTNERSHIP) (上海權叙企業管理諮詢中心 (有限合夥)) (Note 14)	-	19,960,000.00	-	19,960,000.00	-	-	-	-	26.6165%	-
YunDing Network Technology (Beijing) Co., Ltd. (雲丁網絡技術(北京)有限公司) (Note 15)	-	15,790,000.00	-	15,790,000.00	-	-	-	-	4.0055%	-
Qingdao Yeelink Information Technology Co., Ltd. (青島悅聯客信息技術有限公司) (Note 16)	-	14,700,000.00	-	14,700,000.00	-	-	-	-	5.0000%	-
Xi'an Jiahexing Household Co., Ltd. (西安佳和興家居有限責任公司) (Note 17)	-	11,400,000.00	-	11,400,000.00	-	-	-	-	11.40%	-
Others	167,675,202.48	9,273,500.00	(250,000.00)	176,698,702.48	122,225,202.48	24,575,000.00	-	146,800,202.48	-	-
Total	409,066,423.77	529,782,510.26	(50,250,000.00)	888,598,934.03	122,225,202.48	24,575,000.00	-	146,800,202.48		

The Group does not have control, joint control or significant influence over the above-mentioned investees, and therefore the Group will account for them as available-for-sale financial assets. As equity instrument investment is not quoted in an active market and its fair value cannot be reliably measured, it is measured at cost.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

(V) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

8. Available-for-sale Financial Assets (Continued)

(3) Available-for-sale financial assets measured at cost as at the end of the year (Continued)

Note 1: Bluepower was permitted to be listed on the National Equities Exchange and Quotations System. In 2016, the Group subscribed for 4,039,453 shares of Bluepower at a subscription price of RMB10.93 per share. Such company is mainly engaged in consultation, design, supply, installation and commissioning as well as operation and maintenance of audio and video intelligence systems.

Note 2: In 2016, the Group partnered with Jinan Caijin Fosun Weishi Fund which is mainly engaged in equity investment. As at the end of this year, the proportion of capital contribution made by the Group as a limited partner was 7.50%.

Note 3: In 2016, the Group purchased shares of Tingjiandan Information Technology through increase of capital. Such company is mainly engaged in public parking services for motor vehicles. As at the end of this year, the equity interest of the investee owned by the Group was 5.7018%.

Note 4: In 2016, the Group purchased shares of Soccer World Sports through increase of capital. Such company is mainly engaged in sports ground operation. As at the end of this year, the equity interest of the investee owned by the Group was 5%.

Note 5: In 2016, the Group purchased shares of Beijing Haozu Technology through increase of capital. Such company is mainly engaged in O2O business of commercial property leasing. As at the end of this year, the equity interest of the investee owned by the Group was 2.5974%.

Note 6: In 2015, the Group purchased shares of Guangdong Comagic through increase of capital. Such company is mainly engaged in animation and manufacturing business of peripheral furniture products. As at the end of this year, the equity interest of the investee owned by the Group was 4.7297%.

Note 7: In 2015, the Group partnered with Harbour Home Investment. Pursuant to the partnership agreement, the proportion of capital contribution made by the Group as a limited partner was 35.36%, and the Group shall not involve in the management of investment in the joint venture or other activities. In 2017, the Group disposed of such investment and confirmed an investment income of RMB8,000,000.00.

Note 8: In 2017, the Group purchased shares of Guangzhou Snimay through increase of capital. Such company is mainly engaged in furniture manufacture and retail business. As at the end of this year, the equity interest of the investee owned by the Group was 4.99%.

Note 9: In 2017, the Group purchased shares of Aupu Home through increase of capital. Such company is mainly engaged in wholesale and retail of Bathroom Master and other home appliances. As at the end of this year, the equity interest of the investee owned by the Group was 4.2368%.

Note 10: In 2017, the Group purchased shares of Oriental Standard through increase of capital. Such company is mainly engaged in personnel services. As at the end of this year, the equity interest of the investee owned by the Group was 10%.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

(V) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

8. Available-for-sale Financial Assets (Continued)

(3) Available-for-sale financial assets measured at cost as at the end of the year (Continued)

Note 11: In 2017, the Group purchased shares of Sinostone Guangdong through increase of capital. Such company is mainly engaged in R&D, production, sale and construction of quartz and stone plates as well as the silicon surface materials. As at the end of this year, the equity interest of the investee owned by the Group was 4.85%.

Note 12: In 2017, the Group purchased shares of Keeson Technology through increase of capital. Such company is mainly engaged in R&D, production and sale of electric beds. As at the end of this year, the equity interest of the investee owned by the Group was 4.5%.

Note 13: In 2017, the Group purchased shares of Foshan Junda Enterprise Management Co., Ltd. (佛山郡達企業管理有限公司) through increase of capital. Such company is mainly engaged in development and operation of home furnishing shopping malls. As at the end of this year, the equity interest of the investee owned by the Group was 19%.

Note 14: In 2017, the Group partnered with Shanghai Scholar Home Enterprise Management Consulting Centre (LIMITED PARTNERSHIP) (上海禮敘企業管理諮詢中心(有限合夥)). Pursuant to the partnership agreement, the proportion of capital contribution made by the Group as a limited partner was 26.6165%, and the Group shall not involve in the management of investment in the joint venture or other activities. The joint venture is mainly engaged in equity investment and management.

Note 15: In 2017, the Group purchased shares of YunDing Network Technology (Beijing) Co., Ltd. (雲丁網絡技術(北京)有限公司) through increase of capital. Such company is mainly engaged in network technology development. As at the end of this year, the equity interest of the investee owned by the Group was 4.0055%.

Note 16: In 2017, the Group purchased shares of Qingdao Yeelink Information Technology Co., Ltd. (青島億聯客信息技術有限公司) through increase of capital. Such company is mainly engaged in information technology development. As at the end of this year, the equity interest of the investee owned by the Group was 5%.

Note 17: In 2017, the Group purchased shares of Xi'an Jiahexing Household Co., Ltd. (西安佳和興家居有限責任公司) through increase of capital. Such company is mainly engaged in development and operation of home furnishing shopping malls. As at the end of this year, the equity interest of the investee owned by the Group was 11.4%.

 M 红星美凯龙全球家居设计博览中心 MACALLINE
The Global Furnishing Design and Exhibition Center

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

(V) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

9. Long-term Receivables

RMB

Item	Closing balance			Opening balance		
	Book balance	Impairment provision	Book value	Book balance	Impairment provision	Book value
Deposits (note 1)	160,192,806.30	–	160,192,806.30	202,459,647.32	–	202,459,647.32
Project loan (note 2)	1,047,335,102.98	–	1,047,335,102.98	540,913,295.89	–	540,913,295.89
Lease deposit	94,257,385.02	–	94,257,385.02	84,288,033.82	–	84,288,033.82
Total	1,301,785,294.30	–	1,301,785,294.30	827,660,977.03	–	827,660,977.03

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

(V) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

9. Long-term Receivables (Continued)

Note 1: Breakdown of deposits as at the end of the year is as follows:

RMB

Name of entity	Nature	Relationship with the Company	Amount	Proportion to the total deposits (%)
Changsha Ideal Real Estate Development Co., Ltd. (長沙理想房地產開發有限公司)	Performance deposits	Project partner	60,000,000.00	37.45
Shenzhen Renheng Xingcheng Investment Management Co., Ltd. (深圳仁恒星城投資管理有限公司)	Performance deposits	Project partner	36,000,000.00	22.47
Shanxi Chongkang Food Group Co., Ltd. (山西崇康食品集團有限公司)	Performance deposits	Project partner	15,000,000.00	9.36
Human Resources and Social Security Bureau of Panlong District, Kunming (昆明市盤龍區人力資源和社會保障局)	Retention money	Third party	13,000,000.00	8.12
Tianjin Beichen Construction Management Station (天津市北辰區建築管理站)	Retention money	Third party	6,800,000.00	4.24
Human Resources and Social Security Bureau of Western District, Xining City (西寧市城西區人力資源和社會保障局)	Retention money	Third party	6,659,066.30	4.16
Human Resources and Social Security Bureau of Songbei District, Harbin (哈爾濱松北區人力資源和社會保障局)	Retention money	Third party	5,983,740.00	3.74
Shaanxi Weihua Industrial Company Limited (陝西煒華實業有限公司)	Project guarantee deposits	Minority shareholder of the subsidiary	5,000,000.00	3.12
Tianjin Binhai New Area Tanggu Construction Engineering Transaction Management Center (天津市濱海新區塘沽建設工程交易管理中心)	Retention money	Third party	5,000,000.00	3.12
Chongqing Baotian Real Estate Group Co., Ltd. (重慶寶田地產(集團)有限公司)	Project guarantee deposits	Project partner	5,000,000.00	3.12
Hefei Human Resources and Social Security Bureau (合肥市人力資源和社會保障局)	Retention money	Third party	1,750,000.00	1.10
Total			160,192,806.30	100.00

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

(V) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

9. Long-term Receivables (Continued)

Note 2: Breakdown of the project borrowings as at the end of the year is as follows:

RMB

Name of entity	Nature	Relationship with the Company	Amount	Proportion to total project borrowings (%)	Annual interest rate
Hangzhou Red Star Macalline Global Home Living Company Limited (杭州紅星美凱龍環球家居有限公司)	Shareholder loan	Associate	218,144,320.00	20.83	Non-interest bearing
Anhui Jincheng Tianli Real Estate Co., Ltd. (安徽錦成天利置業有限公司)	Project loan	Project partner	160,000,000.00	15.28	Annual interest rate of 12%
Foshan Haoda Development Co., Ltd. (佛山市豪達發展有限公司)	Project loan	Project partner	150,000,000.00	14.32	Non-interest bearing
Foshan Junda Enterprise Management Co., Ltd. (佛山郡達企業管理有限公司)	Shareholder loan	Investee	146,570,857.22	13.99	Non-interest bearing
Chengdu Great-wall Industrial Group Limited (成都長城實業集團有限公司)	Money lending	Minority shareholder of the subsidiary	94,000,000.00	8.98	Non-interest bearing
Nanchang Red Star Macalline Global Home Expo Center Co., Ltd. (南昌紅星美凱龍環球家居博覽中心有限責任公司)	Shareholder loan	Joint Venture	84,970,532.70	8.11	Non-interest bearing
Shaanxi Weihua Industrial Company Limited (陝西煒華實業有限公司)	Project loan	Minority shareholder of the subsidiary	50,000,000.00	4.77	Non-interest bearing
LIU Peng	Money lending	Minority shareholder of the subsidiary	41,000,000.00	3.91	Non-interest bearing
Xi'an Red Star Jiaxin Home Furnishing Co., Ltd. (西安紅星佳鑫家居有限公司)	Project loan	Investee	36,810,000.00	3.51	Annual interest rate of 11%
Xiamen Baoxiang Red Star Macalline Home Furnishing Plaza Company Limited (廈門寶象紅星美凱龍家居生活廣場有限公司)	Shareholder loan	Joint Venture	22,500,000.00	2.15	Non-interest bearing
Xi'an Jiahexing Household Co., Ltd. (西安佳和興家居有限責任公司)	Project loan	Investee	19,240,000.00	1.84	Non-interest bearing
DORIA HOLDINGS LTD.	Money lending	Another shareholder of the associate	10,981,788.17	1.05	Annual interest rate of 12%
Beijing Chaoyang Huayuan North Nong Gong Shang Company (北京市朝北花園農工商公司)	Project loan	Minority shareholder of the subsidiary	10,000,000.00	0.95	Non-interest bearing
Changsha Ideal Real Estate Development Co., Ltd. (長沙理想房地產開發有限公司)	Project loan	Project partner	2,525,250.00	0.24	Non-interest bearing
Wuhan Red Star Macalline Zhengda Logistics Company Limited (武漢紅星美凱龍正達物流有限公司)	Project loan	Investee	592,354.89	0.07	Non-interest bearing
Total			1,047,335,102.98	100.00	

As at the end of this year, long-term receivables included loans relating to partners amounted to RMB507,525,250.00.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

(V) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

10. Long-term Equity Investments

RMB

Investee	Opening balance	Increase in investment	Decrease in investment	Increase/decrease during the year				Other	Closing balance	Investment year	Proportion of shareholding in the investee (%)	Voting rights in the investee
				Investment gain/loss under equity method	Adjustment to other comprehensive income	Other changes to equity	Cash dividend or profit declared					
I. Joint ventures (note 1)												
Shanghai Mingyi	8,667,939.77	-	-	11,065,395.48	-	-	-	-	19,733,335.25	2009	50.00%	note 1
Chengdu Dongtai Shopping Mall Company Limited (成都東泰商場有限公司) ("Chengdu Dongtai")	699,245,619.69	-	-	103,272,202.20	-	-	-	-	802,517,821.89	2009	50.00%	note 1
Wuhu Red Star Macalline Equity Investment Fund Management Company Limited (無湖紅星美凱龍股權投資基金管理有限公司) ("Wuhu Fund")	10,000,000.00	-	-	(218,554.98)	-	-	-	-	9,781,445.02	2016	50.00%	note 1
Xiamen Baoxiang Red Star Macalline Home Furnishing Plaza Company Limited (廈門寶象紅星美凱龍家居生活廣場有限公司) ("Xiamen Baoxiang")	4,557,376.00	-	-	(278,307.75)	-	-	-	-	4,279,068.25	2016	50.00%	note 1
Nanchang Red Star Macalline Global Home Expo Center Co., Ltd. (南昌紅星美凱龍環球家居博覽中心有限責任公司) ("Nanchang Global Expo")	-	27,000,000.00	-	-	-	-	-	-	27,000,000.00	2017	54.00%	note 1
Sub-total	722,470,935.46	27,000,000.00		113,840,734.95					863,311,670.41			

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

(V) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

10. Long-term Equity Investments (Continued)

RMB

Investee	Opening balance	Increase in investment	Decrease in investment	Increase/decrease during the year				Other	Closing balance	Investment year	Proportion of shareholding in the investee (%)	Voting rights in the investee
				Investment gain/loss under equity method	Adjustment to other comprehensive income	Other changes to equity	Cash dividend or profit declared					
II. Associates (Note 2)												
Shenzhen Red Star Macalline Century Center Home Furnishing Plaza Company Limited (深圳紅星美凱龍世紀中心家居生活廣場有限公司) ("Shenzhen Red Star")	44,408,709.73	-	-	846,353.28	-	-	-	-	45,255,063.01	2008	37.00%	2 seats out of 5 seats of the Board
Haier Consume Financing Company Limited (海爾消費金融有限公司) ("Haier Consume Financing") (Note 3)	128,895,326.08	-	-	11,922,035.19	-	-	-	-	140,817,361.27	2014	25.00%	1 seat out of 6 seats of the Board
Wuhan Red Star Macalline Zhengda Logistics Company Limited (武漢紅星美凱龍正達物流有限公司) ("Wuhan Zhengda") (Note 4)	19,119,602.56	-	(10,119,602.56)	-	-	-	-	(9,000,000.00)	-	note 4	note 4	note 4
Hangzhou Red Star Macalline Global Home Living Company Limited (杭州紅星美凱龍環球家居有限公司) ("Hangzhou Global Home Living")	56,965,000.00	-	-	1,661,478.44	-	-	-	-	58,626,478.44	2016	19.00%	1 seat out of 3 seats of the Board
Meiwu 365 (Tianjin) Technology Company Limited (美屋三六五(天津)科技有限公司) ("Meiwu 365")	20,000,000.00	-	-	(2,099,203.87)	-	-	-	-	17,900,796.13	2016	10.00%	1 seat out of 4 seats of the Board
Shanghai Jiazhan Construction Engineering Company Limited (上海嘉辰建築裝潢工程有限公司) ("Jiazhan Construction")	6,667,000.00	-	-	637,104.60	-	-	-	-	7,304,104.60	2016	5.00%	1 seat out of 3 seats of the Board
AnPollo Network Technology (Beijing) Company Limited (安波羅網絡科技(北京)有限公司) ("AnPollo Network Technology")	14,120,000.00	-	-	(45,151.34)	-	-	-	-	14,074,848.66	2016	15.00%	1 seat out of 4 seats of the Board
Klas International Home Living Company Limited (克拉斯國際家居有限公司) ("Klas International")	-	60,000,000.00	-	732,340.93	-	-	-	-	60,732,340.93	2017	30.00%	2 seats out of 5 seats of the Board
Shanghai Reyli Network Technology Company Limited (上海熱一網絡科技有限公司) ("Reyli Network Technology")	-	5,000,000.00	-	274,701.29	-	-	-	-	5,274,701.29	2017	15.01%	1 seat out of 3 seats of the Board

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

(V) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

10. Long-term Equity Investments (Continued)

RMB

Investee	Opening balance	Increase in investment	Decrease in investment	Increase/decrease during the year					Closing balance	Investment year	Proportion of shareholding in the investee (%)	Voting rights in the investee
				Investment gain/loss under equity method	Adjustment to other comprehensive income	Other changes to equity	Cash dividend or profit declared	Provision made for impairment				
Wuhu Meihe Asset Management Company Limited (蕪湖美和資產管理有限公司)	-	490,000.00	-	-	-	-	-	-	490,000.00	2017	49.00%	2 seats out of 5 seats of the Board
Shanghai UIOT Technology Company Limited (上海紫光樂聯物聯網科技有限公司)	-	22,500,000.00	-	1,488,527.38	-	-	-	-	23,988,527.38	2017	12.32%	1 seat out of 5 seats of the Board
Shanghai Tianhe Smart Home Technology Company Ltd. (上海天合智能科技股份有限公司)	-	59,983,419.00	-	-	-	-	-	-	59,983,419.00	2017	10.00%	1 seat out of 7 seats of the Board
Chengdu Jujiatong Engineering Consultant Inc (成都居家通物流有限公司)	-	40,000,000.00	-	-	-	-	-	-	40,000,000.00	2017	16.00%	1 seat out of 5 seats of the Board
Ant live (Tianjin) Network Technology Co., Ltd. (燦安臣(天津)網絡技術有限公司)	-	50,000,000.00	-	-	-	-	-	-	50,000,000.00	2017	16.67%	1 seat out of 7 seats of the Board
Wuhan Zhengkai Logistics Co., Ltd. (武漢市正凱物流有限公司) ("Wuhan Zhengkai")	-	127,000,000.00	-	-	-	-	-	-	127,000,000.00	2017	19.00%	1 seat out of 7 seats of the Board
Shanghai Harbour Home Investment Management Co., Ltd. (上海灣羣投資管理有限公司)	-	750,000.00	-	-	-	-	-	-	750,000.00	2017	5.82%	1 seat out of 5 seats of the Board
Beijing Sun-sea Parking Management Co., Ltd. (北京陽光海天停車管理有限公司)	-	98,308,983.63	-	-	-	-	-	-	98,308,983.63	2017	15.00%	1 seat out of 5 seats of the Board
Shenzhen Red Star Macalline Longrenheng Home Furnishing Plaza Company Limited (深圳市紅星美凱龍仁恒家居廣場有限公司) (note 5)	-	-	-	-	-	-	-	-	-	2015	43.00%	Not applicable

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

(V) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

10. Long-term Equity Investments (Continued)

RMB

Investee	Opening balance	Increase in investment	Decrease in investment	Increase/decrease during the year					Closing balance	Investment year	Proportion of shareholding in the investee (%)	Voting rights in the investee
				Investment gain/loss under equity method	Adjustment to other comprehensive income	Other changes to equity	Cash dividend or profit declared	Provision made for impairment				
Macalline Gaohe (Wuhu) Home Furnishing Commercial Property Investment Fund Partnership (Limited Partnership) (美凱龍高和(蕪湖)家居商業地產投資基金合夥企業(有限合夥)) (Note 5)	-	-	-	-	-	-	-	-	-	2016	49.74%	Not applicable
Wuhu Gaohe Macalline Changxing Investment Center (Limited Partnership) (蕪湖高和美凱龍暢星投資中心(有限合夥)) (Note 6)	-	-	-	-	-	-	-	-	-	2017	note 6	note 6
Sub-total	290,175,638.37	464,032,402.63	(10,119,602.56)	15,418,185.90	-	-	-	(9,000,000.00)	750,506,624.34			
Total	1,012,646,573.83	491,032,402.63	(10,119,602.56)	129,258,920.85	-	-	-	(9,000,000.00)	1,613,818,294.75			

Note 1: Pursuant to the articles of association of the investees, significant events are required to obtain unanimous approval in general meetings, and therefore the Group and other shareholders have joint control over such investees. The Group accounts for it as a joint venture.

Note 2: The Group has appointed representatives to the board of directors or similar power of authority of the investees, and is entitled to substantive participation and decision-making rights accordingly, and thereby having material influence over the investees. Therefore, the Group accounts for it as an associate.

Note 3: In 2016, the Group provided guarantee by way of pledge of its 25% equity interests held in Haier Consume Financing for the bank loan obtained by Haier Consume Financing. Please see Note (XI). 2(2) for details.

Note 4: In March 2017, the Group disposed of 22% of its shares held in Wuhan Zhengda and no longer had any significant influence on Wuhan Zhengda. After disposal, the Group still held 18% of shares of Wuhan Zhengda which will be accounted for as available-for-sale financial assets.

Note 5: As at the end of this year, the Group has not paid its share of the registered capital of Shenzhen Red Star Macalline Longrenheng Home Furnishing Plaza Company Limited (深圳市紅星美凱龍仁恒家居廣場有限公司) and Macalline Gaohe (Wuhu) Home Furnishing Commercial Property Investment Fund Partnership (Limited Partnership) (美凱龍高和(蕪湖)家居商業地產投資基金合夥企業(有限合夥)).

Note 6: Wuhu Gaohe Macalline Changxing Investment Center (Limited Partnership) (蕪湖高和美凱龍暢星投資中心(有限合夥)) is a limited partnership enterprise established by the Company and Tianjin Gaohe Equity Investment Fund Management Co., Ltd. (天津高和股權投資基金管理有限公司), in which the Company has a significant influence through its involvement in investment decision-making for such limited partnership enterprise. Macalline Gaohe (Wuhu) Home Furnishing Commercial Property Investment Fund Partnership (Limited Partnership) (美凱龍高和(蕪湖)家居商業地產投資基金合夥企業(有限合夥)) subscribed all of the subordinated asset-backed securities of RMB0.85 billion from the Quasi-REITS Programme to which the Company contributed capital of RMB400 million as a limited partner. For details, please see Note (VI). (3).(1).4. In the consolidated financial statements, the Company offsets the above-mentioned investment of RMB400 million with the investment income from the disposal of two subsidiaries in Tianjin, and hence the balance of long-term equity investments as at the end of this year was zero.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

(V) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

11. Investment Properties

Investment properties with fair value measurement model

RMB

Item	Completed properties	Properties under construction	Total
Opening balance	62,062,000,000.00	4,886,000,000.00	66,948,000,000.00
Additions in the year	439,170,974.54	3,562,559,268.51	4,001,730,243.05
Additions from acquisition of subsidiaries	516,261,490.33	250,719,588.62	766,981,078.95
Changes in fair value	2,108,567,535.13	(112,378,840.83)	1,996,188,694.30
Transfer from properties under construction to completed properties	5,042,000,000.00	(5,042,000,000.00)	–
Decrease upon disposal of subsidiaries	(2,304,000,000.00)	(577,900,016.30)	(2,881,900,016.30)
Closing balance	67,864,000,000.00	2,967,000,000.00	70,831,000,000.00

As at the end of the current year and prior year, the investment properties valued RMB54,025,000,000.00 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, 28 and 29.

For both 2017 and 2016, the borrowing costs capitalized amounted to RMB220,390,374.37 and RMB248,918,769.62 respectively.

As at the end of the current year and prior year, the investment properties at fair value of RMB1,516,000,000.00 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.

M 红星美凯龙全球家居设计博览中心 MACALLINE
The Global Furnishing Design and Exhibition Center

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

(V) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

11. Investment Properties (Continued)

As at the end of this year, some of the investment properties held by the Group with unsettled ownership certificate because of repurchase of business (please see Note (VII).1.(1)(b)), details of which are as follows:

RMB

Item	Closing balance
Home Furnishing Shopping Mall Business Division Of Yunnan Red Star Macalline Property Company Limited (<i>note</i>)	818,000,000.00
Home Furnishing Shopping Mall Business Division Of Dalian Red Star Macalline Investment Development Company Limited	1,188,000,000.00
Changchun Red Star Macalline Shibo Home Living Plaza Company Limited (<i>note</i>)	975,000,000.00
Total	2,981,000,000.00

Note: In January 2018, the Group obtained the ownership certificate for the investment properties held by Home Furnishing Shopping Mall Business Division Of Yunnan Red Star Macalline Property Company Limited and Changchun Red Star Macalline Shibo Home Living Plaza Company Limited.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

(V) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

11. Investment Properties (Continued)

Except for those investment properties with ownership certificate not settled as stated above, as at the end of this year, the investment properties held by the Group with ownership certificate not settled valued RMB11,551,000,000.00. The Group considers that relevant ownership certificates may be obtained within a period without any additional costs. The status of related investment properties with ownership certificate not settled is as follows:

RMB

Item	Closing balance	Reason for not yet settling ownership certificate
Shanghai Home Furnishing Expo	2,441,000,000.00	Application for ownership certificate is in progress
Shenyang Mingdu Plaza	1,067,000,000.00	Application for ownership certificate is in progress
Hangzhou Shibo Furniture Plaza	253,000,000.00	Application for ownership certificate is in progress
Chongqing Zhongkun Home Living Plaza	307,000,000.00	Application for ownership certificate is in progress
Tianjin World Trade Home Furnishing Plaza	1,041,000,000.00	Application for ownership certificate is in progress
Changsha Yinhong Home Furnishing Plaza	797,000,000.00	Application for ownership certificate is in progress
Lanzhou Shibo Home Furnishing Plaza	385,000,000.00	Application for ownership certificate is in progress
Wuhan Global Home Furnishing Plaza (<i>note</i>)	882,000,000.00	Application for ownership certificate is in progress
Hefei Shibo Furniture Plaza	773,000,000.00	Application for ownership certificate is in progress
Dongguan Red Star Shibo Furniture Plaza	425,000,000.00	Application for ownership certificate is in progress
Harbin Red Star Shibo Furniture Plaza	966,000,000.00	Application for ownership certificate is in progress
Tianjin Home Furnishings Plaza	976,000,000.00	Application for ownership certificate is in progress
Nanjing International Home Living Plaza	1,238,000,000.00	Application for ownership certificate is in progress
Total	11,551,000,000.00	

Note: In January 2018, the Group obtained the ownership certificate for Wuhan Global Home Furnishing Plaza.

The fair value of the Group's investment properties as at the end of the current year and prior year was appraised by the independent appraiser Wan Long (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 properties, the best use of the investment properties is their current use. The valuation method adopted remained unchanged. Please see note (IX) for details.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

(V) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

12. Fixed Assets

RMB

Item	Special equipment	Transport equipment	Electronic device, furniture and fixtures	Total
I. Initial carrying amount:				
Opening balance	23,734,818.98	119,535,484.35	239,887,312.80	383,157,616.13
Increased amount at current year	–	23,806,228.23	45,138,816.15	68,945,044.38
(1) Purchase	–	23,806,228.23	30,693,889.73	54,500,117.96
(2) Transfer from construction in progress	–	–	14,444,926.42	14,444,926.42
Reduced amount at current year	348,278.30	8,208,814.54	50,663,281.46	59,220,374.30
(1) Disposal	348,278.30	6,125,014.61	10,330,265.96	16,803,558.87
(2) Decrease upon disposal of subsidiaries	–	2,083,799.93	40,333,015.50	42,416,815.43
Closing balance	23,386,540.68	135,132,898.04	234,362,847.49	392,882,286.21
II. Accumulated depreciation				
Opening balance	2,726,031.21	83,435,291.84	155,333,480.94	241,494,803.99
Increased amount at current year	148,908.20	14,563,021.50	29,537,926.37	44,249,856.07
(1) Provision	148,908.20	14,563,021.50	29,537,926.37	44,249,856.07
Reduced amount at current year	265,272.32	7,896,505.59	43,563,283.94	51,725,061.85
(1) Disposal	265,272.32	6,034,079.71	8,617,529.36	14,916,881.39
(2) Decrease upon disposal of subsidiaries	–	1,862,425.88	34,945,754.58	36,808,180.46
Closing balance	2,609,667.09	90,101,807.75	141,308,123.37	234,019,598.21
III. Impairment provision				
Opening balance	–	–	–	–
Increased amount at current year	–	–	–	–
Reduced amount at current year	–	–	–	–
Closing balance	–	–	–	–
IV. Carrying value				
Closing balance	20,776,873.59	45,031,090.29	93,054,724.12	158,862,688.00
Opening balance	21,008,787.77	36,100,192.51	84,553,831.86	141,662,812.14

As at the end of this year, the Group held no temporarily vacant fixed assets, fixed assets leased under finance lease, fixed assets rented out under operating lease or fixed assets with ownership certificate not settled.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

(V) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

13. Construction in Progress

RMB

Item	Closing balance			Opening balance		
	Book balance	Impairment provision	Book value	Book balance	Impairment provision	Book value
Construction in progress	66,100,052.88	–	66,100,052.88	65,975,322.44	–	65,975,322.44

RMB

Item	Opening balance	Increase at current year	Transfer to fixed assets	Transfer to intangible assets	Other decreases (Note)	Closing balance
Current year:						
Expenses for renovation project of Nanjing European City Shopping Mall (南京歐洲城商場)	28,567,738.46	20,470,420.73	–	–	(49,038,159.19)	–
Expenses for renovation project of Honggutan Wanda Plaza (南昌紅谷灘商場)	–	47,562,799.09	–	–	–	47,562,799.09
Expenses for renovation project of Glory Casa store	–	12,779,450.68	–	–	(10,512,008.87)	2,267,441.81
Others	37,407,583.98	50,281,781.31	(14,444,926.42)	(14,230,597.84)	(42,744,029.05)	16,269,811.98
Total	65,975,322.44	131,094,451.80	(14,444,926.42)	(14,230,597.84)	(102,294,197.11)	66,100,052.88

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

During the year, there was no interest capitalized in the increase in construction in progress.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

(V) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

14. Intangible Assets

RMB

Item	Software	Trademark use Right (note)	Others	Total
I. Initial carrying amount				
Opening balance	72,088,227.03	525,000,000.00	9,166,275.37	606,254,502.40
Increased amount at current year	56,828,763.31	–	–	56,828,763.31
(1) Purchase	3,347,782.77	–	–	3,347,782.77
(2) Transfer from development expenditure	39,250,382.70	–	–	39,250,382.70
(3) Transfer from construction in progress	14,230,597.84	–	–	14,230,597.84
Reduced amount at current year	1,580,679.24	–	–	1,580,679.24
(1) Disposal	–	–	–	–
(2) Decrease upon disposal of subsidiaries	1,580,679.24	–	–	1,580,679.24
Closing balance	127,336,311.10	525,000,000.00	9,166,275.37	661,502,586.47
II. Accumulated amortization				
Opening balance	23,226,750.08	45,208,333.33	8,965,016.58	77,400,099.99
Increased amount at current year	11,709,473.08	13,852,583.66	64,789.98	25,626,846.72
(1) Provision	11,709,473.08	13,852,583.66	64,789.98	25,626,846.72
Reduced amount at current year	141,405.66	–	–	141,405.66
(1) Disposal	–	–	–	–
(2) Decrease upon disposal of subsidiaries	141,405.66	–	–	141,405.66
Closing balance	34,794,817.50	59,060,916.99	9,029,806.56	102,885,541.05
III. Impairment provision				
Opening balance	–	100,000,000.00	–	100,000,000.00
Increased amount at current year	–	–	–	–
(1) Provision	–	–	–	–
Reduced amount at current year	–	–	–	–
(1) Disposal	–	–	–	–
(2) Decrease upon disposal of subsidiaries	–	–	–	–
31 December 2017	–	100,000,000.00	–	100,000,000.00
IV. Carrying value				
Closing balance	92,541,493.60	365,939,083.01	136,468.81	458,617,045.42
Opening balance	48,861,476.95	379,791,666.67	201,258.79	428,854,402.41

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

(V) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

14. Intangible Assets (Continued)

Note: 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 (上海吉盛偉邦家居市場經營管理有限公司) ("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 the end of the current year and prior year, 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 for both years.

15. Development Expenditure

RMB

Item	Opening balance	Increase in current year	Transfer to intangible assets for the current year	Closing balance
Main APP of Red Star Macalline	38,967,363.83	283,018.87	(39,250,382.70)	–
Home improvement and data platform	–	29,418,402.19	–	29,418,402.19
Total	38,967,363.83	29,701,421.06	(39,250,382.70)	29,418,402.19

The Group started to develop an application platform for online sale in the prior year to capitalize the expenses qualified to be capitalized in the development stage.

M 红星美凯龙全球家居设计博览中心 MACALLINE
The Global Furnishing Design and Exhibition Center

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

(V) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

16. Goodwill

- (1) Initial carrying amount of goodwill

RMB

Name of investee	Opening balance	Increase in current year Arising from business combination	Decrease in current year Disposal	Closing balance
Suzhou Zhongxiang	16,592,357.41	–	–	16,592,357.41
Total	16,592,357.41	–	–	16,592,357.41

As at the end of the current year and prior year, 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 2018–2022 approved by the management with adopting applicable discount rate and the cash flows after 2023 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.

17. Long-term Prepaid Expenses

RMB

Item	Opening balance	Increased amount in current year	Amortized amount in current year	Closing balance
Improvement expenditures for fixed assets rented (note)	144,757,310.44	114,708,629.64	58,918,410.06	200,547,530.02
Others	26,450,302.33	7,917,649.20	5,582,062.07	28,785,889.46
Total	171,207,612.77	122,626,278.84	64,500,472.13	229,333,419.48

Note: Improvement expenditures for fixed assets rented represents improvement expenditures for Portfolio Shopping Malls rented, which may be evenly amortized by the Group in stages during an estimated beneficial period of 10 years and the lease term from renting Portfolio Shopping Malls (whichever is shorter).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

(V) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

18. Deferred Tax Assets/Deferred Tax Liabilities

- (1) Deferred tax assets and deferred tax liabilities that are not offset

RMB

Item	Closing balance	Opening balance
Deferred tax assets:		
Changes in fair value of investment properties	35,951,942.03	–
Provision of unpaid expenses	116,740,952.43	142,665,353.29
Provision for bad debt	406,422,478.87	313,439,434.03
Asset-related deferred income	48,035,305.43	35,554,372.33
Cost overruns for carry-over deduction	19,574,636.88	38,426,968.86
Long-term assets capitalized in group's internal transaction	33,427,527.26	29,512,989.55
Deductible loss	219,626,952.22	198,002,725.60
Capitalization of loan interest in the group	9,055,216.11	2,330,266.34
Subtotal	888,835,011.23	759,932,110.00
Deferred tax liabilities:		
Changes in fair value of investment properties	9,553,451,417.47	9,237,264,095.46
Adjustment to the fair value arising from business combination	24,741,501.94	25,489,984.20
Adjustment to the fair value of available-for-sale financial assets	306,463,849.63	–
Others	–	6,919,455.91
Subtotal	9,884,656,769.04	9,269,673,535.57

Base on the future profit forecasts of the relevant entities within the Group, the Group considers that it is possible to obtain sufficient taxable income in future against deductible temporary differences and deductible losses, therefore the relevant deferred tax assets are recognized.

Notes to the Consolidated Financial Statements

For the year ended 31 December 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	Closing balance		Opening balance	
	Set-off amount of deferred tax assets and deferred tax liabilities at the end of the period	Closing balance of deferred tax assets or deferred tax liabilities after offset	Set-off amount of deferred tax assets and deferred tax liabilities at the end of the period	Closing balance of Deferred tax assets or deferred tax liabilities after offset
Deferred tax assets	170,255,945.15	718,579,066.08	165,327,652.65	594,604,457.35
Deferred tax liabilities	170,255,945.15	9,714,400,823.89	165,327,652.65	9,104,345,882.92

(3) Details of unrecognized deferred tax assets

RMB

Item	Closing balance	Opening balance
Deductible temporary difference	253,746,414.80	311,328,911.87
Deductible loss	2,926,306,881.98	1,723,056,458.85
Total	3,180,053,296.78	2,034,385,370.72

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 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 recognized, will expire in the following years

RMB

Year	Closing balance	Opening balance
2017	–	97,325,568.84
2018	238,160,300.10	239,867,313.54
2019	280,045,959.73	296,106,926.34
2020	521,345,844.86	560,169,499.33
2021	545,544,877.93	529,587,150.80
2022	1,341,209,899.36	–
Total	2,926,306,881.98	1,723,056,458.85

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

RMB

Item	Closing balance	Opening balance
Deductible temporary differences and deductible loss:		
Changes in fair value of investment properties	143,807,768.04	–
Provision of unpaid expenses	499,017,749.45	570,661,413.16
Provision for bad debt	1,647,260,664.98	1,253,757,736.12
Asset-related deferred income	192,141,221.74	142,217,489.32
Cost overruns for carry-over deduction	78,352,856.34	153,707,875.44
Long-term assets capitalized in Group's internal transaction	133,710,109.02	118,051,958.20
Deductible loss	878,507,808.80	792,010,902.40
Capitalization of loan interest in the Group	36,220,864.44	9,321,065.36
Subtotal	3,609,019,042.81	3,039,728,440.00
Taxable temporary differences:		
Changes in fair value of investment properties	38,213,805,669.90	36,949,056,381.84
Adjustment to the fair value arising from business combination	98,966,007.76	101,959,936.80
Adjustment to the fair value of available-for-sale financial assets	2,043,092,330.85	–
Others	–	27,677,823.64
Total	40,355,864,008.51	37,078,694,142.28

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

(V) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

19. Other Non-current Assets

RMB

Item	Closing balance	Opening balance
Prepayments for equity transfer (Note 1)	166,100,000.00	–
Prepayments for repurchase (Note 2)	247,705,000.00	247,705,000.00
Prepayments for land (Note 3)	–	360,774,362.17
Entrusted loan (Note 4)	250,985,284.28	160,222,880.86
Capital contribution to investees (Note 5)	178,350,000.00	198,400,000.00
Prepayments for construction	820,469,683.34	728,327,542.29
Prepayments for purchasing an office premise (Note 6)	2,117,929,865.00	210,080,987.00
Construction contributions (Note 7)	179,034,293.38	43,235,238.60
Total	3,960,574,126.00	1,948,746,010.92

Note 1: The Group entered into an agreement with an enterprise that is participated by employees who hold positions in the ultimate controller of the Group and accepted the rights and obligations of home furnishing commercial property acquired by the enterprise from another third party. Pursuant to the agreement, the consideration for the Group to purchase such home furnishing commercial property shall not exceed RMB1,200,000,000.00. At the end of the year, the prepayment for transfer made by the Company pursuant to the agreement amounted to 120,000,000.00.

The Company entered into an agreement with Shaanxi Jiaxin Weiye Industrial Development Company Limited (陝西佳鑫偉業實業發展有限責任公司) ("Jiaxin Weiye"), a partner, pursuant to which, the Company conditionally accepted the transfer of 18.6% equity held by Jiaxin Weiye in a project company. At the end of the year, the prepayment for equity transfer made by the Company pursuant to the agreement amounted to RMB18,600,000.00.

The Company entered into an equity transfer agreement with CapitaRetail China Developments (B) Pte. Ltd., a third party, to purchase the entire equity and all the rights and obligations attached herewith held by it in Kunshan Kaide Commercial Real Estate Co., Ltd. (昆山凱德商用置業有限公司), a project company. At the end of the year, the prepayment for equity transfer made by the Company pursuant to the agreement amounted to RMB27,500,000.00.

Note 2: At the end of the current year and prior year, the balance of RMB247,705,000.00 was the prepayment for repurchase made by the Company for the purchase of 50% equity in the home furnishing shopping mall business segment of Greenland Group Chengdu Jinniu Real Estate Development Co., Ltd. (綠地集團成都金牛房地產開發有限公司) in Shanghai (the "Greenland Jinniu Real Estate Home Furnishing Shopping Mall Business Segment"). For details, please see Note (VII).1.(1).(b).

Note 3: Prepayments for land were credited to other non-current assets, which was due to the land parcels purchased are still in the process of obtaining the land certificates. Upon obtaining of the land certificates, the prepayments for land will be transferred to investment properties.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

(V) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

19. Other Non-current Assets (Continued)

Note 4: Entrusted loans were the entrusted loans granted by the Group to Zhejiang Mingdu Investment Company Limited (浙江名都投資有限公司) ("Zhejiang Mingdu"), Daqing Xusheng Property Development Company Limited (大慶旭生房地產開發有限公司) ("Daqing Xusheng"), Wuhan Zhuyeshan Group Co., Ltd. (武漢竹葉山集團股份有限公司) ("Wuhan Zhuyeshan"), Langfang Chengqu Real Estate Development Limited Company (廊坊市城區房地產開發有限公司) ("Langfang Chengqu Real Estate") and Anhui Tenghui, among which:

The entrusted loan granted to Zhejiang Mingdu had an interest rate of 4.75% to 6.40% and a balance amounting to RMB85,000,000.00 as at the end of the year, with the maturity date from 28 July 2018 to 28 July 2019, among which, the entrusted loan accounted as other non-current assets due within one year amounted to RMB55,000,000.00, and the entrusted loan accounted as other non-current assets amounted to RMB30,000,000.00 as at the end of the year;

The entrusted loan granted to Daqing Xusheng had an interest rate of 22% above the benchmark rate for five-year loans and a balance amounting to RMB32,285,284.28 as at the end of the year, with the maturity date of 15 December 2020, all of which were accounted as other non-current assets as at the end of the year;

The entrusted loan granted to Wuhan Zhuyeshan had an interest rate of 12% and a balance amounting to RMB140,000,000.00 as at the end of the year, with the maturity date of 5 December 2019, all of which were accounted as other non-current assets as at the end of the year;

The entrusted loan granted to Langfang Chengqu Real Estate has an interest rate of 18.5% above the benchmark rate for five-year loans and a balance amounting to RMB48,700,000.00 as at the end of the year, with the maturity date of 18 July 2027, all of which were accounted as other non-current assets as at the end of the year;

The entrusted loan issued to Anhui Tenghui has an interest rate of 6.00% and a balance amounting to RMB65,000,000.00 as at the end of the year, with the maturity date of 16 December 2018, all of which were accounted as other non-current assets due within one year as at the end of the year.

