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

2018
INTERIM REPORT

CONTENT

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

Corporate Information

BOARD OF DIRECTORS

Executive Directors

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

Non-executive Directors

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

Independent Non-executive Directors

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

SUPERVISORS

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

AUDIT COMMITTEE

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

REMUNERATION AND EVALUATION COMMITTEE

Mr. QIAN Shizheng *(Chairman)*
Mr. CHE Jianxing
Mr. LI Zhenning

NOMINATION COMMITTEE

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

STRATEGY AND INVESTMENT COMMITTEE

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

COMPANY SECRETARY

Mr. GUO Binghe

ASSISTANT COMPANY SECRETARY

Ms. LEUNG Suet Lun

AUTHORIZED REPRESENTATIVES

Mr. CHE Jianxing
Mr. GUO Binghe

REGISTERED OFFICE

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

HEADQUARTERS IN THE PRC

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

Corporate Information

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

31/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
16/F & 19/F One Lujiazui
68 Yin Cheng Road Middle
Shanghai 200120
The PRC

PRINCIPAL BANKS

Industrial and Commercial Bank of China

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

Minsheng Bank Shanghai

South Branch
No. 550 Xujiahui Road
Shanghai, the PRC

Bank of Communication

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

Bank of China

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

STOCK CODE

Hong Kong Stock Exchange: 1528
Shanghai Stock Exchange: 601828

COMPANY'S WEBSITE

www.chinaredstar.com

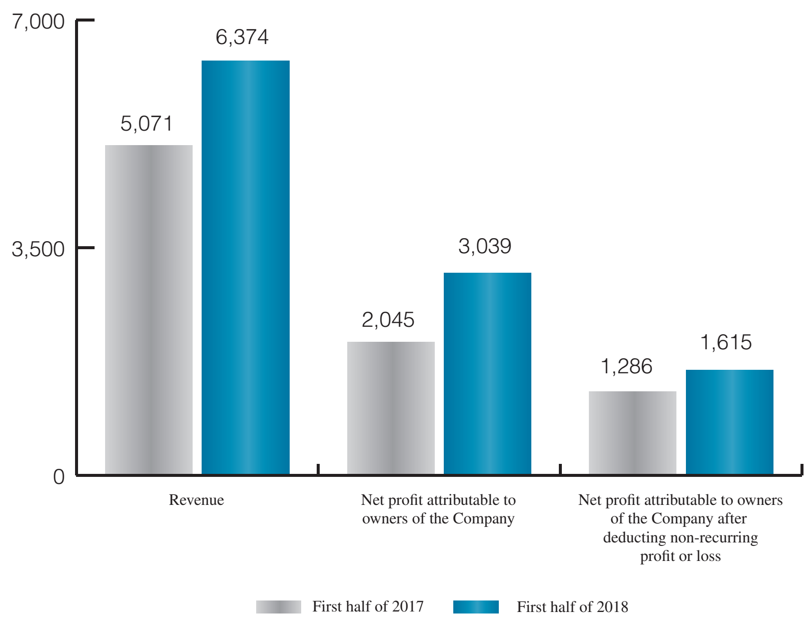
Financial and Operational Highlights

FINANCIAL HIGHLIGHTS

	Six months ended 30 June	
	2018	2017
	(RMB'000, except otherwise stated)	
	(Unaudited)	(Audited)
Revenue	6,373,884	5,070,967
Gross profit	4,418,827	3,696,299
Gross profit margin	69.3%	72.9%
Net profit	3,213,608	2,156,491
Net profit attributable to owners of the Company	3,038,610	2,045,171
Net profit margin attributable to owners of the Company	47.7%	40.3%
Net profit attributable to owners of the Company after deducting non-recurring profit or loss	1,614,826	1,286,401
Net profit margin attributable to owners of the Company after deducting non-recurring profit or loss	25.3%	25.4%
Earnings per share	RMB0.78	RMB0.56

Key Financial Performance Indicators

RMB million



Financial and Operational Highlights

OPERATIONAL HIGHLIGHTS

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

	As at 30 June 2018	As at 31 December 2017
Number of shopping malls	267	256
Operating area of shopping malls *(sq.m.)*	15,955,255	15,137,728
Number of cities covered	180	177
Number of Portfolio Shopping Malls	75	71
Operating area of Portfolio Shopping Malls *(sq.m.)*	6,092,458	5,705,954
Average occupancy rate of Portfolio Shopping Malls	97.9%	97.6%
Number of Managed Shopping Malls	192	185
Operating area of Managed Shopping Malls *(sq.m.)*	9,862,798	9,431,775
Average occupancy rate of Managed Shopping Malls	97.6%	97.6%

Note:

(1) See definitions in the 2017 annual report of the Company.