Note 5: Capital contributions to investees: pursuant to the relevant contracts entered into between the Company and other shareholders of the relevant investees, during the agreed cooperation period, the Company shall not participate in the distribution of other remaining profits by the investees except for the agreed fixed income and reclamation of the capital contributions, or shall not enjoy other remaining profit distribution other than the Company's capital contributions. Such capital contributions to investees were classified as other non-current assets but not treated as long-term equity investments by the Company. At the end of the year, the balance of capital contributions to investees decreased by RMB20,050,000.00 as compared to that at the end of the prior year, among which, new capital contributions to investees amounted to RMB9,500,000.00, capital contributions to investees reclaimed amounted to RMB17,550,000.00, and provision for impairment amounted to RMB12,000,000.00.

Note 6: The Company entered into a pre-sale contract of commodity houses with respect to the purchase of an office property (with an estimated total GFA of approximately 57,900 sq.m.) in Minhang District, Shanghai in the amount of RMB2,100,809,865.00 in 2016. Pursuant to such pre-sale contract, the payment method is installment payment. At the end of the prior year, the Group paid 10% of the consideration as the down payment. At the end of the year, the Group has paid the consideration in full and handled the online registration procedures for the pre-sale of commodity houses. Meanwhile, the Group also subscribed for the use right of the first floor underground, right-to-use parking space and property right parking space of such office property during the year, and paid a deposit of RMB17,120,000.00 pursuant to the subscription agreement. As at the date of the financial statements, the abovementioned property has not been completed and accepted upon examination.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

(V) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

19. Other Non-current Assets (Continued)

Note 7: Pursuant to the cooperation agreements entered into between the Company and Henan Derun Real Estate Company Limited (河南德潤置業有限公司) ("Henan Derun") and Shanxi Chongkang Real Estate Development Co., Ltd. (山西崇康房地產開發有限公司) ("Shanxi Chongkang"), both of them are partners, before the establishment of all project companies, the arrangements for project construction are as follows:

The project partners shall provide the land for project construction and make sure the suitability of the land for the development purpose of home furnishing shopping malls. The project partners shall be responsible for the land cost investment required for project construction, while the Company shall be responsible for capital investment in project development, construction, etc. In the early development of the project, the Company and the project partners shall establish a joint project management team or a project headquarter, of which the main members shall be appointed by the Company, and the project partners shall be entitled to appoint the relevant members to participate and supervise.

Subject to the prescribed conditions, the Company or the designated related party of the Company shall provide loans to the project partners in the form of entrusted loans, which will be used for project planning, design and other upfront expenditures. The Company shall provide entrusted loans to the project partners through designated commercial banks, and the loan interest shall be borne by the Company. The funds shall be transferred to the jointly managed accounts established in the name of the project partners, and shall be used only after both parties issue a directive to the relevant bank.

In compliance with the transfer conditions of the construction in progress on the cooperative land parcels as agreed in the cooperation agreement, and upon the review of the actual capital investment in the project construction by an independent auditor recognized by both parties, the project partners shall transfer the construction in progress by way of investment or transfer to the Company or the project companies jointly established by both parties, settle the payment in the manner agreed in the agreement, and repay the corresponding entrusted loans.

At the end of the current year and prior year, the total amount of principal and interest of the entrusted loans provided by the Group to Henan Derun based on the above arrangements were RMB45,488,092.20 and RMB43,235,238.60, respectively; and at the end of the current year and prior year, the total amount of principal and interest of the entrusted loans provided by the Group to Henan Zhongheng Construction Development Co., Ltd., the construction party of Henan Deren, based on the above arrangements were RMB75,000,000.00 and RMB0, respectively.

At the end of the current year and prior year, the total amount of principal and interest of the entrusted loans provided by the Group to Shanxi Chongkang based on the above arrangements were RMB58,546,201.18 and RMB0, respectively.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

(V) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

20. Short-term Loans

RMB

Item	Closing balance	Opening balance
Mortgage loans	10,000.00	10,000.00
Mortgage and pledge loans (Note 1)	—	500,000,000.00
Credit loans (Note 2)	300,000,000.00	—
Total	300,010,000.00	500,010,000.00

Note 1: The short-term loans of RMB500,000,000.00 as at the end of the prior year 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.

Note 2: Credit loans were the loans obtained for the guarantees provided by the companies within the Group.

As at the end of the current year and prior year, there were no outstanding short-term loans of the Group that were overdue.

21. Accounts Payable

(1) Details of accounts payable are as follows:

RMB

Item	Closing balance	Opening balance
Amount payables for advertisements and purchase of goods	491,215,018.66	353,219,391.21
Total	491,215,018.66	353,219,391.21

As at the end of the current year and prior year, the accounts payable aged more than one year of the Group amounted to RMB8,344,607.73 and RMB10,020,870.41, respectively.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

(V) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

22. Advance from Customers

RMB

Item	Closing balance	Opening balance
Rental	1,264,772,652.06	1,029,501,506.56
Charges for the consulting and management service titled the Company's name for the early stage of the project	1,004,930,781.91	599,549,999.99
Charges for the annual consulting and management service titled the Company's name for the project	190,995,805.46	123,145,010.85
Commerce and management consultancy fee over projects	76,000,000.00	66,000,000.00
Revenue from commerce consultancy and merchant commission	166,761,415.53	49,000,000.00
Advertising expenses	7,527,882.45	10,919,579.64
Others	357,293,763.75	188,997,080.04
Total	3,068,282,301.16	2,067,113,177.08

At the end of the current year and prior year, the advance from customers aged more than one year for the charges for the consulting and management service titled the Company's name for the early stage of the project amounted to RMB366,800,000.00 and RMB350,750,000.00 respectively, and the advance from customers aged more than one year for the charges for the annual consulting and managed service title the Company's name for the project amounted to RMB15,495,151.90 and RMB17,403,765.47 respectively. The revenue has not been recognized at the end of the corresponding year due to failure in meeting revenue recognition criterion.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

(V) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

23. Payroll Payable

(1) Details of payroll payable are as follows

RMB

Item	Opening balance	Increase in the current year	Decrease in the current year (Note)	Closing balance
1. Short-term compensation	530,570,893.22	2,765,535,362.79	2,509,834,932.04	786,271,323.97
2. Termination benefits	869,400.00	13,664,872.71	11,360,023.41	3,174,249.30
3. Retirement benefits-defined contribution plans	8,655,884.13	218,274,557.55	215,838,898.91	11,091,542.77
Total	540,096,177.35	2,997,474,793.05	2,737,033,854.36	800,537,116.04

Note: Decrease in the current year includes the decrease in the payroll payable of RMB5,320,803.66 due to disposal of subsidiaries.

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

RMB

Item	Opening balance	Increase in the current year	Decrease in the current year	Closing balance
I. Wages or salaries, bonuses, allowances and subsidies	518,678,137.31	2,387,642,897.87	2,134,607,100.32	771,713,934.86
II. Staff welfare	85,535.00	144,412,177.67	144,465,869.67	31,843.00
III. Social security contributions	4,511,349.88	109,963,291.47	108,926,828.94	5,547,812.41
Including: Medical insurance	3,963,195.47	96,502,199.43	95,619,831.06	4,845,563.84
Work injury insurance	272,213.92	5,448,274.20	5,469,672.15	250,815.97
Maternity insurance	275,940.49	8,012,817.84	7,837,325.73	451,432.60
IV. Housing funds	4,263,155.48	95,306,970.88	93,627,316.10	5,942,810.26
V. Labour union and staff education fund	3,032,715.55	28,210,024.90	28,207,817.01	3,034,923.44
Total	530,570,893.22	2,765,535,362.79	2,509,834,932.04	786,271,323.97

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

(V) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

23. Payroll Payable (Continued)

(3) Retirement benefits-defined contribution plans

RMB

Item	Opening balance	Increase in the current year	Decrease in the current year	Closing balance
1. Pension insurance	8,232,097.07	211,375,216.32	208,970,794.44	10,636,518.95
2. Unemployment insurance	423,787.06	6,899,341.23	6,868,104.47	455,023.82
Total	8,655,884.13	218,274,557.55	215,838,898.91	11,091,542.77

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 0.5% 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

At the end of the current year and prior year, the Group shall contribute RMB211,375,216.32, RMB6,899,341.23 and RMB159,251,132.51, RMB7,950,285.39, respectively, to pension insurance and unemployment insurance.

At the end of the current year and prior year, the Group's payable amounts of RMB10,636,518.95, RMB455,023.82 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 Consolidated Financial Statements

For the year ended 31 December 2017

(V) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

24. Taxes Payables

RMB

Item	Closing balance	Opening balance
VAT	260,895,356.26	184,688,882.33
Enterprise income tax	588,091,629.40	199,564,377.91
Property tax	39,649,408.65	40,913,943.30
Others	38,630,245.19	28,806,829.14
Total	927,266,639.50	453,974,032.68

25. Interest Payables

RMB

Item	Closing balance	Opening balance
Interests on long-term loans with periodic payments of interest and return of principal at maturity	31,581,648.86	17,834,679.33
Commercial mortgage backed securities interest (Note (V).33.2)	36,465,000.00	–
Interests on bonds	108,977,193.75	101,912,795.70
Interests payable for short-term loans	1,667,512.08	543,762.08
Total	178,691,354.69	120,291,237.11

At the end of the current year and prior year, there was no interest payable of the Group that was overdue.

M 红星美凯龙全球家居设计博览中心 MACALLINE
The Global Furnishing Design and Exhibition Center

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

(V) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

26. Dividends Payable

RMB

Item	Closing balance	Opening balance
Zhejiang Mingdu Investment Company Limited	51,960,000.00	120,000,000.00
Jin Yan	4,000,000.00	9,500,000.00
Shanghai Xinchangzheng (Group) Company Limited	6,000,000.00	7,920,000.00
Wah Lun International Development Limited	–	1,080,000.00
Total	61,960,000.00	138,500,000.00

Note: Dividends payable to minority shareholders of the subsidiaries of the Group.

27. Other Payables

(1) Details of other payables are as follows:

RMB

Item	Closing balance	Opening balance
Proceeds collected on behalf of the tenants	2,346,259,268.66	1,303,284,841.62
Deposits from tenants	1,816,499,570.48	1,421,900,377.11
Payment received in advance from partners	152,900,000.00	270,400,000.00
Amounts due to and from partners	809,321,874.67	580,285,509.25
Accrual expenses	217,405,781.98	250,615,063.76
Rental deposits from tenants	751,021,735.06	387,412,777.26
Amounts payable to construction contractors	900,281,717.08	599,649,921.94
Lease payable	50,917,834.27	51,603,323.91
Amounts payable for equity transfer (Note 1)	–	30,988,965.89
Amounts payable for prepaid cards (Note 2)	73,420,850.89	88,341,679.60
Others	220,680,904.08	174,483,857.49
Total	7,338,709,537.17	5,158,966,317.83

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

(V) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

27. Other Payables (Continued)

(1) Details of other payables are as follows: (Continued)

Note 1: Amounts payable for equity transfer was due to the unpaid consideration for the acquisition of 60% equity in the home furnishing shopping mall business segment of Suzhou Kairun Real Estate Co., Ltd. (蘇州凱潤置業) ("Suzhou Kairun") by the Group from Chongqing Qifa, a related party, in 2015. Such payable has been settled in 2017.

Note 2: Represents the balance of prepaid cards that has been sold but not used by the Group. In accordance with the Administrative Measures for Single-purpose Commercial Pre-paid Cards (《單用途商業預付卡管理辦法》) issued by the Ministry of Commerce, upon compliance filing with Shanghai Municipal Commission of Commerce in June 2013, the Group has been issuing "Red Star Macalline Single-purpose Commercial Pre-paid Cards" (hereinafter referred to as the "Pre-paid Cards") since July 2013, which have been using in all shopping malls within the Group. Prepaid Cards were included in liabilities upon sales. When consumption is made by customers with Prepaid Cards in the shopping malls within the Group, the Group will settle the balance after deducting the commission income of the Group with tenants and make payments pursuant to the agreement.

28. Non-current Liabilities Due within One Year

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

RMB

Item	Closing balance	Opening balance
Long-term loans due within one year	4,011,084,091.87	2,287,286,181.59
Financial lease payable due within one year	13,277,093.22	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	5,486,714,288.88	1,889,468,073.34
Commercial mortgage backed securities due within one year (<i>Note (V).33.2</i>)	19,000,000.00	—
Total	9,550,075,473.97	4,210,031,348.15

M 红星美凯龙全球家居设计博览中心 MACALLINE
The Global Furnishing Design and Exhibition Center

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

(V) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

28. Non-current Liabilities Due within One Year (Continued)

(2) Long-term loans due within one year

RMB

Item	Closing balance	Opening balance
Mortgage loans <i>(Note)</i>	3,479,754,437.95	1,823,780,000.00
Pledge loans <i>(Note)</i>	87,900,000.00	–
Mortgage and pledge loans <i>(Note)</i>	173,837,500.00	91,500,000.00
Mortgage and guaranteed loans <i>(Note)</i>	197,500,000.00	241,407,790.20
Mortgage, pledge and guaranteed loans <i>(Note)</i>	62,092,153.92	111,598,391.39
Credit loans <i>(Note)</i>	10,000,000.00	19,000,000.00
Total	4,011,084,091.87	2,287,286,181.59

Note: Please see Note (V).29.

At the end of the current year and prior year, there were no overdue long-term loans due within one year, of which the durations are extended.

At the end of the current year and prior year, please see Note (V).29 for details of the interest rate of the Group's borrowings.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

(V) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

29. Long-term Loans

(1) Categories of long-term loans

RMB

Item	Closing balance	Opening balance
Mortgage loans (Note 1)	6,215,305,888.66	5,962,990,000.00
Pledge loans (Note 2)	2,300,650,000.00	–
Mortgage and pledge loans (Note 3)	1,715,765,625.00	756,750,000.00
Mortgage and guaranteed loans (Note 4)	585,000,000.00	988,592,209.80
Mortgage, pledge and guaranteed loans (Note 5)	520,942,971.15	739,205,035.95
Credit loans (Note 6)	35,000,000.00	–
Total	11,372,664,484.81	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).55.

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).55.

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 Note (V).55.

Note 4: Represents the borrowings obtained by securing with the investment properties and providing guarantee by the related parties. Please see Note (V).11 and 55 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).1, 11 and 55 and Note (X).5(3).

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

At the end of the current year and prior year, there were no long-term loans that were overdue.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

(V) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

29. Long-term Loans (Continued)

(2) Interest rate on borrowings

At the end of the year, the aforesaid fixed-rate borrowings carried interest rates at 3.15% to 4.46% per annum, and the variable-rate borrowings carried interest rates at 2.30% to 7.59% per annum.

At the beginning of the year, 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.

At the end of the current year and prior year, variable-rate borrowings and fixed-rate borrowings by amounts present as follows:

RMB

Item	Closing balance	Opening balance
Fixed-rate borrowings	1,965,363,125.00	1,510,010,000.00
Variable-rate borrowings	13,718,395,451.68	9,724,823,427.34
Total	15,683,758,576.68	11,234,833,427.34
Including: Short-term borrowings	300,010,000.00	500,010,000.00
Long-term loans due within one year	4,011,084,091.87	2,287,286,181.59
Long-term loans	11,372,664,484.81	8,447,537,245.75

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

(V) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

30. Bonds Payable

RMB

Item	Closing balance	Opening balance
First tranche of the medium-term notes of 2013 of Red Star Macalline Group Corporation Ltd.	–	497,030,950.08
Corporate notes of 2015 of Red Star Macalline Group Corporation Ltd. (the first tranche)	–	4,973,682,713.22
First tranche of 5-year Corporate notes of Red Star Macalline Group Corporation Ltd. in 2016	1,490,868,192.87	1,485,447,044.30
First tranche of 7-year Corporate notes of Red Star Macalline Group Corporation Ltd. in 2016	1,482,044,142.78	1,477,939,985.71
5-year US\$-denominated bonds of Hong Kong Red Star Macalline in 2017	1,923,565,824.50	–
Total	4,896,478,160.15	8,434,100,693.31

M 红星美凯龙全球家居设计博览中心 MACALLINE
The Global Furnishing Design and Exhibition Center

Notes to the Consolidated Financial Statements

For the year ended 31 December 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	Exchange gains and losses	Closing balance
31 December 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	-	52,181,370.97	5,058,805.49	(954,990,000.00)	-	-	-
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	-	37,500,000.00	1,695,416.17	(37,500,000.00)	12,500,000.00	-	498,726,366.25
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	-	73,333,333.33	5,473,121.17	(1,080,000,000.00)	-	-	-
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	-	225,000,000.00	14,305,209.41	(225,000,000.00)	31,250,000.00	-	4,987,987,922.63
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	1,485,447,044.30	21,875,000.00	-	52,500,000.00	5,421,148.57	(52,500,000.00)	21,875,000.00	-	1,490,868,192.87
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	-	64,350,000.00	4,104,157.07	(64,350,000.00)	26,812,500.00	-	1,482,044,142.78
5-year US\$-denominated bonds of Hong Kong Red Star Macalline in 2017	\$300,000,000.00	21 September 2017	5 years	1,937,306,895.63	-	-	1,937,306,895.63	16,539,693.75	1,782,601.37	-	16,539,693.75	(15,523,672.50)	1,923,565,824.50
Total				12,210,982,084.29	10,323,568,766.65	101,912,795.70	1,937,306,895.63	521,404,398.05	37,840,459.25	(2,414,340,000.00)	108,977,193.75	(15,523,672.50)	10,383,192,449.03
Less: Bonds payable due within one year													5,486,714,288.88
Bonds payable due after one year													4,896,478,160.15

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

(V) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

30. Bonds Payable (Continued)

In August 2012, the Company was approved by National Association of Financial Market Institutional Investors to issue the medium-term notes in the PRC of RMB1,500 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 2012 of RMB600 million in August 2012, which referred as 12 Macalline MTN1, and the issuance price was RMB100 par value with a fixed rate of interest at 5.44%. The bonds shall be payable annually in three years. The Company has repaid the principal and interest in 2015. The Company issued the second tranche of the medium-term notes of 2012 of RMB900 million in December 2012, which referred as 12 Macalline MTN2, and the issuance price was RMB100 par value with a fixed rate of interest at 6.11%. The bonds shall be payable annually in five years. The Company has repaid the principal and interest in 2017.

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 August 2013, the Company registered with and was approved by National Association of Financial Market Institutional Investors to issue the debt financing instruments in the PRC of RMB4,000 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 non-public debt financing instruments of 2014 of RMB1,000 million in December 2014, which referred as 14 Macalline PPN001, and the issuance price was RMB100 par value with a fixed rate of interest at 8%. The bonds shall be payable annually in three years. The Company has repaid the principal and interest in 2017.

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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

(V) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

30. Bonds Payable (Continued)

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.

Hong Kong Red Star Macalline, a subsidiary of the Group, issued the US\$-denominated bonds totally US\$300 million on 21 September 2017, which referred as B2022(5278), with a fixed rate of interest at 3.375%. The maturity of the bond is five years, and shall be paid semi-annually. Hong Kong Red Star Macalline is entitled with the right to redeem the whole instead of part of the bond. The Company provided unconditional irrevocable guarantee for the US\$-denominated bonds issued by Hong Kong Red Star Macalline.

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

31. Long-term Payables

RMB

Item	Closing balance	Opening balance
Long-term rental	344,655,634.92	336,482,178.17
Compensation fees due to breach of contract	1,940,585.02	5,692,941.61
Finance lease payables (Note 1)	415,215,826.20	419,692,717.10
Amounts due to and from partners (Note 2)	464,505,129.78	674,462,914.80
Contributions from minority shareholders (Note 3)	189,380,899.50	39,380,899.50
Total	1,415,698,075.42	1,475,711,651.18

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

(V) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

31. Long-term Payables (Continued)

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

Minimum lease payment	Closing balance	Opening balance
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	864,558,102.44	895,807,190.48
Total minimum lease payment	963,239,654.60	994,488,742.64
Less: Unrecognized financial charge	534,746,735.18	561,518,932.32
Financial lease payables	428,492,919.42	432,969,810.32
Including: Financial lease payables due within one year	13,277,093.22	13,277,093.22
Financial lease payables due after one year	415,215,826.20	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.

Note 3: Please see Note (VII), 1,(1), (c).

32. Deferred Income

RMB

Item	Closing balance	Opening balance
Asset-related government grant	192,141,221.74	195,413,309.31
Total	192,141,221.74	195,413,309.31

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

(V) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

32. Deferred Income (Continued)

Government grant:

RMB

Liabilities item	Opening balance	Increased grants in the current year	Amount included in other income in the current year	Closing balance	Related to assets/profit
Subsidy for gas-fired air conditioning equipment	1,417,225.00	–	1,417,225.00	–	Related to assets
Subsidy for land supporting expenses (<i>Note</i>)	193,996,084.31	10,110,000.00	11,964,862.57	192,141,221.74	Related to assets
Total	195,413,309.31	10,110,000.00	13,382,087.57	192,141,221.74	

Note: Represents the project government grants obtained by Tianjin Home Furnishing Plaza, Shenyang Mingdu and the Company, subsidiaries of the Group, from the management committee of Tanggu Marine High-tech Development Area of Tianjin City (天津市塘沽海洋高新技術開發區管理委員會), Beiling subdistrict office of Yuhong District of Shenyang City (瀋陽市於洪區北陵街道辦事處) and Development and Reform Commission of Shuimogou District of Urumqi (烏魯木齊市水磨溝區經濟和發展改革委員會). Such government grants were included in deferred income due to the relation of such project grants to assets.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

(V) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

33. Other Non-Current Liabilities

RMB

Item	Closing balance	Opening balance
Charger for the consulting and management service titled the Company's name for the early stage of the project (Note 1)	400,120,500.00	400,320,500.00
Charger for the annual consulting and management service titled the Company's name for project (Note 1)	15,000,000.00	15,000,000.00
Commercial mortgage backed securities (Note 2)	2,359,400,000.00	–
Total	2,774,520,500.00	415,320,500.00

Note 1: Represents entrusted operation management related amounts received by the Company in advance. The amounts received in advance were included to other non-current liabilities as the management expects the corresponding revenue to these amounts will be recognized after one year.

Note 2: The Company issued the home furnishing shopping mall asset-backed securities, namely the First Tranche of Red Star Macalline Home Furnishing Marketplace Asset-Backed Special Project, on 22 September 2017. Such asset-back special project is pledged with the assets of two shopping malls of the Group in Shanghai and Tianjin and their rental income rights, which included Class A Preferred Securities (Securities abbreviation: "Macalline 1A", Securities code: 146550) and Class B Preferred Securities (Securities abbreviation: "Macalline 1B", Securities Code: 146551). Macalline 1A had an issuance size of RMB1,350 million, with an annualized return of 5.00% and a maturity of 18 years, the principal and interest of which shall be repaid annually. The relevant amounts of Macalline 1A due within one year have been included in the non-current liabilities due within one year, for details of which, please see Note (V). 28(1). Macalline 1B had an issuance size of RMB1,050 million, with an annualized return of 6.20% and a maturity of 18 years, the principal of which shall be repaid in a one-off manner upon maturity.

**M** 红星美凯龙全球家居设计博览中心 MACALLINE
The Global Furnishing Design and Exhibition Center

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

(V) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

34. Share Capital

RMB

Shareholders	Opening balance	Changes in the current year			Subtotal	Closing balance
		New shares issued	Others			
For the current year:						
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 Consolidated Financial Statements

For the year ended 31 December 2017

(V) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

34. Share Capital (Continued)

Shareholders	Opening balance	Changes in the prior year		Subtotal	Closing balance
		New shares issued	Others		
For the prior year:					
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

 红星美凯龙全球家居设计博览中心 MACALLINE
The Global Furnishing Design and Exhibition Center

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

(V) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

35. Capital Reserve

RMB

Item	Opening balance	Increase in the current year	Decrease in the current year	Closing balance
For the current year:				
Share premium	5,620,013,738.96	–	257,898,353.41	5,362,115,385.55
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 (Note 1)	14,260,085.07	–	257,898,353.41	(243,638,268.34)
Total	5,620,013,738.96	–	257,898,353.41	5,362,115,385.55

Item	Opening balance	Increase in the current year	Decrease in the current year	Closing balance
For the prior year:				
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 (Note 2)	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: Represents the effect of the bargain acquisition of the minority shareholding of the subsidiaries by the Group. Please see Note (VII).2 for details.

Note 2: The increase was due to the effect of the adjustments made by the Group on the contribution amount by the subsidiaries. The decrease was due to the effect of the Group's bargain acquisition of the minority shareholding of the subsidiaries and disposal of partial equity in subsidiaries. Please see Note (VII).2 for details.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

(V) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

36. Other Comprehensive Income

Item	Opening balance	Amount before income tax in the current year	Amount recognized in the current year			After-tax amount attributable to the owners of the Company	After-tax amount attributable to non- controlling interests	Closing balance
			Less: previously included in other comprehensive income converted to current profit and 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	-	2,043,092,330.85	-	306,463,849.63	1,562,965,633.10	173,662,848.12	1,736,628,481.22	

37. Surplus Reserve

RMB

Item	Opening balance	Increase in the current year	Decrease in the current year	Closing balance
2017:				
Statutory surplus reserve	1,226,111,855.65	396,968,952.54	-	1,623,080,808.19
Total	1,226,111,855.65	396,968,952.54	-	1,623,080,808.19
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 Consolidated Financial Statements

For the year ended 31 December 2017

(V) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

38. Retained Earnings

RMB

Item	Amount	Proportion of withdrawal or distribution
2017:		
Opening balance of retained earnings	26,095,809,439.81	
Add: Net profit attributable to owners of the Company for the current year	4,077,897,749.46	
Less: Appropriation to statutory surplus reserve	396,968,952.54	Note 1
Less: dividend payable for ordinary shares	1,522,045,155.96	Note 2
Closing balance of retained earnings	28,254,693,080.77	
2016:		
Opening 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 1
Less: dividend payable for ordinary shares	1,703,241,007.86	Note 2
Closing balance of retained profit	26,095,809,439.81	

Note 1: 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.

At the end of the current year and prior year, the balance of retained earnings of the Group included the withdrawn surplus reserves by the subsidiaries of RMB381,312,682.06 and RMB281,842,851.27, respectively.

Note 2: On 8 June 2017, as approved by the 2016 general meeting of the Company, and based on 3,623,917,038 issued shares, the Company paid cash dividend RMB4.2 to all shareholders per 10 shares; on 8 June 2016, as approved by the 2015 general meeting of the Company, and based on 3,623,917,038 issued shares, the Company paid cash dividend RMB4.7 to all shareholders per 10 shares.

Note 3: Pursuant to the resolution at the fifth meeting of the third session of the Board of the Company on 28 March 2018, and based on 3,938,917,038 issued shares, the Company proposed to pay cash dividend RMB3.2 to all shareholders per 10 shares. Such proposal on dividend distribution is subject to the approval at the general meeting.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

(V) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

39. Revenue and Costs of Sales

(1) Revenue

RMB

Item	Amount recognized in the current year		Amount recognized in the prior year	
	Revenue	Cost	Revenue	Cost
Principal business	10,822,788,477.84	3,134,520,069.54	9,361,188,557.33	2,600,330,646.43
Other business	136,724,191.93	28,673,446.84	74,893,197.96	12,436,865.24
Total	10,959,512,669.77	3,163,193,516.38	9,436,081,755.29	2,612,767,511.67

(2) Principal business (by sector)

RMB

Name of sector	Amount recognized in the current year		Amount recognized in the prior year	
	Revenue	Cost of sales	Revenue	Cost of sales
Leasing and management revenue	6,394,481,799.81	1,460,260,678.12	5,975,408,447.86	1,365,223,286.17
Revenue from the consulting and management service titled the Company's name for the early stage of project (Note 1)	1,587,200,094.98	186,492,653.19	1,356,229,959.64	153,780,218.80
Revenue from annual consulting and management service title the Company's name for the project (Note 2)	1,539,295,456.42	1,071,511,136.30	1,368,780,256.44	740,354,557.36
Revenue from commerce management and consultancy over project	140,191,047.20	10,448,737.89	11,463,018.68	16,724,099.50
Revenue from commerce consultancy and merchant commission	362,048,979.18	41,508,962.61	45,488,322.72	22,602,649.77
Revenue from sales of good and home decoration services	294,256,196.34	202,426,401.48	208,035,886.32	134,553,224.76
Others	505,314,903.91	161,871,499.95	395,782,665.67	167,092,610.07
Total	10,822,788,477.84	3,134,520,069.54	9,361,188,557.33	2,600,330,646.43

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

(V) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

39. Revenue and Costs of Sales (Continued)

(2) Principal business (by sector) (Continued)

Note 1: At the end of the current year and prior year, the amounts of RMB17,924,528.30 and RMB5,188,679.25, respectively, in the revenue from the consulting and management service titled the Company's name for the early stage of project were derived from Chongqing Qifa, a related party of the Company, and investees of its subsidiaries, or from other shareholders of Chongqing Qifa and investees of its subsidiaries; and the amounts of RMB18,867,924.53 and RMB0, respectively, in the revenue from the consulting and management service titled the Company's name for the early stage of project were derived from an enterprise that is participated by employees who hold positions in the ultimate controller of the Group. At the end of the current year and prior year, the amounts of RMB178,207,547.16 and RMB127,443,396.24 in the revenue from the consulting and management service titled the Company's name for the early stage of project were derived from investees of the Company or other shareholders of investees of the Company.

Note 2: At the end of the current year and prior year, the amounts of RMB5,935,534.70 and RMB7,196,562.46 in the revenue from annual consulting and management service title the Company's name for the project were derived from Chongqing Qifa, a related party of the Company, and investees of its subsidiaries, or from other shareholders of Chongqing Qifa and investees of its subsidiaries. At the end of the current year and prior year, the amounts of RMB40,989,967.71 and RMB43,353,036.61 in the revenue from annual consulting and management service title the Company's name for the project were derived from investees of the Company or other shareholders of investees of the Company.

40. Taxes and Surcharges

RMB

Item	Amount recognized in the current year	Amount recognized in the prior year	Payment standard
Business tax	–	153,115,104.98	Please see Note (IV).1
Urban maintenance and construction tax	31,714,076.16	27,485,326.14	Please see Note (IV).1
Education surcharge	28,439,091.86	17,315,150.33	Please see Note (IV).1
Property tax	216,862,552.49	187,325,307.73	Please see Note (IV).1
Land use tax	18,723,657.58	14,680,414.47	Please see Note (IV).1
Stamp duty	10,709,183.66	5,755,845.59	Please see Note (IV).1
Others	10,880,957.30	8,245,364.18	
Total	317,329,519.05	413,922,513.42	

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

(V) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

41. Distribution and Selling Expenses

RMB

Item	Amount recognized in the current year	Amount recognized in the prior year
Salary, bonus and benefits	40,026,018.23	36,637,366.62
Depreciation and Amortization	2,606,052.12	6,750,917.55
Energy and maintenance expenses	350,853,345.26	336,134,761.01
Advertising and promotional expenses	1,061,299,368.08	780,526,412.02
After-sales service expenses	38,555,744.07	28,763,794.86
Office and administrative expenses	9,089,128.77	5,699,182.94
Others	11,399,732.61	11,185,152.59
Total	1,513,829,389.14	1,205,697,587.59

42. General and administrative Expenses

RMB

Item	Amount recognized in the current year	Amount recognized in the prior year
Salary, bonus and allowances	827,583,962.18	463,945,827.30
Depreciation and Amortization	47,681,503.37	48,804,102.53
Energy and maintenance expenses	7,707,149.02	5,144,083.59
Audit expenses	10,859,774.08	15,647,752.31
Professional services expenses	110,001,531.53	92,155,966.30
Office and administrative expenses	288,098,672.33	248,431,575.23
Others	69,855,606.53	60,949,580.20
Total	1,361,788,199.04	935,078,887.46

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

(V) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

43. Financial Expenses

RMB

Item	Amount recognized in the current year	Amount recognized in the prior year
Interest expenses	1,481,716,865.07	1,209,234,988.38
Less: Capitalized interest expenses	220,390,374.37	248,918,769.62
Less: Interest income	125,689,801.56	96,125,262.13
Foreign exchange differences	(22,054,553.37)	4,558,280.33
Others	18,257,907.88	8,958,653.42
Total	1,131,840,043.65	877,707,890.38

At the end of the current year and prior year, average capitalization rate of borrowings was 5.52% and 5.50% respectively.

44. Impairment Losses of Assets

RMB

Item	Amount recognized in the current year	Amount recognized in the prior year
Provision of impairment of accounts receivable	146,403,237.33	336,390,864.32
Provision of impairment of other receivables	100,339,476.76	12,426,365.42
Provision of impairment of other non-current assets	12,000,000.00	–
Provision of impairment of available-for-sale assets	24,575,000.00	122,225,202.48
Provision of impairment of intangible assets	–	100,000,000.00
Provision of impairment of loans	118,536.73	1,847,893.37
Total	283,436,250.82	572,890,325.59

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

(V) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

45. Gains (Losses) on Changes in Fair Values

RMB

Source resulting in gains on fair value changes	Amount recognized in the current year	Amount recognized in the prior year
Investment properties measured at fair value	1,996,188,694.30	1,754,032,308.00
Total	1,996,188,694.30	1,754,032,308.00

46. Investment Income

(1) Details of investment income are as follows:

RMB

Item	Amount recognized in the current year	Amount recognized in the prior year
Long-term equity investment income accounting under equity method	129,258,920.85	136,217,986.32
Gain on disposal of investments in subsidiaries (Note 1)	494,732,793.04	20,803.42
Gain on disposal of investments in associates	880,397.44	–
Gain on revaluation of the fair value of the equity interest held before purchase date after consolidation of entity which is not under common control (Note 2)	–	(8,402,333.71)
Fixed income received as agreed (Note 3)	1,025,000.00	3,060,000.00
Gain on disposal of available-for-sale financial assets (Note (V).8(3).7)	8,000,000.00	–
Total	633,897,111.33	130,896,456.03

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

(V) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

46. Investment Income (Continued)

(1) Details of investment income are as follows: (Continued)

Note 1 In 2017, the gain on disposals of investments in subsidiaries was the investment income 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), Shanghai Huangpu Red Star Microfinance Co., Ltd. (上海黃埔紅星小額貸款有限公司), Tianjin Red Star Macalline International Home Furnishings Malls Company Limited (天津紅星美凱龍國際家居廣場有限公司), Tianjin Red Star Macalline International Home Furnishings Construction Materials Company Limited (天津紅星美凱龍國際傢俱建材廣場有限公司), Beijing Hehe Juzhong Advertising Company Limited (北京和合聚眾廣告傳媒有限公司) and Changzhou Red Star Plaza Business Management Company Limited (常州紅星廣場商業管理有限公司). In 2016, the gain on disposals of investments in subsidiaries was the investment income 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, which amounted to RMB177,152.52 in aggregate. In 2016, the investment loss arising from the loss of the Group's control over Hangzhou Global Home Furnishing, a subsidiary, after its capital increase amounted to RMB156,349.10.

Note 2: Please see Note (VI).1(2). (b).

Note 3: 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.

47. Gains (Losses) on Asset Disposal

Source resulting in gains on asset disposal	Amount recognized in the current year	Amount recognized in the prior year
Gains (losses) on asset disposal	35,964,572.41	(4,615,478.68)

48. Other Income

(1) Details of other income are as follows:

Source resulting in other income	Amount recognized in the current year	Amount recognized in the prior year
Subsidy for land supporting expenses and subsidy for gas-fired air conditioning equipment	13,382,087.57	–
Other government grants relating to daily activities	48,905,918.26	–
Total	62,288,005.83	–

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

(V) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

48. Other Income (Continued)

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

RMB

Item	Amount recognized in the current year	Amount recognized in the prior year	Related to assets/profit
Subsidies (<i>Note 1</i>)	17,007,742.33	–	Related to profit
Special government grants (<i>Note 2</i>)	19,661,079.89	–	Related to profit
Reward support	12,237,096.04	–	Related to profit
Total	48,905,918.26	–	

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.

M 红星美凯龙全球家居设计博览中心 MACALLINE
The Global Furnishing Design and Exhibition Center

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

(V) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

49. Non-operating Income

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

RMB

Item	Amount recognized in the current year		Amount recognized in the prior year	
	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
Government grants	–	–	85,929,212.07	85,929,212.07
Income from default compensation (Note 1)	77,399,032.54	77,399,032.54	2,429,157.68	2,429,157.68
Acquisition discount (Note 2)	–	–	355,659.60	355,659.60
Income from project termination	4,245,283.00	4,245,283.00	11,886,792.44	11,886,792.44
Others	30,605,913.81	30,605,913.81	18,475,215.75	18,475,215.75
Total	112,250,229.35	112,250,229.35	119,076,037.54	119,076,037.54

Note 1: In 2017, the compensation income was mainly due to the Group's receipt of compensation of RMB74,180,952.00 paid by the owner of a leased shopping mall due to its confiscation by the government.

Note 2: For details, please see Note (VI).1.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

(V) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

49. Non-operating Income (Continued)

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

RMB

Item	Amount recognized in the current year	Amount recognized in the prior year	Related to assets/profit
Subsidies (Note 3)	–	32,720,869.00	Related to profit
Special government grants (Note 4)	–	30,142,489.00	Related to profit
Reward support	–	18,058,933.23	Related to profit
Amortization of deferred income (Note (V).32)	–	5,006,920.84	Related to assets
Total	–	85,929,212.07	

Note 3: Subsidy mainly refers to the tax refund received from the government.

Note 4: Special government grants mainly refer to industry-supporting fund received from the government.

50. Non-operating Expenses

RMB

Item	Amount recognized in the current year		Amount recognized in the prior year	
	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
External donations	10,947,206.75	10,947,206.75	5,882,682.50	5,882,682.50
Compensation expenses	16,906,543.41	16,906,543.41	80,676.30	80,676.30
Others	14,794,019.23	14,794,019.23	9,925,302.40	9,925,302.40
Total	42,647,769.39	42,647,769.39	15,888,661.20	15,888,661.20

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

(V) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

51. Income Tax Expenses

RMB

Item	Amount recognized in the current year	Amount recognized in the prior year
Current income tax based on tax law and relevant regulations	854,268,014.04	625,729,077.36
Deferred income tax	833,967,929.68	511,207,969.42
Difference from income tax annual settlement for prior year	19,786,831.51	(8,861,166.99)
Total	1,708,022,775.23	1,128,075,879.79

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 enjoy 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 Khorgos 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

(V) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

51. Income Tax Expenses (Continued)

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

RMB

Item	Amount recognized in the current year	Amount recognized in the prior year
Accounting profit	5,986,036,595.52	4,801,517,700.87
Income tax expenses calculated as per 25% tax rate	1,496,509,148.87	1,200,379,425.22
Tax impact of non-deductible expenses	45,022,046.02	24,948,899.31
Tax impact of intra-Group debt waived (<i>Note 1</i>)	(34,387,075.00)	(25,000,000.00)
Tax impact of non-taxable income	(47,562,997.57)	(35,145,522.24)
Tax impact of disposal of subsidiaries (<i>Note 2</i>)	509,067,005.69	–
Tax impact of unrecognized deductible loss and deductible temporary difference	282,498,418.09	85,515,579.99
Tax impact of utilisation deductible loss and deductible temporary difference previously not recognized	(4,331,532.07)	(15,288,576.59)
Impact of different tax rate in subsidiaries in other jurisdictions	(558,579,070.31)	(98,472,758.91)
Difference from income tax annual settlement for prior year	19,786,831.51	(8,861,166.99)
Total	1,708,022,775.23	1,128,075,879.79

Note 1: 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.

Note 2: Represents the tax impact arising from the amount deducted before tax (i.e. the initial investment cost of the relevant subsidiaries) when disposing of subsidiaries being less than the proportion of net assets held in such subsidiaries for the range of consolidated financial statements

M 红星美凯龙全球家居设计博览中心 MACALLINE
The Global Furnishing Design and Exhibition Center

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

(V) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

52. 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:

RMB

Item	Amount recognized in the current year	Amount recognized in the prior year
Net profit attributable to shareholders of the parent company for the current period	4,077,897,749.46	3,397,183,234.32
Including: Net profit attributable to ongoing operations	4,077,897,749.46	3,397,183,234.32
Net profit attributable to terminated operations	—	—

Unit: share

Item	Amount recognized in the current year	Amount recognized in the prior year
Number of ordinary shares issued at the end and beginning of the year	3,623,917,038	3,623,917,038

The Group has no dilutive ordinary share.

Earnings per share

RMB

Item	Amount recognized in the current year	Amount recognized in the prior year
Calculated based on net profit attributable to shareholders of the Company:		
Basic earnings per share	1.13	0.94
Diluted earnings per share	N/A	N/A
Calculated based on ongoing operations net profit attributable to shareholders of the Company:		
Basic earnings per share	1.13	0.94
Diluted earnings per share	N/A	N/A
Calculated based on terminated operations net profit attributable to shareholders of the Company:		
Basic earnings per share	—	—
Diluted earnings per share	N/A	N/A

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

(V) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

53. Notes to the Cash Flow Statements

(1) Other cash received in connection with operating activities

RMB

Item	Amount recognized in the current year	Amount recognized in the prior year
Deposits received	875,964,049.84	219,620,493.83
Proceeds collected and paid on behalf of others	842,954,110.27	212,076,983.32
Recovery of small loans	275,496,848.64	–
P2P investors' fund received	–	3,751,130.63
Non-operating income and government grants	161,156,147.61	113,713,457.10
Interest income	116,959,614.61	104,283,318.16
Total	2,272,530,770.97	653,445,383.04

(2) Other cash paid in connection with operating activities

RMB

Item	Amount recognized in the current year	Amount recognized in the prior year
Payment of expenses and other proceeds	1,868,095,826.99	1,260,483,160.99
Bank charges and other expenses	4,724,075.43	13,516,933.75
Non-operating expenses	42,340,125.98	14,318,217.08
Small loans extended	292,392,650.00	184,789,336.99
Reserves with central bank	205,655,403.94	–
Total	2,413,208,082.34	1,473,107,648.81

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

(V) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

53. Notes to the Cash Flow Statements (Continued)

(3) Other cash received in connection with investing activities

RMB

Item	Amount recognized in the current year	Amount recognized in the prior year
Current account (<i>Note</i>)	306,869,685.79	273,116,397.36
Recovery of the entrusted loan	110,694,880.86	231,000,000.00
Government grant related to assets	10,110,000.00	6,066,072.00
Interest income from loans	8,730,186.95	8,333,731.18
Redemption of the wealth management products	374,000,000.00	429,000,000.00
Recovery of restricted cash and bank	353,533,407.10	–
Redemption of fixed bank deposits due after over 3 months	158,230,595.44	113,622,991.89
Total	1,322,168,756.14	1,061,139,192.43

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

(4) Other cash paid in connection with investing activities

RMB

Item	Amount recognized in the current year	Amount recognized in the prior year
Current account (<i>Note</i>)	823,475,106.39	624,268,348.66
Granting the entrusted loan	533,385,000.00	412,000,000.00
Purchase of wealth management products	277,000,000.00	168,000,000.00
Restricted cash and bank	323,563,198.54	15,957,978.80
Fixed bank deposits due after over 3 months	94,729,041.70	165,724,864.24
Total	2,052,152,346.63	1,385,951,191.70

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

(V) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

53. Notes to the Cash Flow Statements (Continued)

- (5) Other cash received in connection with financing activities

RMB

Item	Amount recognized in the current year	Amount recognized in the prior year
Current account	6,099,043.31	10,350,000.00
Total	6,099,043.31	10,350,000.00

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

RMB

Item	Amount recognized in the current year	Amount recognized in the prior year
Current account (<i>Note 1</i>)	31,446,128.92	226,374,396.92
Loan charges	13,556,050.00	–
Acquisition of non-controlling interest (<i>Note 2</i>)	269,899,085.21	13,450,000.00
Total	314,901,264.13	239,824,396.92

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

Note 2: For details, please see Note (VII).2.

M 红星美凯龙全球家居设计博览中心 MACALLINE
The Global Furnishing Design and Exhibition Center

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

(V) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

54. Supplementary information of cash flow statements

(1) Supplementary information of cash flow statements

RMB

Supplementary information	Amount recognized in the current year	Amount recognized in the prior year
1. Reconciliation of net profits to cash flow from operating activities:		
Net profits	4,278,013,820.29	3,673,441,821.08
Add: Gains from changes in fair value	(1,996,188,694.30)	(1,754,032,308.00)
Loss from assets devaluation	283,436,250.82	572,890,325.59
Depreciation of fixed assets	44,249,856.07	47,382,498.97
Amortization of intangible assets	25,626,846.72	24,204,633.00
Amortization of long-term prepaid expenses	64,500,472.13	55,843,929.39
Amortization of deferred income	(13,382,087.57)	(5,006,920.84)
Losses (gains) on disposal of fixed assets, intangible assets and other long-term assets	(35,964,572.41)	4,615,478.68
Purchase discount through business combination of enterprises under different control	–	(355,659.60)
Financial expense	1,221,804,465.25	951,982,487.58
Investment losses (gains)	(633,897,111.33)	(130,896,456.03)
Decrease/(Increase) in deferred tax assets	(123,974,608.73)	(233,400,821.08)
Increase/(decrease) in deferred tax liabilities	610,054,940.97	742,436,609.37
Decrease/(Increase) in inventories	(74,953,160.63)	(10,310,691.57)
Decrease/(Increase) in operating receivables	(1,209,743,569.00)	(805,356,486.22)
Increase/(decrease) in operating payables	4,078,776,080.55	850,490,316.63
Net cash flows from operating activities	6,518,358,928.83	3,983,928,756.95
2. Net change in cash and cash equivalents:		
Cash balance at the end of the year	10,269,293,739.45	5,892,424,707.42
Less: Cash balance at the beginning of the year	5,892,424,707.42	5,548,464,401.64
Add: Balance of cash equivalents at the end of the year	–	–
Less: Balance of cash equivalents at the beginning of the year	–	–
Net increase (decrease) in cash and cash equivalents	4,376,869,032.03	343,960,305.78

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

(V) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

54. Supplementary information of cash flow statements (Continued)

(2) Net cash paid for acquisition of subsidiaries during this year

RMB

Supplementary information	Amount recognized in the current year	Amount recognized in the prior year
Cash or cash equivalents paid for business combination during this year	744,072,700.00	787,598,402.78
Including: Jinshan Home Furnishing	500,000,000.00	–
Tenghui Logistics–equity acquisition payment	–	50,000,000.00
Tenghui Logistic–others (<i>Note</i>)	–	173,000,000.00
Tenghui Investment Hefei Company–equity acquisition payment	–	30,000,000.00
Tenghui Investment Hefei Company–others (<i>Note</i>)	–	534,598,402.78
Xining Runling Real Estate Development Co., Ltd.–equity acquisition payment	72,162,700.00	–
Xining Runling Real Estate Development Co., Ltd.–others (<i>Note</i>)	171,790,000.00	–
Shanghai Muye Asset Management Co., Ltd.	120,000.00	–
Less: Cash and cash equivalents held by subsidiaries on the acquisition date	3,787,025.90	4,234,881.92
Including: Jinshan Home Furnishing	3,738,509.67	–
Tenghui Logistics	–	3,375,383.27
Tenghui Investment Hefei Company	–	859,498.65
Xining Runling Real Estate Development Co., Ltd.	48,516.23	–
Net cash paid for acquisition of subsidiaries	740,285,674.10	783,363,520.86

Note: When acquiring Tenghui Logistics, Tenghui Investment Hefei Company and Xining Runling Real Estate Development Co., Ltd., the Company provided shareholder loan to the above three companies for its debt repayment and mortgage cancellation arrangements.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

(V) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

54. Supplementary information of cash flow statements (Continued)

(3) Net cash received from (paid for) disposal of subsidiaries during this year

RMB

Supplementary information	Amount recognized in the current year	Amount recognized in the prior year
Cash or cash equivalents received from disposal of subsidiaries during this year	2,953,179,200.00	1,492,000.00
Including: Beijing Hehe Juzhong Advertising Media Co., Ltd.	700,000.00	–
Shanghai Huangpu Red Star Microfinance Co., Ltd.	201,410,000.00	–
Tianjin Red Star Macalline International Home Furnishings Malls Company Limited	2,650,000,000.00	–
Tianjin Red Star Macalline International Home Furnishings Construction Materials Company Limited	–	–
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 Services Company Limited	96,069,200.00	–
Yantai Red Star International Home Furnishings Management Company Limited	5,000,000.00	–

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

(V) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

54. Supplementary information of cash flow statements (Continued)

(3) Net cash received from (paid for) disposal of subsidiaries during this year (Continued)

RMB

Supplementary information	Amount recognized in the current year	Amount recognized in the prior year
Less: Cash and cash equivalents held by subsidiaries on the date of the loss of control	172,059,603.77	4,909,768.61
Including: Beijing Hehe Juzhong Advertising Media Co., Ltd.	247,202.60	–
Changzhou Red Star Malls Business Management Co., Ltd.	20,315,127.10	–
Shanghai Huangpu Red Star Microfinance Co., Ltd.	4,856,575.63	–
Tianjin Red Star Macalline International Home Furnishings Malls Company Limited	48,929,768.55	–
Tianjin Red Star Macalline International Home Furnishings Construction Materials Company Limited	14,968,860.41	–
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 Services Company Limited	82,531,407.09	–
Yantai Red Star International Home Furnishings Management Company Limited	210,662.39	–
Net cash received from (paid for) disposal of subsidiaries	2,781,119,596.23	(3,417,768.61)

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

(V) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

54. Supplementary information of cash flow statements (Continued)

(4) Components of cash and cash equivalents

RMB

Item	31 December 2017	31 December 2016
I. Cash	10,269,293,739.45	5,892,424,707.42
Including: Cash in hand	47,859,870.87	45,828,781.83
Bank deposits readily to be withdrawn on demand	10,221,433,868.58	5,846,595,925.59
	–	–
II. Cash equivalents		
III. Cash and cash equivalent balance at the end of the year	10,269,293,739.45	5,892,424,707.42

Cash and cash equivalents do not include limited cash and cash equivalents used by the Company and its subsidiaries, and fixed deposits due over three months.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

(V) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

55. Assets with Restricted Ownership or Use Right

RMB

Item	Closing balance	Opening balance	Reasons for limitation
Monetary funds	32,262,664.29	70,460,665.31	Used for loan pledge
Monetary funds	–	6,254,877.90	Investors' investment funds managed by banks
Monetary funds	16,032,670.36	–	Engineering deposit
Monetary funds	9,450,000.00	9,000,000.00	Court freezing
Monetary funds	–	2,000,000.00	Used for capital injection of the Company
Monetary funds	205,655,403.94	–	Reserves deposited in the Central Bank
Investment real estate	54,025,000,000.00	47,466,000,000.00	Mortgage loan
Long-term equity investment (Note)	–	128,895,326.08	Used for pledge for related parties
Total	54,288,400,738.59	48,127,610,869.29	

Note: The equity at the beginning of the year of associated companies of RMB128,895,326.08 was pledged to guarantee the loans of related parties. Please see note (V).10.3 for details.

By the end of this year, all revenues from Shanghai Zhenbei Shopping Mall, Jinan Red Star Shopping Mall, Zhengzhou Red Star Shopping Mall, Chengdu Changyi Shopping Mall, Shanghai Jinqiao Shopping Mall, Harbin International Home Shopping Mall, Shanghai Xinglong Shopping Mall, Tianjin Hedong Shopping Mall, Yumu Enterprise Management, Yuxu Enterprise Management, Yuzhu Enterprise Management, Yuxiao Enterprise Management, Beijing West Fourth Ring Mall and Beijing East Fourth Ring Mall during relevant loan periods were used for loan pledge.

56. Monetary items denominated in foreign currency:

RMB

Item	Closing balance			Opening balance		
	Foreign currency amount	Exchange rate	RMB amount	Foreign currency amount	Exchange rate	RMB amount
Monetary funds:						
USD	37,632,036.13	6.5342	245,895,250.48	14,963.34	6.4758	96,899.54
HKD	120,764.37	0.8359	100,948.14	125,454.11	0.8937	112,113.08
Total	–	–	245,996,198.62	–	–	209,012.62

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

(VI) CHANGES IN CONSOLIDATION SCOPE

1. Subsidiaries acquired through business combination of enterprises under different control

(1) In the year of 2017

(a) *Subsidiaries acquired through business combination of enterprises under different control during this period*

RMB

Name of the acquirees	Date of acquisition	Cost on equity acquisition	Percentage of equity acquisition (%)	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	Combination date was the date when the Company obtained the control right	-	(97,500.00)

(b) *Combination cost and goodwill*

RMB

Combination cost	Shanghai Muye Asset Management Co., Ltd.
Cash	120,000.00
Fair value of equity held before acquisition date on the acquisition date	-
Total combination cost	120,000.00
Less: Fair value shares of net identifiable assets obtained	120,000.00
Goodwill	-
Amount of combination cost less than fair value share of net identifiable assets obtained	-

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

(VI) CHANGES IN CONSOLIDATION SCOPE (CONTINUED)

1. Subsidiaries acquired through business combination of enterprises under different control (Continued)

(1) In the year of 2017 (Continued)

(c) *Identifiable assets and liabilities of acquiree on acquisition date:*

RMB

	Assets of Muye	
	Fair value on acquisition date	Book value on acquisition date
Assets:		
Other receivables	138,500.00	138,500.00
Liabilities:		
Other payables	18,500.00	18,500.00
Net assets	120,000.00	120,000.00
Less: Minority shareholders' equity	—	—
Net assets obtained	120,000.00	120,000.00

According to the management of the Company, there is no significant difference between the fair value and the book value of the above identifiable net assets and liabilities

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

(VI) CHANGES IN CONSOLIDATION SCOPE (CONTINUED)

1. Subsidiaries acquired through business combination of enterprises under different control (Continued)

(2) In the year of 2016

(a) Subsidiaries acquired through business combination of enterprises under different control during this period

RMB

Name of the acquirees	Date of acquisition	Cost on equity acquisition	Percentage of equity acquisition (%)	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
Anhui Tenghui Logistics Company Limited (Note 1)	20 June 2016	50,000,000.00	100.00%	Cash acquisition	20 June 2016	Combination date was the date when the Company obtained the control right	2,640,200.17	(3,696,430.17)
Anhui Tenghui Investment Group Hefei Company Limited (Note 2)	31 December 2016	30,000,000.00	95.00%	Cash acquisition	31 December 2016	Combination date was the date when the Company obtained the control right	-	-

Note 1: On 20 June 2016, the Group acquired 100.00% equity interest of Anhui Tenghui Logistics Company Limited ("Tenghui Logistics") from Anhui Tenghui Investment Group Company Limited ("Anhui Tenghui") with cash of RMB50,000,000.00. Through the acquisition, the Group has obtained the control right over Tenghui Logistics and has included it in the consolidation scope of the Group.

Note 2: On 31 December 2016, the Group acquired 95.00% equity interest of Anhui Tenghui Investment Group Hefei Company Limited ("Tenghui Investment Hefei Company") from Anhui Tenghui with cash of RMB30,000,000.00. The Group originally held 5% equity interest of Tenghui Investment Hefei Company with the cost of RMB10,000,000.00. After the completion of the acquisition, the Group holds 100% equity interest of Tenghui Investment Hefei Company and has obtained the control right over the company and has included it in the consolidation scope of the Group.

(b) Combination cost and goodwill

RMB

Combination cost	Anhui Tenghui Logistics Company Limited	Anhui Tenghui Investment Group Hefei Company Limited
Cash	50,000,000.00	30,000,000.00
Fair value of equity held before acquisition date on the acquisition date	-	1,597,666.29
Total combination cost	50,000,000.00	31,597,666.29
Less: Fair value shares of net identifiable assets obtained	50,000,000.00	31,953,325.89
Goodwill	-	-
Amount of combination cost less than fair value share of net identifiable assets obtained (Note)	-	355,659.60

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

(VI) CHANGES IN CONSOLIDATION SCOPE (CONTINUED)

1. Subsidiaries acquired through business combination of enterprises under different control (Continued)

(2) In the year of 2016 (Continued)

(b) Combination cost and goodwill (Continued)

Note: The balance between the 5% equity with the cost of RMB10,000,000.00 held by the Group and the fair value share of the identifiable net assets on the acquisition date of RMB1,597,666.29 was RMB8,402,333.71, which was recognized as investment loss. Please refer to note V.46.1.(2) for details. The balance between the equity consideration of the Group's 95% equity acquisition and the fair value share of the identifiable net assets on the acquisition date was recognized as non-operating income of RMB355,659.60. Please refer to note V.49,1(2) for details.

(c) Identifiable assets and liabilities of acquiree on acquisition date

RMB

	Anhui Tenghui Logistics Company Limited		Anhui Tenghui Investment Group Hefei Company Limited	
	Fair value on acquisition date	Book value on acquisition date	Fair value on acquisition date	Book value on acquisition date
Assets:				
Monetary capital	3,375,383.27	3,375,383.27	859,498.65	859,498.65
Other receivables	15,026,570.20	15,026,570.20	5,284,147.37	5,284,147.37
Investment real estate	242,451,629.90	238,500,000.00	587,000,000.00	587,000,000.00
Fixed assets	61,434.44	61,434.44	36,357.37	36,357.37
Other assets	31,450.00	31,450.00	317,621.40	317,621.40
Liabilities:				
Account payable	32,628,948.07	32,628,948.07	13,262,969.91	13,262,969.91
Other payables	173,843,964.16	173,843,964.16	544,780,242.26	544,780,242.26
Deferred income tax liabilities	2,408,285.28	2,408,285.28	3,494,758.23	3,494,758.23
Other liabilities	2,065,270.30	2,065,270.30	6,328.50	6,328.50
Net assets	50,000,000.00	46,048,370.10	31,953,325.89	31,953,325.89
Less: Minority stockholder's interest	-	-	-	-
Net assets obtained	50,000,000.00		31,953,325.89	

The fair value of the above-mentioned identifiable net assets and liabilities was assessed by a third-party independent evaluation institution.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

(VI) CHANGES IN CONSOLIDATION SCOPE (CONTINUED)

2. Assets acquisition

(1) In the year of 2017

RMB

Name of the acquired assets	Date of acquisition	Cost on equity acquisition	Percentage of equity acquisition (%)	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 when acquiree's asset control right is transferred to acquirer
Shanghai Jinshan Red Star Macalline Global Home Furnishing Company Limited ("Jinshan Home Furnishing")	27 October 2017	520,000,000.00	100.00%	Cash	27 October 2017	The date when acquiree's asset control right is transferred to acquirer

In February 2017, the Group acquired Xining Runling from third-party Minmetals Real Estate Hunan Development Co., Ltd. (五礦地產湖南開發有限公司). Xining Runling owned a plot of land that can be used for the development of home shopping mall. According to the Company's management, the above did not constitute business acquisition and thereby recognized it as asset acquisition. After the acquisition, Xining Runling was renamed as Xining Red Star Macalline Shibo Home Furnishing Plaza Company Limited (西寧紅星美凱龍世博家居廣場有限公司).

In October 2017, the Group acquired Jinshan Home Furnishing from Shanghai Red Star Macalline Real Estate Co., Ltd. Jinshan Home Furnishing owned a home shopping mall property. According to the Company's management, the above did not constitute business acquisition and thereby recognized as asset acquisition.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

(VI) CHANGES IN CONSOLIDATION SCOPE (CONTINUED)

2. Assets acquisition (Continued)

(1) In the year of 2017 (Continued)

(a) Book value of assets and liabilities of acquiree on acquisition date

RMB

	Xining Runling	
	Fair value on acquisition date	Book value on acquisition date
Assets:		
Monetary capital	48,516.23	48,516.23
Investment real estate	250,719,588.62	183,164,491.36
Liabilities:		
Tax payable	55,404.85	55,404.85
Other payables	178,550,000.00	178,550,000.00
Net assets	72,162,700.00	4,607,602.74
Less: Minority stockholder's interest	—	—
Net assets obtained	72,162,700.00	—

RMB

	Jinshan Home Furnishing	
	Fair value on acquisition date	Book value on acquisition date
Assets:		
Monetary capital	3,738,509.67	3,738,509.67
Investment real estate	516,261,490.33	522,049,866.15
Net assets	520,000,000.00	525,788,375.82
Less: Minority stockholder's interest	—	—
Net assets obtained	520,000,000.00	525,788,375.82

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

(VI) CHANGES IN CONSOLIDATION SCOPE (CONTINUED)

3. Disposals of subsidiaries

(1) In the year of 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 ceased control	Book value of the remaining equity at the date of ceased control	Fair value of the remaining equity at the date of ceased control	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 Services Company Limited (Note 1)	96,069,200.00	100.00%	Transfer of shares	19 May 2017	Based on the date of losing decision-making right for the operation of Shanghai Jiajinsuo Financial Information Service Co., Ltd.	2,866,278.24	-	-	-	-	N/A
Yantai Red Star International Home Furnishings Management Company Limited ("Yantai International") (Note 2)	5,000,000.00	100.00%	Transfer of shares	17 April 2017	Based on the date of losing decision-making right for the operation of Yantai Red Star International Home Furnishings Management Company Limited	1,693,582.95	-	-	-	-	N/A
Beijing Hehe Juzhong Advertising Media Co., Ltd. ("Hehe Juzhong")	700,000.00	100.00%	Transfer of shares	30 November 2017	Based on the date of losing decision-making right for the operation of Beijing Hehe Juzhong Advertising Media Co., Ltd.	7,299,366.64	-	-	-	-	N/A
Shanghai Huangpu Red Star Microfinance Co., Ltd. (Note 3)	201,410,000.00	100.00%	Transfer of shares	19 September 2017	Based on the date of losing decision-making right for the operation of Shanghai Huangpu Red Star Microfinance Co., Ltd.	857,236.58	-	-	-	-	N/A

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

(VI) CHANGES IN CONSOLIDATION SCOPE (CONTINUED)

3. Disposals of subsidiaries (Continued)

(1) In the year of 2017 (Continued)

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 ceased control	Book value of the remaining equity at the date of ceased control	Fair value of the remaining equity at the date of ceased control	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
Tianjin Red Star Macalline International Home Furnishings Malls Company Limited ("Tianjin Home Furnishings") (Note 4)		100.00%	Transfer of shares	10 July 2017	Based on the date of losing decision-making right for the operation of Tianjin Red Star Macalline International Home Furnishings Malls Company Limited	-	-	-	-	-	N/A
Tianjin Red Star Macalline International Home Furnishings Construction Materials Company Limited ("Tianjin Hongqiao") (Note 4)	2,650,000,000.00	100.00%	Transfer of shares	10 July 2017	Based on the date of losing decision-making right for the operation of Tianjin Red Star Macalline International Home Furnishings Construction Materials Company Limited	Note 4	-	-	-	-	N/A
Changzhou Red Star Malls Business Management Co., Ltd.	372,910,000.00	100.00%	Transfer of shares	31 December 2017	Based on the date of losing decision-making right for the operation of Changzhou Red Star Malls Business Management Co., Ltd.	12,910,000.00	-	-	-	-	N/A

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

(VI) CHANGES IN CONSOLIDATION SCOPE (CONTINUED)

3. Disposals of subsidiaries (Continued)

(1) In the year of 2017 (Continued)

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

Note 2: The Group transferred all the shares of Yantai International to third parties.

Note 3: In August 2017, the Group signed equity transfer agreement with RSM Holding, Fuzhou Red Star Commercial Management Company Limited and Kunming Red Star Commercial Management Company Limited and agreed to transfer 100% shares of Shanghai Huangpu Red Star Microfinance Co., Ltd. to RSM Holding, Fuzhou Red Star Commercial Management Company Limited and Kunming Red Star Commercial Management Company Limited.

Note 4: In May 2017, the Company make an agreement to sell its two wholly-owned subsidiaries Tianjin Red Star Macalline International Home Furnishings Construction Materials Company Limited ("Tianjin Construction Materials") and Tianjin Red Star Macalline International Home Furnishings Malls Company Limited ("Tianjin Home Furnishing") to the trust fund managed by Tianjin Changhe Shareholding Investment Fund Management Company Limited. The disposal consideration was Zhengzhou Juankai Enterprise Management Consultation Company Limited ("Zhengzhou Juankai") and the disposal was completed on 10 July 2017.

After obtaining approval from relevant regulatory authorities in China, the fund used the malls held by Tianjin Building Materials and Tianjin Home Furnishings as the basic assets and launched the Quasi-REITS Programme and completes the issuance on 12 September 2017. The issuance size was RMB2.65 billion, including RMB1.8 billion of priority asset-backed securities and RMB0.85 billion of subordinated asset-backed securities. The subordinated asset-backed securities of RMB0.85 billion was all subscribed by Macalline Gaohe (Wuhu) Home Furnishing Commercial Property Investment Fund Partnership (Limited Partnership), which was a limited partnership enterprise established by the Company with the investment of RMB400 million and Tianjin Gaohe Equity Investment Fund Management Co., Ltd. (天津高和股權投資基金管理有限公司). After the completion of the issuance of the Quasi-REITS Programme, Zhengzhou Juankai received a full sum of RMB2.645 billion of fund receivables.

As at the date of disposal, the balance of the net assets of Zhengzhou Juankai at the date of disposal exceeding the net assets of Tianjin Building Materials and Tianjin Home Furnishings was RMB869,106,328.63. In the consolidated financial statements, the Company's confirmed net investment income for the disposal of Tianjin Building Materials and Tianjin Home Furnishings amounted to RMB469,106,328.63.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

(VI) CHANGES IN CONSOLIDATION SCOPE (CONTINUED)

3. Disposals of subsidiaries (Continued)

(2) In the year of 2016

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 ceased control	Book value of the remaining equity at the date of ceased control	Fair value of the remaining equity at the date of ceased control	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
Wuhan Xingdian Home Decorating Company Limited (Note 1)	96,000.00	60.00%	Transfer of shares	6 January 2016	Based on the date of losing decision-making right for the production and operation of Wuhan Xingdian Home Decorating Company Limited	(70,657.32)	-	-	-	-	N/A
Henan Xingshidai Home Decorating Company Limited (Note 1)	150,000.00	60.00%	Transfer of shares	18 January 2016	Based on the date of losing decision-making right for the production and operation of Henan Xingshidai Home Decorating Company Limited	(376,412.98)	-	-	-	-	N/A
Shanghai Jinlilong Home Decorating Design Company Limited (Note 1)	926,000.00	80.00%	Transfer of shares	28 January 2016	Based on the date of losing decision-making right for the production and operation of Shanghai Jinlilong Home Decorating Design Company Limited	414,362.69	-	-	-	-	N/A
Chengdu Shangding Home Decorating Design Company Limited (Note 1)	320,000.00	70.00%	Transfer of shares	26 January 2016	Based on the date of losing decision-making right for the production and operation of Chengdu Shangding Home Decorating Design Company Limited	209,860.13	-	-	-	-	N/A
Hangzhou Red Star Macalline Global Home Living Company Limited (Note 2)	-	81.00%	Losing control right after investment increase	21 September 2016	Based on the date of losing decision-making right for the production and operation of Hangzhou Red Star Macalline Global Home Living Company Limited	(156,349.10)	19%	19,156,349.10	19,000,000.00	(156,349.10)	Determined based on net realizable value

Note 1: The Group transferred all the shares in subsidiaries to third parties.

Note 2: In 2016, the investment increased by the shareholders of Hangzhou Red Star Macalline Global Home Living Company Limited amounted to RMB95,000,000.00, of which, the Group subscribed an additional RMB14,000,000.00. After the investment increase, the Group's total investment was RMB19,000,000.00, accounting for 19% of the total registered capital. As the Group still has a significant impact on the company, the accounting on the company is conducted as an associate company of the Group.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

(VI) CHANGES IN CONSOLIDATION SCOPE (CONTINUED)

4. Other reasons for consolidated scope changes

(1) In the year of 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:							
Xinjiang Macalline Enterprise Management	Red Star Macalline Enterprise Management Consulting Co., Ltd	Xinjiang Autonomous Region	Xinjiang Autonomous Region	Enterprise management and consultancy	100%	-	Newly-established company
Xinjiang Red Star Ogloria	Red Star Ogloria Enterprise Management Company Limited	Xinjiang Autonomous Region	Xinjiang Autonomous Region	Enterprise management and consultancy	-	100%	Newly-established company
Khorgos Xingyijia	Khorgos Red Star Macalline Business Management Company Limited	Xinjiang Autonomous Region	Xinjiang Autonomous Region	Enterprise management and consultancy	-	100%	Newly-established company
Shaanxi Macalline Logistics	Shaanxi Red Star Macalline Logistics Company Limited	Shaanxi	Shaanxi	Warehouse 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 Xinhuan	Yantai Xinhuan Enterprise Management Company Limited	Shandong	Shandong	Enterprise management and consultancy	-	100%	Newly-established company
Chongqing Macalline Logistics	Chongqing Red Star Macalline Logistics Company Limited	Chongqing	Chongqing	Warehouse 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
Tianjin Macalline Logistics	Tianjin Red Star Macalline Logistics Co., Ltd.	Tianjin	Tianjin	Warehouse Logistics	-	60%	Newly-established company
Jiajin Investment Holdings	Shanghai Jiajin Investment Holdings Co., Ltd.	Shanghai	Shanghai	Investment management	70%	-	Newly-established company
Red Star Finance Company	Red Star Macalline Home Furnishing Group Finance Company Limited	Shanghai	Shanghai	Loan business	90%	10%	Newly-established company
Shanghai Longzhihui	Longzhihui (Shanghai) Facility Management Services Co., Ltd.	Shanghai	Shanghai	Enterprise management and consultancy	-	50%	Newly-established company
Guizhou Macalline Logistics	Guizhou Red Star Macalline Logistics Co., Ltd.	Guizhou	Guizhou	Warehouse Logistics	-	100%	Newly-established company

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

(VI) CHANGES IN CONSOLIDATION SCOPE (CONTINUED)

4. Other reasons for consolidated scope changes (Continued)

(1) In the year of 2017 (Continued)

Company Abbreviation	Company name	Main business site	Place of incorporation	Nature of business	Shareholding ratio		Reasons for change
					Direct	Indirect	
Red Star Equipment Leasing Company	Shanghai Red Star Macalline Equipment Leasing Company Limited	Shanghai	Shanghai	Equipment leasing	-	100%	Newly-established company
Red Star Home Furnishing Trading	Shanghai Red Star Macalline Home Furnishing Trading Company Limited	Shanghai	Shanghai	Import and export	51%	-	Newly-established company
Betterhome Decoration	Shanghai Betterhome Decoration Company Limited	Shanghai	Shanghai	Construction decoration	-	50%	Newly-established company
Kunming Shibo Home Furnishing	Kunming Red Star Macalline Shibo Home Furnishing Plaza Company Limited	Yunnan	Yunnan	Site leasing management	-	87%	Newly-established company
Chongqing Tea Garden	Chongqing Red Star Macalline Shibo Home Furnishing Plaza Company Limited	Chongqing	Chongqing	Site leasing management	100%	-	Newly-established company
Changzhou Business Management	Changzhou Red Star Malls Business Management Co., Ltd.	Jiangsu	Jiangsu	Site leasing management	80%	-	Newly-established company
Be cancelled and no longer included in consolidation scope subsidiaries:							
Shanghai Yongdian	Shanghai Yongdian Home Decorating Design Company Limited	Shanghai	Shanghai	Home decoration design	-	100%	Cancelled
Changsha Yali	Changsha Yali Home Decorating Design Company Limited	Changsha	Changsha	Home decoration design	-	70%	Cancelled

Subsidiaries that are no longer included in consolidation scope due to capital increase from other investors
None

M 红星美凯龙全球家居设计展示中心
The Global Furnishing Design and Exhibition Center

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

(VII) INTERESTS IN OTHER ENTITIES

1. Interests in Subsidiaries

(1) Constitution of subsidiaries

(a) 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	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	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 5)	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
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	Hunan	Hunan	Site leasing management	100%	-	Business combinations under common control

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

(VII) INTERESTS IN OTHER ENTITIES (CONTINUED)

1. Interests in Subsidiaries (Continued)

(1) Constitution of subsidiaries (Continued)

(a) 2017: (Continued)

Company Abbreviation	Company Name	Main business site	Place of incorporation	Nature of business	Shareholding ratio		Acquisition method
					Direct	Indirect	
Jinan Red Star (Note 4)	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	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	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	Shanghai	Market company	45%	51.7%	Business combinations under common control
Shanghai Advertising	Shanghai Red Star Macalline Advertising Company Limited	Shanghai	Shanghai	Advertising companies	-	100%	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
Shanghai Global Home Furnishing	Shanghai Red Star Macalline Global Home Furnishing Design Expo Company Limited	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	Zhejiang	Zhejiang	Site leasing management	100%	-	Acquisition by the company through establishment or investment
Chengdu Changyi (Note 4, 5)	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	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	Chongqing	Site leasing management	100%	-	Acquisition by the company through establishment or investment

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

(VII) INTERESTS IN OTHER ENTITIES (CONTINUED)

1. Interests in Subsidiaries (Continued)

(1) Constitution of subsidiaries (Continued)

(a) 2017: (Continued)

Company Abbreviation	Company Name	Main business site	Place of incorporation	Nature of business	Shareholding ratio		Acquisition method
					Direct	Indirect	
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	Shanghai	Site leasing management	100%	-	Acquisition by the company through establishment or investment
Shanghai Dingsheng	Shanghai Dingsheng Construction Management and Design Company Limited	Shanghai	Shanghai	Engineering design	-	100%	Business combinations not under common control
Shanghai Global Market	Shanghai Red Star Macalline Global Home Furnishing Market Management Company Limited	Shanghai	Shanghai	Market company	-	99.4%	Acquisition by the company through establishment or investment
Yantai Red Star	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 (Note 4)	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	Chongqing	Site leasing management	100%	-	Acquisition by the company through establishment or investment
Changsha Yinhong	Changsha Yinhong Home Furnishing Company Limited	Hunan	Hunan	Site leasing management	100%	-	Acquisition by the company through establishment or investment

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

(VII) INTERESTS IN OTHER ENTITIES (CONTINUED)

1. Interests in Subsidiaries (Continued)

(1) Constitution of subsidiaries (Continued)

(a) 2017: (Continued)

Company Abbreviation	Company Name	Main business site	Place of incorporation	Nature of business	Shareholding ratio		Acquisition method
					Direct	Indirect	
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
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	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	Shanghai	Shanghai	E-commerce	-	100%	Business combinations under common control
Changzhou Hongyang (Note 4)	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	Shanghai	Investment management	100%	-	Acquisition by the company through establishment or investment
Harbin Red Star	Harbin Red Star Macalline Shibo Furniture Plaza Company Limited	黑龍江省	黑龍江省	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 Consolidated Financial Statements

For the year ended 31 December 2017

(VII) INTERESTS IN OTHER ENTITIES (CONTINUED)

1. Interests in Subsidiaries (Continued)

(1) Constitution of subsidiaries (Continued)

(a) 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	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 common control
Changzhou Jiapindao	Changzhou Jiapindao Home Furnishing and Decorating Company Limited	Jiangsu	Jiangsu	Independent 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
Wuhan Global Home Furnishing	Wuhan Red Star Macalline Global Home Furnishing Plaza Development Company Limited	Hubei	Hubei	Commodity rental	100%	-	Acquisition by the company through establishment or investment
Beijing Century Kailong	Beijing Century Kailong Business Investment Company Limited	Beijing	Beijing	Site leasing management	100%	-	Acquisition by the company through establishment or investment

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

(VII) INTERESTS IN OTHER ENTITIES (CONTINUED)

1. Interests in Subsidiaries (Continued)

(1) Constitution of subsidiaries (Continued)

(a) 2017: (Continued)

Company Abbreviation	Company Name	Main business site	Place of incorporation	Nature of business	Shareholding ratio		Acquisition method
					Direct	Indirect	
Tianjin Fashion	Tianjin Red Star Macalline Home Fashion Plaza Company Limited	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	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
Hongmei	Shanghai Hongmei E-commerce Company Limited	Shanghai	Shanghai	E-commerce	-	100%	Acquisition by the company through establishment or investment
Youmei Home	Shanghai Youmei Home Furnishing Company Limited	Shanghai	Shanghai	Independent sale	-	100%	Acquisition by the company through establishment or investment
Tianjin International Expo	Tianjin Red Star Macalline International Home Furnishing Expo Company Limited	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	Tianjin	Commodity rental	100%	-	Acquisition by the company through establishment or investment
Shanghai Meihao	Shanghai Meihao Home Decorating Design Company Limited	Shanghai	Shanghai	Home decoration	-	100%	Acquisition by the company through establishment or investment

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

(VII) INTERESTS IN OTHER ENTITIES (CONTINUED)

1. Interests in Subsidiaries (Continued)

(1) Constitution of subsidiaries (Continued)

(a) 2017: (Continued)

Company Abbreviation	Company Name	Main business site	Place of incorporation	Nature of business	Shareholding ratio		Acquisition method
					Direct	Indirect	
Harbin International home furnishing	Harbin Red Star Macalline International Home Furnishing Company Limited	Harbin	Harbin	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	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	Xizang	Xizang	Investment management	100%	-	Acquisition by the company through establishment or investment
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	Jiangsu	Jiangsu	Brand management	100%	-	Acquisition by the company through establishment or investment
Shanghai Longmei	Shanghai Red Star Macalline Longmei Home Furnishing Market Management Company Limited	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
Xixiliya Property	Henan Xixiliya Property Management Company Limited	Henan	Henan	Property management	-	100%	Acquisition by the company through establishment or investment

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

(VII) INTERESTS IN OTHER ENTITIES (CONTINUED)

1. Interests in Subsidiaries (Continued)

(1) Constitution of subsidiaries (Continued)

(a) 2017: (Continued)

Company Abbreviation	Company Name	Main business site	Place of incorporation	Nature of business	Shareholding ratio		Acquisition method
					Direct	Indirect	
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
Intellectual Property Agency	Shanghai Red Star Macalline Intellectual Property Agency Company Limited	Shanghai	Shanghai	Intellectual property rights	-	100%	Business combinations not under common control
Shenyang Expo	Shenyang Red Star Macalline Home Living Expo Company Limited	Liaoning	Liaoning	Site leasing management	100%	-	Business combinations under common control
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 Technology	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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

(VII) INTERESTS IN OTHER ENTITIES (CONTINUED)

1. Interests in Subsidiaries (Continued)

(1) Constitution of subsidiaries (Continued)

(a) 2017: (Continued)

Company Abbreviation	Company Name	Main business site	Place of incorporation	Nature of business	Shareholding ratio		Acquisition method
					Direct	Indirect	
Anjia Network	Shanghai Anjia Network Technology Company Limited	Shanghai	Shanghai	E-commerce	-	100%	Acquisition by the company through establishment or investment
Aiguangjia E-Commerce	Shanghai Aiguangjia E-commerce Company Limited	Shanghai	Shanghai	E-commerce	-	100%	Acquisition by the company through establishment or investment
Jia Ju Information Technology	Shanghai Jia Ju Information Technology Co., Ltd.	Shanghai	Shanghai	E-commerce	-	100%	Acquisition by the company through establishment or investment
Hongmei Network 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 (Note 1)	Hohhot Red Star Macalline Shibo Home Furnishing Plaza Company Limited	Hohhot	Hohhot	Site leasing management	100%	-	Business combinations not under common control
Diken Trading	Kunming Diken Trading Company Limited	Kunming	Kunming	Site leasing management	63%	-	Business combinations not under common control
Betterhome Decoration (Note 5)	Shanghai Betterhome Decoration 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 Consolidated Financial Statements

For the year ended 31 December 2017

(VII) INTERESTS IN OTHER ENTITIES (CONTINUED)

1. Interests in Subsidiaries (Continued)

(1) Constitution of subsidiaries (Continued)

(a) 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
Beijing Shibo Furniture	Beijing Red Star Macalline Shibo Furniture Plaza Company Limited	Beijing	Beijing	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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

(VII) INTERESTS IN OTHER ENTITIES (CONTINUED)

1. Interests in Subsidiaries (Continued)

(1) Constitution of subsidiaries (Continued)

(a) 2017: (Continued)

Company Abbreviation	Company Name	Main business site	Place of incorporation	Nature of business	Shareholding ratio		Acquisition method
					Direct	Indirect	
Beijing Global Home Furnishing	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 (Note 1)	Red Star Macalline Shibo (Tianjin) Home Furnishing Plaza Company Limited	Tianjin	Tianjin	Site leasing management	100%	-	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
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 combinations not under common control
Tenghui Investment Hefei Company	Anhui Tenghui Investment Group Hefei Company Limited	Anhui	Anhui	Investment management	100%	-	Business combinations not under common control

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

(VII) INTERESTS IN OTHER ENTITIES (CONTINUED)

1. Interests in Subsidiaries (Continued)

(1) Constitution of subsidiaries (Continued)

(a) 2017: (Continued)

Company Abbreviation	Company Name	Main business site	Place of incorporation	Nature of business	Shareholding ratio		Acquisition method
					Direct	Indirect	
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
Shanghai Qixing	Shanghai Qixing Investment Company Limited	Shanghai	Shanghai	Investment management	-	100%	Acquisition by the company through establishment or investment
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 Furnishing 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	Logistics	-	100%	Acquisition by the company through establishment or investment

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

(VII) INTERESTS IN OTHER ENTITIES (CONTINUED)

1. Interests in Subsidiaries (Continued)

(1) Constitution of subsidiaries (Continued)

(a) 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
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	Hubei	Hubei	Site leasing management	100%	-	Acquisition by the company through establishment or investment

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

(VII) INTERESTS IN OTHER ENTITIES (CONTINUED)

1. Interests in Subsidiaries (Continued)

(1) Constitution of subsidiaries (Continued)

(a) 2017: (Continued)

Company Abbreviation	Company Name	Main business site	Place of incorporation	Nature of business	Shareholding ratio		Acquisition method
					Direct	Indirect	
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 Ouliluoya (Note 2)	Red Star Ouliluoya Business Management Company Limited	Xinjiang Autonomous Region	Xinjiang Autonomous Region	Enterprise Management Consulting	-	100%	Acquisition by the company through establishment or investment
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
Shanxi Macalline Logistics (Note 2)	Shanxi 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
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 (Note 2)	Tianjin Red Star Macalline Logistics Company Limited	Tianjin	Tianjin	Logistics	-	60%	Acquisition by the company through establishment or investment
Jianjinsuo Investment Holding Company (Note 2)	Shanghai Jianjinsuo Investment Holding Company Limited	Shanghai	Shanghai	Investment management	70%	-	Acquisition by the company through establishment or investment

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

(VII) INTERESTS IN OTHER ENTITIES (CONTINUED)

1. Interests in Subsidiaries (Continued)

(1) Constitution of subsidiaries (Continued)

(a) 2017: (Continued)

Company Abbreviation	Company Name	Main business site	Place of incorporation	Nature of business	Shareholding ratio		Acquisition method
					Direct	Indirect	
Zhengzhou Juankai Enterprise Management	Zhengzhou Juankai Enterprise Management Consultation Company Limited*	Henan	Henan	Enterprise Management Consulting	-	100%	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
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 (Note 3)	Shanghai Muye Asset Management Company Limited	Shanghai	Shanghai	Enterprise Management Consulting	100%	-	Business combinations not under common control
Macalline International Trade (Note 2)	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 Consolidated Financial Statements

For the year ended 31 December 2017

(VII) INTERESTS IN OTHER ENTITIES (CONTINUED)

1. Interests in Subsidiaries (Continued)

(1) Constitution of subsidiaries (Continued)

(a) 2017: (Continued)

Company Abbreviation	Company Name	Main business site	Place of incorporation	Nature of business	Shareholding ratio		Acquisition method
					Direct	Indirect	
Red Star Finance Company (Note 2)	Red Star Macalline Group Finance Company Limited	Shanghai	Shanghai	Loan service	90%	10%	Acquisition by the company through establishment or investment
Shanghai Longzhihui (Note 2, 5)	Longzhihui (Shanghai) Facility Management Services Company Limited	Shanghai	Shanghai	Enterprise Management Consulting	0%	50%	Acquisition by the company through establishment or investment
Guizhou Macalline Logistics (Note 2)	Guizhou Red Star Macalline Logistics Company Limited	Guizhou	Guizhou	Logistics	0%	100%	Acquisition by the company through establishment or investment
Red Star Equipment Leasing Company (Note 2)	Shanghai Red Star Macalline Equipment Leasing Company Limited	Shanghai	Shanghai	Equipment leasing	0%	100%	Acquisition by the company through establishment or investment
Red Star Meiju Trading (Note 2)	Shanghai Red Star Macalline Meiju Trading Company Limited	Shanghai	Shanghai	Import and export	51%	-	Acquisition by the company through establishment or investment
Suzhou Shibo Home Furnishing (Note 2)	Suzhou Red Star Macalline Shibo Home Furnishing Plaza Company Limited	Jiangsu	Jiangsu	Site leasing management	60%	-	Acquisition by the company through establishment or investment
Betterhome Industrial (Note 2, 5)	Shanghai Betterhome Industrial Company Limited	Shanghai	Shanghai	Construction decorating	0%	50%	Acquisition by the company through establishment or investment
Kunming Shibo Home Furnishing (Note 2)	Kunming Red Star Macalline Shibo Home Furnishing Plaza Company Limited	Yunnan	Yunnan	Site leasing management	-	87%	Acquisition by the company through establishment or investment
Chongqing Chayuan (Note 2)	Chongqing Red Star Macalline International Home Furnishing Plaza Company Limited	Chongqing	Chongqing	Site leasing management	100%	-	Acquisition by the company through establishment or investment
Jinshan Home Furnishing (Note 3)	Shanghai Jinshan Red Star Macalline Global Home Furnishing Company Limited	Shanghai	Shanghai	Site leasing management	100%	-	Acquisition by the company through establishment or investment

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

(VII) INTERESTS IN OTHER ENTITIES (CONTINUED)

1. Interests in Subsidiaries (Continued)

(1) Constitution of subsidiaries (Continued)

(a) 2017: (Continued)

Shopping Mall Business Division:

Business units	Main business site	Place of incorporation	Nature of business
Home Furnishing Shopping Mall Business Division Of Yunnan Red Star Macalline Property Company Limited ("Yunnan Property")	Yunnan	Yunnan	Site leasing management
Home Furnishing Shopping Mall Business Division Of Dalian Red Star Macalline Investment Development Company Limited ("Dalian Investment")	Liaoning	Liaoning	Site leasing management

Note 1: Please refer to Note (VII).2.(1)(a) and (2)(a), for details of the acquisition of non-controlling interests in year 2017.