Management Discussion and Analysis

I. OVERVIEW

During the Reporting Period, the Group continued to focus on the strategic positioning of growing into an "omni-channel platform service provider for the pan home improvement and furnishings industry", followed the operation and management mode of "market-oriented operation and shopping-mall-based management", further strengthened its cooperation with home improvement and furnishings manufacturers and distributors, and persistently optimized the structure of brands operated by us in home improvement and furnishings shopping malls to provide consumers with better services. With all such efforts, the Group obtained satisfactory results.

During the Reporting Period, the Group achieved a revenue of RMB6,373.9 million, representing an increase of 25.7% from RMB5,071.0 million for the same period in 2017. Gross profit margin decreased by 3.6 percentage points to 69.3% from 72.9% for the same period last year. During the Reporting Period, net profit attributable to owners of the Company after deducting non-recurring profit or loss amounted to RMB1,614.8 million, representing an increase of 25.5% from RMB1,286.4 million for the same period in 2017. As at the end of the Reporting Period, the Group's cash and bank balance amounted to RMB10,123.6 million, representing a decrease of 4.7% from RMB10,626.9 million as at the end of 2017. As at the end of the Reporting Period, the net gearing ratio [(Note)] of the Group increased to 44.9% from 41.5% as at the end of 2017.

Note: Net gearing ratio is our interest-bearing liabilities (including short-term loans, long-term loans, bonds payable, 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.

During the Reporting Period, we continued to implement the two-pronged business model of Portfolio Shopping Malls and Managed Shopping Malls, with focuses on continuing development of our asset-light business model, and strategically expanded our shopping mall network nationwide in order to further enhance our market share, thereby continuously strengthening our market leadership in China's home improvement and furnishings industry. As at the end of the Reporting Period, we operated a total of 267 shopping malls with a nationwide coverage across 180 cities, with a total shopping mall operating area of 15,955,255 sq.m. We continuously improved the operation and management of shopping malls through tenant sourcing and management, operation management, marketing management and property management, and proactively made efforts to develop explorative business such as Internet pan home improvement and furnishings consumption business, Internet home decoration business and full-range logistics service. We also explored the commercial application of information technology through the "Long Yi" information system and the "Smart Shopping Mall" project, and optimized human resources management in order to support the rapid growth of our business. In the future, we will continue to pursue our development goal of becoming the most advanced and professional "omni-channel platform service provider for the pan home improvement and furnishings industry" in China.

Management Discussion and Analysis

II. INDUSTRY ENVIRONMENT

In the first half of 2018, under the guidance of reform concepts of taking advantage of new development concepts to lead the new normal of economic development, focusing on the main theme of promoting the supply-side structural reform and aiming to enhance quality and efficiency, the national economy of the PRC maintained within a reasonable range with an increasingly obvious trend of stable and improving development.

According to the statistics of the National Bureau of Statistics of the PRC, from January to June 2018, the GDP grew by 6.8% in China on a year-on-year basis, while the national disposable income per capita increased by 8.7% on a year-on-year basis over the corresponding period last year in terms of nominal growth, with an actual growth rate of 6.6% after deducting price factors. During the same period, the retail sales of social consumer goods increased by 9.4% on a year-on-year basis. Among which, retail sales of commodity retail sale consumer goods increased by 9.3% on a year-on-year basis, while the retail sales of furniture category and construction and decoration material categories increased by 10.1% and 8.1% respectively, both on a year-on-year basis. On the one hand, the stable and improving development trend, the continuous promotion of urbanization process and the increase of citizens' income level provide favorable conditions for the continuing development of social consumer goods market; on the other hand, compared with the overall performance in social consumer goods market, the market performance of home improvement and furnishings industry was stronger, which indicated the increasing domestic demand for home improvement and furnishings. In addition, the second interior decoration and the consumption upgrade for home appliance also bring room for continuous development for the industry.

III. FINANCIAL REVIEW

1. Revenue

During the Reporting Period, the Group's revenue amounted to RMB6,373.9 million, representing an increase of 25.7% from RMB5,071.0 million for the same period in 2017. The stable growth in our revenue was primarily due to an increase in revenue from our Owned/Leased Portfolio Shopping Malls, Managed Shopping Malls as well as construction and design service.

Revenue from Owned/Leased Portfolio Shopping Malls increased from RMB3,188.8 million in the first half of 2017 to RMB3,535.9 million during the Reporting Period, representing a growth of 10.9%. Such growth was primarily attributable to the increase in numbers of malls and the operating area and the growth in average effective unit income of mature shopping malls. As at the end of the Reporting Period, the number of Owned/Leased Portfolio Shopping Malls opened by the Group was more than that at the end of June 2017 by 6, with the corresponding increase in the total operating area of 764,703 sq.m.