Note 2: Please refer to Note (VI).4.(1), for details of the change in the scope of consolidation due to the newly established company in year 2017.

Note 3: Please refer to Note (VI).1.(1) and Note (VI).2.(1), for details of business combination not under the common control and assets acquisition in year 2017.

Note 4: Minority shareholders obtain a fixed return from Jinan Red Star, Beijing Europe and America Business, Changzhou Hongyang and Chengdu Changyi. For details, please refer to Note (VII).1.(1).(c).

Note 5: The investee subsidiaries in which the Group holds half of the voting rights but which are still controlled by the Group are Hongxin Oukai, Chengdu Changyi, Shanghai Longzhahui, Betterhome Decoration and Betterhome Industrial. For details, please refer to Note (VII).1.(1).(d).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

(VII) INTERESTS IN OTHER ENTITIES (CONTINUED)

1. Interests in Subsidiaries (Continued)

(1) Constitution of subsidiaries (Continued)

(b) *Definitive repurchase and optional repurchase transactions*

In November 2011, the Company signed an equity transfer agreement with Shanghai Red Star Macalline Enterprise Operation and Management Co., Ltd. (“Xingkai Operation”) to transfer 100% equity in Xingkai Chengpeng held by Xingkai Operation, which included Shenyang Jingsen Hongpu Real Estate Development Co., Ltd. (“Shenyang Jingsen”), Yunnan Red Star Macalline Property Company Limited (“Yunnan Property”), Tianjin Huayun Commercial Property Company Limited (hereinafter “Huayun Trade”), Dalian Red Star Macalline Investment Development Company Limited (“Dalian Investment”), Changchun Red Star Macalline International Home Furnishing Co., Ltd. (hereinafter “Changchun Property”), Shanghai Real Estate and Chengdu Red Star Macalline Real Estate Co., Ltd. (hereinafter “Chengdu Property”), at a consideration of RMB947,355,014.29 by way of equity held in 10 subsidiaries and associates under its control and cash consideration of RMB52,644,985.71, and the shareholding in the home furnishing shopping mall business segment of Shanghai Xinglong Property Development Co., Ltd. (“Xinglong Property”) held by Shanghai Real Estate was transferred together with the outgoing shareholding of Shanghai Real Estate and 50% equity in Greenland Jinniu Real Estate held by Chengdu Property was transferred together with the outgoing shareholding of Chengdu Property.

Definitive repurchase business in 2011

The Group signed a repurchase framework agreement and an irrevocable definitive repurchase agreement with Xingkai Operation, which stipulated that when the home furnishing shopping mall assets held by Huayun Trade, Yunnan Property, Shenyang Jingsen and Changchun Property satisfy the transfer conditions, the Company may, directly or through the designated related companies within the scope of combined statements, repurchase such home furnishing shopping mall assets by way of the transfer of equity in the companies that hold such assets, dissolution, etc. at a repurchase price that is in substance in line with the pricing method and principle when the Group transfers the equity in such companies. Prior to the completion of the repurchase, the Group shall enjoy and assume the gains and risks arising from or in connection with such home furnishing shopping mall assets and the management of the Group is therefore of the view that the Group maintains its capacity as the beneficial owner of the home furnishing shopping mall business of the above subsidiaries in the above disposal of subsidiaries and only disposed of the non-home furnishing shopping mall business of the above subsidiaries, i.e. the real estate business segment. As such, the above transaction was treated as disposal of real estate business.

In August 2013, December 2013 and June 2015, the Group completed the repurchase of home furnishing shopping mall assets held by Huayun Trade, Changchun Property and Shenyang Jingsen. By the end of this year, the Group has obtained the ownership certificate of the home furnishing shopping mall assets of Huayun Trade and Shenyang Jingsen.

The Group completed the repurchase in January 2018 and obtained the ownership certificate of the home furnishing shopping mall assets held by Yunnan Property.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

(VII) INTERESTS IN OTHER ENTITIES (CONTINUED)

1. Interests in Subsidiaries (Continued)

(1) Constitution of subsidiaries (Continued)

(b) *Definitive repurchase and optional repurchase transactions (Continued)*

Optional repurchase business in 2011

In December 2011, the Company signed a repurchase framework agreement with Xingkai Operation, which stipulated that when the home furnishing shopping mall assets held by Dalian Investment, Greenland Jinniu Real Estate and Xinglong Property satisfy the transfer conditions, the Company may opt to, directly or through the designated related companies within the scope of combined statements, repurchase such home furnishing shopping mall assets by way of the transfer of equity in the companies that hold such assets, dissolution, etc. at a repurchase price that is in line with the pricing method and principle when the RSM Group transfers the equity in the asset-holding companies that hold relevant home furnishing shopping mall assets and real estate assets. The Company may sign a repurchase option agreement with the transferor at its sole discretion, pursuant that the Company has the right but with no obligation to request the transferor to dispose of such home furnishing shopping mall assets to the Company or the designated related companies within the scope of combined statements as stipulated in the repurchase option agreement and determine the settlement method of the transfer payment based on the actual progress of the project.

Dalian Investment and Xinglong Property

The Group signed a repurchase agreement with Xingkai Operation in relation to the home furnishing shopping mall assets held by Dalian Investment and Xinglong Property, which stipulated that, during the period commencing from the date of the agreement and preceding the completion of repurchase, the Group shall enjoy or assume the gains and risks arising from or in connection with the home furnishing shopping mall assets regardless of the method the Group opts to repurchase such assets.

In December 2015, the Group completed the repurchase of the home furnishing shopping mall assets held by Xinglong Property.

By the end of this year, the Group has completed the repurchase of the home furnishing shopping mall assets held by Dalian Investment and was undergoing the procedure on change of ownership certificate in the name of the Group.

Greenland Jinniu Real Estate

On 23 October 2015, the Group signed an agreement with Chengdu Property to repurchase the home furnishing shopping mall assets held by Greenland Jinniu Real Estate (under the control of Chengdu Property) at a cost of no more than RMB495,410,000.00. In December 2015, the Group prepaid 50% consideration of RMB247,705,000.00 as stipulated in the agreement. By the end of this year, the Group has not completed the repurchase of home furnishing shopping mall assets held by Greenland Jinniu Real Estate.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

(VII) INTERESTS IN OTHER ENTITIES (CONTINUED)

1. Interests in Subsidiaries (Continued)

(1) Constitution of subsidiaries (Continued)

(c) *Subsidiaries that create fixed returns for its minority shareholders*

Pursuant to the relevant contracts signed between the Company and Shandong Lotus Group Company Limited, a shareholder of Jinan Red Star, upon completion of the properties under relevant cooperation projects, certain property ownership will be vested in Shandong Lotus Group Company Limited and leased by the Group. The lease term shall be 10 years starting from the commence date of the project (2010 to 2020) and Shandong Lotus Group Company Limited shall be entitled to fixed rental return. Shandong Lotus Group Company Limited will not participate in the daily operation and management of Jinan Red Star and will not be entitled to other profit distributions. As stipulated in relevant contracts, the Group will classify the capital contribution made by Shandong Lotus Group Company Limited to liabilities, which will not be accounted as equity instruments.

Pursuant to the relevant contracts signed between the Company and Beijing Chaoyang Huayuan North Nong Gong Shang Company (北京市朝陽北花園農工商公司), a shareholder of Beijing Europe and America Business. During the cooperation period of the project, the Group will undertake the contracting of operation of Beijing Europe and America Business and, starting from the date after twelfth months of the commencement of the project, pay the fixed contracting profit to Beijing Chaoyang Huayuan North Nong Gong Shang Company (北京市朝陽北花園農工商公司). The cooperation and operation period shall be 50 years (2011 to 2060). Upon expiry of the cooperation and operation period, all land parcels, properties and unmovable facilities of the project company will be shared among the shareholders of both parties on a pro rata basis based on the registered capital. As stipulated in relevant contracts, the Group will classify the capital contribution made by Beijing Chaoyang Huayuan North Nong Gong Shang Company (北京市朝陽北花園農工商公司) to liabilities, which will not be accounted as equity instruments.

Pursuant to the relevant contracts signed between the Company and Changzhou Wujing Sanyang Shopping Centre Company Limited, a shareholder of Changzhou Hongyang, within 21 years starting from 2009, Changzhou Wujing Sanyang Shopping Centre Company Limited shall be entitled to fixed returns and will not be entitled to other profit distributions of Changzhou Hongyang. Commencing from the 22nd year, both parties shall rank *pari passu* in terms of shareholdings and rights and jointly assume profits and losses. As stipulated in relevant contracts, the Company will divide the corresponding minority interests into two parts, namely financial liabilities and equity instruments, and make separate presentation.

Pursuant to the relevant contracts signed between the Company and Chengdu Great Wall Industrial Group Company Limited, a shareholder of Chengdu Changyi, within 10 years starting from 2017, Chengdu Great Wall Industrial Group Company Limited shall be entitled to fixed returns and will not be entitled to other profit distributions of Chengdu Changyi. As stipulated in the relevant contracts, the Company will divide the corresponding minority interests into two parts, namely financial liabilities and equity instruments, and make separate presentation.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

(VII) INTERESTS IN OTHER ENTITIES (CONTINUED)

1. Interests in Subsidiaries (Continued)

(1) Constitution of subsidiaries (Continued)

(d) *Basis for maintaining control over investees with less than majority of voting rights or waiving control over investees with more than majority of voting rights:*

Pursuant to the relevant agreements signed between the Group and other shareholders of Hongxin Oukai, Chengdu Changyi, Shanghai Longzhihui, Betterhome Decoration and Betterhome Industrial (collectively the “50%-holding companies”), as other shareholders of the abovesaid 50%-holding companies will not participate in the operation and management of these companies and the Group shall have the rights to determine the financial and operational policies on the 50%-holding companies, the Company has actual control over such companies and will consolidate them as subsidiaries in accounting.

(2) Important non-wholly owned subsidiaries

RMB

Name of subsidiaries	Minority shareholders' interests ratio	Profit/loss attributable to minority shareholders for the year	Dividends paid to minority shareholders for the year	Others	Accumulated minority shareholders interests by end of year
Zhengzhou Red Star	40.5%	124,852,136.50	63,769,654.35	-	867,576,462.31

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

(VII) INTERESTS IN OTHER ENTITIES (CONTINUED)

1. Interests in Subsidiaries (Continued)

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

RMB

Zhengzhou Red Star	Closing balance/Amount recognized in the current year	Opening balance/Amount recognized in the prior year
Current assets	245,887,923.58	270,768,465.94
Non-current assets	3,277,889,912.88	3,081,125,105.41
Total assets	3,523,777,836.46	3,351,893,571.35
Current liabilities	253,551,550.05	147,860,305.38
Non-current liabilities	1,074,096,841.43	929,710,986.10
Total liabilities	1,327,648,391.48	1,077,571,291.48
Revenue	269,142,174.93	228,963,461.74
Net profit	309,454,309.46	228,496,012.04
Total comprehensive income	309,454,309.46	228,496,012.04
Cash flows from operating activities	222,894,723.99	106,673,090.68

M 红星美凯龙全球家居设计博览中心 MACALLINE
The Global Furnishing Design and Exhibition Center

Notes to the Consolidated Financial Statements

For the year ended 31 December 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) Current year

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.

The Group acquired 49% equity interest in Tianjin Shibo Home Furnishing from minority shareholders of Tianjin Shibo Home Furnishing, at RMB158,431,821.21. After the completion of the acquisition, equities of Tianjin Shibo Home Furnishing attributable to the Group increased from 51% to 100%, writing down capital reserve by RMB230,618,077.44.

The Group acquired 40% equity interest in Hohhot Shibo from minority shareholders of Hohhot Shibo, at RMB63,280,264.00. After the completion of the acquisition, equities of Hohhot Shibo attributable to the Group increased from 60% to 100%, writing down capital reserve by RMB9,925,492.71.

(b) Prior year

In January 2016, the Group solely made contribution to Macalline Network Technology at RMB50,000,000.00. Upon the capital increase, the registered capital of Macalline Network Technology increased from RMB10,000,000.00 to RMB12,500,000.00 and equities of Macalline Network Technology attributable to the Group increased from 75% to 80% and net assets of Macalline Network Technology attributable to the Group increased by RMB41,000,000.00, writing down capital reserve by RMB9,000,000.00, i.e. the difference with the capital contribution amount of RMB50,000,000.00. In November 2016, the Group also acquired 20% equity interest in Macalline Network Technology from minority shareholders of Macalline Network Technology, at RMB14,000,000.00. After the completion of the acquisition, equities of Macalline Network Technology attributable to the Group increased from 80% to 100%, writing down capital reserve by RMB7,546,131.89.

The Group acquired 30% equity interest in Shanghai Yongdian from minority shareholders of Shanghai Yongdian, at cash consideration of RMB1.00. After the completion of the acquisition, equities of Shanghai Yongdian attributable to the Group increased from 70% to 100%, writing down capital reserve by RMB209,283.59.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

(VII) INTERESTS IN OTHER ENTITIES (CONTINUED)

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

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

(b) Prior year (Continued)

The Group disposed of 15% and 20% equity interest in Red Star Consulting from minority shareholders, at consideration of RMB150,000.00 and RMB200,000.00, respectively. After the completion of the disposal, equities of Red Star Consulting attributable to the Group decreased from 100% to 65%, increasing capital reserve by RMB887,941.07.

The Group disposed of 10% equity interest in Xizhao Investment from minority shareholders, at consideration of RMB10,000,000.00. After the completion of the disposal, equities of Xizhao Investment attributable to the Group decreased from 100% to 90%, writing down capital reserve by RMB293,990.83.

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

(a) Current year

RMB

Acquisition of non-controlling interest	Panjin Red Star	Tianjin Shibo Home Furnishing	Hohhot Shibo
Purchase cost			
– Cash	48,187,000.00	158,431,821.21	63,280,264.00
Total purchase cost and consideration	48,187,000.00	158,431,821.21	63,280,264.00
Less: the share of net assets of the subsidiary calculated based on the percentage of equity acquired	30,832,216.74	(72,186,256.23)	53,354,771.29
Differences	17,354,783.26	230,618,077.44	9,925,492.71
Including: Capital reserve adjustment	17,354,783.26	230,618,077.44	9,925,492.71

M 红星美凯龙全球家居设计博览中心 MIAO ALIEN
The Global Furnishing Design and Exhibition Center

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

(VII) INTERESTS IN OTHER ENTITIES (CONTINUED)

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

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

(b) Prior year

RMB

Capital increase	Macalline Network Technology	
Purchase cost		
– Cash		50,000,000.00
Total purchase cost and consideration		50,000,000.00
Less: the share of net assets of the subsidiary calculated based on the percentage of equity acquired		41,000,000.00
Differences		9,000,000.00
Including: Capital reserve adjustment		9,000,000.00

RMB

Acquisition of non-controlling interest	Macalline Network Technology	Shanghai Yongdian
Purchase cost		
– Cash	14,000,000.00	1.00
Total purchase cost and consideration	14,000,000.00	1.00
Less: the share of net assets of the subsidiary calculated based on the percentage of equity acquired	6,453,868.11	(209,282.59)
Differences	7,546,131.89	209,283.59
Including: Capital reserve adjustment	7,546,131.89	209,283.59

RMB

Disposal of equity	Red Star Consulting	Xizhao Investment
The share of net assets of the subsidiary calculated based on the percentage of equity disposed	(537,941.07)	10,293,990.83
Disposal consideration – cash	350,000.00	10,000,000.00
Total disposal consideration	350,000.00	10,000,000.00
Differences	(887,941.07)	293,990.83
Including: Capital reserve adjustment	(887,941.07)	293,990.83

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

(VII) INTERESTS IN OTHER ENTITIES (CONTINUED)

3. Interest in Joint Ventures or Associates

(1) Important joint ventures or associates

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

(2) Major financial information on important joint ventures

RMB

	Chengdu Dongtai	
	Closing balance/Amount recognized in the current year	Opening balance/Amount recognized in the prior year
Current assets	345,450,012.65	368,542,045.36
Including: cash and cash equivalents	76,713,271.88	101,645,677.47
Non-current assets	1,728,407,680.70	1,546,936,928.65
Total assets	2,073,857,693.35	1,915,478,974.01
Current liabilities	109,493,177.47	109,788,117.25
Non-current liabilities	359,328,872.11	407,199,617.40
Total liabilities	468,822,049.58	516,987,734.65
Net assets share calculated based on the percentage of shareholding	802,517,821.89	699,245,619.68
Book value in the investment of joint ventures equity	802,517,821.89	699,245,619.68
Fair value of joint venture equity investment of public offer	N/A	N/A
Revenue	161,141,074.76	166,518,778.54
Finance expenses	1,248,742.59	7,302,427.48
Income tax expense	69,233,962.41	36,946,894.75
Net profit	206,544,404.39	109,832,141.64
Other comprehensive income	–	–
Total comprehensive income	206,544,404.39	109,832,141.64
Dividends received from joint ventures for the year	–	–

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

(VII) INTERESTS IN OTHER ENTITIES (CONTINUED)

3. Interest in Joint Ventures or Associates (Continued)

(3) Consolidated financial information on unimportant joint ventures and associates

RMB

	Closing balance/Amount recognized in the current year	Opening balance/Amount recognized in the prior year
Joint ventures:		
Total book value of the investments	60,793,848.52	23,225,315.77
The aggregate of following items calculated based on the percentage of shareholding		
– Net profit	10,568,532.75	(2,529,266.41)
– Other comprehensive income		–
– Total comprehensive income	10,568,532.75	(2,529,266.41)
Associates:		
Total book value of the investments	750,506,624.34	290,175,638.37
The aggregate of following items calculated based on the percentage of shareholding		
– Net profit	15,418,185.90	83,831,181.91
– Other comprehensive income	–	–
– Total comprehensive income	15,418,185.90	83,831,181.91

(4) Risk information related to the interests of the Group in joint ventures and associates

By the end of the current year and prior year, 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.

By the end of the current year and prior year, the Group has no unidentified investment losses due to the excess losses incurred by the investee.

Notes to the Consolidated Financial Statements

For the year ended 31 December 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, for a term of 5 years. 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 which, 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 and the remaining RMB150,000,000.00 was provided by Beijing International Furniture by way of joint and several liability guarantees for a term of 3 years. The opening balances of borrowings was RMB500,000,000.00, which was fully repaid in 2017.

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. for a term of 3 years. By the end of the current year and prior year, the balances of borrowings were RMB1,600,000,000.00 and RMB500,000,000.00 respectively.

(6) Commitment related to investments in joint ventures or associates

By the end of the current year, the Group has not paid its share of the registered capital of Shenzhen Red Star Macalline Longrenheng Home Furnishing Plaza Company Limited, an established associate, and Macalline Gaohe (Wuhu) Home Furnishing Commercial Property Investment Fund Partnership (Limited Partnership). Among which, the Group has paid its subscribed amount of RMB4,300,000 for Shenzhen Red Star Macalline Longrenheng Home Furnishing Plaza Company Limited and RMB100 million for Macalline Gaohe (Wuhu) Home Furnishing Commercial Property Investment Fund Partnership (Limited Partnership).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

(VIII) RISKS RELATED TO FINANCIAL INSTRUMENTS

Financial instruments the Group invested mainly include cash and bank, equity investment, debt investments, accounts receivable, notes receivable, other receivables, other current assets, non-current assets due within one year, long-term receivables, other non-current assets, payables, other payables, borrowings, bonds payable, non-current liabilities due within one year, long-term payables, other non-current liabilities, 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

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 for the current year and prior year.

1.1.1. Foreign exchange risk

Foreign exchange risk refers to the risk arising from the loss on exchange rate changes. The Group is mainly exposed to foreign exchange risk that relates to US dollars and Hong Kong dollars. The principal business activities of the Group's subsidiaries are settled in Renminbi.

As at 31 December 2017, except for the US dollar and Hong Kong dollar adopted by each entity as functional currencies for financial assets and financial liabilities as stated in the below table, the balance of the financial assets and financial liabilities of the Group are all in Renminbi. Foreign exchange risks arising from the balance of assets and liabilities of such foreign currencies may have an impact on the operating results of the Group.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

(VIII) RISKS RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

1. Goal and Policies of Risk Management (Continued)

1.1 Market risks (Continued)

1.1.1. Foreign exchange risk (Continued)

RMB'000

Items	Closing balance	Opening balance
US dollars		
Cash and bank	245,895.25	96.90
Bonds payable	1,923,565.82	–
HK dollars		
Cash and bank	100.95	112.11

Sensitive analysis on foreign exchange risk

The Group closely monitors the impact of change in exchange rates on the foreign exchange risk of the Group. Where other variables remain constant, the potential reasonable changes in exchange rates against the net profit after tax calculated by profit or loss and shareholders' equity for the period are set out as follows:

RMB'000

Items	Exchange rate changes	Amount for the current year		Amount for the prior year	
		Impact on profit	Impact on shareholders' equity	Impact on profit	Impact on shareholders' equity
Entity with Renminbi as its functional currency					
Net profit and equity	5% depreciation of US dollars against Renminbi	62,913	62,913	(4)	(4)
	5% depreciation of HK dollars against Renminbi	(4)	(4)	(4)	(4)

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

(VIII) RISKS RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

1. Goal and Policies of Risk Management (Continued)

1.1 Market risks (Continued)

1.1.2 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, 28 and 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 current year and prior year are as follows:

	Amount for the current year RMB'000	Amount for the prior year RMB'000
Decrease in net profit	51,444	34,143
Decrease in shareholders' equity	51,444	34,143

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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

(VIII) RISKS RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

1. Goal and Policies of Risk Management (Continued)

1.1 Market risks (Continued)

1.1.2 Interest rate risk – Risk of changes in cash flow (Continued)

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 current year and prior year are as follows:

	Amount for the current year RMB'000	Amount for the prior year RMB'000
Increase in net profit	15,717	11,145
Increase in shareholders' equity	15,717	11,145

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.

M 红星美凯龙全球家居设计博览中心 MACALLINE
The Global Furnishing Design and Exhibition Center

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

(VIII) RISKS RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

1. Goal and Policies of Risk Management (Continued)

1.2 Credit risks

For the current year and prior year, 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 year, 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 accounts receivable from non-related parties of the Group, since accounts receivable are from a large number of customers in various industries and regions.

There is a credit concentration risk in the accounts receivable 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

(VIII) RISKS RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

1. Goal and Policies of Risk Management (Continued)

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, new shares issued, 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.

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.

RMB'000

Closing balance	On demand or due within 1 year	1 to 2 years	2 to 5 years	Over 5 years	Total undiscounted cash flows	Carrying amount
Payables	7,646,849	-	-	-	7,646,849	7,646,849
Long-term payables	-	695,559	166,995	137,928	1,000,482	1,000,482
Bank borrowings-fixed rate	1,585,584	73,707	183,634	222,472	2,065,397	1,965,363
Bank borrowings with floating interest rate	2,524,707	1,768,328	5,725,944	4,424,299	14,443,278	13,718,395
Bonds payable	879,350	5,407,234	5,495,859	1,500,000	13,282,443	10,383,192
Financial lease payables	36,183	31,249	31,249	864,558	963,239	428,492
Financial guarantees	400,000	-	-	-	400,000	-
Commercial mortgage-backed securities	151,600	158,450	2,484,510	-	2,794,560	2,378,400
	13,224,273	8,134,527	14,088,191	7,149,257	42,596,248	37,521,173

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

(VIII) RISKS RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

1. Goal and Policies of Risk Management (Continued)

1.3 Liquidity risks (Continued)

RMB'000

Opening balance	On demand or due within				Total undiscounted cash flows	Carrying amount
	1 year	1 to 2 years	2 to 5 years	Over 5 years		
Payables	5,181,620	-	-	-	5,181,620	5,181,620
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	432,970
Financial guarantees	348,000	-	-	-	348,000	-
	10,903,878	10,163,554	6,030,023	4,458,970	31,556,425	28,229,011

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 year, 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.

1.4 Capital Risk Management

The Group manages its own capital to ensure that companies consolidated in the Group will be able to continue as a going concern while optimizing indebtedness and balancing equities in order to maximize the return to shareholders. The Group's overall strategy remains unchanged for the reporting period.

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 share capital, capital reserve, surplus reserve and retained earnings).

The management of the Group regularly reviews the capital structure. In reviewing, the management of the Group will consider capital cost and risks related to capital of various classes. By adopting recommendations of the Group's management, the Group will balance the overall capital structure of the Group through dividend payment and new shares issued as well as the issuance of new indebtedness or redemption of existing indebtedness.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

(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, accounts receivable, other receivables, non-current assets due within one year, other current assets, long-term receivables, other non-current assets short-term borrowings, accounts payable, other payables, non-current liabilities due within one year, bonds payable, long-term loans and long-term payables, other non-current liabilities, 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.

RMB

Items	Closing balance		Opening balance	
	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.	–	–	894,941,194.51	916,731,000.00
First tranche of the medium-term notes of 2013 of Red Star Macalline Group Corporation Ltd.	498,726,366.25	516,841,500.00	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.	–	–	994,526,878.83	1,023,404,000.00
First tranche of corporate bonds of Red Star Macalline Group Corporation Ltd. in 2015	4,987,987,922.63	4,982,665,000.00	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)	1,490,868,192.87	1,468,692,000.00	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)	1,482,044,142.78	1,484,358,000.00	1,477,939,985.71	1,577,493,000.00
5-year U.S. bonds of 2017 of Hongkong Red Star Macalline	1,923,565,824.50	1,922,524,995.00	–	–
Total	10,383,192,449.03	10,375,081,495.00	10,323,568,766.65	10,653,283,500.00

The Group adopts the second level of fair value hierarchy for the above financial liabilities.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

(IX) FAIR VALUE MEASUREMENT (CONTINUED)

2. Closing Fair Value of Assets Measured at Fair Value of the Group

Items	Closing balance			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	2,200,652,330.85	–	–	2,200,652,330.85
Investment properties	–	–	70,831,000,000.00	70,831,000,000.00
Total assets measured continuously at fair value	2,200,652,330.85	–	70,831,000,000.00	73,031,652,330.85

Items	Opening balance			Total
	Fair value measurement in first level	Fair value measurement in second level	Fair value measurement in third level	
I. Persistent fair value measurement				
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

For the current year and prior year, there was no mutual transfer between the fair value levels.

Notes to the Consolidated Financial Statements

For the year ended 31 December 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: With reference to the market monthly rent of lettable area per unit (per square meter) of the completed properties or the expected rental income based on market condition, adopt 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, with reference to the relevant information on the comparable transactions in the market where the investment properties are located, and depending on the specific condition of the completed properties, make adjustments.

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 sales 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 31 December 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 methods 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.


M 红星美凯龙全球家居设计博览中心 MACALLINE
The Global Furnishing Design and Exhibition Center

Notes to the Consolidated Financial Statements

For the year ended 31 December 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)

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 per month of unit area leasable (per square meter)	End of the current year: RMB22 to RMB290 End of the prior year: RMB12 to RMB295
			Capitalization rate	Capitalization rate	End of the current year: 5.5% to 8.0% End of the prior year: 5.5% to 8.0%
Properties under construction at an early development stage	Level 3	Direct comparison approach	Unit area price of investment real estate (per square meter)	Unit area price of investment real estate (per square meter)	End of the current year: RMB525 to RMB6,403 End of the prior year: RMB2,169 to RMB4,369
Other properties under construction	Level 3	Assumption approach	Market rent per month of unit area leasable (per square meter)	Market rent per month of unit area leasable (per square meter)	End of the current year: RMB34 to RMB44 End of the prior year: RMB34 to RMB89
			Capitalization rate	Capitalization rate	End of the current year: 6.5% to 7.0% End of the prior year: 6.5% to 7.0%

If the market monthly rent of lettable area per unit used in the valuation is increased and the other variables remain unchanged, the valuation of the fair value may have an increase, and vice versa.

If the capitalization rate used in the valuation is increased and the other variables remain unchanged, the valuation of the fair value may suffer a decrease, and vice versa.

If the price per unit area of investment properties used in the valuation is increased and the other variables remain unchanged, the valuation of the fair value may have an increase, and vice versa.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

(IX) FAIR VALUE MEASUREMENT (CONTINUED)

4. Adjustment Information of Carrying Amounts between the Beginning of Year and the End of Year for Recurring Fair Value Measurements categorised within Level 3

RMB

Item	Opening balance	Transferred into level 3	Transferred into level 3	Total gain or loss for the year		Purchase, issue, sell and settle				Closing balance	For the assets held at the end of the reporting period, the changes in the current unrealized 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	-	-	1,996,188,694.30	-	4,768,711,322.00	-	(2,881,900,016.30)	-	70,831,000,000.00	1,985,661,070.69

(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 Jianxing	Investment management	RMB200 Million	68.44%	68.44%	Che Jianxing	66071460-7

2. Subsidiaries of the Company

For details of the subsidiaries of the Company, please refer to Note (VII).1.

3. Joint Ventures and Associates of the Company

For details of the joint ventures and associates of the Company, please refer to Notes (V).10. and (VII).3.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

(X) RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

4. Other Related Parties of the Company

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
Qian Yumei	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
Xi'an Red Star Jiaxin Home Furnishing Company Limited ("Xi'an Jiaxin")	Corporate significantly influenced by the ultimate actual controller
Chongqing Red Star Macalline Enterprise Development Co., Ltd. ("Chongqing Qifa")	Corporate held by RSM Holding

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

(X) RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

4. Other Related Parties of the Company (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 Aegean Retail Group Co., Ltd. ("Shanghai Aegean")	Corporate held by RSM Holding
Shanghai Xingcheng Yijia Home Furnishing Co., Ltd. ("Xingcheng Yijia")	Corporate held by RSM Holding
Chengdu Property	Subsidiary of Chongqing Qifa
Shanghai Red Star Macalline Property Company Limited. ("Shanghai Property")	Subsidiary of Chongqing Qifa
Shanxi Yatai Shengjing Real Estate Development Co., Ltd. ("Shanxi Yatai")	Subsidiary of Chongqing Qifa
Ningbo Kailong Properties Co., Ltd. ("Ningbo Kailong")	Subsidiary of Chongqing Qifa
Shanghai Hongmei Property Company Limited ("Hongmei Properties") (Note 2)	Subsidiary of Chongqing Qifa
Shenyang Red Star Macalline Property Management Co., Ltd. ("Shenyang Macalline Property")	Subsidiary of Chongqing Qifa
Jinshan Home Furnishing (Note 2)	Subsidiary of Chongqing Qifa
Greenland Jinniu Real Estate	Joint venture of Chongqing Qifa
Wuhu Minghui Business Management Co., Ltd. ("Wuhu Minghui")	Subsidiary of a joint venture
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
Business Division of Nanjing Pukou Lilicheng Furniture ("Lilicheng Furniture")	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

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: Hongmei Properties was spun off in 2017 and Jinshan Home Furnishing was then set up (while Hongmei Properties still existed), and the property right of shopping malls will be owned by Jinshan Home Furnishing after the completion of the spin-off. In October 2017, the Group acquired 100% equity interest in Jinshan Home Furnishing, details of which are set out in Note (VI).2.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

(X) RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

5. Related Party Transactions

- (1) Purchase and sale of goods, provision and receipt of services

RMB

Related Parties	Details of Connected Transactions	Pricing and Decision-making Methods for Connected Transactions	Amount Recognized in the Current Year	Amount Recognized in the Prior Year
Ningbo Aoyang	Revenue from annual consulting and management service titled the Company's name for the project	Agreed price	2,285,658.68	2,500,562.26
Yangzhou Property	Revenue from annual consulting and management service titled the Company's name for the project	Agreed price	1,886,792.40	1,979,530.06
Jining Hongrui	Revenue from annual consulting and management service titled the Company's name for the project	Agreed price	3,792,442.94	3,830,694.47
Xuzhou Home Furnishing Mall	Revenue from annual consulting and management service titled the Company's name for the project	Agreed price	1,433,962.32	1,443,396.23
Ningbo Longkai	Revenue from annual consulting and management service titled the Company's name for the project	Agreed price	N/A	865,995.63
Wuhu Minghui	Revenue from annual consulting and management service titled the Company's name for the project	Agreed price	2,830,188.72	2,886,792.48
Xuzhou Furnishing Plaza	Revenue from annual consulting and management service titled the Company's name for the project	Agreed price	2,339,622.72	2,405,660.38
Shaanxi Hongrui	Revenue from annual consulting and management service titled the Company's name for the project	Agreed price	2,830,188.72	2,886,792.48
Greenland Jinniu Real Estate	Revenue from annual consulting and management service titled the Company's name for the project	Agreed price	3,773,584.92	3,905,660.37
Xinghua Xingkai	Revenue from annual consulting and management service titled the Company's name for the project	Agreed price	1,886,792.45	1,385,648.78
Total			23,059,233.87	24,090,733.14
Shanxi Yatai	Design consultation income	Agreed price	1,723,273.58	-
Hongmei Properties	Design consultation income	Agreed price	427,924.52	-
Ningbo Kailong	Design consultation income	Agreed price	2,015,532.92	-
Total			4,166,731.02	-

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

(X) RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

5. Related Party Transactions (Continued)

(1) Purchase and sale of goods, provision and receipt of services (Continued)

RMB

Related Parties	Details of Connected Transactions	Pricing and Decision-making Methods for Connected Transactions	Amount Recognized in the Current Year	Amount Recognized in the Prior Year
Xuzhou Home Furnishing Mall	Xingyi Tonghui Commission income regarding prepaid cards	Agreed price	8,181.89	73,857.62
Shaanxi Hongrui	Xingyi Tonghui Commission income regarding prepaid cards	Agreed price	23,194.13	99,939.24
Chengdu Dongtai	Xingyi Tonghui Commission income regarding prepaid cards	Agreed price	114,322.64	212,304.76
Wuhu Minghui	Xingyi Tonghui Commission income regarding prepaid cards	Agreed price	211,458.15	428,633.40
Yangzhou Kailong	Xingyi Tonghui Commission income regarding prepaid cards	Agreed price	125,142.22	620,853.36
Total			482,299.03	1,435,588.38
Red Star Furniture Plant	Service income	Agreed price	–	43,756.58
Dingxing Investment	Service income	Agreed price	–	3,495.15
Shanghai Real Estate	Service income	Agreed price	–	207,961.17
Xiamen Baoxiang	Service income	Agreed price	113,822.64	–
Haier Consumer Finance	Service income	Agreed price	927,979.84	–
Cao Zhongmin	Service income	Agreed price	3,144.65	–
Qian Yumei	Service income	Agreed price	2,830.19	–
RSM Holding	Service income	Agreed price	7,115.09	–
Shanghai Aegean	Service income	Agreed price	131,844.66	–
Total			1,186,737.07	255,212.90
Chengdu Dongtai	Revenue from sales of goods	Agreed price	–	32,136.75
Hongmei Properties	Revenue from sales of goods	Agreed price	–	14,256.41
Shenzhen Red Star	Revenue from sales of goods	Agreed price	–	4,660.19
Total			–	51,053.35

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

(X) RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

5. Related Party Transactions (Continued)

(1) Purchase and sale of goods, provision and receipt of services (Continued)

RMB

Related Parties	Details of Connected Transactions	Pricing and Decision-making Methods for Connected Transactions	Amount Recognized in the Current Year	Amount Recognized in the Prior Year
Cao Zhongmin	Loan interest income	Agreed price	28,222.24	–
Zhu Qingling	Loan interest income	Agreed price	365,566.05	–
Total			393,788.29	–
Wuhu Minghui	Joint marketing income	Agreed price	115,066.04	–
Yangzhou Kailong	Joint marketing income	Agreed price	310,254.72	–
Total			425,320.76	–
Xuzhou Furnishing Plaza	Revenue from advertising lease	Agreed price	118,857.15	–
Jining Hongrui	Revenue from advertising lease	Agreed price	112,380.95	–
Shaanxi Hongrui	Revenue from advertising lease	Agreed price	85,444.75	–
Yangzhou Kailong	Revenue from advertising lease	Agreed price	188,679.24	–
Wuhu Minghui	Revenue from advertising lease	Agreed price	704,132.45	–
Total			1,209,494.54	–
Red Star Furniture Plant	Purchase of goods	Agreed price	226,205.13	–
Total			226,205.13	–
Shenyang Macalline Property	Service costs	Agreed price	1,912,000.00	–
Total			1,912,000.00	–

Notes to the Consolidated Financial Statements

For the year ended 31 December 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
					Amount recognized in the current year	Amount recognized in the prior year	
Nanjing Furnishing City	Qian Yumei	Shop(s) in shopping mall	1 January 2011	16 May 2017	130,545.33	539,757.89	Contract agreement
Nanjing Mingdu	Qian Yumei	Shop(s) in shopping mall	1 January 2011	31 July 2018	600,856.60	684,828.23	Contract agreement
Changzhou Macalline	Cao Zhongmin	Shop(s) in shopping mall	1 November 2012	31 March 2018	14,498.01	16,564.15	Contract agreement
Changzhou Home World	Cao Zhongmin	Shop(s) in shopping mall	1 June 2012	31 March 2018	797,935.50	1,622,279.37	Contract agreement
Changzhou Home World	Changzhou Yizhi	Shop(s) in shopping mall	1 April 2017	31 March 2018	456,948.00	-	Contract agreement
Changzhou Macalline	Zhang Jianfang	Shop(s) in shopping mall	1 August 2015	31 May 2018	188,835.36	180,694.80	Contract agreement
Wuxi Binghu	Cao Zhongmin	Shop(s) in shopping mall	31 December 2015	6 February 2016	-	49,715.12	Contract agreement
Shanghai Jinshan	Red Star Furniture Plant	Shop(s) in shopping mall	1 May 2016	15 June 2016	-	32,348.25	Contract agreement
Nanjing International Home Living	Lilicheng Furniture	Shop(s) in shopping mall	30 December 2017	29 December 2018	2,724.06	-	Contract agreement
Total					2,192,342.86	3,126,187.81	

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

(X) RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

5. Related Party Transactions (Continued)

(2) Particulars of connected leasing (Continued)

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
					Amount recognized in the current year	Amount recognized in the prior year	
Changzhou Furnishing City	Changzhou Macalline	Shopping mall(s)	1 April 2011	31 March 2021	16,391,971.47	15,950,683.10	Contract agreement
Che Guoxing	Beijing Shibo Furniture	Dormitory	1 January 2014	31 December 2017	336,000.00	336,000.00	Contract agreement
Hongmei Properties (Note)	Shanghai Jinshan	Shopping mall(s)	1 May 2016	30 April 2019	313,365.05	4,666,666.70	Contract agreement
Jinshan Home Furnishing (Note)	Shanghai Jinshan	Shopping mall(s)	1 May 2016	30 April 2019	7,623,142.84	-	Contract agreement
Shenzhen Red Star	Glory Casa	Exhibition space	1 September 2017	31 December 2017	2,378,892.00	-	Contract agreement
Chengdu Dongtai	Betterhome Decoration	Exhibition space	10 September 2016	31 August 2018	176,549.60	54,657.82	Contract agreement
Total					27,219,920.96	21,008,007.62	

Note: Hongmei Properties was spun off in 2017 and Jinshan Home Furnishing was then set up, and the property right of shopping malls will be owned by Jinshan Home Furnishing after the completion of the spin-off. In October 2017, the Group acquired 100% equity interest in Jinshan Home Furnishing, details of which are set out in Note (VI).2.

Notes to the Consolidated Financial Statements

For the year ended 31 December 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 by the end of the current year
		Closing balance	Opening balance			
Providing guarantees:						
Borrowings:						
Beijing International Furniture The Company (Note 2)	Haier Consumer Finance	–	125,000,000.00	4 August 2015	4 August 2018	Yes
The Company (Note 3)	Haier Consumer Finance	400,000,000.00	125,000,000.00	8 November 2016	8 November 2019	No
The Company (Note 3)	Chengdu Dongtai	–	98,000,000.00	24 February 2012	24 February 2017	Yes
Sub-total		400,000,000.00	348,000,000.00			
Guarantees accepted:						
Borrowings:						
Che Jianxing, Chen Shuhong and RSM Holding (Note 4)	The Company	300,000,000.00	–	25 July 2017	25 July 2020	No
Che Jianxing (Note 5)	Hongxin Oukai	255,000,000.00	305,000,000.00	4 March 2014	19 February 2019	No
Che Jianxing (Note 6)	Chongqing Expo Home Furnishing	367,500,000.00	390,000,000.00	8 June 2016	8 June 2026	No
Che Jianxing (Note 7)	Tianjin International Expo	–	80,000,000.00	24 December 2013	29 November 2023	Yes
Che Jianxing, RSM Holding and Red Star Furniture Group (Note 8)	Beijing Shibo Furniture	583,035,125.07	642,175,705.65	9 October 2012	9 October 2022	No
Red Star Furniture Group (Note 9)	Changzhou Home World	–	75,000,000.00	10 September 2007	27 October 2017	Yes
Red Star Furniture Group (Note 10)	Wuxi Red Star	–	200,000,000.00	30 October 2008	20 December 2019	Yes
Che Jianxing, Red Star Furniture Group and RSM Holding (Note 11)	Shenyang Red Star	–	208,627,721.69	22 September 2009	22 September 2019	Yes
Sub-total		1,505,535,125.07	1,900,803,427.34			

Notes to the Consolidated Financial Statements

For the year ended 31 December 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 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 for a term of 3 years. By the end of the prior year, the balance of borrowings was RMB500,000,000.00, which was fully repaid in 2017.

Note 2: 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. for a term of 3 years. For the current year and prior year, the balance of borrowings was RMB1,600,000,000.00 and RMB500,000,000.00, respectively.

Note 3: Chengdu Dongtai, the joint venture of Company, 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. The guarantee of such loan was provided by the Company and is pledged with the operating property income right and mortgaged by intangible assets of Chengdu Dongtai for a term of 5 years. As at 31 December 2016, the balance of borrowings was RMB98,000,000.00. In February 2017, the property income right trust was over.

Note 4: The guarantee of such borrowings was provided by Che Jianxing, Chen Shuhong and RSM Holding by way of joint and several liability guarantees of a maximum of RMB500,000,000.

Note 5: The loan is also secured by Hongxin Oukai's investment property.

Note 6: The loan is also secured by Chongqing Expo Home Furnishing's investment property.

Note 7: The loan is also secured by Tianjin International Expo's investment property. The Group has early repaid such loan in full in the current year.

Note 8: 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 9: The loan is also secured by Changzhou Home World's investment property and such guarantee has been expired during the year.

Note 10: The guarantee of such borrowings was provided by Red Star Furniture Group of a maximum of RMB350,000,000 and was pledged with the investment properties owned by Wuxi Red Star. The guarantee obligation has been released upon completion of the pledge procedure.

Note 11: The loan is also secured by Shenyang Red Star's investment property, and is pledged with cash and bank and all operating revenues of shopping malls during the loan period. The Group has early repaid such loan in full in the current year.

Notes to the Consolidated Financial Statements

For the year ended 31 December 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
Current year Borrowed from					
Shenzhen Red Star	-	Nil	Nil	11,544,722.36	No rate and no fixed term
Greenland Jinniu Real Estate	35,343,647.75	Nil	Nil	9,019,918.53	No rate and no fixed term
Total	35,343,647.75			20,564,640.89	
Lent to					
Shanghai Mingyi	7,800,000.50	Nil	Nil	105,400,000.50	No rate and no fixed term
Shaanxi Hongrui	3,645,231.60	Nil	Nil	12,040,969.93	No rate and no fixed term
Xiamen Baoxiang	-	Nil	Nil	22,500,000.00	No rate and no fixed term
Hangzhou Global	94,348,629.00	Nil	Nil	218,144,320.00	No rate and no fixed term
Nanchang Global Expo	84,970,532.70	Nil	Nil	84,970,532.70	No rate and no fixed term
Cao Zhongmin	800,000.00	15 June 2017	14 December 2017	-	12.7%
Zhu Qingling	10,000,000.00	13 February 2017	27 December 2017	-	9%
Total	201,564,393.80			443,055,823.13	

M 红星美凯龙全球家居设计博览中心 MACALLINE
The Global Furnishing Design and Exhibition Center

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

(X) RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

5. Related Party Transactions (Continued)

(4) Loans and borrowings of the related parties (Continued)

RMB

Related parties	Lending amount	Inception date	Expiration date	Closing balance	Remarks
Prior year					
Borrowed from					
Shenzhen Red Star	18,451.35	Nil	Nil	11,544,722.36	No rate and no fixed term
Greenland Jinniu Real Estate	54,360,781.96	Nil	Nil	1,559,896.94	No rate and no fixed term
Total	54,379,233.31			13,104,619.30	
Lent to					
Shanghai Mingyi	9,200,000.00	Nil	Nil	97,600,000.00	No rate and no fixed term
Ningbo Longkai	–	Nil	Nil	24,000,000.00	No rate and no fixed term
Shaanxi Hongrui	–	Nil	Nil	8,395,738.33	No rate and no fixed term
Xi'an Jiaxin	–	Nil	Nil	50,000.00	No rate and no fixed term
Wuhan Zhengda	75,000,000.00	Nil	Nil	117,092,354.89	No rate and no fixed term
Xiamen Baoxiang	46,500,000.00	Nil	Nil	46,500,000.00	No rate and no fixed term
Hangzhou Global	123,795,691.00	Nil	Nil	123,795,691.00	No rate and no fixed term
Total	254,495,691.00			417,433,784.22	

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

(X) RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

5. Related Party Transactions (Continued)

(5) Compensation for key management personnel

The remuneration of each director for the current year are set out as follows:

	Directors' fees	Salaries and allowances	Bonuses	Pensions	Social insurance and reserve funds other than pensions	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive directors:						
Che Jianxing	-	6,618.00	1,650.00	46.00	42.00	8,356.00
Zhang Qi	-	6,000.00	1,640.00	46.00	42.00	7,728.00
Che Jianfang	-	2,418.00	1,200.00	46.00	42.00	3,706.00
Jiang Xiaozhong	-	1,818.00	2,375.00	46.00	42.00	4,281.00
Non-executive directors:						
Chen Shuhong	-	1,218.00	500.00	46.00	42.00	1,806.00
Xu Guofeng	-	-	-	-	-	-
Joseph Raymond Gagnon	-	-	-	-	-	-
Zhang Qiqi	-	-	-	-	-	-
Independent non-executive directors:						
Li Zhenning	600.00	-	-	-	-	600.00
Ding Yuan	800.00	-	-	-	-	800.00
Lee Kwan Hung	600.00	-	-	-	-	600.00
Qian Shizheng	600.00	-	-	-	-	600.00
Total	2,600.00	18,072.00	7,365.00	230.00	210.00	28,477.00

M 红星美凯龙全球家居设计博览中心 MACALLINE
The Global Furnishing Design and Exhibition Center

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

(X) RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

5. Related Party Transactions (Continued)

(5) Compensation for key management personnel (Continued)

The remuneration of each director for the prior year are set out as follows:

	Directors' fees	Salaries and allowances	Bonuses	Pensions	Social insurance and reserve funds other than pensions	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Executive directors:						
Che Jianxing	-	6,618.00	1,650.00	42.37	40.98	8,351.35
Zhang Qi	-	6,000.00	1,500.00	42.37	40.98	7,583.35
Che Jianfang	-	2,418.00	1,205.00	42.37	40.98	3,706.35
Jiang Xiaozhong	-	1,818.00	3,600.00	42.37	40.98	5,501.35
Non-executive directors:						
Chen Shuhong	-	1,218.00	400.00	42.37	40.98	1,701.35
Xu Guofeng	-	-	-	-	-	-
Joseph Raymond Gagnon	-	-	-	-	-	-
Zhang Qiqi	-	-	-	-	-	-
Independent non-executive directors:						
Li Zhenning	600.00	-	-	-	-	600.00
Ding Yuan	800.00	-	-	-	-	800.00
Lee Kwan Hung	600.00	-	-	-	-	600.00
Qian Shizheng	300.00	-	150.00	-	-	450.00
Total	2,300.00	18,072.00	8,505.00	211.85	204.90	29,293.75

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

(X) RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

5. Related Party Transactions (Continued)

(5) Compensation for key management personnel (Continued)

The remuneration of each supervisor for the current year are set out as follows:

	Supervisors' fees <i>RMB'000</i>	Salaries and allowances <i>RMB'000</i>	Bonuses <i>RMB'000</i>	Pensions <i>RMB'000</i>	Social insurance and reserve funds other than pensions <i>RMB'000</i>	Total <i>RMB'000</i>
Pan Ning	-	1,218.00	584.00	46.00	42.00	1,890.00
Ng Ellen Hoi Ying	-	-	-	-	-	-
Chao Yanping	-	710.00	-	46.00	42.00	798.00
Chen Gang	180.00	-	-	-	-	180.00
Zheng Hongtao	180.00	-	-	-	-	180.00
Total	360.00	1,928.00	584.00	92.00	84.00	3,048.00

The remuneration of each supervisor for the prior year are set out as follows:

	Supervisors' fees <i>RMB'000</i>	Salaries and allowances <i>RMB'000</i>	Bonuses <i>RMB'000</i>	Pensions <i>RMB'000</i>	Social insurance and reserve funds other than pensions <i>RMB'000</i>	Total <i>RMB'000</i>
Pan Ning	-	1,218.00	300.00	42.37	40.98	1,601.35
Ng Ellen Hoi Ying	-	-	-	-	-	-
Chao Yanping	-	710.40	-	42.37	40.98	793.75
Chen Gang	165.00	-	-	-	-	165.00
Zheng Hongtao	165.00	-	-	-	-	165.00
Total	330.00	1,928.40	300.00	84.74	81.96	2,725.10

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

(X) RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

5. Related Party Transactions (Continued)

(5) Compensation for key management personnel (Continued)

Of the five individuals with the highest emoluments in the Company, four (prior year: four) were directors or supervisors of the Company for the year. The emoluments of the remaining one (prior year: one) for the year were within the following bands:

Bands	Number for the current year	Number for the prior year
HK\$5,000,001 to HK\$5,500,000 (equivalent to RMB4,180,000 to RMB4,597,000)	–	1
HK\$3,500,001 to HK\$4,000,000 (equivalent to RMB2,826,000 to RMB3,230,000)	1	–

For the current year and prior year, no directors or the five individuals with the highest emoluments in the Group waived their emoluments and no emoluments were paid as an inducement to join or upon joining the Group or as compensation for loss of office.

(6) Amounts Due from/to Related Parties

Amounts due from related parties

RMB

Items	Related party	Closing balance		Opening balance	
		Book balance	Bad debt provision	Book balance	Bad debt provision
Accounts receivable	Xinghua Xingkai	248,333.39	12,416.67	–	–
	Xuzhou Home Furnishing Mall	10,000.00	500.00	30,196.05	1,509.80
	Shanghai Real Estate	–	–	3,600.00	–
	Total	258,333.39	12,916.67	33,796.05	1,509.80
Other receivables	Shanghai Mingyi	105,400,000.50	5,270,000.02	97,600,000.50	4,880,000.03
	Ningbo Longkai	N/A	N/A	24,000,000.00	1,200,000.00
	Shaanxi Hongrui	12,040,969.93	1,041,143.29	8,395,738.33	419,786.92
	Xi'an Jiaxin	N/A	N/A	50,000.00	2,500.00
	Wuhan Zhengda	N/A	N/A	10,303.05	515.15
	Xiamen Baoxiang	376,630.00	18,831.50	–	–
	Xuzhou Home Furnishing Mall	720,115.50	36,005.78	–	–
	Xuzhou Furnishing Plaza	1,145,053.90	57,252.70	–	–
	Shenzhen Red Star	811,586.35	40,579.32	–	–
	Chengdu Dongtai	390,000.00	19,500.00	–	–
	Wuhu Minghui	1,127,050.00	56,352.50	–	–
	Xingcheng Yijia	2,899,405.64	144,970.28	–	–
	Total	124,910,811.82	6,684,635.39	130,056,041.88	6,502,802.10

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

(X) RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

5. Related Party Transactions (Continued)

(6) Amounts Due from/to Related Parties (Continued)

Amounts due from related parties (Continued)

RMB

Items	Related party	Closing balance		Opening balance	
		Book balance	Bad debt provision	Book balance	Bad debt provision
Long-term receivables	Wuhan Zhengda	N/A	-	117,092,354.89	-
	Xiamen Baoxiang	22,500,000.00	-	46,500,000.00	-
	Hangzhou Global	218,144,320.00	-	123,795,691.00	-
	Nanchang Global				
	Expo	84,970,532.70	-	-	-
	Total	325,614,852.70	-	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: For the current year and prior year, other non-current assets of Chengdu Property were advances paid for the repurchase of the home furnishing shopping mall business segment of Greenland Jinniu Real Estate. For details, please refer to Note (V).19. and Note 2.

Amounts due to related parties

RMB

Items	Related party	Closing balance	Opening balance
Other payables	Chongqing Qifa	-	30,988,965.89
	Shenzhen Red Star	11,544,722.36	11,544,722.36
	Greenland Jinniu Real Estate	9,019,918.53	1,559,896.94
	Ningbo Aoyang	1,522,037.31	970,477.28
	Ningbo Longkai	N/A	4,146,696.02
	Zhuzhou Red Star	-	1,738,795.55
	Cao Zhongmin	-	32,000.00
	Chengdu Dongtai	467,221.94	444,381.59
	Shaanxi Hongrui	-	5.20
	Wuhu Minghui	1,046,382.16	301,560.20
	Xuzhou Home Furnishing Mall	20,536.42	5.00
	Yangzhou Kailong	212,862.59	182,209.20
	Shanghai Jiazhan	999,000.00	-
	Hongmei Properties	20,000,000.00	-
	Total		44,832,681.31

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

(X) RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

5. Related Party Transactions (Continued)

(6) Amounts Due from/to Related Parties (Continued)

Amounts due to related parties (Continued)

RMB

Items	Related party	Closing balance	Opening balance
Advance from customers	Wuhu Minghui	684,246.58	684,246.58
	Xuzhou Furnishing Plaza	365,435.37	385,631.43
	Greenland Jinniu Real Estate	2,610,045.66	2,610,045.66
	Jining Hongrui	902,377.29	922,366.77
	Ningbo Aoyang	18,466.67	1,039,007.94
	Xinghua Xingkai	850,342.47	992,009.11
	Red Star Furniture Plant	–	13,730.59
	Qian Yumei	113,450.41	46,061.60
	Cao Zhongmin	10,792.17	5,995.23
	Zhang Jianfang	16,575.98	30,115.80
	Total		5,571,732.60

The unsettled amount is not guaranteed and will be settled in cash.

(7) Equity transfers and asset acquisitions

Please refer to Note (VI).3 for the Group's disposals of subsidiaries to related parties and Note (VI).2 for the acquisitions of assets from related parties.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

(XI) COMMITMENTS AND CONTINGENCIES

1. Significant Commitments

(1) Capital commitments

RMB'000

Category	Closing balance	Opening balance
Contracted but not recognized in the financial statements:		
– Commitment for acquisition and construction of long-term assets	2,654,884	3,819,315
– Commitment for external investment	589,902	540,154
Total	3,244,786	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 (as a lessee) and external parties are as follows:

RMB'000

Category	Closing balance	Opening balance
Minimum lease payment under irrevocable operating lease:		
First year after the balance sheet date	636,533	529,273
Second year after the balance sheet date	593,895	549,486
Third year after the balance sheet date	559,792	505,373
Subsequent years	3,448,280	3,515,134
Total	5,238,500	5,099,266

M 红星美凯龙全球家居设计博览中心 MACALLINE
The Global Furnishing Design and Exhibition Center

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

(XI) COMMITMENTS AND CONTINGENCIES (CONTINUED)

1. Significant Commitments (Continued)

(2) Operating lease commitments (Continued)

As at the balance sheet date, the information on irrevocable operating lease contracts entered into between the Group (as a lessor) and tenants are as follows:

RMB'000

Category	Closing balance	Opening balance
Future lease payment under irrevocable operating lease:		
First year after the balance sheet date	3,561,051	3,280,715
First year after the balance sheet date	58,306	258,927
Total	3,619,357	3,539,642

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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

(XI) COMMITMENTS AND CONTINGENCIES (CONTINUED)

2. Contingencies (Continued)

- (1) Contingent liabilities and its financial implications arising from pending litigations and arbitrations (Continued)

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 4.6381 million yuan, including decoration losses of 2.5651 million yuan, goods and office supplies losses of 2.072 million yuan. In the same month, Nanjing Mingdu instituted an appeal to the Nanjing Intermediate People's Court, who requested both parties to provide or supplement further evidence. The Company is unable to estimate the outcome of the case at the current stage on the basis of the available evidences and the legal advices.

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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

(XI) COMMITMENTS AND CONTINGENCIES (CONTINUED)

2. Contingencies (Continued)

- (1) Contingent liabilities and its financial implications arising from pending litigations and arbitrations (Continued)

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 pre-trial evidence exchange in count and cross-examination, and has been heard by the court with no ruling made. 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 at the end of the current year and prior year.

- (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. On 31 December 2016, the balance of borrowings was RMB98,000,000.00. In February 2017, such Property Income Right Trust has ended.

Notes to the Consolidated Financial Statements

For the year ended 31 December 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 (Continued)

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. At the end of the prior year, the balance of borrowings was RMB500,000,000.00, which has been repaid in full in 2017.

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. At the end of the current year and prior year, the balances of borrowings were RMB1,600,000,000.00 and RMB500,000,000.00 respectively.

For details in relation to the guarantees provided by the Company for bank borrowings obtained by its subsidiaries, please see Note (XIV), 13(2).

(XII) EVENTS AFTER THE BALANCE SHEET DATE

Pursuant to the proposal of the Board, as approved at the second extraordinary general meeting of the Company in 2016, and as permitted by China Securities Regulatory Commission via the Approval on the Initial Public Issuance of Shares by Red Star Macalline Group Corporation Ltd. (Zheng Jian Xu Ke [2017] No. 2373), the Company publicly issued no more than 315,000,000 domestic-listed RMB ordinary shares (A Shares) and became listed and traded on the Shanghai Stock Exchange. As at 17 January 2018, the Company completed the public issuance of 315,000,000 domestic-listed RMB ordinary shares (A Shares) with a par value of RMB1.00 per share at an issuance price of RMB10.23 per share. After such issuance, the paid-in capital (share capital) of the Company amounted to RMB3,938,917,038.00, representing 3,938,917,038 ordinary shares of RMB1.00 per share, including 2,561,103,969 domestic-listed RMB ordinary shares (A Shares) with restrictive conditions for sale, 315,000,000 domestic-listed RMB ordinary shares (A Shares) with no restrictive conditions for sale and 1,062,813,069 overseas-listed foreign shares (H Shares) with no restrictive conditions for sale. On 17 January 2018, the domestic-listed RMB ordinary shares (A Shares) publicly issued by the Company were listed and traded on the Shanghai Stock Exchange.

The Company convened the 23rd extraordinary meeting of the third session of the Board on 7 February 2018 to consider and passed the Resolution on the General Mandate for the Issuance of Domestic Debt Financing Instruments by the Company, and proposed the general meeting to authorize the Board of the Company and the authorized person of the Board to issue debt financing instruments with an issuance size of no more than RMB15 billion when appropriate. The abovementioned resolution is subject to the approval at the first extraordinary general meeting of the Company in 2018 to be convened on 25 April 2018.

Notes to the Consolidated Financial Statements

For the year ended 31 December 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, commercial consultation fees and tenant sourcing commissions, 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.

At the end of the current year and prior year, the Group had no single 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.

The information on the total segment assets and liabilities is not used in the segment reporting of the Group.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

(XIII) OTHER SIGNIFICANT EVENTS (CONTINUED)

1. Segment reporting (Continued)

(1) Reporting segment's information

RMB

	Current year							Total
	Own/leased portfolio shopping malls	Related to managed shopping malls	Sales of merchandise and related services	Others	Unallocated item	Inter-segment eliminations		
Revenue								
External revenue	6,394,481,799.81	3,628,735,577.78	294,256,196.34	642,039,095.84	-	-	10,959,512,669.77	
Less: Taxes and surcharges	282,205,871.01	24,510,343.51	1,560,902.77	9,052,401.76	-	-	317,329,519.05	
External revenue (after deducting business taxes and surcharges)	6,112,275,928.80	3,604,225,234.27	292,695,293.57	632,986,694.08	-	-	10,642,183,150.72	
Inter-segment revenue	-	-	-	-	-	-	-	
Total segment operating revenue	6,112,275,928.80	3,604,225,234.27	292,695,293.57	632,986,694.08	-	-	10,642,183,150.72	
Less: Operating cost	1,460,260,678.12	1,309,961,489.99	202,426,401.48	190,544,946.79	-	-	3,163,193,516.38	
Selling Expenses	1,053,466,814.00	357,421,594.86	67,588,171.53	35,352,808.75	-	-	1,513,829,389.14	
Administrative expenses	551,169,073.45	416,045,618.47	101,842,126.33	229,020,436.68	63,710,944.11	-	1,361,788,199.04	
Finance expenses	-	-	-	-	1,131,840,043.65	-	1,131,840,043.65	
Impairment loss of assets	-	-	-	-	283,436,250.82	-	283,436,250.82	
Add: Gains (losses) from changes in fair values	-	-	-	-	1,996,188,694.30	-	1,996,188,694.30	
Investment income	-	-	-	-	633,897,111.33	-	633,897,111.33	
Gain on disposal of assets	-	-	-	-	35,964,572.41	-	35,964,572.41	
Other revenue	-	-	-	-	62,288,005.83	-	62,288,005.83	
Operating profit (loss)	3,047,379,363.23	1,520,796,530.95	(79,161,405.77)	178,068,501.86	1,249,351,145.29	-	5,916,434,135.56	
Add: Non-operating income	-	-	-	-	112,250,229.35	-	112,250,229.35	
Less: Non-operating expense	-	-	-	-	42,647,769.39	-	42,647,769.39	
Total profit (loss)	3,047,379,363.23	1,520,796,530.95	(79,161,405.77)	178,068,501.86	1,318,953,605.25	-	5,986,036,595.52	
Less: Income tax expenses	-	-	-	-	1,708,022,775.23	-	1,708,022,775.23	
Net profit (loss)	3,047,379,363.23	1,520,796,530.95	(79,161,405.77)	178,068,501.86	(389,069,169.98)	-	4,278,013,820.29	
Depreciation of fixed assets	26,548,689.10	8,242,721.30	4,898,024.74	4,560,420.93	-	-	44,249,856.07	
Intangible asset amortization	824,103.16	19,943,137.35	2,951,849.16	1,907,757.05	-	-	25,626,846.72	
Amortization of long-term prepaid expenses	53,920,967.49	5,394,137.50	4,179,781.00	1,005,586.14	-	-	64,500,472.13	

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

(XIII) OTHER SIGNIFICANT EVENTS – CONTINUED

1. Segment reporting (Continued)

(1) Reporting segment's information (Continued)

RMB

	Own/leased portfolio shopping malls	Related to managed shopping malls	Sales of merchandise and related services	Prior year		Inter-segment eliminations	Total
				Others	Unallocated item		
Revenue							
External revenue	5,975,408,447.86	2,781,961,557.47	208,035,886.32	470,675,863.64	-	-	9,436,081,755.29
Less: Taxes and surcharges	347,732,668.48	60,198,536.61	2,903,892.17	3,087,416.16	-	-	413,922,513.42
External revenue (after deducting business taxes and surcharges)	5,627,675,779.38	2,721,763,020.86	205,131,994.15	467,588,447.48	-	-	9,022,159,241.87
Inter-segment revenue	-	-	-	-	-	-	-
Total segment operating revenue	5,627,675,779.38	2,721,763,020.86	205,131,994.15	467,588,447.48	-	-	9,022,159,241.87
Less: Operating cost	1,365,223,286.17	933,461,525.43	134,553,224.76	179,529,475.31	-	-	2,612,767,511.67
Selling Expenses	809,868,503.66	310,941,367.42	53,062,155.55	31,825,560.96	-	-	1,205,697,587.59
Administrative expenses	462,601,252.60	334,111,680.24	44,650,303.97	50,924,656.43	42,790,994.22	-	935,078,887.46
Finance expenses	-	-	-	-	877,707,890.38	-	877,707,890.38
Impairment loss of assets	-	-	-	-	572,890,325.59	-	572,890,325.59
Add: Gains (losses) from changes in fair values	-	-	-	-	1,754,032,308.00	-	1,754,032,308.00
Investment income	-	-	-	-	130,896,456.03	-	130,896,456.03
Gain (loss) on disposal of assets	-	-	-	-	(4,615,478.68)	-	(4,615,478.68)
Operating profit (loss)	2,989,982,736.94	1,143,248,447.77	(27,133,690.13)	205,308,754.79	386,924,075.16	-	4,698,330,324.53
Add: Non-operating income	-	-	-	-	119,076,037.54	-	119,076,037.54
Less: Non-operating expense	-	-	-	-	15,888,661.20	-	15,888,661.20
Total profit (loss)	2,989,982,736.94	1,143,248,447.77	(27,133,690.13)	205,308,754.79	490,111,451.50	-	4,801,517,700.87
Less: Income tax expenses	-	-	-	-	1,128,075,879.79	-	1,128,075,879.79
Net profit (loss)	2,989,982,736.94	1,143,248,447.77	(27,133,690.13)	205,308,754.79	(637,964,428.29)	-	3,673,441,821.08
Depreciation of fixed assets	27,811,274.27	10,021,696.33	3,932,266.64	5,617,261.73	-	-	47,382,498.97
Intangible asset amortization	637,307.19	19,776,565.20	2,351,433.38	1,439,327.23	-	-	24,204,633.00
Amortization of long-term prepaid expenses	47,295,399.50	4,764,404.87	3,181,538.17	602,586.85	-	-	55,843,929.39

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

(XIV) NOTES TO THE MAJOR ITEMS IN THE FINANCIAL STATEMENTS OF THE COMPANY

1. Accounts Receivable

(1) Accounts receivable by categories:

RMB

Category	Book balance Amount	Closing balance		Carrying amount
		Ratio (%)	Bad debt provision Amount	
Accounts receivable that are individually significant and for which bad debts are provided for individually	608,400,174.73	51.87	533,574,668.96	74,825,505.77
Accounts receivable of insignificant individual amount but individually provided for bad debts	92,574,984.05	7.89	90,196,225.19	2,378,758.86
Accounts receivable for which bad debts are provided based on credit risk characteristics portfolio	472,017,246.60	40.24	64,464,285.32	407,552,961.28
Total	1,172,992,405.38	100.00	688,235,179.47	484,757,225.91

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

(XIV) NOTES TO THE MAJOR ITEMS IN THE FINANCIAL STATEMENTS OF THE COMPANY (CONTINUED)

1. Accounts receivable (Continued)

(1) Accounts receivable by categories: (Continued)

RMB

Category	Book balance Amount	Opening balance		Carrying amount
		Ratio (%)	Bad debt provision Amount	
Accounts receivable that are individually significant and for which bad debts are provided for individually	527,217,981.40	48.22	450,596,606.98	76,621,374.42
Accounts receivable of insignificant individual amount but individually provided for bad debts	78,493,283.52	7.18	76,788,489.52	1,704,794.00
Accounts receivable for which bad debts are provided based on credit risk characteristics portfolio	487,547,957.60	44.60	53,402,295.14	434,145,662.46
Total	1,093,259,222.52	100.00	580,787,391.64	512,471,830.88

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

(XIV) NOTES TO THE MAJOR ITEMS IN THE FINANCIAL STATEMENTS OF THE COMPANY (CONTINUED)

1. Accounts receivable (Continued)

(1) Accounts receivable by categories: (Continued)

Receivables that are individually significant provided for bad debts on individual basis at the end of the year:

RMB

Accounts receivable	Book balance	Closing balance		Reason for provision
		Amount of bad debt (%)	Provision proportion	
Changzhou Wujin Construction Engineering Company Limited	55,000,000.00	55,000,000.00	100.00	The receivables are expected to be unrecoverable
Jiangsu Jiangzhong Group Company Limited	30,000,000.00	30,000,000.00	100.00	The receivables are expected to be unrecoverable
Jiangsu Jiangdu Construction Group Company Limited	16,000,000.00	16,000,000.00	100.00	The receivables are expected to be unrecoverable
Guangxi Sheng Li Decoration Engineering Company Limited	14,000,000.00	14,000,000.00	100.00	The receivables are expected to be unrecoverable
Shanghai Jiazhan Building and Decoration Engineering Company Limited	13,000,000.00	13,000,000.00	100.00	The receivables are expected to be unrecoverable
Jiangxi Lixin Real Estate Investment Group Company Limited	11,500,000.00	11,500,000.00	100.00	The receivables are expected to be unrecoverable
Guizhou Wanshang Real Estate Company Limited	11,000,000.00	11,000,000.00	100.00	The receivables are expected to be unrecoverable
Guangxi Yuanchen Hakka Cultural City Investment Company Limited	10,000,000.00	10,000,000.00	100.00	The receivables are expected to be unrecoverable
Nanning Runjia Real Estate Development Company Limited	10,000,000.00	10,000,000.00	100.00	The receivables are expected to be unrecoverable
Guangzhou Huanbo Exhibition Company Limited	9,666,667.68	9,666,667.68	100.00	The receivables are expected to be unrecoverable
Yangquan Haomen Real Estate Development Company Limited	9,246,575.34	9,246,575.34	100.00	The receivables are expected to be unrecoverable
Guizhou Jinyuan Huafu Real Estate Company Limited	9,000,000.00	9,000,000.00	100.00	The receivables are expected to be unrecoverable
Guizhou Wanjin Real Estate Company Limited	8,000,000.00	8,000,000.00	100.00	The receivables are expected to be unrecoverable
Jiangsu Construction Engineering Group Company Limited	11,000,000.00	11,000,000.00	100.00	The receivables are expected to be unrecoverable
Anhui Kaiyue Real Estate Development Company Limited	7,500,000.00	7,500,000.00	100.00	The receivables are expected to be unrecoverable
Guizhou Jinyuanda Real Estate Development Company Limited	7,500,000.00	7,500,000.00	100.00	The receivables are expected to be unrecoverable
Fuqing Xingrong Real Estate Company Limited	17,000,000.00	17,000,000.00	100.00	The receivables are expected to be unrecoverable

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

(XIV) NOTES TO THE MAJOR ITEMS IN THE FINANCIAL STATEMENTS OF THE COMPANY (CONTINUED)

1. Accounts receivable (Continued)

(1) Accounts receivable by categories: (Continued)

Receivables that are individually significant provided for bad debts on individual basis at the end of the year: (Continued)

RMB

Accounts receivable	Book balance	Closing balance		Reason for provision
		Amount of bad debt (%)	Provision proportion	
Shanxi Guangyu Investment Group Company Limited	7,500,000.00	7,500,000.00	100.00	The receivables are expected to be unrecoverable
Hong Kong Royal Family Holdings Limited	7,500,000.00	7,500,000.00	100.00	The receivables are expected to be unrecoverable
Chabohui Investment Company Limited	7,000,000.00	7,000,000.00	100.00	The receivables are expected to be unrecoverable
Ningde Lixin Real Estate Company Limited	7,000,000.00	7,000,000.00	100.00	The receivables are expected to be unrecoverable
Wenzhou Honglian Home Furnishing Company Limited	6,665,479.46	6,665,479.46	100.00	The receivables are expected to be unrecoverable
Shenzhen Buji Sanlian Industrial Development Company Limited	6,273,965.27	6,273,965.27	100.00	The receivables are expected to be unrecoverable
Guizhou Xinfeng Pharmaceutical Company Limited	6,000,000.00	6,000,000.00	100.00	The receivables are expected to be unrecoverable
Shanxi Xinghe Real Estate Development Company Limited	6,000,000.00	6,000,000.00	100.00	The receivables are expected to be unrecoverable
Xuchang Fengtai Real Estate Company Limited	6,000,000.00	6,000,000.00	100.00	The receivables are expected to be unrecoverable
Yong'an Haoyuan Real Estate Company Limited	6,000,000.00	6,000,000.00	100.00	The receivables are expected to be unrecoverable
Yuyao Longding Commercial Plaza Company Limited	6,000,000.00	6,000,000.00	100.00	The receivables are expected to be unrecoverable
Xiangfan Yuanchi Industrial Company Limited	5,800,000.00	5,800,000.00	100.00	The receivables are expected to be unrecoverable

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

(XIV) NOTES TO THE MAJOR ITEMS IN THE FINANCIAL STATEMENTS OF THE COMPANY (CONTINUED)

1. Accounts receivable (Continued)

(1) Accounts receivable by categories: (Continued)

Receivables that are individually significant provided for bad debts on individual basis at the end of the year: (Continued)

RMB

Accounts receivable	Book balance	Closing balance		Reason for provision
		Amount of bad debt	Provision proportion	
		(%)		
Hebei Jingao Real Estate Development Company Limited	5,500,000.00	5,500,000.00	100.00	The receivables are expected to be unrecoverable
Wuhan New Beacon Holdings Limited	5,500,000.00	5,500,000.00	100.00	The receivables are expected to be unrecoverable
Fenyi County Yongkang Real Estate Company Limited	5,000,000.00	5,000,000.00	100.00	The receivables are expected to be unrecoverable
Funan County Tianfu Real Estate Development Company Limited	5,000,000.00	5,000,000.00	100.00	The receivables are expected to be unrecoverable
Jiangxi Wengan Industrial Development Company Limited	5,000,000.00	5,000,000.00	100.00	The receivables are expected to be unrecoverable
Jinzhong Tianhe Real Estate Development Company Limited	5,000,000.00	5,000,000.00	100.00	The receivables are expected to be unrecoverable
Leshan Wutongqiao District Tiancheng Trading Company	5,000,000.00	5,000,000.00	100.00	The receivables are expected to be unrecoverable
Mudanjiang Changxing Real Estate Company Limited	5,000,000.00	5,000,000.00	100.00	The receivables are expected to be unrecoverable
Nantong Deer Logistics Company Limited	5,000,000.00	5,000,000.00	100.00	The receivables are expected to be unrecoverable
Sanmenxia Xindu Real Estate Company Limited	5,000,000.00	5,000,000.00	100.00	The receivables are expected to be unrecoverable
Shenzhen Zhongyi Shenfa Investment Development Company Limited	5,000,000.00	5,000,000.00	100.00	The receivables are expected to be unrecoverable
Tongren Jiacheng Real Estate Company Limited	5,000,000.00	5,000,000.00	100.00	The receivables are expected to be unrecoverable
Wuhan Zhifeng Real Estate Development Company Limited	5,000,000.00	5,000,000.00	100.00	The receivables are expected to be unrecoverable

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

(XIV) NOTES TO THE MAJOR ITEMS IN THE FINANCIAL STATEMENTS OF THE COMPANY (CONTINUED)

1. Accounts receivable (Continued)

(1) Accounts receivable by categories: (Continued)

Receivables that are individually significant provided for bad debts on individual basis at the end of the year: (Continued)

RMB

Accounts receivable	Book balance	Closing balance		Reason for provision
		Amount of bad debt	Provision proportion	
		(%)		
Suzhou Haoyuan Household Information Company Limited	5,000,000.00	5,000,000.00	100.00	The receivables are expected to be unrecoverable
Yunnan Jindinggao Industrial Company Limited	5,000,000.00	5,000,000.00	100.00	The receivables are expected to be unrecoverable
Zhejiang Ganghai Construction Group Company Limited	5,000,000.00	5,000,000.00	100.00	The receivables are expected to be unrecoverable
Baoding Fangbei Real Estate Development Company Limited	3,000,000.00	3,000,000.00	100.00	The receivables are expected to be unrecoverable
Jiangsu Hurun Real Estate Company Limited	1,800,000.00	1,800,000.00	100.00	The receivables are expected to be unrecoverable
The Second Construction Group Corporation Limited of Yancheng Jiangsu	82,600,000.00	56,600,000.00	68.52	Parts of the receivables are expected to be unrecoverable
Tonghua Kailong Commercial Plaza Company Limited	16,232,137.90	15,282,137.90	94.15	Parts of the receivables are expected to be unrecoverable
Yantai North Wenzhou City Development Company Limited	8,749,965.52	8,134,904.95	92.97	Parts of the receivables are expected to be unrecoverable
Guizhou Lingzhi Agricultural Group Real Estate Company Limited	11,250,000.00	10,350,000.00	92.00	Parts of the receivables are expected to be unrecoverable
Jilin Songyuan Feiyu Real Estate Development Company Limited	5,750,000.00	5,037,500.00	87.61	Parts of the receivables are expected to be unrecoverable
Hangzhou Kangsheng Trading Company Limited	7,500,000.00	6,300,000.00	84.00	Parts of the receivables are expected to be unrecoverable
Binzhou Yisen Real Estate Development Company Limited	7,451,000.00	5,076,000.00	68.13	Parts of the receivables are expected to be unrecoverable
Shijiazhuang Runxin Real Estate Development Company Limited	55,914,383.56	13,841,438.36	24.75	Parts of the receivables are expected to be unrecoverable
Total	608,400,174.73	533,574,668.96	87.70	

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

(XIV) NOTES TO THE MAJOR ITEMS IN THE FINANCIAL STATEMENTS OF THE COMPANY (CONTINUED)

1. Accounts receivable (Continued)

(1) Accounts receivable by categories: (Continued)

Receivables that are individually significant provided for bad debts on individual basis at the end of the year: (Continued)

Accounts receivable for which bad debts are provided based on credit risk characteristics portfolio:

RMB

Items	Closing balance			Opening balance		Provision Proportion (%)
	Book balance	Bad debt provision	Provision Proportion (%)	Book balance	Bad debt provision	
Within 1 year	237,348,735.50	11,867,434.21	5.00	187,550,012.40	9,377,500.62	5.00
1 to 2 years	111,368,511.10	11,136,851.11	10.00	192,747,945.20	19,274,794.52	10.00
2 to 3 years	74,800,000.00	14,960,000.00	20.00	102,750,000.00	20,550,000.00	20.00
3 to 4 years	44,000,000.00	22,000,000.00	50.00	-	-	50.00
4 to 5 years	-	-	80.00	1,500,000.00	1,200,000.00	80.00
Over 5 years	4,500,000.00	4,500,000.00	100.00	3,000,000.00	3,000,000.00	100.00
Total	472,017,246.60	64,464,285.32	13.66	487,547,957.60	53,402,295.14	10.95

(2) Provision for the year (reversal) of bad debts

The impairment losses on accounts receivable amounted to RMB113,167,787.83. There is reversal of RMB5,720,000.00 provision for bad debt or recovery of impaired accounts receivable during the year.

The significant reversal of provision for bad debt or recovery of impaired accounts receivable during the year

RMB

Companies	Recovery or reversal amount	Recovery way
Liaoyang Hongmei Property Co., Ltd.	5,000,000.00	Recovering its receivable

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

(XIV) NOTES TO THE MAJOR ITEMS IN THE FINANCIAL STATEMENTS OF THE COMPANY (CONTINUED)

1. Accounts receivable (Continued)

(3) Top 5 account receivables at the end of the year

RMB

Companies	Book balance	Amount of bad debt	Proportion of total account receivables (%)
The Second Construction Group Corporation Limited of Yancheng Jiangsu	82,600,000.00	56,600,000.00	7.04
Shijiazhuang Runxin Real Estate Development Company Limited	55,914,383.56	13,841,438.36	4.77
Changzhou Wujin Construction Engineering Company Limited	55,000,000.00	55,000,000.00	4.69
Jiangsu Jiangzhong Group Company Limited	30,000,000.00	30,000,000.00	2.56
Fuqing Xingrong Real Estate Company Limited	17,000,000.00	17,000,000.00	1.45
Total	240,514,383.56	172,441,438.36	20.51

- (4) The Company has no derecognized receivables out of transfer of financial assets at the end of the current year and prior year.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

(XIV) NOTES TO THE MAJOR ITEMS IN THE FINANCIAL STATEMENTS OF THE COMPANY (CONTINUED)

2. Other Receivables

(1) Other receivables disclosed by categories:

RMB

Category	Book balance Amount	Closing balance		Book value Amount	
		Proportion (%)	Bad debt provision Amount		Proportion (%)
Other receivables that are individually significant and for which bad debts are provided for individually	3,698,327,893.33	19.47	562,299,239.60	15.20	3,136,028,653.73
Other receivables of insignificant individual amount but individually provided for bad debts	7,422,683.33	0.04	7,350,000.00	99.02	72,683.33
Other receivables for which bad debts are provided based on credit risk characteristics portfolio	15,291,981,320.91	80.49	22,625,422.87	0.15	15,269,355,898.04
Including: Risk portfolio I	83,254.74	-	-	-	83,254.74
Risk portfolio II	198,673,425.12	1.05	9,933,671.25	5.00	188,739,753.87
Risk portfolio III	192,441,028.09	1.01	12,691,751.62	6.60	179,749,276.47
Risk portfolio IV (Note)	14,900,783,612.96	78.43	-	-	14,900,783,612.96
Total	18,997,731,897.57	100.00	592,274,662.47	3.12	18,405,457,235.10

Notes to the Consolidated Financial Statements

For the year ended 31 December 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)

RMB

Category	Book balance Amount	Opening balance		Book value Amount	
		Proportion (%)	Bad debt provision Amount		Proportion (%)
Other receivables that are individually significant and for which bad debts are provided for individually	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	-
Other receivables for which bad debts are provided based on credit risk characteristics portfolio	14,639,676,114.83	82.63	16,405,849.22	0.11	14,623,270,265.61
Including: Risk portfolio I	85,211.82	-	-	-	85,211.82
Risk portfolio II	241,832,712.77	1.36	12,091,635.64	5.00	229,741,077.13
Risk portfolio III	42,348,543.44	0.24	4,314,213.58	10.19	38,034,329.86
Risk portfolio IV (Note)	14,355,409,646.80	81.03	-	-	14,355,409,646.80
Total	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, except for the provided for bad debts in single item. The Company believes, this portfolio has minor credit risks, thus for which no bad debt is provided.

Notes to the Consolidated Financial Statements

For the year ended 31 December 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 that are individually significant and for which bad debts are provided for individually at the end of the year:

RMB

Other receivables	Closing balance		Provision proportion (%)	Reason for provision
	Book balance	Amount of bad debt		
Lizhuo Xingyu Television Media Advertising (Beijing) Company Limited	14,045,187.00	14,045,187.00	100.00	The receivables are expected to be unrecoverable
Weifang Kaili Real Estate Company Limited	12,000,000.00	12,000,000.00	100.00	The receivables are expected to be unrecoverable
Wuhan Red Star	668,742,429.66	100,000,000.00	14.95	Part of the receivables are expected to be unrecoverable
Tianjin Fashion	54,119,655.10	50,219,635.10	92.79	Part of the receivables are expected to be unrecoverable
Baotou Red Star	37,324,838.84	20,674,970.00	55.39	Part of the receivables are expected to be unrecoverable
Shanghai Home Furnishing Expo	694,030,004.07	129,552,550.73	18.67	Part of the receivables are expected to be unrecoverable
Chongqing Expo Home Furnishing	66,705,245.32	30,772,151.83	46.13	Part of the receivables are expected to be unrecoverable
Xingjia Building Materials	70,650,000.00	61,811,558.73	87.49	Part of the receivables are expected to be unrecoverable
Xingkai Chengpeng	1,147,945,032.57	17,874,886.21	1.56	Part of the receivables are expected to be unrecoverable
Shenyang Dadong	39,617,941.11	31,700,000.00	80.01	Part of the receivables are expected to be unrecoverable
Tianjin Shibo Home Furnishing	893,147,559.66	93,648,300.00	10.49	Part of the receivables are expected to be unrecoverable
Total	3,698,327,893.33	562,299,239.60	15.20	

Notes to the Consolidated Financial Statements

For the year ended 31 December 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:

Portfolio I:

RMB

Item	Closing balance			Opening balance		
	Book balance	Amount of bad debt	Provision proportion (%)	Book balance	Amount of bad debt	Provision proportion (%)
Portfolio I	83,254.74	-	-	85,211.82	-	-

Portfolio II: Bad debts are provided based on balance percentage method:

RMB

Item	Closing balance			Opening balance		
	Book balance	Amount of bad debt	Provision proportion (%)	Book balance	Amount of bad debt	Provision proportion (%)
Portfolio II	198,673,425.12	9,933,671.25	5.00	241,832,712.77	12,091,635.64	5.00

Portfolio III: Bad debts are provided based on aging percentage method:

RMB

Items	Closing balance			Opening balance		
	Book balance	Amount of bad debt	Provision proportion (%)	Book balance	Amount of bad debt	Provision proportion (%)
Within 1 year	176,103,519.74	8,805,175.99	5.00	16,958,995.02	847,949.75	5.00
1 to 2 years	537,369.93	53,736.99	10.00	18,729,458.55	1,872,945.86	10.00
2 to 3 years	14,428,435.24	2,885,687.05	20.00	5,789,089.87	1,157,817.97	20.00
3 to 4 years	500,703.18	250,351.59	50.00	871,000.00	435,500.00	50.00
4 to 5 years	871,000.00	696,800.00	80.00	-	-	80.00
Over 5 years	-	-	100.00	-	-	100.00
Total	192,441,028.09	12,691,751.62	6.60	42,348,543.44	4,314,213.58	10.19

Notes to the Consolidated Financial Statements

For the year ended 31 December 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 year

For the year, the provision for bad debts was RMB131,567,873.65, and there was no reversal of provision for bad debts or recovery of impaired accounts receivable.

(3) Written-off of accounts receivables for the year

RMB

Companies	Nature of other accounts receivables	Amount written off	Reason for write off	Procedure of write off taken place at	Related party transactions
Xingjia Building Materials	Current accounts	12,200,000.00	Not recoverable	Record to tax authority	Yes

(4) Other receivables presented by nature:

RMB

Item	Closing balance	Opening balance
Loan and advances	18,350,585,536.74	17,207,044,737.02
– to related parties	18,127,791,121.28	17,070,228,771.07
– to non-controlling interests of subsidiaries	35,077,643.76	35,077,643.76
– to third parties	187,716,771.70	101,738,322.19
Deposits	53,728,096.62	35,879,078.18
Others	1,143,601.74	2,820,362.38
Total	18,405,457,235.10	17,245,744,177.58

M 红星美凯龙全球家居设计博览中心 MACALLINE
The Global Furnishing Design and Exhibition Center

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

(XIV) NOTES TO THE MAJOR ITEMS IN THE FINANCIAL STATEMENTS OF THE COMPANY (CONTINUED)

2. Other Receivables (Continued)

(5) Particulars of the top five of other receivables at the end of the year:

RMB

Companies	Relationship with the Company	Closing balance	Percentage of the total other receivables (%)	Bad debt provision amount at the end of the period
Shanghai Xingkai Chengpeng Business Management Company Limited	Subsidiary	1,147,945,032.57	6.04	17,874,886.21
Tianjin Red Star Macalline International Home Furnishing Expo Company Limited	Subsidiary	1,022,223,347.08	5.38	–
Red Star Macalline Shibo (Tianjin) Home Furnishing Plaza Company Limited	Subsidiary	893,147,559.66	4.70	93,648,300.00
Shanghai Hongxin Oukai Home Furnishing Company Limited	Subsidiary	703,291,355.41	3.70	–
Shanghai Red Star Macalline Home Furnishing Design Expo Company Limited	Subsidiary	694,030,004.07	3.65	129,552,550.73
Total		4,460,637,298.79	23.47	241,075,736.94

(6) At the end of the current year and prior year, the Group has no other receivables involving government grants and other receivables derecognized due to the transfer of financial assets.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

(XIV) NOTES TO THE MAJOR ITEMS IN THE FINANCIAL STATEMENTS OF THE COMPANY (CONTINUED)

3. Long-term Equity Investments

(1) Details of long-term equity investments are as follows:

RMB

Investee	Accounting method	Closing balance	Opening balance	Dividend of long-term equity investment accounted for by cost method declared this year
Changzhou Macalline	Cost method	(1,955,167.87)	(1,955,167.87)	45,000,000.00
Changzhou Worldwide	Cost method	15,447,913.31	15,447,913.31	55,000,000.00
Wuxi Red Star	Cost method	47,998,405.33	47,998,405.33	23,400,000.00
Lianyungang Red Star	Cost method	3,465,415.12	3,465,415.12	–
Nanjing Furnishing Mall	Cost method	59,689,261.20	59,689,261.20	75,000,000.00
Nanjing Mingdu	Cost method	47,227,734.43	47,227,734.43	28,200,000.00
Shanghai Decoration Mall	Cost method	136,115,702.30	136,115,702.30	133,500,000.00
Shanghai Global Home Furnishing	Cost method	138,456,423.17	138,456,423.17	147,000,000.00
Hongxin Oukai	Cost method	92,508,623.92	92,508,623.92	–
Xinwei Property	Cost method	272,756,078.13	272,756,078.13	32,000,000.00
Shanghai Management	Cost method	(1,408,244.71)	(1,408,244.71)	162,000,000.00
Changsha Furniture	Cost method	5,000,000.00	5,000,000.00	17,500,000.00
Changsha Home Furnishing Expo	Cost method	871,353.75	871,353.75	–
Jinan Red Star	Cost method	71,243,669.12	71,243,669.12	12,000,000.00
Chengdu Red Star	Cost method	30,275,655.03	30,275,655.03	–
Zhengzhou Red Star	Cost method	15,300,000.00	15,300,000.00	45,000,000.00
Shanghai Decorating Market	Cost method	1,349,876.56	1,349,876.56	–
Zhengzhou Management	Cost method	510,000.00	510,000.00	–
Hangzhou Shibo Furniture	Cost method	20,000,000.00	20,000,000.00	39,000,000.00
Red Star Macalline Brand Management	Cost method	5,000,000.00	5,000,000.00	45,000,000.00
Chongqing Global Home Furnishing	Cost method	10,000,000.00	10,000,000.00	109,000,000.00

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

(XIV) NOTES TO THE MAJOR ITEMS IN THE FINANCIAL STATEMENTS OF THE COMPANY (CONTINUED)

3. Long-term Equity Investments (Continued)

(1) Details of long-term equity investments are as follows: (Continued)

RMB

Investee	Accounting method	Closing balance	Opening balance	Dividend of long-term equity investment accounted for by cost method declared this year
Chongqing Shibo Home Furnishing	Cost method	23,496,190.89	23,496,190.89	–
Wuhan Red Star	Cost method	552,878,664.00	552,878,664.00	–
Shanghai Home Furnishing Expo	Cost method	445,000,000.00	445,000,000.00	–
Yantai Red Star	Cost method	192,120,000.00	192,120,000.00	178,000.00
Shenyang Mingdu	Cost method	153,000,000.00	153,000,000.00	–
Chongqing Expo Home Furnishing	Cost method	280,000,000.00	280,000,000.00	–
Changsha Yinhong	Cost method	250,000,000.00	250,000,000.00	–
Shanghai Jingdu	Cost method	5,100,000.00	5,100,000.00	–
Tianjin Home Furnishings Plaza	Cost method	424,878,664.00	424,878,664.00	–
Panjin Red Star	Cost method	94,087,000.00	45,900,000.00	–
Red Star Consulting	Cost method	650,000.00	650,000.00	–
Shenyang Home Furnishing	Cost method	28,058,441.77	28,058,441.77	30,000,000.00
Xingkai Chengpeng	Cost method	10,000,000.00	1,000,000,000.00	280,000,000.00
Red Star Trading	Cost method	50,000,000.00	50,000,000.00	–
Harbin Red Star	Cost method	310,000,000.00	310,000,000.00	–
Chongqing Zhongkun	Cost method	55,000,000.00	55,000,000.00	–
Yantai International	Cost method	–	5,000,000.00	–
Zhongshan shibo	Cost method	149,939,332.00	149,939,332.00	–
Shenyang Dadong	Cost method	3,000,000.00	3,000,000.00	–
Wuxi Home Furnishing	Cost method	534,817,995.00	534,817,995.00	–
Xi'an Home Furnishing	Cost method	30,000,000.00	30,000,000.00	–
Daqing Shibo Furniture	Cost method	70,000,000.00	70,000,000.00	–
Langfang Kaihong Home Living	Cost method	70,000,000.00	70,000,000.00	–

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

(XIV) NOTES TO THE MAJOR ITEMS IN THE FINANCIAL STATEMENTS OF THE COMPANY (CONTINUED)

3. Long-term Equity Investments (Continued)

(1) Details of long-term equity investments are as follows: (Continued)

RMB

Investee	Accounting method	Closing balance	Opening balance	Dividend of long-term equity investment accounted for by cost method declared this year
Wuhan Global Home Furnishing	Cost method	149,939,332.00	149,939,332.00	–
Beijing Century Kailong	Cost method	10,000,000.00	10,000,000.00	–
Tianjin Fashion	Cost method	5,000,000.00	5,000,000.00	–
Shanghai Red Star Ogloria	Cost method	500,000.00	500,000.00	–
Hefei Shibo Furniture	Cost method	349,848,330.00	349,848,330.00	–
Nanjing International Home Living	Cost method	764,016,993.00	764,016,993.00	–
Xingyitong	Cost method	150,000,000.00	150,000,000.00	–
Tianjin International Expo	Cost method	204,285,714.29	204,285,714.29	–
Tianjin World Trade	Cost method	200,000,000.00	200,000,000.00	–
Harbin International home furnishing	Cost method	349,817,995.00	349,817,995.00	–
Changchun Red Star	Cost method	47,600,000.00	47,600,000.00	–
Xizhao Investment	Cost method	90,000,000.00	90,000,000.00	–
Red Star Mall Management	Cost method	50,000,000.00	50,000,000.00	2,000,000,000.00
Yangzhou International	Cost method	3,000,000.00	3,000,000.00	10,000,000.00
Shanghai Longmei	Cost method	1,000,000.00	1,000,000.00	–
Sunan Construction	Cost method	53,170,000.00	53,170,000.00	25,000,000.00
Shenyang Shibo Home Furnishing	Cost method	35,068,057.50	35,068,057.50	(2,920,000.00)
Construction and Furnishing Materials Trading	Cost method	10,000,000.00	10,000,000.00	–
Shenyang Expo	Cost method	50,000,000.00	50,000,000.00	–
Lanzhou Shibo	Cost method	30,000,000.00	30,000,000.00	–
Macalline Network Technology	Cost method	81,500,000.00	81,500,000.00	–
Decrating Public Network Technology	Cost method	3,200,000.00	3,200,000.00	–
Urumchi Red Star	Cost method	50,000,000.00	50,000,000.00	–

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

(XIV) NOTES TO THE MAJOR ITEMS IN THE FINANCIAL STATEMENTS OF THE COMPANY (CONTINUED)

3. Long-term Equity Investments (Continued)

(1) Details of long-term equity investments are as follows: (Continued)

RMB

Investee	Accounting method	Closing balance	Opening balance	Dividend of long-term equity investment accounted for by cost method declared this year
Dongguan Red Star	Cost method	70,000,000.00	70,000,000.00	–
Hohhot Shibo	Cost method	123,280,264.00	60,000,000.00	–
Diken Trading	Cost method	177,690,900.00	177,690,900.00	–
Suzhou Zhongxiang	Cost method	160,578,586.64	160,578,586.64	–
Xinghe Home Furnishing	Cost method	3,000,000.00	3,000,000.00	–
Macalline Logistics	Cost method	40,886,820.00	15,000,000.00	–
Red Star Industrial	Cost method	206,841,181.40	206,841,181.40	–
Xinglong Home Furnishing	Cost method	39,000,000.00	39,000,000.00	–
Hongkong Red Star	Cost method	112,839,554.51	129,716.00	–
Macalline Business Management	Cost method	100,000,000.00	88,000,000.00	460,000,000.00
Red Star Small Loan Company	Cost method	–	140,000,000.00	–
Changsha Jinxia	Cost method	120,000,000.00	60,000,000.00	–
Xinghe Asset Management	Cost method	10,000,000.00	10,000,000.00	–
Tenghui Investment Hefei Company	Cost method	40,000,000.00	40,000,000.00	–
Beijing International Home Furnishing	Cost method	344,780,641.87	344,780,641.87	26,000,000.00
Beijing Shibo Furniture	Cost method	31,856,462.57	31,856,462.57	64,000,000.00
Beijing Home Furnishing Market	Cost method	630,335.17	630,335.17	–
Tianjin Shibo Home Furnishing	Cost method	230,851,821.21	72,420,000.00	–
Hehe Juzhong	Cost method	–	700,000.00	–
Kunshan Red Star	Cost method	1,000,000.00	1,000,000.00	–
Tongxiang Red Star	Cost method	500,000.00	500,000.00	–
Beijing Business Management	Cost method	2,700,000.00	2,700,000.00	–
Wuxi Business Management	Cost method	700,000.00	700,000.00	–

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

(XIV) NOTES TO THE MAJOR ITEMS IN THE FINANCIAL STATEMENTS OF THE COMPANY (CONTINUED)

3. Long-term Equity Investments (Continued)

(1) Details of long-term equity investments are as follows: (Continued)

RMB

Investee	Accounting method	Closing balance	Opening balance	Dividend of long-term equity investment accounted for by cost method declared this year
Zhejiang Mingdu	Cost method	165,300,000.00	165,300,000.00	16,530,000.00
Red Star Finance Company	Cost method	270,000,000.00	–	–
Nanchang Global Home Furnishing	Cost method	15,300,000.00	–	–
Muye Asset Management	Cost method	120,000.00	–	–
Jinshan Home Furnishing	Cost method	25,000,000.00	–	–
Suzhou Red Star Macalline Shibo Home Furnishing	Cost method	151,611,912.79	–	–
Xining Red Star Macalline Shibo Home Furnishing	Cost method	72,162,700.00	–	–
Labor Dispatch Company	Cost method	2,000,000.00	–	–
Jisheng Wellborn Brand Management	Cost method	5,000,000.00	–	18,000,000.00
Yumu Business Management	Cost method	5,000,000.00	–	–
Yuxu Business Management	Cost method	5,000,000.00	–	–
Yuzhu Business Management	Cost method	5,000,000.00	–	–
Yuxiao Business Management	Cost method	5,000,000.00	–	–
Jianjinsuo Investment Company	Cost method	140,000,000.00	–	–
Glory Casa	Cost method	200,000,000.00	–	–
Xiamen Baoxiang	Equity method	4,279,068.25	4,557,376.00	–
Chengdu Dongtai	Equity method	802,864,116.22	699,245,619.68	–
Shanghai Mingyi	Equity method	19,733,335.25	8,667,939.77	–
Shenzhen Red Star	Equity method	45,255,063.01	44,408,709.73	–
Hangzhou Global	Equity method	58,626,478.44	56,965,000.00	–
Wuhan Zhengda	Equity method	–	19,119,602.56	–
Wuhan Zhengkai	Equity method	127,000,000.00	–	–
Meiwu 365	Equity method	17,900,796.13	20,000,000.00	–
Jiazhan Construction	Equity method	7,304,104.60	6,667,000.00	–
Reyi Network Technology	Equity method	5,274,701.29	–	–
Nanchang Global Expo	Equity method	27,000,000.00	–	–
Total		11,388,694,251.59	10,887,097,479.63	3,895,388,000.00

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

(XIV) NOTES TO THE MAJOR ITEMS IN THE FINANCIAL STATEMENTS OF THE COMPANY (CONTINUED)

4. Intangible Assets

RMB

Item	Software	Trademark use right	Total
I. Initial carrying amount			
Opening balance	62,664,135.56	525,000,000.00	587,664,135.56
Increased amount at current year	13,686,451.73	–	13,686,451.73
Reduced amount at current year	–	–	–
Closing balance	76,350,587.29	525,000,000.00	601,350,587.29
II. Accumulated amortization			
Opening balance	24,227,620.08	38,270,185.68	62,497,805.76
Increased amount at current year	6,939,160.25	13,852,583.66	20,791,743.91
Reduced amount at current year	–	–	–
Closing balance	31,166,780.33	52,122,769.34	83,289,549.67
III. Impairment provision			
Opening balance	–	100,000,000.00	100,000,000.00
Increased amount at current year	–	–	–
Reduced amount at current year	–	–	–
Closing balance	–	100,000,000.00	100,000,000.00
IV. Carrying value			
Closing balance	45,183,806.96	372,877,230.66	418,061,037.62
Opening balance	38,436,515.48	386,729,814.32	425,166,329.80

Note: Details are set out in the note (V).14.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

(XIV) NOTES TO THE MAJOR ITEMS IN THE FINANCIAL STATEMENTS OF THE COMPANY (CONTINUED)

5. Other Non-current Assets

RMB

Item	Closing balance	Opening balance
Prepayments for equity transfer	324,585,000.00	278,485,000.00
Prepayments for construction	359,199,400.00	366,199,400.00
Entrusted loan	1,101,571,684.28	255,867,231.08
Capital contribution to investees	19,100,000.00	21,150,000.00
Construction contributions	104,034,293.38	43,235,238.60
Total	1,908,490,377.66	964,936,869.68

6. Advance from Customers

RMB

Item	Closing balance	Opening balance
Rental	58,405,172.01	68,907,780.73
Charges for the consulting and management service titled the Company's name for the early stage of the project (<i>Notes</i>)	405,500,000.00	402,249,999.99
Charges for annual consulting and management service titled the Company's name for the project (<i>Notes</i>)	150,904,129.67	119,861,905.82
Others	116,358,335.60	77,538,333.00
Total	731,167,637.28	668,558,019.54

For the end of the current year and prior year, 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 RMB269,000,000.00 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 RMB14,200,425.85 and RMB17,403,765.47 respectively.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

(XIV) NOTES TO THE MAJOR ITEMS IN THE FINANCIAL STATEMENTS OF THE COMPANY (CONTINUED)

7. Taxes Payables

RMB

Item	Closing balance	Opening balance
Value-added tax	139,954,549.73	119,933,610.71
Enterprise income tax	25,059,043.49	1,619,803.40
Urban maintenance and construction tax	652,778.72	382,649.67
Others	6,499,158.76	4,679,075.29
Total	172,165,530.70	126,615,139.07

8. Revenue and Costs of Sales

(1) Revenue

RMB

Item	Amount for the current year		Amount for the prior year	
	Revenue	Costs of sales	Revenue	Costs of sales
Principal businesses	1,704,748,683.71	276,523,553.00	1,423,737,641.16	205,762,466.67
Other businesses	178,885,386.15	–	80,354,233.75	–
Total	1,883,634,069.86	276,523,553.00	1,504,091,874.91	205,762,466.67

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

(XIV) NOTES TO THE MAJOR ITEMS IN THE FINANCIAL STATEMENTS OF THE COMPANY (CONTINUED)

8. Revenue and Costs of Sales (Continued)

(2) Principal businesses

RMB

Name of sector	Amount for the current year		Amount for the prior year	
	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	426,444,691.13	224,201,018.45	531,159,433.96	170,691,586.16
Revenue from annual consulting and management service titled the Company's name for the project	257,799,705.77	–	279,531,918.27	–
Leasing and management revenue	811,765,296.17	52,322,534.55	441,590,314.09	35,070,880.51
Other revenue	208,738,990.64	–	171,455,974.84	–
Total	1,704,748,683.71	276,523,553.00	1,423,737,641.16	205,762,466.67

9. Taxes and Surcharges

RMB

Item	Amount for the current year	Amount for the prior year	計繳標準
Business tax	–	29,381,221.95	Refer to note (IV)1
Urban maintenance and construction tax	3,844,775.13	1,113,114.79	Refer to note (IV)1
Educational surcharge	3,542,119.50	(3,718,244.52)	Refer to note (IV)1
Stamp duty	614,279.70	6,805.20	
Others	2,791,139.93	(927,804.27)	
Total	10,792,314.26	25,855,093.15	

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

(XIV) NOTES TO THE MAJOR ITEMS IN THE FINANCIAL STATEMENTS OF THE COMPANY (CONTINUED)

10. Investment Income

RMB

Item	Amount for the current year	Amount for the prior year
Gain on long-term equity investment based on cost method	3,895,388,000.00	2,193,282,750.27
Gain on long-term equity investment based on equity method	115,726,018.01	131,140,153.93
Investment gain from disposal of long-term equity investments	1,867,397.44	15,765,117.91
Gains on the deregistration of subsidiary	–	1,796,745.83
Total	4,012,981,415.45	2,341,984,767.94

11. Income Tax Expenses

RMB

Item	Amount for the current year	Amount for the prior year
Current income tax based on tax law and relevant regulations	40,658,915.70	–
Deferred income tax adjustment	(44,700,787.38)	(118,672,315.87)
Difference from settlement for the prior year	10,455,549.33	4,595,330.05
Total	6,413,677.65	(114,076,985.82)

Adjustment to income tax expenses and accounting profit are as follows:

RMB

Item	Amount for the current year	Amount for the prior year
Accounting profit	3,976,103,203.09	1,845,736,114.42
Income tax expenses calculated as per 25% tax rate	994,025,800.77	461,434,028.61
Tax impact of non-deductible expenses	4,719,343.09	5,389,847.51
Tax impact of non-taxable income	(1,002,787,015.54)	(585,496,191.99)
Difference from settlement for the prior year	10,455,549.33	4,595,330.05
Total	6,413,677.65	(114,076,985.82)

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

(XIV) NOTES TO THE MAJOR ITEMS IN THE FINANCIAL STATEMENTS OF THE COMPANY (CONTINUED)

12. Supplementary Information to the Cash Flow Statement

RMB

Supplementary information	Amount for the current year	Amount for the prior year
1. Reconciliation of net profit to cash flow from operating activities:		
Net profit	3,969,689,525.44	1,959,438,100.24
Add: Impairment losses of assets	247,590,661.48	831,163,567.23
Depreciation of fixed assets	6,358,733.82	6,773,301.92
Intangible asset amortization	20,791,743.91	22,840,041.40
Amortization of long-term prepaid expenses	4,196,644.87	2,510,399.74
Loss of disposal of fixed assets, intangible assets and other long-term assets (gain is represented by “-”)	(358,379.26)	(20.94)
Financial expenses (gain is represented by “-”)	375,080,006.39	378,598,072.52
Investment loss (gain is represented by “-”)	(4,012,981,415.45)	(2,341,984,767.94)
Decrease in deferred tax assets (increase is represented by “-”)	(38,729,242.94)	(121,862,146.26)
Decrease in inventories (increase is represented by “-”)	(3,054,594.50)	(2,630,498.17)
Decrease in operating receivables (increase is represented by “-”)	(114,131,740.54)	(145,826,195.45)
Increase in operating payables (decrease is represented by “-”)	165,206,986.56	(568,385,613.76)
The net cash flow incurred from operating activities	619,658,929.78	20,634,240.53
2. Net changes in cash and cash equivalents:		
Closing amount of cash	1,969,876,777.44	1,505,388,102.38
Less: Opening amount of cash	1,505,388,102.38	2,177,918,658.27
Net increase (decrease) in cash and cash equivalents	464,488,675.06	(672,530,555.89)

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

(XIV) NOTES TO THE MAJOR ITEMS IN THE FINANCIAL STATEMENTS OF THE COMPANY (CONTINUED)

13. RELATED PARTIES AND RELATED PARTY TRANSACTIONS

(1) Other Related Parties of the Company

Apart from the subsidiaries stated in Note (VII), please refer to Note (X) for the other related parties of the Company.

(2) Related Party Transactions

(2.1) *Connected transactions of the purchase and sale of goods, provision and receipt of services*

RMB

Related parties	Types of related parties transactions	Details of related parties transactions	Pricing policy and procedure for decision-making	Current year	Prior year
Ningbo Aoyang	Rendering of services	The revenue from annual consulting and management service titled the Company's name for the special project	Negotiated price	2,285,658.68	2,500,562.26
Yangzhou Property	Rendering of services	The revenue from annual consulting and management service titled the Company's name for the special project	Negotiated price	1,886,792.40	1,979,530.06
Jining Hongrui	Rendering of services	The revenue from annual consulting and management service titled the Company's name for the special project	Negotiated price	3,792,442.94	3,830,694.47
Xuzhou Home Furnishing Mall	Rendering of services	The revenue from annual consulting and management service titled the Company's name for the special project	Negotiated price	1,433,962.32	1,443,396.23
Xuzhou Home Furnishing Plaza	Rendering of services	The revenue from annual consulting and management service titled the Company's name for the special project	Negotiated price	2,339,622.72	2,405,660.38

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

(XIV) NOTES TO THE MAJOR ITEMS IN THE FINANCIAL STATEMENTS OF THE COMPANY (CONTINUED)

13. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(2) Related Party Transactions (Continued)

(2.1) Connected transactions of the purchase and sale of goods, provision and receipt of services (Continued)

RMB

Related parties	Types of related parties transactions	Details of related parties transactions	Pricing policy and procedure for decision-making	Current year	Prior year
Ningbo Longkai	Rendering of services	The revenue from annual consulting and management service titled the Company's name for the special project	Negotiated price	N/A	865,995.63
Shaanxi Hongrui	Rendering of services	The revenue from annual consulting and management service titled the Company's name for the special project	Negotiated price	2,830,188.72	2,886,792.48
Wuhu Minghui	Rendering of services	The revenue from annual consulting and management service titled the Company's name for the special project	Negotiated price	2,830,188.72	2,886,792.48
Greenland Jinniu Real Estate	Rendering of services	The revenue from annual consulting and management service titled the Company's name for the special project	Negotiated price	3,773,584.92	3,905,660.37
Xinghua Xingkai	Rendering of services	The revenue from annual consulting and management service titled the Company's name for the special project	Negotiated price	1,415,094.29	1,231,560.71
Total				22,587,535.71	23,936,645.07
Xiamen Baoxiang	Rendering of services	Service Income	Negotiated price	23,256.60	-
Total				23,256.60	-

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

(XIV) NOTES TO THE MAJOR ITEMS IN THE FINANCIAL STATEMENTS OF THE COMPANY (CONTINUED)

13. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(2) Related Party Transactions (Continued)

(2.2) Guarantees with related parties

Unit: RMB

Guarantor	Guaranteed party	31 December 2017	31 December 2016	Inception date of guarantee	Expiration date of guarantee	Whether guarantee has been performed at the end of the year
Providing guarantees						
Loans :						
The Company (Note 1)	Chengdu Dongtai	-	98,000,000.00	24 February 2012	24 February 2017	Yes
The Company	Changzhou Macalline	-	19,000,000.00	31 December 2009	30 December 2017	Yes
The Company (Note 2)	Changzhou Home World	-	75,000,000.00	28 October 2009	27 October 2017	Yes
The Company (Note 2)	Shanghai Shanhai Art Furniture	-	80,000,000.00	24 August 2009	24 September 2017	Yes
The Company (Note 2)	Yantai Red Star	-	50,000,000.00	16 December 2011	9 January 2017	Yes
The Company (Note 7)	Haier Consumer Finance	400,000,000.00	125,000,000.00	8 November 2016	8 November 2019	No
The Company	Wuxi Red Star	-	200,000,000.00	30 October 2008	20 December 2019	Yes
The Company (Note 2)	Nanjing Mingdu	68,500,000.00	-	16 September 2011	30 December 2021	No
The Company (Note 2)	Nanjing Mingdu	108,530,000.00	435,240,000.00	16 September 2011	16 June 2021	No
The Company (Note 2)	Wuhan Red Star	160,000,000.00	250,000,000.00	24 June 2014	14 April 2020	No
The Company	Shanghai Home Furnishing Expo	1,161,000,000.00	-	31 May 2017	15 May 2034	No
The Company (Note 2)	Shenyang Mingdu	208,970,000.00	270,130,000.00	22 November 2013	10 May 2021	No
The Company (Note 2)	Changsha Yinhong	345,000,000.00	405,000,000.00	19 March 2015	25 November 2025	No
The Company (Note 3)	Panjin Red Star	160,000,000.00	180,000,000.00	28 April 2013	20 December 2021	No
The Company (Note 4)	Zhongshan shibo	102,810,000.00	117,500,000.00	31 October 2014	31 October 2022	No
The Company (Note 2)	Wuxi Home Furnishing	370,000,000.00	181,000,000.00	10 January 2017	21 April 2023	No

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

(XIV) NOTES TO THE MAJOR ITEMS IN THE FINANCIAL STATEMENTS OF THE COMPANY (CONTINUED)

13. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(2) Related Party Transactions (Continued)

(2.2) Guarantees with related parties (Continued)

Guarantor	Guaranteed party	31 December 2017	31 December 2016	Inception date of guarantee	Expiration date of guarantee	Whether guarantee has been performed at the end of the year
The Company (Note 2)	Daqing Shibo Furniture	96,000,000.00	120,000,000.00	27 May 2015	21 December 2020	No
The Company (Note 2)	Langfang Kaihong	224,000,000.00	-	1 April 2017	14 February 2027	No
The Company (Note 2)	Wuhan Global Home	312,000,000.00	315,000,000.00	19 May 2014	19 May 2020	No
The Company (Note 2)	Hefei Shibo Furniture	36,180,000.00	40,000,000.00	2 February 2015	25 November 2021	No
The Company (Note 2)	Urumchi Red Star	300,000,000.00	-	28 April 2017	28 April 2024	No
The Company	Dongguan Red Star	45,000,000.00	-	12 January 2017	11 January 2029	No
The Company	Yumu Business Management	306,150,000.00	-	14 June 2017	13 June 2026	No
The Company	Yuxu Business Management	303,250,000.00	-	14 June 2017	13 June 2026	No
The Company	Yuzhu Business Management	315,900,000.00	-	14 June 2017	13 June 2026	No
The Company	Yuxiao Business Management	302,250,000.00	-	14 June 2017	13 June 2026	No
	Sub-total	5,325,540,000.00	2,960,870,000.00			
	Bonds payable					
The Company (Note 5)	Hongkong Red Star Macalline	1,923,565,824.50	-	21 September 2017	20 September 2022	No
	Sub-total	1,923,565,824.50	-			

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

(XIV) NOTES TO THE MAJOR ITEMS IN THE FINANCIAL STATEMENTS OF THE COMPANY (CONTINUED)

13. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(2) Related Party Transactions (Continued)

(2.2) Guarantees with related parties (Continued)

Guarantor	Guaranteed party	31 December 2017	31 December 2016	Inception date	Expiration date of guarantee	Whether guarantee has been performed at the end of the year
Borrowings:						
Shanghai Shanghai Art Furniture	The Company	660,000,000.00	700,000,000.00	28 July 2016	25 July 2018	No
Shanghai Shanghai Art Furniture, Xinwei Property	The Company	800,000,000.00	1,000,000,000.00	28 July 2016	27 July 2018	No
Jinan Red Star	The Company	750,000,000.00	-	27 July 2017	18 December 2020	No
CHE Jianxing, CHEN Shuhong and RSM Holding (Note 6)	The Company	300,000,000.00	-	25 July 2017	25 July 2020	No
Shanghai Decoration Mall (Note 8)	The Company	-	500,000,000.00	22 July 2016	30 June 2017	Yes
Xinwei Property (Note 8)	The Company	-	800,000,000.00	22 January 2015	19 December 2017	Yes
	Sub-total	2,510,000,000.00	3,000,000,000.00			

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

(XIV) NOTES TO THE MAJOR ITEMS IN THE FINANCIAL STATEMENTS OF THE COMPANY (CONTINUED)

13. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(2) Related Party Transactions (Continued)

(2.2) Guarantees with related parties (Continued)

note 1 : The loan is the Property Income Right Trust established by Chengdu Dongtai, the joint venture of the Company, 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 accounts receivable and secured by investment properties of Chengdu Dongtai. In February 2017, the property income right trust was over.

note 2 : The loan is also secured by the investment property owned by guaranteed party.

note 3 : The loan was also provided by Panjin Huayuan Construction Investment Company Limited* (盤錦華源建設投資有限公司) with joint and several liability guarantees, and was secured by the investment property owned by Panjin Red Star.

note 4 : The loan was guaranteed by the Company with a maximum amount of RMB240 million and was secured by the investment property owned by Zhongshan Shibo.

note 5 : The US bond was guaranteed by the Company's signing of the Keepwell Deed.

note 6 : The borrowings were provided by CHE Jianxing, CHEN Shuhong and RSM Holding with joint and several liability guarantees of maximum amount of RMB500 million.

note 7 : On 8 November 2016, the Company provided a 25% joint and several liability guarantees against the loan of RMB2,500,000,000.00 lent by Haier Consume Financing, an associate of the Company, to Haier Group Finance Co., Ltd. At the end of the current year and prior year, the balances of borrowings for such guarantees were RMB1,600,000,000.00 and RMB500,000,000.00, respectively.

note 8 : The borrowing is also secured by the investment property owned by guarantor.

 红星美凯龙全球家居设计博览中心 MACALLINE
The Global Furnishing Design and Exhibition Center

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

(XIV) NOTES TO THE MAJOR ITEMS IN THE FINANCIAL STATEMENTS OF THE COMPANY (CONTINUED)

13. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(2) Related Party Transactions (Continued)

(2.3) Loans and borrowings of the related parties

RMB

Related parties	Lending amount	Inception date	Expiration date	Closing balance	Remarks
During the year:					
Borrowed from					
Changzhou Macalline	396,413,706.46	No	No	26,922.90	No fixed term
Changzhou Home World	537,524,975.97	No	No	–	No fixed term
Wuxi Red Star	430,688,618.37	No	No	312,191,524.01	No fixed term
Lianyungang Red Star	11,690.15	No	No	13,678,669.96	No fixed term
Nanjing Furnishing Mall	80,012,498.69	No	No	86,377.34	No fixed term
Nanjing Mingdu	164,865,210.67	No	No	113,471,676.55	No fixed term
Shanghai Decoration Mall	563,171,144.46	No	No	83,096.85	No fixed term
Shanghai Global Home	99,754,547.51	No	No	236,207.86	No fixed term
Shanghai Shanhai Art Furniture	2,756,389,176.25	No	No	–	No fixed term
Shanghai Management	1,882,025,174.89	No	No	332,435,174.00	No fixed term
Changsha Furniture	34,032,925.57	No	No	33,071,493.08	No fixed term
Changsha Home Furnishing Expo	–	No	No	295,375.21	No fixed term
Chengdu Red Star	25,157,946.99	No	No	194,931,695.79	No fixed term
Zhengzhou Red Star	259,747.64	No	No	96,443,558.68	No fixed term
Shanghai Decorating Market	985,887,373.57	No	No	–	No fixed term
Shanghai Global Home Furnishing	108,266,665.16	No	No	11,443.60	No fixed term
Hangzhou Shibo Furniture	4,796,026,374.95	No	No	–	No fixed term
Chengdu Changyi	539,873,744.41	No	No	99,791,906.93	No fixed term
Red Star Macalline Brand Management	181,749,994.14	No	No	145,447,205.76	No fixed term
Chongqing Global Home Furnishing	40,063,602.10	No	No	56,419,195.48	No fixed term
Chongqing Shibo Home Furnishing	135,030,470.26	No	No	711,815.67	No fixed term
Shanghai Dingsheng	56,692.77	No	No	66,336,364.67	No fixed term

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

(XIV) NOTES TO THE MAJOR ITEMS IN THE FINANCIAL STATEMENTS OF THE COMPANY (CONTINUED)

13. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(2) Related Party Transactions (Continued)

(2.3) Loans and borrowings of the related parties (Continued)

RMB

Related parties	Lending amount	Inception date	Expiration date	Closing balance	Remarks
Shanghai Global Market	140,424,433.63	No	No	-	No fixed term
Chongqing Expo Home Furnishing	335,624,916.20	No	No	-	No fixed term
Changsha Yinhong	67,816,452.41	No	No	-	No fixed term
Red Star Consulting	29,547,111.49	No	No	51,038,419.72	No fixed term
Shenyang Home Furnishing	1,577,828,737.13	No	No	1,328,472,267.87	No fixed term
Red Star Trading	489,583.29	No	No	24,029,569.31	No fixed term
Hefei Shibo Furniture	14,429,541.58	No	No	-	No fixed term
Nanjing International Home Living	28,818,370.57	No	No	-	No fixed term
Xingyitong	1,992,643,064.28	No	No	172,853,218.48	No fixed term
Tianjin International Expo	1,600,186,071.72	No	No	1,208,800,935.73	No fixed term
Red Star Mall Management	362,125,042.66	No	No	-	No fixed term
Yangzhou International Home Furnishing	15,006,238.90	No	No	7,046,230.56	No fixed term
Sunan Construction	38,794.11	No	No	20,393,109.25	No fixed term
Construction and Furnishing Materials Trading	1,713.90	No	No	2,005,438.89	No fixed term
Chengdu Red Star Ogloria	20,021.52	No	No	21,258,162.50	No fixed term
Urumchi Red Star	98,510,685.89	No	No	-	No fixed term
Macalline Assets Management	97,901,969.45	No	No	-	No fixed term
Xinglong Home Furnishing	1,720,019,671.27	No	No	81,359,525.69	No fixed term
Macalline Chengdu Business Management	87,402,797.56	No	No	114,551,003.79	No fixed term
Macalline Chengdu Enterprise Consulting	336,900,000.00	No	No	657,750,000.00	No fixed term
Beijing International Home Furnishing	60,785,671.62	No	No	335,666,920.51	No fixed term
Beijing Shibo Furniture	60,627,676.26	No	No	346,118,311.21	No fixed term
Tianjin Home Furnishing	19,500,000.00	No	No	-	No fixed term
Tianjin Construction Materials	10,500,000.00	No	No	-	No fixed term

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

(XIV) NOTES TO THE MAJOR ITEMS IN THE FINANCIAL STATEMENTS OF THE COMPANY (CONTINUED)

13. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(2) Related Party Transactions (Continued)

(2.3) Loans and borrowings of the related parties (Continued)

RMB

Related parties	Lending amount	Inception date	Expiration date	Closing balance	Remarks
Beijing Home Furnishing Market	–	No	No	–	No fixed term
Beijing Global Home Furnishing	10,000,000.00	No	No	–	No fixed term
Shenyang Shibo Home Furnishing	422,991,826.56	No	No	54,053,082.51	No fixed term
Dalian Investment	98,091,580.05	No	No	188,365,334.06	No fixed term
Wuxi Home Furnishing	396,192,821.69	No	No	101,926,788.76	No fixed term
Langfang Kaihong	357,692,048.99	No	No	188,339,768.60	No fixed term
Harbin International home furnishing	568,244,605.69	No	No	161,358,455.14	No fixed term
Jisheng Wellborn Brand Management	214,207.55	No	No	–	No fixed term
Red Star Industrial	148,304,751.25	No	No	–	No fixed term
Shanghai Jinshan	310,849.05	No	No	–	No fixed term
Glory Casa	1,940,003.37	No	No	112,184.72	No fixed term
Xinjiang Macalline Enterprise Management	983,009,880.16	No	No	456,879,480.16	No fixed term
Khorgos Xingyijia	367,749,579.82	No	No	360,947,654.82	No fixed term
Betterhome Decoration	53,300.00	No	No	53,300.00	No fixed term
Youmei Home	16,666,005.50	No	No	–	No fixed term
Jinan Red Star	354,139,230.74	No	No	252,450,037.89	No fixed term
Zhengzhou Juankai Enterprise Management	5,394,500,000.00	No	No	2,648,300,000.00	No fixed term
Xinjiang Red Star Ogloria	60,009,595.93	No	No	51,318,629.22	No fixed term
Yunnan Red Star	66,816,898.27	No	No	67,182,202.78	No fixed term
Hongkong Red Star Macalline	1,070,528,000.00	No	No	1,045,472,000.00	No fixed term
Total	32,731,866,031.04	No	No	11,413,771,736.51	No fixed term

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

(XIV) NOTES TO THE MAJOR ITEMS IN THE FINANCIAL STATEMENTS OF THE COMPANY (CONTINUED)

13. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(2) Related Party Transactions (Continued)

(2.3) Loans and borrowings of the related parties (Continued)

RMB

Related parties	Lending amount	Inception date	Expiration date	Closing balance	Remarks
During the year:					
Lend to					
Changzhou Macalline	452,818,029.30	No	No	9,396,047.84	No fixed term
Changzhou Home World	638,209,214.31	No	No	77,444,622.60	No fixed term
Wuxi Red Star	600,547,605.86	No	No	203,000,000.00	No fixed term
Nanjing Mingdu	299,300,536.21	No	No	75,431,853.17	No fixed term
Shanghai Decoration Mall	968,004,279.57	No	No	24,500,000.00	No fixed term
Shanghai Global Home	172,969,448.08	No	No	–	No fixed term
Shanghai Shanhai Art Furniture	2,865,118,934.84	No	No	81,907,332.43	No fixed term
Hongxin Oukai	67,005,774.05	No	No	703,291,355.41	No fixed term
Xinwei Property	82,531,940.49	No	No	305,754,344.74	No fixed term
Jinan Red Star	302,775,069.66	No	No	206,719,369.91	No fixed term
Zhengzhou Red Star	26,231,964.11	No	No	10,000,000.00	No fixed term
Shanghai Decorating Market	650,097,445.38	No	No	–	No fixed term
Hangzhou Shibo Furniture	4,829,636,087.18	No	No	–	No fixed term
Chengdu Changyi	277,344,440.06	No	No	–	No fixed term
Red Star Macalline Brand Management	174,540,288.94	No	No	1,498,552.44	No fixed term
Wuhan Red Star	109,260,629.77	No	No	668,742,429.66	No fixed term
Beijing Xingkai Jingzhou	46,695,532.04	No	No	119,878,110.35	No fixed term
Shanghai Home Furnishing Expo	295,406,671.75	No	No	694,030,004.07	No fixed term
Yantai Red Star	62,744,627.12	No	No	321,147,239.93	No fixed term
Shenyang Mingdu	217,931,957.28	No	No	566,179,505.06	No fixed term
Beijing Europe and America Business	19,329,697.47	No	No	174,622,831.88	No fixed term

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

(XIV) NOTES TO THE MAJOR ITEMS IN THE FINANCIAL STATEMENTS OF THE COMPANY (CONTINUED)

13. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(2) Related Party Transactions (Continued)

(2.3) Loans and borrowings of the related parties (Continued)

RMB

Related parties	Lending amount	Inception date	Expiration date	Closing balance	Remarks
Chongqing Shibo Home Furnishing	194,563,055.58	No	No	–	No fixed term
Changsha Yinhong	137,218,460.02	No	No	47,816,421.09	No fixed term
Shanghai Jingdu	107,894.53	No	No	106,301,136.71	No fixed term
Tianjin Home Furnishings Plaza	155,613,852.93	No	No	342,154,633.17	No fixed term
Panjin Red Star	42,739,920.63	No	No	169,652,127.22	No fixed term
Red Star Consulting	30,138,419.72	No	No	–	No fixed term
Xingkai Chengpeng	990,850,480.96	No	No	1,147,945,032.57	No fixed term
Hongmei E-Commerce	49,650,543.52	No	No	65,360,036.81	No fixed term
Changzhou Hongyang	10,800,000.00	No	No	441,559,400.00	No fixed term
Harbin Red Star	136,158,973.60	No	No	244,002,521.06	No fixed term
Xingjia Building Materials	1,000,000.00	No	No	70,650,000.00	No fixed term
Chongqing Zhongkun	1,422,523.24	No	No	172,306,308.89	No fixed term
Zhongshan Shibo	19,335,463.49	No	No	42,726,338.72	No fixed term
Shenyang Dadong	11,700,000.00	No	No	39,617,941.11	No fixed term
Wuxi Home Furnishing	236,068,999.90	No	No	45,000,000.00	No fixed term
Xi'an Home Furnishing	–	No	No	10,240,642.23	No fixed term
Daqing Shibo	59,434,624.30	No	No	201,550,042.58	No fixed term
Langfang Kaihong	255,060,222.02	No	No	209,579,289.89	No fixed term
Changzhou Jiapindao	240,768.62	No	No	6,432,742.22	No fixed term
Wuhan Global Home	176,745,514.22	No	No	497,319,509.37	No fixed term
Tianjin Fashion	–	No	No	54,119,655.10	No fixed term
Hefei Shibo Furniture	6,117,704.88	No	No	205,329,541.58	No fixed term
Nanjing International Home Living	350,494,656.73	No	No	31,000,910.05	No fixed term

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

(XIV) NOTES TO THE MAJOR ITEMS IN THE FINANCIAL STATEMENTS OF THE COMPANY (CONTINUED)

13. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(2) Related Party Transactions (Continued)

(2.3) Loans and borrowings of the related parties (Continued)

RMB

Related parties	Lending amount	Inception date	Expiration date	Closing balance	Remarks
Xingyitong	2,099,493,885.97	No	No	105,646,005.68	No fixed term
Youmei Home	33,331,462.29	No	No	44,095,456.79	No fixed term
Tianjin International Expo	182,259,136.98	No	No	1,022,223,347.08	No fixed term
Tianjin World Trade	160,797,702.84	No	No	605,677,892.50	No fixed term
Harbin International home furnishing	20,000,000.00	No	No	–	No fixed term
Changchun Red Star	–	No	No	450,972,748.84	No fixed term
Xizhao Investment	180,848,601.12	No	No	415,348,619.74	No fixed term
Red Star Mall Management	718,728,807.45	No	No	414,754,101.25	No fixed term
Shenyang Expo	8,614,002.60	No	No	256,548,244.13	No fixed term
Lanzhou Shibo	240,348,838.16	No	No	335,048,807.56	No fixed term
Decorating Public Network Technology	25,748.43	No	No	46,454,888.89	No fixed term
Urumchi Red Star	158,003,682.28	No	No	304,140,685.89	No fixed term
Dongguan Red Star	65,584,050.11	No	No	187,478,686.86	No fixed term
Anjia Network	–	No	No	415,920.65	No fixed term
Hohhot Shibo	181,258,333.32	No	No	190,028,582.03	No fixed term
Diken Trading	69,203,406.43	No	No	75,706,483.27	No fixed term
Suzhou Zhongxiang	136,700.72	No	No	40,905,321.86	No fixed term
Changsha Shibo	9,514,611.87	No	No	35,140,116.67	No fixed term
Macalline Assets Management	175,893,036.59	No	No	81,302,444.45	No fixed term
Xinghe Home Furnishing	7,945,342.14	No	No	20,282,377.78	No fixed term
Red Star Industrial	273,491,809.00	No	No	328,204,449.86	No fixed term
Xinglong Home Furnishing	50,000,000.00	No	No	–	No fixed term

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

(XIV) NOTES TO THE MAJOR ITEMS IN THE FINANCIAL STATEMENTS OF THE COMPANY (CONTINUED)

13. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(2) Related Party Transactions (Continued)

(2.3) Loans and borrowings of the related parties (Continued)

RMB

Related parties	Lending amount	Inception date	Expiration date	Closing balance	Remarks
Macalline Chengdu Business Management	88,534,731.53	No	No	–	No fixed term
Chengdu Tianfu Shibo	390,623,446.19	No	No	95,850,006.73	No fixed term
Chengdu Tianfu New District	817,125,700.39	No	No	478,980,368.82	No fixed term
Macalline Yuejia	17,508,252.10	No	No	46,572,170.10	No fixed term
Tenghui logistics	49,455,565.06	No	No	211,431,649.44	No fixed term
Macalline Business Management	67,474,826.24	No	No	68,872,521.11	No fixed term
Changsha Jinxia	28,839,763.18	No	No	24,191,458.31	No fixed term
Jianjinsuo Investment Holding Company	39,981,125.79	No	No	50,671,555.55	No fixed term
Tenghui Investment Hefei Company	2,039,572.63	No	No	548,097,110.25	No fixed term
Tianjin Home Furnishing	38,832,379.13	No	No	–	No fixed term
Tianjin Hongqiao	20,756,704.53	No	No	–	No fixed term
Baotou Red Star	296,482.29	No	No	37,324,838.84	No fixed term
Tianjin Shibo Home Furnishing	89,788,309.42	No	No	893,147,559.66	No fixed term
Quzhou Red Star	4,114.15	No	No	7,422,683.33	No fixed term
Changshu Red Star	2,971.76	No	No	5,508,608.75	No fixed term
Nanjing Furnishing Mall	110,941,475.15	No	No	–	No fixed term
Shanghai Management	1,882,766,161.66	No	No	3,860,886.69	No fixed term
Chengdu Red Star	27,790,396.83	No	No	–	No fixed term
Shanghai Global Home Furnishing	229,433,278.06	No	No	3,849.80	No fixed term
Chongqing Global Home Furnishing	57,938,779.29	No	No	–	No fixed term
Yangzhou International	15,110,220.56	No	No	–	No fixed term
Xinjiang Macalline Enterprise Management	983,009,880.16	No	No	–	No fixed term
Shanghai Dingshi	40,000,000.00	No	No	40,000,000.00	No fixed term

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

(XIV) NOTES TO THE MAJOR ITEMS IN THE FINANCIAL STATEMENTS OF THE COMPANY (CONTINUED)

13. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(2) Related Party Transactions (Continued)

(2.3) Loans and borrowings of the related parties (Continued)

RMB

Related parties	Lending amount	Inception date	Expiration date	Closing balance	Remarks
Shanghai Hezhu	4,000,000.00	No	No	4,000,000.00	No fixed term
Shanghai Jiliang	2,000,000.00	No	No	2,000,000.00	No fixed term
Shanghai Juzun	4,000,000.00	No	No	4,000,000.00	No fixed term
Red Star Zhongying Investment	100,087.04	No	No	101,537.89	No fixed term
Yumu Business Management	677,345,065.67	No	No	242,875,924.18	No fixed term
Yuxu Business Management	225,201,325.32	No	No	230,051,359.53	No fixed term
Yuzhu Business Management	233,644,089.56	No	No	238,690,268.01	No fixed term
Yuxiao Business Management	223,890,429.41	No	No	228,715,147.26	No fixed term
Chongqing Macalline Logistics	203,745,911.95	No	No	206,477,777.78	No fixed term
Suzhou Shibo Home Furnishing	577,869,079.57	No	No	347,226,704.66	No fixed term
Xining Red Star Macalline Shibo Home Furnishing	244,383,247.99	No	No	247,742,167.43	No fixed term
Xinjiang Red Star Ogloria	60,021,529.22	No	No	–	No fixed term
Wuhan Global Home Furnishing	793,266.43	No	No	801,536.11	No fixed term
Chongqing Expo Home Furnishing	22,146,760.35	No	No	66,705,245.32	No fixed term
Shenyang Home Furnishing	1,615,436,241.66	No	No	18,127,891.14	No fixed term
Beijing Century Kailong	324,080.55	No	No	8,694,158.45	No fixed term
Beijing Shibo Furniture	109,224,529.83	No	No	61,222,394.50	No fixed term
Beijing International Home Furnishing	214,122,434.33	No	No	37,414,912.06	No fixed term
Beijing Global Home Furnishing	655,151.78	No	No	87,139,692.15	No fixed term
Shenyang Shibo Home Furnishing	424,128,747.05	No	No	4,718.00	No fixed term
Hefei Macalline Logistics	40,641,183.80	No	No	17,447,580.41	No fixed term
Chongqing Chayuan	155,019,496.86	No	No	155,344,444.44	No fixed term

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

(XIV) NOTES TO THE MAJOR ITEMS IN THE FINANCIAL STATEMENTS OF THE COMPANY (CONTINUED)

13. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(2) Related Party Transactions (Continued)

(2.3) Loans and borrowings of the related parties (Continued)

RMB

Related parties	Lending amount	Inception date	Expiration date	Closing balance	Remarks
Nanchang Global Home Furnishing	11,161,639.75	No	No	1,028,968.89	No fixed term
Jinshan Home Furnishing	495,000,000.00	No	No	495,000,000.00	No fixed term
Changsha Furniture	38,516,151.17	No	No	3,934,466.17	No fixed term
Changzhou business management	90,320,920.55	No	No	-	No fixed term
Nanchang Global Expo	84,970,532.70	No	No	84,970,532.70	No fixed term
Xining Red Star Macalline Shibo Home Furnishing	198,900,000.00	14 November 2017	12 August 2022	200,491,200.00	Fixed rate of 6%
Urumchi Red Star	198,900,000.00	14 November 2017	12 August 2022	200,491,200.00	Fixed rate of 6%
Chengdu Tianfu Shibo	331,500,000.00	14 November 2017	12 August 2022	334,152,000.00	Fixed rate of 6%
Chengdu Tianfu New District	331,500,000.00	14 November 2017	12 August 2022	334,152,000.00	Fixed rate of 6%
Shanghai Mingyi	7,800,000.50	No	No	105,400,000.50	No fixed term
Total	32,484,957,449.80			19,830,922,106.60	

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

(XIV) NOTES TO THE MAJOR ITEMS IN THE FINANCIAL STATEMENTS OF THE COMPANY (CONTINUED)

13. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(2) Related Party Transactions (Continued)

(2.3) Loans and borrowings of the related parties (Continued)

RMB

Related parties	Lending amount	Inception date	Expiration date	Closing balance	Remarks
Prior year:					
Borrowed from					
Changzhou Macalline	116,132,516.11	No	No	49,918,471.02	No fixed term
Changzhou Home World	95,885,079.66	No	No	48,284,044.67	No fixed term
Wuxi Red Star	282,393,635.20	No	No	297,247,893.54	No fixed term
Lianyungang Red Star	333,331.83	No	No	13,696,820.83	No fixed term
Nanjing Furnishing Mall	268,410,373.21	No	No	30,807,042.18	No fixed term
Nanjing Mingdu	316,825,014.15	No	No	212,843,631.72	No fixed term
Shanghai Decoration Mall	346,114,190.79	No	No	393,649,166.56	No fixed term
Shanghai Red Star	13,220,653.61	No	No	-	No fixed term
Macalline Furniture Company Limited					
Shanghai Global Home	416,554,062.90	No	No	70,971,390.30	No fixed term
Shanghai Shanhai Art Furniture	729,387,227.23	No	No	71,150,000.00	No fixed term
Shanghai Management	1,940,106,791.21	No	No	13,866,365.60	No fixed term
Changsha Furniture	48,365,802.44	No	No	35,507,326.66	No fixed term
Changsha Home Furnishing Expo	-	No	No	295,375.21	No fixed term
Chengdu Red Star	77,122,366.48	No	No	176,348,564.82	No fixed term
Zhengzhou Red Star	543,935,848.20	No	No	118,438,133.14	No fixed term
Shanghai Global Home Furnishing	23,124,158.66	No	No	119,874,590.96	No fixed term
Hangzhou Shibo Furniture	48,481,437.90	No	No	33,170,129.70	No fixed term
Red Star Macalline Brand Management	317,677,194.02	No	No	105,165,383.56	No fixed term

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

(XIV) NOTES TO THE MAJOR ITEMS IN THE FINANCIAL STATEMENTS OF THE COMPANY (CONTINUED)

13. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(2) Related Party Transactions (Continued)

(2.3) Loans and borrowings of the related parties (Continued)

RMB

Related parties	Lending amount	Inception date	Expiration date	Closing balance	Remarks
Chongqing Global Home Furnishing	106,177,713.42	No	No	73,254,385.08	No fixed term
Chongqing Shibo Home Furnishing	379,605,862.75	No	No	59,736,563.28	No fixed term
Shanghai Dingsheng	9,080,593.01	No	No	66,452,289.51	No fixed term
Shanghai Global Market	296,732,363.21	No	No	8,516,122.79	No fixed term
Chongqing Expo Home Furnishing	6,693,012,486.24	No	No	331,033,000.00	No fixed term
Changsha Yinhong	463,714,077.88	No	No	22,757,121.40	No fixed term
Red Star Consulting	146,612,643.85	No	No	41,600,000.00	No fixed term
Shenyang Home Furnishing	5,175,082,711.83	No	No	30,157,679.26	No fixed term
Red Star Trading	141,723.86	No	No	26,760,115.00	No fixed term
Hefei Silihe	697,342,443.89	No	No	–	No fixed term
Nanjing International Home Living	8,418,181.79	No	No	288,557,304.00	No fixed term
Yijia Decorating	40,095.00	No	No	–	No fixed term
Xingyitong	2,199,901,160.30	No	No	159,188,921.11	No fixed term
Youmei Home	243,425,270.06	No	No	–	No fixed term
Tianjin International Expo	21,546,897,047.05	No	No	520,000,000.00	No fixed term
Red Star Mall Management	252,642,910.00	No	No	74,970.00	No fixed term
Yangzhou International	2,040,770.00	No	No	2,008,100.00	No fixed term
Sunan Construction	843,556.95	No	No	45,453,343.50	No fixed term
Construction and Furnishing Materials Trading	2,008,100.00	No	No	2,008,100.00	No fixed term

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

(XIV) NOTES TO THE MAJOR ITEMS IN THE FINANCIAL STATEMENTS OF THE COMPANY (CONTINUED)

13. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(2) Related Party Transactions (Continued)

(2.3) Loans and borrowings of the related parties (Continued)

RMB

Related parties	Lending amount	Inception date	Expiration date	Closing balance	Remarks
Beijing International Home Furnishing	649,343,441.70	No	No	335,729,794.85	No fixed term
Beijing Shibo Furniture	627,320,359.06	No	No	457,147,480.38	No fixed term
Tianjin Home Furnishing	847,362,012.95	No	No	–	No fixed term
Beijing Home Furnishing Market	15,000,000.00	No	No	31,000,000.00	No fixed term
Beijing Shibo Home Furnishing	10,000,000.00	No	No	–	No fixed term
Beijing Global Home Furnishing	320,258,307.88	No	No	–	No fixed term
Kunshan Red Star	10,927,051.30	No	No	7,142,063.15	No fixed term
Beijing Business Management	–	No	No	–	No fixed term
Jiajinsuo Financial Technology	10,060,759.76	No	No	45,292,950.00	No fixed term
Chengdu Red Star Ogloria	59,090,460.00	No	No	21,360,785.00	No fixed term
Urumchi Red Star	54,015,358.89	No	No	54,015,358.89	No fixed term
Macalline Assets Management	152,875,815.40	No	No	49,700,475.00	No fixed term
Xinglong Home Furnishing	13,064,466,079.84	No	No	860,000,000.00	No fixed term
Macalline Chengdu Business Management	70,082,025.57	No	No	67,700,000.00	No fixed term
Macalline Chengdu Enterprise Consulting	656,500,000.00	No	No	451,300,000.00	No fixed term
Home Group Branch of Beijing East Fourth Ring (家居集團北京東四環分公司)	80,000,000.00	No	No	80,000,000.00	No fixed term
Home Group Branch of Beijing West Fourth Ring (家居集團北京西四環分公司)	43,000,000.00	No	No	43,000,000.00	No fixed term

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

(XIV) NOTES TO THE MAJOR ITEMS IN THE FINANCIAL STATEMENTS OF THE COMPANY (CONTINUED)

13. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(2) Related Party Transactions (Continued)

(2.3) Loans and borrowings of the related parties (Continued)

RMB

Related parties	Lending amount	Inception date	Expiration date	Closing balance	Remarks
Home Group Jiangsu Branch (家居集團江蘇分公司)	53,900,000.00	No	No	53,900,000.00	No fixed term
Home Group Shenyang Tiexi Branch (家居集團瀋陽鐵西分公司)	20,000,000.00	No	No	20,000,000.00	No fixed term
Home Group Jinan Branch(家居集團濟南分公司)	10,000,000.00	No	No	10,000,000.00	No fixed term
Home Group Branch of Changsha Shaoshan Road (家居集團長沙韶山路分公司)	19,000,000.00	No	No	19,000,000.00	No fixed term
Home Group Branch of North Fourth Ring (家居集團北四環分公司)	25,000,000.00	No	No	25,000,000.00	No fixed term
Shenyang Shibo Home Furnishing	4,267,062,673.51	No	No	31,117,205.82	No fixed term
Home Furnishing Shopping Mall Business Division Of Dalian Investment	132,760,941.07	No	No	90,262,304.97	No fixed term
Total	65,005,814,681.62	No	No	6,221,460,763.46	No fixed term

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

(XIV) NOTES TO THE MAJOR ITEMS IN THE FINANCIAL STATEMENTS OF THE COMPANY (CONTINUED)

13. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(2) Related Party Transactions (Continued)

(2.3) Loans and borrowings of the related parties (Continued)

RMB

Related parties	Lending amount	Inception date	Expiration date	Closing balance	Remarks
Prior year:					
Lend to					
Changzhou Macalline	4,045,145.69	No	No	4,045,145.69	No fixed term
Changzhou Home World	25,000,000.00	No	No	25,000,000.00	No fixed term
Wuxi Red Star	43,000,000.00	No	No	43,000,000.00	No fixed term
Nanjing Mingdu	33,390,000.00	No	No	33,390,000.00	No fixed term
Shanghai Decoration Mall	24,608,068.49	No	No	24,608,068.49	No fixed term
Shanghai Shanhai Art Furniture	114,001,564.81	No	No	114,001,564.81	No fixed term
Hongxin Oukai	89,056,732.69	No	No	667,535,895.80	No fixed term
Xinwei Property	505,455,620.81	No	No	276,152,427.33	No fixed term
Jinan Red Star	310,478,964.00	No	No	223,006,781.40	No fixed term
Zhengzhou Red Star	10,000,000.00	No	No	10,000,000.00	No fixed term
Shanghai Decorating Market	861,545,798.28	No	No	167,985,308.24	No fixed term
Chengdu Changyi	140,420,960.40	No	No	132,690,711.56	No fixed term
Red Star Macalline Brand Management	10,124,305.92	No	No	17,632,936.81	No fixed term
Wuhan Red Star	335,915,482.50	No	No	539,693,188.93	No fixed term
Beijing Xingkai Jingzhou	34,795,616.11	No	No	69,548,474.59	No fixed term
Shanghai Home Furnishing Expo	893,062,036.76	No	No	1,669,552,127.44	No fixed term

M 红星美凯龙全球家居设计博览中心 MACALLINE
The Global Furnishing Design and Exhibition Center

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

(XIV) NOTES TO THE MAJOR ITEMS IN THE FINANCIAL STATEMENTS OF THE COMPANY (CONTINUED)

13. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(2) Related Party Transactions (Continued)

(2.3) Loans and borrowings of the related parties (Continued)

RMB

Related parties	Lending amount	Inception date	Expiration date	Closing balance	Remarks
Yantai Red Star	78,907,502.52	No	No	399,689,565.84	No fixed term
Shenyang Mingdu	217,031,744.75	No	No	542,158,352.42	No fixed term
Beijing Europe and America Business	17,385,005.02	No	No	152,481,149.92	No fixed term
Chongqing Expo Home Furnishing	390,674,505.75	No	No	390,674,505.75	No fixed term
Shanghai Jingdu	1,295,000.00	No	No	104,395,000.00	No fixed term
Tianjin Home Furnishings Plaza	133,371,992.98	No	No	180,402,313.57	No fixed term
Panjin Red Star	47,637,211.50	No	No	120,189,683.05	No fixed term
Shenyang Home Furnishing	74,925,032.57	No	No	12,596,432.38	No fixed term
Xingkai Chengpeng	32,300,000.00	No	No	272,919,869.00	No fixed term
Hongmei E-Commerce	17,701,691.81	No	No	15,709,493.29	No fixed term
Changzhou Hongyang	2,158,186.30	No	No	442,764,906.30	No fixed term
Harbin Red Star	295,323,523.87	No	No	193,555,500.00	No fixed term
Xingjia Building Materials	7,330,845.73	No	No	81,850,000.00	No fixed term
Chongqing Zhongkun	7,838,886.07	No	No	167,994,235.00	No fixed term
Zhongshan shibo	17,721,729.15	No	No	22,048,981.11	No fixed term
Shenyang Dadong	1,016,771.75	No	No	39,388,881.50	No fixed term
Wuxi Home Furnishing	144,117,112.70	No	No	126,630,117.63	No fixed term

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

(XIV) NOTES TO THE MAJOR ITEMS IN THE FINANCIAL STATEMENTS OF THE COMPANY – CONTINUED

13. RELATED PARTIES AND RELATED PARTY TRANSACTIONS – Continued

(2) Related Party Transactions – Continued

(2.3) Loans and borrowings of the related parties – Continued

RMB

Related parties	Lending amount	Inception date	Expiration date	Closing balance	Remarks
Prior year :					
Lend to					
Xi'an Home Furnishing	-	No	No	10,240,642.23	No fixed term
Daqing Shibo Furniture	58,491,490.50	No	No	147,728,562.04	No fixed term
Langfang Kaihong	220,035,249.44	No	No	260,719,427.75	No fixed term
Changzhou Jiapindao	2,487,006.60	No	No	6,081,179.25	No fixed term
Wuhan Global Home	96,776,501.15	No	No	366,838,255.77	No fixed term
Beijing Century Kailong	3,911,964.76	No	No	8,224,913.86	No fixed term
Tianjin Fashion	114,126,366.40	No	No	54,119,655.10	No fixed term
Hefei Shibo Furniture	362,287,171.48	No	No	205,302,144.80	No fixed term
Jiapinhui	1,170,235.92	No	No	1,169,551.73	No fixed term
Youmei Home	33,406,348.00	No	No	27,445,456.79	No fixed term
Tianjin International Expo	1,812,907,464.01	No	No	1,812,907,464.01	No fixed term
Tianjin World Trade	79,497,554.13	No	No	443,795,000.00	No fixed term
Harbin International home furnishing	313,888,373.10	No	No	396,422,339.45	No fixed term
Changchun Red Star	8,882,297.61	No	No	450,978,058.24	No fixed term
Xizhao Investment	124,800,000.00	No	No	253,690,000.00	No fixed term

M 红星美凯龙全球家居设计博览中心 MACALLINE
The Global Furnishing Design and Exhibition Center

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

(XIV) NOTES TO THE MAJOR ITEMS IN THE FINANCIAL STATEMENTS OF THE COMPANY (CONTINUED)

13. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(2) Related Party Transactions (Continued)

(2.3) Loans and borrowings of the related parties (Continued)

RMB

Related parties	Lending amount	Inception date	Expiration date	Closing balance	Remarks
Red Star Mall Management	252,492,970.00	No	No	105,331,122.92	No fixed term
Shenyang Expo	5,833,269.24	No	No	242,700,864.84	No fixed term
Lanzhou Shibo	350,552,875.50	No	No	314,754,148.00	No fixed term
Decorating Public Network Technology	46,000,000.00	No	No	46,000,000.00	No fixed term
Urumchi Red Star	599,575,263.90	No	No	289,150,421.27	No fixed term
Dongguan Red Star	106,959,504.77	No	No	165,938,635.50	No fixed term
Anjia Network	420,541.09	No	No	415,920.65	No fixed term
Hohhot Shibo	353,677,807.07	No	No	306,986,915.39	No fixed term
Diken Trading	3,946,303.00	No	No	3,946,303.00	No fixed term
Suzhou Zhongxiang	63,240,275.62	No	No	63,240,275.62	No fixed term
Changsha Shibo	25,827,539.16	No	No	24,498,820.00	No fixed term
Jiajinsuo Information Technology	1,967,653.59	No	No	469,103.13	No fixed term
Xinghe Home Furnishing	12,083,938.50	No	No	12,048,600.00	No fixed term
Red Star Industrial	201,139,763.00	No	No	199,899,763.00	No fixed term
Xinglong Home Furnishing	842,407,226.40	No	No	1,439,895,226.40	No fixed term
Macalline Chengdu Business Management	1,729,075.52	No	No	442,172.26	No fixed term
Shanghai Jinshan	9,026,757.96	No	No	18,205.04	No fixed term
Chengdu Tianfu Shibo	84,074,359.21	No	No	83,582,742.31	No fixed term

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

(XIV) NOTES TO THE MAJOR ITEMS IN THE FINANCIAL STATEMENTS OF THE COMPANY (CONTINUED)

13. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(2) Related Party Transactions (Continued)

(2.3) Loans and borrowings of the related parties (Continued)

RMB'000

Related parties	Lending amount	Inception date	Expiration date	Closing balance	Remarks
Chengdu Tianfu New District	192,763,195.28	No	No	192,016,317.23	No fixed term
Macalline Yuejia	53,364,655.94	No	No	70,772,405.94	No fixed term
Tenghui logistics	331,400,000.00	No	No	172,550,000.00	No fixed term
Macalline Business Management	54,750,000.00	No	No	500,000.00	No fixed term
Changsha Jinxia	23,678,950.03	No	No	678,950.03	No fixed term
Jianjinsuo Investment Holding Company	150,000,000.00	No	No	150,000,000.00	No fixed term
Tenghui Investment Hefei Company	534,898,402.78	No	No	534,898,402.78	No fixed term
Tianjin Home Furnishing	112,332,786.40	No	No	-	No fixed term
Beijing International Home Furnishing	25,000,000.00	No	No	25,000,000.00	No fixed term
Beijing Shibo Furniture	19,614,720.36	No	No	19,614,720.36	No fixed term
Tianjin Home Furnishing	810,244,919.13	No	No	42,966,698.03	No fixed term
Tianjin Construction Materials	242,643,451.39	No	No	37,249,660.00	No fixed term
Beijing Global Home Furnishing	451,010,583.74	No	No	94,710,626.21	No fixed term
Baotou Red Star	2,534,233.63	No	No	36,270,318.35	No fixed term
Tianjin Shibo Home Furnishing	805,016,339.18	No	No	792,242,043.17	No fixed term
Hehe Juzhong	-	No	No	8,170,412.25	No fixed term
Quzhou Red Star	-	No	No	7,350,000.00	No fixed term

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

(XIV) NOTES TO THE MAJOR ITEMS IN THE FINANCIAL STATEMENTS OF THE COMPANY (CONTINUED)

13. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(2) Related Party Transactions (Continued)

(2.3) Loans and borrowings of the related parties (Continued)

RMB

Related parties	Lending amount	Inception date	Expiration date	Closing balance	Remarks
Changshu Red Star	476,357.65	No	No	5,456,107.65	No fixed term
Yunnan Property	–	No	No	9,781,270.00	No fixed term
Nanjing Furnishing Mall	3,818,019.95	No	No	3,818,019.95	No fixed term
Wuxi Red Star	–	28 December 2012	27 November 2017	55,000,000.00	Fixed rate of 6.11%
Nanjing Mingdu	–	28 December 2012	27 November 2017	55,000,000.00	Fixed rate of 6.11%
Shanghai Global Home	–	28 December 2012	27 November 2017	67,000,000.00	Fixed rate of 6.11%
Jinan Red Star	–	28 December 2012	27 November 2017	38,000,000.00	Fixed rate of 6.11%
Total	14,928,806,801.02			17,447,319,460.15	

(2.4) Compensation for key management personnel

RMB'000

Item	Current Year	Prior year
Compensation for key management personnel	49,240	55,740

(2.5) Equity transfers

Please refer to Note (VI) for the Company's acquisitions and disposals of subsidiaries to related parties.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

(XIV) NOTES TO THE MAJOR ITEMS IN THE FINANCIAL STATEMENTS OF THE COMPANY (CONTINUED)

13. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(2) Related Party Transactions (Continued)

(2.6) Others related party transactions

RMB

Related Parties	Types of Related Parties Transactions	Related Parties Transactions	Pricing Policy and Procedure for Decision-Making of Related Parties Transactions	Current Year	Prior year
Changzhou Macalline	Interest	Interest income	According to negotiated price	143,239.41	58,990.60
Changzhou Home World	Interest	Interest income	According to negotiated price	1,327,043.31	110,273.97
Wuxi Red Star	Interest	Interest income	According to negotiated price	4,693,409.21	3,795,850.82
Nanjing Mingdu	Interest	Interest income	According to negotiated price	5,022,904.58	3,416,508.35
Nanjing International Home Living	Interest	Interest income	According to negotiated price	46,393.51	-
Shanghai Decorative Mall	Interest	Interest income	According to negotiated price	864,025.87	108,068.49
Shanghai Global Home	Interest	Interest income	According to negotiated price	3,877,643.79	4,161,928.38
Tianjin International Expo	Interest	Interest income	According to negotiated price	56,402,851.53	54,308,005.82
Tianjin Home Furnishings Plaza	Interest	Interest income	According to negotiated price	8,168,500.72	3,904,143.29
Tianjin World Trade	Interest	Interest income	According to negotiated price	18,613,869.66	1,547,554.13
Harbin International home furnishing	Interest	Interest income	According to negotiated price	1,950,411.16	1,162,285.16
Changchun Red Star	Interest	Interest income	According to negotiated price	-	3,523,347.22
Hongxin Oukai	Interest	Interest income	According to negotiated price	32,623,678.87	17,284,663.07
Xinwei Property	Interest	Interest income	According to negotiated price	12,300,425.94	6,534,569.01
Jinan Red Star	Interest	Interest income	According to negotiated price	11,423,814.28	11,975,660.69
Shanghai Home Furnishing Expo	Interest	Interest income	According to negotiated price	44,848,133.33	45,475,525.35
Beijing Europe and America Business	Interest	Interest income	According to negotiated price	3,410,964.54	2,224,038.71
Shanghai Jingdu	Interest	Interest income	According to negotiated price	1,798,242.18	-
Xingkai Chengpeng	Interest	Interest income	According to negotiated price	14,174,682.61	-

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

(XIV) NOTES TO THE MAJOR ITEMS IN THE FINANCIAL STATEMENTS OF THE COMPANY (CONTINUED)

13. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(2) Related Party Transactions (Continued)

(2.6) Others related party transactions (Continued)

RMB

Related Parties	Types of Related Parties Transactions	Related Parties Transactions	Pricing Policy and Procedure for Decision-Making of Related Parties Transactions	Current Year	Prior year
Shanghai Management	Interest	Interest income	According to negotiated price	4,874,420.12	-
Wuhan Red Star	Interest	Interest income	According to negotiated price	22,317,382.86	15,346,154.91
Beijing Xingkai Jingzhou	Interest	Interest income	According to negotiated price	4,885,351.65	4,779,139.40
Yantai Red Star	Interest	Interest income	According to negotiated price	14,595,597.81	19,612,340.70
Shenyang Mingdu	Interest	Interest income	According to negotiated price	5,806,331.18	2,996,357.04
Changzhou Hongyang	Interest	Interest income	According to negotiated price	-	-
Shenyang Dadong	Interest	Interest income	According to negotiated price	825,639.36	607,418.21
Wuhan Global Home	Interest	Interest income	According to negotiated price	20,204,845.15	3,326,257.66
Tianjin Fashion	Interest	Interest income	According to negotiated price	-	770,766.36
Shenyang Expo	Interest	Interest income	According to negotiated price	5,233,376.69	3,753,980.38
Tianjin Shibo Home Furnishing	Interest	Interest income	According to negotiated price	24,770,275.33	23,907,328.81
Shenyang Shibo Home Furnishing	Interest	Interest income	According to negotiated price	-	3,281,273.70
Shenyang Home Furnishing	Interest	Interest income	According to negotiated price	438,549.68	110,152.93
Xinglong Home Furnishing	Interest	Interest income	According to negotiated price	4,504,104.67	4,579,188.45
Hefei Shibo Furniture	Interest	Interest income	According to negotiated price	9,741,378.28	2,029,529.22
Wuxi Home Furnishing	Interest	Interest income	According to negotiated price	1,418,504.56	3,390,635.96
Shanghai Shanghai Art Furniture	Interest	Interest income	According to negotiated price	1,618,536.09	1,699,479.94
Tianjin Construction Materials	Interest	Interest income	According to negotiated price	243,295.47	65,716.98
Zhongshan shibo	Interest	Interest income	According to negotiated price	1,642,915.23	675,668.09

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

(XIV) NOTES TO THE MAJOR ITEMS IN THE FINANCIAL STATEMENTS OF THE COMPANY (CONTINUED)

13. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(2) Related Party Transactions (Continued)

(2.6) Others related party transactions (Continued)

RMB

Related Parties	Types of Related Parties Transactions	Related Parties Transactions	Pricing Policy and Procedure for Decision-Making of Related Parties Transactions	Current Year	Prior year
Zhengzhou Red Star	Interest	Interest income	According to negotiated price	351,225.26	88,219.18
Chengdu Changyi	Interest	Interest income	According to negotiated price	2,504,364.20	8,622,841.36
Chongqing Expo Home Furnishing	Interest	Interest income	According to negotiated price	15,778,085.01	15,567,517.23
Changsha Yin hong	Interest	Interest income	According to negotiated price	1,172,056.89	-
Panjin Red Star	Interest	Interest income	According to negotiated price	8,407,206.59	3,655,703.42
Harbin Red Star	Interest	Interest income	According to negotiated price	4,288,047.46	1,903,248.81
Xingjia Building Materials	Interest	Interest income	According to negotiated price	-	-
Chongqing Zhongkun	Interest	Interest income	According to negotiated price	3,563,785.65	2,624,486.33
Daqing Shibo Furniture	Interest	Interest income	According to negotiated price	7,886,856.24	5,606,770.86
Langfang Kaihong	Interest	Interest income	According to negotiated price	9,649,553.42	10,214,240.92
Changzhou Jiapindao	Interest	Interest income	According to negotiated price	131,973.60	66,948.03
Beijing Century Kailong	Interest	Interest income	According to negotiated price	178,077.90	114,482.18
Xizhao Investment	Interest	Interest income	According to negotiated price	5,810,018.62	-
Lanzhou Shibo	Interest	Interest income	According to negotiated price	6,999,969.40	5,164,820.58
Macalline Network Technology	Interest	Interest income	According to negotiated price	-	-
Urumchi Red Star	Interest	Interest income	According to negotiated price	14,624,248.39	9,348,475.80
Dongguan Red Star	Interest	Interest income	According to negotiated price	6,594,636.75	2,445,273.08
Hohhot Shibo	Interest	Interest income	According to negotiated price	3,041,666.64	4,299,638.87
Shanxi Xingyi Tonghui	Interest	Interest income	According to negotiated price	-	-

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

(XIV) NOTES TO THE MAJOR ITEMS IN THE FINANCIAL STATEMENTS OF THE COMPANY (CONTINUED)

13. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(2) Related Party Transactions (Continued)

(2.6) Others related party transactions (Continued)

RMB

Related Parties	Types of Related Parties Transactions	Related Parties Transactions	Pricing Policy and Procedure for Decision-Making of Related Parties Transactions	Current Year	Prior year
Changsha Shibo	Interest	Interest income	According to negotiated price	1,225,504.80	175,364.15
Macalline Assets Management	Interest	Interest income	According to negotiated price	3,311,377.31	-
Red Star Macalline Brand Management	Interest	Interest income	According to negotiated price	291,359.18	498,153.40
Baotou Red Star	Interest	Interest income	According to negotiated price	758,038.20	264,211.56
Hehe Juzhong	Interest	Interest income	According to negotiated price	-	-
Changshu Red Star	Interest	Interest income	According to negotiated price	49,529.34	20,250.00
Chengdu Tianfu Shibo	Interest	Interest income	According to negotiated price	4,562,688.54	526,587.50
Chengdu Tianfu New District	Interest	Interest income	According to negotiated price	13,142,440.31	1,319,780.34
Jiapinghui	Interest	Interest income	According to negotiated price	-	684.19
Suzhou Zhongxiang	Interest	Interest income	According to negotiated price	2,278,345.52	1,497,127.82
Macalline Logistics	Interest	Interest income	According to negotiated price	-	129.04
Xinghe Zhaipei Home Furnishing	Interest	Interest income	According to negotiated price	337,035.64	79,215.28
Shanghai Jinshan	Interest	Interest income	According to negotiated price	-	34,539.97
Macalline Yuejia	Interest	Interest income	According to negotiated price	791,512.06	87,028.30
Hefei Macalline Logistics	Interest	Interest income	According to negotiated price	186,396.61	191,415.57
Red Star Small Loan	Interest	Interest income	According to negotiated price	-	3,112.25
Changsha Jinxia	Interest	Interest income	According to negotiated price	196,292.93	32,028.33
Beijing International Home Furnishing	Interest	Interest income	According to negotiated price	878,063.16	220,547.95

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

(XIV) NOTES TO THE MAJOR ITEMS IN THE FINANCIAL STATEMENTS OF THE COMPANY (CONTINUED)

13. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(2) Related Party Transactions (Continued)

(2.6) Others related party transactions (Continued)

RMB

Related Parties	Types of Related Parties Transactions	Related Parties Transactions	Pricing Policy and Procedure for Decision-Making of Related Parties Transactions	Current Year	Prior year
Beijing Shibo Furniture	Interest	Interest income	According to negotiated price	682,882.96	171,523.46
Tianjin Home Furnishing	Interest	Interest income	According to negotiated price	167,620.87	88,219.18
Xingyitong	Interest	Interest income	According to negotiated price	496,645.70	-
Diken Trading	Interest	Interest income	According to negotiated price	2,556,773.84	-
Decorating Public Network Technology	Interest	Interest income	According to negotiated price	429,140.46	-
Anhui Shengshidingtong Logistics	Interest	Interest income	According to negotiated price	3,426,084.38	-
Macalline Business Management	Interest	Interest income	According to negotiated price	897,694.87	-
Jianjinsuo Investment Holding Company	Interest	Interest income	According to negotiated price	690,429.76	-
Red Star Zhongying Investment	Interest	Interest income	According to negotiated price	1,450.85	-
Yumu Business Management	Interest	Interest income	According to negotiated price	5,530,858.51	-
Yuxu Business Management	Interest	Interest income	According to negotiated price	4,850,034.21	-
Yuzhu Business Management	Interest	Interest income	According to negotiated price	5,046,178.45	-
Yuxiao Business Management	Interest	Interest income	According to negotiated price	4,824,717.85	-
Tenghui Investment Hefei Company	Interest	Interest income	According to negotiated price	11,159,134.84	-
Xining Red Star Macalline Shibo Home Furnishing	Interest	Interest income	According to negotiated price	4,358,919.44	-
Wuhan Global Home Furnishing	Interest	Interest income	According to negotiated price	8,269.68	-

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

(XIV) NOTES TO THE MAJOR ITEMS IN THE FINANCIAL STATEMENTS OF THE COMPANY (CONTINUED)

13. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(2) Related Party Transactions (Continued)

(2.6) Others related party transactions (Continued)

RMB

Related Parties	Types of Related Parties Transactions	Related Parties Transactions	Pricing Policy and Procedure for Decision-Making of Related Parties Transactions	Current Year	Prior year
Chongqing Macalline Logistics	Interest	Interest income	According to negotiated price	2,731,865.83	-
Red Star Industrial	Interest	Interest income	According to negotiated price	3,118,702.32	-
Red Star Mall Management	Interest	Interest income	According to negotiated price	5,443,520.05	-
Beijing Global Home Furnishing	Interest	Interest income	According to negotiated price	1,649,306.80	-
Quzhou Red Star	Interest	Interest income	According to negotiated price	68,569.18	-
Chongqing Chayuan	Interest	Interest income	According to negotiated price	324,947.58	-
Nanchang Global Home Furnishing	Interest	Interest income	According to negotiated price	27,329.14	-
Suzhou Shibo Home Furnishing	Interest	Interest income	According to negotiated price	7,625.09	-
Xining Red Star Macalline Shibo Home Furnishing	Interest	Interest income	According to negotiated price	1,591,200.00	-
Total				523,890,996.91	325,455,386.74

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

(XIV) NOTES TO THE MAJOR ITEMS IN THE FINANCIAL STATEMENTS OF THE COMPANY (CONTINUED)

13. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(2) Related Party Transactions (Continued)

(2.6) Others related party transactions (Continued)

RMB

Related Parties	Types of Related Parties Transactions	Related Parties Transactions	Pricing Policy and Procedure for Decision-Making of Related Parties Transactions	Current Year	Prior year
Changzhou Macalline	Interest	Interest expense	According to negotiated price	1,321,603.90	349,632.96
Changzhou Home World	Interest	Interest expense	According to negotiated price	1,279,001.08	363,282.70
Wuxi Red Star	Interest	Interest expense	According to negotiated price	11,369,256.14	483,933.47
Nanjing Mingdu	Interest	Interest expense	According to negotiated price	10,420,177.91	2,398,522.75
Shanghai Decorative Mall	Interest	Interest expense	According to negotiated price	12,131,091.27	241,624.81
Shanghai Global Home	Interest	Interest expense	According to negotiated price	2,479,718.13	3,929,416.43
Xingyitong	Interest	Interest expense	According to negotiated price	1,701,461.71	2,230,834.59
Shanghai Shanhai Art Furniture	Interest	Interest expense	According to negotiated price	142,527.06	960,729.49
Shanghai Management	Interest	Interest expense	According to negotiated price	1,754,520.20	978,440.74
Shanghai Decorating Market	Interest	Interest expense	According to negotiated price	180,688.29	36,863.95
Shanghai Global Home Furnishing	Interest	Interest expense	According to negotiated price	1,303,465.54	1,345,965.94
Chongqing Shibo Home Furnishing	Interest	Interest expense	According to negotiated price	507,837.71	1,164,480.87
Beijing International Home Furnishing	Interest	Interest expense	According to negotiated price	13,094,526.87	3,836,866.38
Beijing Shibo Furniture	Interest	Interest expense	According to negotiated price	13,319,995.32	75,117.92
Tianjin Home Furnishing	Interest	Interest expense	According to negotiated price	-	4,373,979.55
Beijing Global Home Furnishing	Interest	Interest expense	According to negotiated price	-	2,940,800.32

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

(XIV) NOTES TO THE MAJOR ITEMS IN THE FINANCIAL STATEMENTS OF THE COMPANY (CONTINUED)

13. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(2) Related Party Transactions (Continued)

(2.6) Others related party transactions (Continued)

RMB

Related Parties	Types of Related Parties Transactions	Related Parties Transactions	Pricing Policy and Procedure for Decision-Making of Related Parties Transactions	Current Year	Prior year
Shanghai Global Market	Interest	Interest expense	According to negotiated price	85,902.40	182,797.63
Lianyungang Red Star	Interest	Interest expense	According to negotiated price	194,835.68	212,769.93
Nanjing Furnishing Mall	Interest	Interest expense	According to negotiated price	208,311.62	816,664.74
Changsha Furniture	Interest	Interest expense	According to negotiated price	548,759.43	263,290.31
Changsha Home Furnishing Expo	Interest	Interest expense	According to negotiated price	-	-
Jinan Red Star	Interest	Interest expense	According to negotiated price	-	-
Chengdu Red Star	Interest	Interest expense	According to negotiated price	2,632,449.84	2,643,349.77
Hangzhou Shibo Furniture	Interest	Interest expense	According to negotiated price	439,582.53	296,338.74
Chengdu Changyi	Interest	Interest expense	According to negotiated price	3,927,450.09	1,041,934.13
Red Star Macalline Brand Management	Interest	Interest expense	According to negotiated price	29,697.59	1,874,314.85
Chongqing Global Home Furnishing	Interest	Interest expense	According to negotiated price	1,038,707.97	903,845.69
Chongqing Expo Home Furnishing	Interest	Interest expense	According to negotiated price	10,415,269.90	1,141,894.95
Dalian Investment	Interest	Interest expense	According to negotiated price	1,526,334.18	1,331,709.78
Shanghai Dingsheng	Interest	Interest expense	According to negotiated price	944,879.23	1,180,582.24
Red Star Consulting	Interest	Interest expense	According to negotiated price	591,308.23	-
Shenyang Home Furnishing	Interest	Interest expense	According to negotiated price	32,514,595.45	-

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

(XIV) NOTES TO THE MAJOR ITEMS IN THE FINANCIAL STATEMENTS OF THE COMPANY (CONTINUED)

13. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(2) Related Party Transactions (Continued)

(2.6) Others related party transactions (Continued)

RMB

Related Parties	Types of Related Parties Transactions	Related Parties Transactions	Pricing Policy and Procedure for Decision-Making of Related Parties Transactions	Current Year	Prior year
Red Star Trading	Interest	Interest expense	According to negotiated price	279,871.02	-
Yijia Decorating	Interest	Interest expense	According to negotiated price	-	40,095.00
Yangzhou International	Interest	Interest expense	According to negotiated price	103,981.66	31,194.35
Sunan Construction	Interest	Interest expense	According to negotiated price	646,568.54	669,333.31
Jijinsuo Financial Technology	Interest	Interest expense	According to negotiated price	-	1,148,748.00
Tianjin Construction Materials	Interest	Interest expense	According to negotiated price	-	1,466,832.24
Changsha Yinhong	Interest	Interest expense	According to negotiated price	522.01	837,204.50
Kunshan Red Star	Interest	Interest expense	According to negotiated price	(11,380.33)	11,380.33
Construction and Furnishing Materials Trading	Interest	Interest expense	According to negotiated price	28,564.99	13,415.09
Shenyang Shibo Home Furnishing	Interest	Interest expense	According to negotiated price	1,132,202.49	522,886.55
Red Star Mall Management	Interest	Interest expense	According to negotiated price	(72,786.41)	72,786.41
Hefei Shibo Furniture	Interest	Interest expense	According to negotiated price	-	652,700.80
Chengdu Red Star Ogloria	Interest	Interest expense	According to negotiated price	333,691.98	524,250.00
Zhengzhou Red Star	Interest	Interest expense	According to negotiated price	4,329,127.27	747,222.20
Assets Management	Interest	Interest expense	According to negotiated price	-	578,405.07
Red Star Industrial	Interest	Interest expense	According to negotiated price	1,073.21	-
Macalline Chengdu Business Management	Interest	Interest expense	According to negotiated price	1,574,106.23	-
Glory Casa	Interest	Interest expense	According to negotiated price	1,372,181.35	-
Khorgos Xingyijia	Interest	Interest expense	According to negotiated price	1,198,075.00	-

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

(XIV) NOTES TO THE MAJOR ITEMS IN THE FINANCIAL STATEMENTS OF THE COMPANY (CONTINUED)

13. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(2) Related Party Transactions (Continued)

(2.6) Others related party transactions (Continued)

RMB

Related Parties	Types of Related Parties Transactions	Related Parties Transactions	Pricing Policy and Procedure for Decision-Making of Related Parties Transactions	Current Year	Prior year
Shanghai Home Furnishing Expo	Interest	Interest expense	According to negotiated price	134,165.97	-
Wuxi Home Furnishing	Interest	Interest expense	According to negotiated price	3,873,027.68	-
Langfang Kaihong	Interest	Interest expense	According to negotiated price	6,716,605.82	-
Beijing Furnishing Market	Interest	Interest expense	According to negotiated price	2,759.43	-
Nanjing International Home Living	Interest	Interest expense	According to negotiated price	2,173,502.55	-
Tianjin International Expo	Interest	Interest expense	According to negotiated price	3,101,195.27	-
Harbin International home furnishing	Interest	Interest expense	According to negotiated price	3,713,849.45	-
Jisheng Wellborn Brand Management	Interest	Interest expense	According to negotiated price	15,792.45	-
Xinglong Home Furnishing	Interest	Interest expense	According to negotiated price	327,854.42	-
Shanghai Jinshan	Interest	Interest expense	According to negotiated price	89,150.95	-
Xinjiang Red Star Ogloria	Interest	Interest expense	According to negotiated price	11,933.29	-
Yunnan Red Star	Interest	Interest expense	According to negotiated price	365,304.51	-
Total				157,544,896.07	44,916,439.48

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

(XIV) NOTES TO THE MAJOR ITEMS IN THE FINANCIAL STATEMENTS OF THE COMPANY (CONTINUED)

13. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(3) Amounts Due from/to Related Parties

RMB

Name of related parties		Closing balance		Opening balance	
		Book balance	Bad debt provision	Book balance	Bad debt provision
Accounts receivable	Xuzhou Home Furnishings City	10,000.00	500.00	30,196.05	1,509.80
	Ningbo Aoyang	-	-	871,935.16	43,596.76
Total		10,000.00	500.00	902,131.21	45,106.56
Other receivables	Changzhou Macalline	9,396,047.84	-	4,045,145.69	-
	Changzhou Home World	77,444,622.60	-	25,000,000.00	-
	Wuxi Red Star	203,000,000.00	-	43,000,000.00	-
	Nanjing Furnishing Mall	-	-	3,818,019.95	-
	Nanjing Mingdu	75,431,853.17	-	33,390,000.00	-
	Shanghai Decorative Mall	24,500,000.00	-	24,608,068.49	-
	Shanghai Global Home	-	-	-	-
	Shanghai Shanhai Art Furniture	81,907,332.43	-	114,001,564.81	-
	Hongxin Oukai	703,291,355.41	-	667,535,895.80	-
	Xinwei Property	305,754,344.74	-	276,152,427.33	-
	Shanghai Management	3,860,886.69	-	-	-
	Changsha Furniture	3,934,466.17	-	-	-
	Jinan Red Star	206,719,369.91	-	223,006,781.40	-
	Chengdu Red Star	-	-	-	-
	Zhengzhou Red Star	10,000,000.00	-	10,000,000.00	-

M 红星美凯龙全球家居设计博览中心 MACALLINE
The Global Furnishing Design and Exhibition Center

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

(XIV) NOTES TO THE MAJOR ITEMS IN THE FINANCIAL STATEMENTS OF THE COMPANY (CONTINUED)

13. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(3) Amounts Due from/to Related Parties (Continued)

RMB

Name of related parties	Closing balance		Opening balance	
	Book balance	Bad debt provision	Book balance	Bad debt provision
Shanghai Decorating Market	-	-	167,985,308.24	-
Shanghai Global Home Furnishing	3,849.80	-	-	-
Hangzhou Shibo Furniture	-	-	-	-
Wuhan Zhengda	-	-	-	-
Chengdu Changyi	-	-	132,690,711.56	-
Red Star Macalline Brand Management	1,498,552.44	-	17,632,936.81	-
Chongqing Global Home Furnishing	-	-	-	-
Chongqing Shibo Home Furnishing	-	-	-	-
Wuhan Red Star	668,742,429.66	100,000,000.00	539,693,188.93	100,000,000.00
Beijing Xingkai Jingzhou	119,878,110.35	-	69,548,474.59	-
Shanghai Home Furnishing Expo	694,030,004.07	129,552,550.73	1,669,552,127.44	129,552,550.73
Yantai Red Star	321,147,239.93	-	399,689,565.84	-
Shenyang Mingdu	566,179,505.06	-	542,158,352.42	-
Beijing Europe and America Business	174,622,831.88	-	152,481,149.92	-
Chongqing Expo Home Furnishing	66,705,245.32	30,772,151.83	390,674,505.75	30,772,151.83
Changsha Yinhong	47,816,421.09	-	-	-
Shanghai Jingdu	106,301,136.71	-	104,395,000.00	-
Tianjin Home Furnishings Plaza	342,154,633.17	-	180,402,313.57	-
Panjin Red Star	169,652,127.22	-	120,189,683.05	-
Business Consulting	-	-	-	-

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

(XIV) NOTES TO THE MAJOR ITEMS IN THE FINANCIAL STATEMENTS OF THE COMPANY (CONTINUED)

13. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(3) Amounts Due from/to Related Parties (Continued)

RMB

Name of related parties	Closing balance		Opening balance	
	Book balance	Bad debt provision	Book balance	Bad debt provision
Shenyang Home Furnishing	18,127,891.14	-	12,596,432.38	-
Xingkai Chengpeng	1,147,945,032.57	17,874,886.21	272,919,869.00	17,874,886.21
Hongmei E-Commerce	65,360,036.81	-	15,709,493.29	-
Changzhou Hongyang	441,559,400.00	-	442,764,906.30	-
Harbin Red Star	244,002,521.06	-	193,555,500.00	-
Xingjia Building Materials	70,650,000.00	61,811,558.73	81,850,000.00	74,011,558.73
Chongqing Zhongkun	172,306,308.89	-	167,994,235.00	-
Zhongshan shibo	42,726,338.72	-	22,048,981.11	-
Shenyang Dadong	39,617,941.11	31,700,000.00	39,388,881.50	-
Wuxi Home Furnishing	45,000,000.00	-	126,630,117.63	-
Xi'an Home Furnishing	10,240,642.23	-	10,240,642.23	-
Daqing Shibo Furniture	201,550,042.58	-	147,728,562.04	-
Langfang Kaihong	209,579,289.89	-	260,719,427.75	-
Changzhou Jiapindao	6,432,742.22	-	6,081,179.25	-
Wuhan Global Home	497,319,509.37	-	366,838,255.77	-
Beijing Century Kailong	8,694,158.45	-	8,224,913.86	-
Tianjin Fashion	54,119,655.10	50,219,635.10	54,119,655.10	50,219,635.10
Hefei Shibo Furniture	205,329,541.58	-	205,302,144.80	-
Nanjing International Home Living	31,000,910.05	-	-	-
Xingyitong	105,646,005.68	-	-	-

M 红星美凯龙全球家居设计博览中心 MACALLINE
The Global Furnishing Design and Exhibition Center

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

(XIV) NOTES TO THE MAJOR ITEMS IN THE FINANCIAL STATEMENTS OF THE COMPANY (CONTINUED)

13. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(3) Amounts Due from/to Related Parties (Continued)

RMB

Name of related parties	Closing balance		Opening balance	
	Book balance	Bad debt provision	Book balance	Bad debt provision
Jiapinhui	-	-	1,169,551.73	-
Youmei Home	44,095,456.79	-	27,445,456.79	-
Tianjin International Expo	1,022,223,347.08	-	1,812,907,464.01	-
Tianjin World Trade	605,677,892.50	-	443,795,000.00	-
Harbin International Home Furnishing	-	-	396,422,339.45	-
Changchun Red Star	450,972,748.84	-	450,978,058.24	-
Xizhao Investment	415,348,619.74	-	253,690,000.00	-
Red Star Mall Management	414,754,101.25	-	105,331,122.92	-
Shenyang Expo	256,548,244.13	-	242,700,864.84	-
Lanzhou Shibo	335,048,807.56	-	314,754,148.00	-
Jisheng Wellborn Brand Management	-	-	-	-
Decorating Public Network Technology	46,454,888.89	-	46,000,000.00	-
Tianjin Home Furnishing	-	42,966,698.03	-	-
Tianjin Construction Materials	-	37,249,660.00	-	-
Beijing Global Home Furnishing	87,139,692.15	-	94,710,626.21	-
Baotou Red Star	37,324,838.84	20,674,970.00	36,270,318.35	20,674,970.00
Tianjin Shibo Home Furnishing	893,147,559.66	93,648,300.00	792,242,043.17	-
Hehe Juzhong	-	-	8,170,412.25	-
Quzhou Red Star	7,422,683.33	7,350,000.00	7,350,000.00	7,350,000.00
Changshu Red Star	5,508,608.75	-	5,456,107.65	-

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

(XIV) NOTES TO THE MAJOR ITEMS IN THE FINANCIAL STATEMENTS OF THE COMPANY (CONTINUED)

13. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(3) Amounts Due from/to Related Parties (Continued)

RMB

Name of related parties	Closing balance		Opening balance	
	Book balance	Bad debt provision	Book balance	Bad debt provision
Yunnan Property	-	-	9,781,270.00	-
Xinglong Home Furnishing	-	-	1,439,895,226.40	-
Shanghai Mingyi	105,400,000.50	5,270,000.02	97,600,000.50	4,880,000.03
Red Star Industrial	328,204,449.86	-	199,899,763.00	-
Xi'an Jiaxin	-	-	50,000.00	2,500.00
Macalline Network Technology				
Urumchi Red Star	304,140,685.89	-	289,150,421.27	-
Dongguan Red Star	187,478,686.86	-	165,938,635.50	-
Anjia Network	415,920.65	-	415,920.65	-
Hohhot Shibo	190,028,582.03	-	306,986,915.39	-
Shanxi Xingyi Tonghui	-	-	-	-
Suzhou Zhongxiang	40,905,321.86	-	63,240,275.62	-
Changsha Shibo	35,140,116.67	-	24,498,820.00	-
Jiajinsuo Financial Technology	-	-	469,103.13	-
Macalline Assets Management	81,302,444.45	-	-	-
Xinghe Home Furnishing	20,282,377.78	-	12,048,600.00	-
Diken Trading	75,706,483.27	-	3,946,303.00	-
Macalline Chengdu Business Management	-	-	442,172.26	-
Shanghai Jinshan	-	-	18,205.04	-
Chengdu Tianfu Shibo	95,850,006.73	-	83,582,742.31	-
Chengdu Tianfu New District	478,980,368.82	-	192,016,317.23	-

M 红星美凯龙全球家居设计博览中心 MACALLINE
The Global Furnishing Design and Exhibition Center

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

(XIV) NOTES TO THE MAJOR ITEMS IN THE FINANCIAL STATEMENTS OF THE COMPANY (CONTINUED)

13. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(3) Amounts Due from/to Related Parties (Continued)

RMB

Name of related parties	Closing balance		Opening balance	
	Book balance	Bad debt provision	Book balance	Bad debt provision
Macalline Yuejia	46,572,170.10	-	70,772,405.94	-
Tenghui logistics	211,431,649.44	-	172,550,000.00	-
Macalline Business Management	68,872,521.11	-	500,000.00	-
Changsha Jinxia	24,191,458.31	-	678,950.03	-
Jianjinsuo Investment Holding Company	50,671,555.55	-	150,000,000.00	-
Shanghai Dingshi	40,000,000.00	-	-	-
Shanghai Hezhu	4,000,000.00	-	-	-
Shanghai Jiliang	2,000,000.00	-	-	-
Shanghai Juzun	4,000,000.00	-	-	-
Red Star Zhongying Investment	101,537.89	-	-	-
Yumu Business Management	242,875,924.18	-	-	-
Yuxu Business Management	230,051,359.53	-	-	-
Yuzhu Business Management	238,690,268.01	-	-	-
Yuxiao Business Management	228,715,147.26	-	-	-
Chongqing Macalline Logistics	206,477,777.78	-	-	-
Xining Red Star Macalline Shibo Home Furnishing	247,742,167.43	-	-	-
Suzhou Shibo Home Furnishing	347,226,704.66	-	-	-
Xinjiang Red Star Ogloria	-	-	-	-
Wuhan Global Home Furnishing	801,536.11	-	-	-
Tenghui Investment Hefei Company	548,097,110.25	-	534,898,402.78	-

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

(XIV) NOTES TO THE MAJOR ITEMS IN THE FINANCIAL STATEMENTS OF THE COMPANY (CONTINUED)

13. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(3) Amounts Due from/to Related Parties (Continued)

RMB

Name of related parties	Closing balance		Opening balance	
	Book balance	Bad debt provision	Book balance	Bad debt provision
Beijing International Home Furnishing	37,414,912.06	-	25,000,000.00	-
Beijing Shibo Furniture	61,222,394.50	-	19,614,720.36	-
Beijing Home Furnishing Market	-	-	175,597,563.05	-
Chongqing Chayuan	155,344,444.44	-	-	-
Nanchang Global Home Furnishing	1,028,968.89	-	-	-
Jinshan Home Furnishing	495,000,000.00	-	-	-
Hefei Macalline Logistics	17,447,580.41	-	-	-
Shenyang Shibo Home Furnishing	4,718.00	-	-	-
Total	18,676,665,173.90	548,874,052.62	17,505,567,023.70	435,338,252.63

M 红星美凯龙全球家居设计博览中心 MACALLINE
The Global Furnishing Design and Exhibition Center

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

(XIV) NOTES TO THE MAJOR ITEMS IN THE FINANCIAL STATEMENTS OF THE COMPANY (CONTINUED)

13. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(3) Amounts Due from/to Related Parties (Continued)

RMB

Name of related parties		Closing balance		Opening balance	
		Book balance	Bad debt provision	Book balance	Bad debt provision
Other non-current assets	Wuhan Zhengda	-	-	117,092,354.89	-
	Jinan Red Star	-	-	38,000,000.00	-
	Shanghai Global Home	-	-	67,000,000.00	-
	Wuxi Red Star	-	-	55,000,000.00	-
	Nanjing Mingdu	-	-	55,000,000.00	-
	Chengdu Property	247,705,000.00	-	247,705,000.00	-
	Xining Red Star Macalline Shibo Home Furnishing	200,491,200.00	-	-	-
	Urumchi Red Star	200,491,200.00	-	-	-
	Chengdu Tianfu Shibo	334,152,000.00	-	-	-
	Chengdu Tianfu New District	334,152,000.00	-	-	-
	Total	1,316,991,400.00	-	579,797,354.89	-
Long-term receivables	Xiamen Baoxiang	22,500,000.00	-	46,500,000.00	-
	Hangzhou Global	218,144,320.00	-	123,795,691.00	-
	Nanchang Global Expo	84,970,532.70	-	-	-
	Total	325,614,852.70	-	170,295,691.00	-

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

(XIV) NOTES TO THE MAJOR ITEMS IN THE FINANCIAL STATEMENTS OF THE COMPANY (CONTINUED)

13. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(3) Amounts Due from/to Related Parties (Continued)

RMB

Item	Related Parties	31 December 2017	31 December 2016
Other payables	Changzhou Macalline	26,922.90	49,918,471.02
	Changzhou Home World	–	48,284,044.67
	Wuxi Red Star	312,191,524.01	297,247,893.54
	Lianyungang Red Star	13,678,669.96	13,696,820.83
	Nanjing Furnishing Mall	86,377.34	30,807,042.18
	Nanjing Mingdu	113,471,676.55	212,843,631.72
	Shanghai Decorative Mall	83,096.85	393,649,166.56
	Shanghai Global Home	236,207.86	70,971,390.30
	Shanghai Shanhai Art Furniture	–	71,150,000.00
	Shanghai Management	332,435,174.00	13,866,365.60
	Changsha Furniture	33,071,493.08	35,507,326.66
	Changsha Home Furnishing Expo	295,375.21	295,375.21
	Chengdu Red Star	194,931,695.79	176,348,564.82
	Zhengzhou Red Star	96,443,558.68	118,438,133.14
	Shanghai Decorating Market	–	–
	Shanghai Global Home Furnishing	11,443.60	119,874,590.96
	Hangzhou Shibo Furniture	–	33,170,129.70
	Chengdu Changyi	99,791,906.93	–
	Red Star Macalline Brand Management	143,439,154.59	105,165,383.56
	Chongqing Global Home Furnishing	56,419,195.48	73,254,385.08
	Chongqing Shibo Home Furnishing	711,815.67	59,736,563.28
	Shanghai Dingsheng	66,336,364.67	66,452,289.51
	Shanghai Global Market	–	8,516,122.79
	Chongqing Expo Home Furnishing	–	331,033,000.00
Changsha Yinhong	–	22,757,121.40	
Red Star Consulting	51,038,419.72	41,600,000.00	
Shenyang Home Furnishing	1,328,472,267.87	30,157,679.26	
Red Star Trading	24,029,569.31	26,760,115.00	
Nanjing International Home Living	–	288,557,304.00	

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

(XIV) NOTES TO THE MAJOR ITEMS IN THE FINANCIAL STATEMENTS OF THE COMPANY (CONTINUED)

13. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(3) Amounts Due from/to Related Parties (Continued)

RMB

Item	Related Parties	31 December 2017	31 December 2016
Other payables	Xingyitong	172,853,218.48	159,188,921.11
	Tianjin International Expo	1,208,800,935.73	–
	Red Star Mall Management	–	74,970.00
	Yangzhou International	7,046,230.56	2,008,100.00
	Sunan Construction	20,393,109.25	45,453,343.50
	Construction and Furnishing Materials Trading	2,005,438.89	2,008,100.00
	Urumchi Red Star	–	54,015,358.89
	Beijing International Home Furnishing	335,666,920.51	335,729,794.85
	Beijing Shibo Furniture	346,118,311.21	457,147,480.38
	Beijing Home Furnishing Market	–	31,000,000.00
	Kunshan Red Star	–	7,142,063.15
	Jiajinsuo Financial Technology	–	45,292,950.00
	Chengdu Red Star Ogloria	21,258,162.50	21,360,785.00
	Macalline Assets Management	–	49,700,475.00
	Xinglong Home Furnishing	81,359,525.69	860,000,000.00
	Macalline Chengdu Business Management	114,551,003.79	67,700,000.00
	Macalline Chengdu Enterprise Consulting	657,750,000.00	451,300,000.00
	Shenyang Hunnan	54,053,082.51	31,117,205.82
	Dalian Investment	188,365,334.06	90,262,304.97
	Jinan Red Star	252,450,037.89	–
Zhengzhou Juankai	2,648,300,000.00	–	
Xinjiang Red Star Ogloria	51,318,629.22	–	
Hongkong Red Star Macalline	1,045,472,000.00	–	
Yunnan Red Star	67,182,202.78	–	
Shenzhen Red Star	11,544,722.36	11,544,722.36	
Chongqing Qifa	–	30,988,965.89	

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

(XIV) NOTES TO THE MAJOR ITEMS IN THE FINANCIAL STATEMENTS OF THE COMPANY (CONTINUED)

13. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(3) Amounts Due from/to Related Parties (Continued)

RMB

Item	Related Parties	31 December 2017	31 December 2016
	Wuxi Taihu	101,926,788.76	–
	Langfang Kaihong	188,339,768.60	–
	Harbin Red Star	161,358,455.14	–
	Glory Casa	112,184.72	–
	Xinjiang Macalline Enterprise Management	456,879,480.16	–
	Khorgos Xingyijia	360,947,654.82	–
	Betterhome Decoration	53,300.00	–
	Total	11,423,308,407.70	5,493,094,451.71
Advance from customers	Xinghua Xingkai	850,342.47	480,342.47
	Jining Hongrui	902,377.29	922,366.78
	Ningbo Aoyang	18,466.67	1,039,007.94
	Xuzhou RSHFP	365,435.37	385,631.43
	Wuhu Minghui	684,246.58	684,246.58
	Greenland Jinniu	2,610,045.66	2,610,045.66
	Total	5,430,914.04	6,121,640.86

(XV) APPROVAL OF THE FINANCIAL STATEMENTS

The Company's consolidated financial statements and the financial statements of the parent's company have been approved by the Board of the Company.

 红星美凯龙全球家居设计博览中心 MACALLINE
The Global Furnishing Design and Exhibition Center

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

(XVI) SUPPLEMENTARY INFORMATION

1. Statement of Non-Recurring Profit or Loss

RMB

Item	2017	2016	Remark
Gain or loss on disposal of non-current assets	35,964,572.41	(4,615,478.68)	
Investment gain on disposal of subsidiaries	494,732,793.04	20,803.42	
Investment gain on disposal of associates	880,397.44	–	
Government grants credited to profit for the period (exclusive of those that are closely related to the operation of enterprise and received in a certain amount or fixed quantity according to the state standards)	62,288,005.83	85,929,212.07	
Funds-use income received by non-financial enterprises and credited to the profit or loss for the period	44,166,036.66	57,615,799.32	
Gains derived from excess of the attributable fair value of net identifiable assets of the investee over the cost of investment of acquisition of subsidiaries, associates and joint venture	–	355,659.60	
Gain or loss arising from original equity portion measured at fair value during the process of enterprise merger and step acquisitions	–	(8,402,333.71)	
Investment income from disposal of financial assets available for sale, except for effective hedging operations related to the normal course of operations of the company	8,000,000.00	–	
Gain or loss arising from changes in fair value of investment properties measured subsequently at fair value	1,996,188,694.30	1,754,032,308.00	
The value-added portion of investment gain from investment properties valuation of associates and joint ventures attributable to the enterprise	92,921,268.75	78,395,263.22	

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

(XVI) SUPPLEMENTARY INFORMATION (CONTINUED)

1. Statement of Non-Recurring Profit or Loss (Continued)

Item	2017	2016	Remark
Effect of one-off adjustments to profit or loss for the period made in accordance with the requirements of the tax and accounting laws and regulations	–	–	
Gain or loss on contingencies outside the normal course of business	–	–	
Non-operating income and expenses other than the above items	69,602,459.96	16,902,504.67	
Effect on income tax	(913,026,971.08)	(469,492,646.29)	
Effect on minority interest (after tax)	(119,250,983.54)	(186,209,621.73)	
Total	1,772,466,273.77	1,324,531,469.89	

The above Statement of Non-Recurring Profit or Loss is identified and disclosed in accordance with the requirements of “Explanatory announcement No.1 on information disclosure by companies offering securities to the public – non-recurring profit or loss” (CSRC Announcement [2008] No.43) issued by the China Securities Regulatory Commission.

M 红星美凯龙全球家居设计博览中心 MACALLINE
The Global Furnishing Design and Exhibition Center

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

(XVI) SUPPLEMENTARY INFORMATION (CONTINUED)

2. Return on net assets and earnings per share

2017	Weighted average return on net assets (%)	Earnings per share Basic	Diluted
Net profit attributable to shareholders of ordinary shares of the Company	10.48	1.13	N/A
Net profit attributable to shareholders of ordinary shares of the Company, after deducting non-recurring gains and losses	5.93	0.64	N/A

2016	Weighted average return on net assets (%)	Earnings per share Basic	Diluted
Net profit attributable to shareholders of ordinary shares of the Company	9.55	0.94	N/A
Net profit attributable to shareholders of ordinary shares of the Company, after deducting non-recurring gains and losses	5.94	0.57	N/A

This calculation of return on net assets and earnings per share was prepared by the Company in accordance with the relevant requirements of the "Compilation Rules for Information Disclosures by Companies that Offer Securities to the Public (No. 9) – Calculations and Disclosures for the Return on Net Assets and Earnings per Share" (as amended in 2010) issued by the China Securities Regulatory Commission.

* For identification only

Five-Year Financial Summary

	For the year ended 31 December				
	2017	2016	2015	2014	2013
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	10,959,513	9,436,082	8,756,120	7,935,131	6,360,703
Net profits	4,278,014	3,673,442	4,369,755	3,922,004	3,269,327
– Owners of the Company	4,077,898	3,397,183	4,098,068	3,632,917	3,013,182
– Non-controlling interests	200,116	276,259	271,687	289,087	256,145
Earnings per share					
– Basic (RMB)	1.13	0.94	1.22	1.21	1.00
– Diluted (RMB)	N/A	N/A	N/A	N/A	N/A

	As at 31 December				
	2017	2016	2015	2014	2013
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
– Non-current assets	82,447,132	72,739,319	75,328,818	66,792,413	61,901,164
– Current assets	14,567,492	8,796,085	7,860,755	5,125,479	4,959,251
Total Assets	97,014,624	81,535,404	83,189,573	71,917,892	66,860,415
– Current liabilities	22,716,747	13,542,202	10,622,807	10,419,993	9,288,047
– Non-current liabilities	30,365,903	28,072,429	27,298,562	24,084,806	23,093,779
Total liabilities	53,082,651	41,614,631	37,921,369	34,504,799	32,381,826
Net assets	43,931,973	39,920,773	45,268,204	37,413,093	34,478,589
Total Equity	43,931,973	39,920,773	45,268,204	37,413,093	34,478,589
– Equity attributable to owners of the Company	40,426,772	36,565,852	41,144,559	33,444,992	30,635,646
– Non-controlling interests	3,505,201	3,354,921	4,123,645	3,968,101	3,842,943

The financial summary for the years 2017 and 2016 were extracted from the Consolidated Financial Statements prepared in accordance with the CASBE, while the financial summary for the years 2015, 2014 and 2013 were extracted from the consolidated financial statements of the Group for the corresponding reporting period prepared in accordance with the IFRSs.

Definitions

“A Share(s)”	the ordinary share(s) issued by the Company pursuant to the A Share Offering, with a nominal value of RMB1.00 each, which is/are listed on the Shanghai Stock Exchange and traded in RMB
“AGM”	the annual general meeting of the Company proposed to be convened on Friday, 8 June 2018
“Articles of Association”	articles of association of the Company (as amended from time to time)
“Associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Audit Committee”	Audit Committee of the Board of Directors
“Board” or “Board of Directors”	the board of directors of the Company
“Changzhou Macalline”	Changzhou Macalline International Computer and Electronics Furnishing Plaza Co., Ltd.* (常州美凱龍國際電腦家電裝飾城有限公司), a limited liability company established in the PRC, which is a direct wholly-owned subsidiary of our Company
“Changzhou RSHFC”	Changzhou Red Star Home Furnishing City* (常州市紅星裝飾城), a limited liability company established in the PRC on 13 November 1998, which is directly wholly-owned by Mr. CHE Jianxing
“Chengdu Property”	Chengdu Red Star Macalline Real Estate Co., Ltd.* (成都紅星美凱龍置業有限公司), a limited liability company established in the PRC on 27 October 2009, which is indirectly wholly-owned by RSED
“China” or “PRC”	the People’s Republic of China, except where the context requires, references in this to the PRC or China do not apply to Hong Kong, Macau Special Administrative Region and Taiwan
“Close Associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Company” or “Our Company” or “Red Star Macalline”	Red Star Macalline Group Corporation Ltd. (紅星美凱龍家居集團有限公司), a sino-foreign joint stock limited company established in the PRC, the H Shares of which are listed and traded on the Main Board of the Hong Kong Stock Exchange, and the A Shares of which are listed and traded on the Shanghai Stock Exchange

Definitions

“Company Law”	the Company Law of the People’s Republic of China《中華人民共和國公司法》
“Companies Ordinance”	the Companies Ordinance, Chapter 622 of the Laws of Hong Kong
“Connected Person(s)”	has the meaning ascribed thereto under the Listing Rules
“Consolidated Financial Statements”	the audited consolidated financial statements of the Group for the year ended 31 December 2017
“Controlling Shareholder(s)” or “our Controlling Shareholder(s)”	has the meaning ascribed thereto under the Listing Rules, and unless the context otherwise requires, refers to Mr. CHE and RSM Holding
“Corporate Bonds”	Phase II corporate bonds with an aggregate principal amount of RMB3,000,000,000 and coupon rate of 3.50% and 4.29% for Category I Bonds and Category II Bonds, respectively, issued by the Company in the PRC on 14 July 2016
“Corporate Governance Code”	the Corporate Governance Code set out in Appendix 14 to the Listing Rules
“CSRC”	the China Securities Regulatory Commission
“Director(s)”	director(s) of the Company
“Domestic Shares”	ordinary shares issued by our Company, with a Renminbi-denominated nominal value of RMB1.00 each, which are subscribed for and paid up in Renminbi
“GDP”	gross domestic product; except as otherwise specified, all references to GDP growth rates are to real as opposed to nominal rates of GDP growth
“Global Offering”	the initial public offering of the H Shares whereby the H Shares were listed on the Main Board of Hong Kong Stock Exchange on 26 June 2015
“Greenland Jinniu”	Greenland Group Chengdu Jinniu Real Estate Development Co., Ltd.* (綠地集團成都金牛房地產開發有限公司), a limited liability company established in the PRC, which is our Connected Person and indirectly held as to 50% by Greenland Group Chengdu Property Co., Ltd. and 50% by Chengdu Property
“Group”	the Company and its subsidiaries
“H Share(s)”	overseas-listed foreign invested ordinary share(s) with a nominal value of RMB1.00 each in the share capital of the Company, which is/are listed and traded on the Hong Kong Stock Exchange

Definitions

“HK\$” or “HK dollars”	the lawful currency of Hong Kong
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“IFRSs”	International Financial Reporting Standards
“Jining Hongrui”	Jining Hongrui Real Estate Co., Ltd.* (濟寧鴻瑞置業有限公司), a limited liability company established in the PRC, which is our Connected Person and directly held as to 40.2% by Ms. QIAN Yumei, 26.8% by Ms. ZHANG Jianfang and 33% by Jiangsu Kerui Property Management Corporation* (江蘇可瑞資產管理有限公司), an independent third party
“Jinshan Property”	a building located at No. 1808 Hangzhou Bay Road, Shanghai, the PRC (property ownership certificate Hu Fang Di Jin Zi (2013) No. 010389) with a total gross floor area of approximately 74,917.88 square meters
“Listing”	listing of the H Shares on the Main Board of the Hong Kong Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Main Board”	the stock exchange (excluding the option market) operated by the Hong Kong Stock Exchange which is independent from and operated in parallel with the Growth Enterprise Market of the Hong Kong Stock Exchange
“Managed Shopping Mall(s)”	shopping mall(s) managed by us under contract management agreements
“Model Code”	Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules
“MOF”	the Ministry of Finance of the PRC
“Mr. CHE”	Mr. CHE Jianxing
“Nomination Committee”	Nomination Committee of the Board of Directors
“Other Cities”	for the purpose of this annual report only, cities at prefecture-level, excluding Tier I Cities, Tier II Cities and Tier III Cities
“Portfolio Shopping Mall(s)”	all of the following shopping malls: (i) shopping malls in which all or a majority of the operating areas are owned by us; (ii) the repurchased shopping malls (other than Chengdu Jinniu Shopping Mall); (iii) shopping malls leased by us; (iv) shopping malls for which we operate and consolidate their results of operation and pay the relevant property owners a fixed amount of annual fees; and (v) shopping malls held by us and associates or joint venture partners and operated by us. For further details, please refer to the Prospectus of the Company

Definitions

“Project Company”	Project companies holding certain managed shopping mall companies, and each of them a “Project Company”
“Red Star Furniture Group”	Red Star Furniture Group Co., Ltd.* (紅星傢俱集團有限公司), formerly known as Changzhou Red Star Furniture Group Company* (常州紅星傢俱集團公司), a company established in the PRC on 27 June 1994, which is held as to 45% by Mr. CHE Jianxing, 45% by Changzhou RSHFC and 10% by Ms. CHE Jianfang
“Remuneration and Evaluation Committee”	Remuneration and Evaluation Committee of the Board of Directors
“Reporting Period”	the period from 1 January 2017 to 31 December 2017
“Repurchase Agreement”	the repurchase agreement dated 23 October 2015 entered into between the Company and Chengdu Property
“RMB”	Renminbi, the lawful currency of the PRC
“RSED”	Chongqing Red Star Macalline Enterprise Development Co., Ltd.* (重慶紅星美凱龍企業發展有限公司) (formerly known as “Shanghai Red Star Macalline Enterprise Development Co., Ltd.” (上海紅星美凱龍企業發展有限公司)), a limited liability company established in the PRC on 11 June 2010, which is held as to 70.15% by RSM Holding, 14% by Millbranch Investment SRL, an affiliate of Warburg Pincus LLC, 8.08% by Candlewood Investment SRL, 4.72% by Springwood Investment SRL, 0.81% by Lianyungang Fairbay Infrastructure Construction Company Limited, 0.37% by Shanghai Hongmei, 1.66% by Shanghai Meilong Assets Management Company Limited* (上海美龍資產管理有限公司) and 0.22% by Shanghai Xingkai Business Administration Company Limited* (上海興凱企業管理有限公司)
“RSM Holding”	Red Star Macalline Holding Group Company Limited* (紅星美凱龍控股集團有限公司) (formerly known as “Shanghai Red Star Macalline Investment Company Limited” (上海紅星美凱龍投資有限公司)), a limited liability company established in the PRC and is a Controlling Shareholder of our Company, which is held as to 92% by Mr. CHE and 8% by Ms. CHE Jianfang
“SFO”	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong
“Shaanxi Hongrui”	Shaanxi Hongrui Home Furnishings Plaza Co., Ltd.* (陝西鴻瑞家居生活廣場有限公司), a limited liability company established in the PRC, which is our Connected Person and held as to 39.6% by Ms. QIAN Yumei, 26.4% by Ms. ZHANG Jianfang and 34% by Jiangsu Kerui Property Management Corporation* (江蘇可瑞資產管理有限公司) and YAN Xiaojing, each an independent third party

“Shanghai Hongmei”	Shanghai Hongmei Investment Management Center (Limited Partnership)* (上海洪美投資管理中心(有限合夥)), a limited partnership established in the PRC on 27 February 2012, which is a Shareholder of our Company and holds approximately 0.35% of the issued Shares of our Company
“Share(s)”	Share(s) of the Company, including both Domestic Share(s) and H Share(s)
“Shareholder(s)”	the holder(s) of the shares of the Company
“Strategy and Investment Committee”	Strategy and Investment Committee of the Board of Directors
“Supervisor(s)”	member(s) of the supervisory committee of the Company
“Tier I Cities”	for the purpose of this annual report, Shanghai, Beijing, Guangzhou and Shenzhen
“Tier II Cities”	for the purpose of this annual report, Chongqing, Tianjin, Suzhou, Hangzhou, Zhengzhou, Changsha, Urumqi, Ningbo, Chengdu, Lanzhou, Nanjing, Nanning, Nanchang, Xiamen, Hefei, Hohhot, Harbin, Dalian, Taiyuan, Kunming, Wuxi, Qingdao, Xi’an, Changchun, Shijiazhuang, Wuhan, Shenyang, Jinan, Wenzhou, Fuzhou, Guiyang, Foshan, Dongguan and Haikou
“Tier III Cities”	for the purpose of this annual report, Daqing, Zhongshan, Yancheng, Baotou, Taizhou, Pingdingshan, Jilin, Anyang, Jiangmen, Chifeng, Xingtai, Zhoukou, Yichang, Yueyang, Songyuan, Jinhua, Handan, Xinyang, Baoding, Nantong, Nanyang, Xianyang, Weihai, Liuzhou, Quanzhou, Luoyang, Maoming, Tangshan, Xuzhou, Guilin, Zhuzhou, Tai’an, Taizhou, Zhuhai, Changzhou, Changde, Huai’an, Zibo, Liaocheng, Tongliao, Chenzhou, Langfang, Huizhou, Zhanjiang, Huzhou, Jiaozuo, Ordos, Heze, Xinxiang, Yulin, Jiaxing, Zhangzhou, Dezhou, Anshan, Hengyang, Xiangyang, Dongying, Linyi, Yangzhou, Zaozhuang, Cangzhou, Jining, Binzhou, Weifang, Yantai, Shaoxing, Wuhu, Xuchang, Ganzhou, Lianyungang, Zhenjiang, Yinchuan, Lhasa, Xining and Shangqiu
“Xingyi Tonghui”	Shanghai Xingyi Tonghui Business Service Company Limited* (上海星易通匯商務服務有限公司), a limited liability company established in the PRC and a direct wholly-owned subsidiary of our Company
“Xuzhou RSHFC”	Xuzhou Red Star Macalline International Home Furnishings City Co., Ltd.* (徐州紅星美凱龍國際傢俱裝飾城有限公司), a limited liability company established in the PRC, which is our Connected Person and directly held as to 50% by Mr. CHE Jianlin, 25% by Mr. CHE Jianguo and 25% by ZHOU Lichen and WANG Lili, each an independent third party

Definitions

“Xuzhou RSHFP”	Xuzhou Red Star Macalline Global Home Furnishings Plaza Co., Ltd.* (徐州紅星美凱龍全球家居生活廣場有限公司), a limited liability company established in the PRC, which is our Connected Person and held as to 75% by Mr. CHE Jianlin and 25% by Mr. CHE Jianguo
“Yangzhou RSHFP”	Yangzhou Red Star Macalline Global Home Furnishings Plaza Property Co., Ltd.* (揚州紅星美凱龍全球家居生活廣場置業有限公司), a limited liability company established in the PRC, which is our Connected Person and directly held as to 95% by Mr. CHE Jianlin and 5% by YAN Xiaojing, an independent third party
“Prospectus”	the prospectus of the Company dated 16 June 2015





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