Management Discussion and Analysis

III. FINANCIAL REVIEW (CONTINUED)

1. Revenue (Continued)

Revenue from Managed Shopping Malls increased from RMB1,473.1 million in the first half year of 2017 to RMB1,749.2 million during the Reporting Period, representing a growth of 18.7%. Major reasons for such growth were that the increase in the number of Managed Shopping Malls operated during the Reporting Period boosted revenue from annual consulting and management services titled the Company's name for the project to increase by RMB154.9 million, from RMB674.1 million in the comparable period of 2017 to RMB829.0 million during the Reporting Period (representing a growth of 23.0%) and that revenue from commercial management and consultation service for construction project increased by RMB140.2 million or 3109.6% from RMB4.5 million in the comparable period of 2017 to RMB144.7 million during the Reporting Period. As at the end of the Reporting Period, the number of Managed Shopping Malls opened by the Group was more than that at the end of June 2017 by 47, with the corresponding increase in the total operating area of 1,894,061 sq.m.

Meanwhile, during the Reporting Period, the construction and design revenue of the Group achieved RMB459.0 million (the same period in 2017: RMB31.2 million), representing a proportion of total revenue of 7.2%.

Besides, the Group has adopted the New Standards for Revenue since 1 January 2018 (for further details, please refer to "Changes of Major Accounting Policies") which has also resulted in the increase in the revenue compared with the comparable period.

The following table sets forth our revenue by segments:

	Six months ended 30 June			
	2018 (Unaudited)		2017(Audited)	
	Amount	%	Amount	%
Owned/Leased Portfolio Shopping Malls	3,535,894,591.52	55.5	3,188,830,865.46	62.9
Managed Shopping Malls	1,749,199,266.87	27.5	1,473,052,100.58	29.0
Construction and design	458,986,112.62	7.2	31,238,177.65	0.6
Sales of merchandise and related services	187,528,781.63	2.9	109,284,985.25	2.2
Others	442,275,366.40	6.9	268,561,195.54	5.3
Total	6,373,884,119.04	100.0	5,070,967,324.48	100.0

III. FINANCIAL REVIEW (CONTINUED)

2. Cost of Sales

The cost of sales of the Group mainly included staff costs that were directly related to the operation of our Owned/Leased Portfolio Shopping Malls and Managed Shopping Malls, and the site rental fee paid for the Leased Portfolio Shopping Malls. During the Reporting Period, the cost of sales of the Group was RMB1,955.1 million, representing an increase of 42.2% as compared with RMB1,374.7 million in the same period of 2017. Among such cost of sales, the portion related to Managed Shopping Malls increased by RMB181.5 million from RMB507.3 million of the comparable period in 2017 to RMB688.9 million during the Reporting Period, representing a growth of 35.8%. The major reason was that the expansion of the shopping mall network of the Group has resulted an increase of RMB100.4 million in annual consulting and management service titled the Company's name for the special project costs and the rise of operational labor costs has resulted an increase of RMB60.0 million in consulting and management service titled the Company's name for the early stage costs. In addition, the increasing business volume of the Group's construction and design service during the Reporting Period resulted in the related costs increased from RMB26.4 million of the comparable period in 2017 to RMB272.6 million of the Reporting period, representing an increase of RMB246.2 million or 932.6%.

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

	Six months ended 30 June			
	2018 *(RMB)* (Unaudited)	%	2017 *(RMB)* (Audited)	%
Owned/Leased Portfolio Shopping Malls	772,121,419.76	39.5	696,929,743.37	50.7
Managed Shopping Malls	688,881,541.69	35.2	507,345,696.81	36.9
Construction and design	272,597,029.98	13.9	26,399,447.83	1.9
Sales of merchandise and related services	135,052,128.67	6.9	85,057,453.53	6.2
Others	86,405,436.80	4.4	58,935,860.65	4.3
Total	1,955,057,556.90	100.0	1,374,668,202.19	100.0

Management Discussion and Analysis

III. FINANCIAL REVIEW (CONTINUED)

3. Gross profit and gross profit margin

During the Reporting Period, the Group's gross profit was RMB4,418.8 million, representing an increase of 19.5% from RMB3,696.3 million for the same period in 2017; the comprehensive gross profit margin was 69.3%, representing a decrease of 3.6 percentage points from 72.9% for the same period in 2017, primarily due to the gross profit margin of the revenue derived from Owned/Leased Portfolio Shopping Malls remained stable while the increased remuneration cost of staff relating to the business expansion of Managed Shopping Malls has led to the decrease in gross profit margin. Meanwhile, the revenue from construction and design business during the Reporting Period increased substantially and the change in revenue structure has caused the decrease in comprehensive gross profit margin.

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

	Six months ended 30 June	
	2018 (Unaudited)	2017 (Audited)
Owned/Leased Portfolio Shopping Malls	78.2%	78.1%
Managed Shopping Malls	60.6%	65.6%
Construction and design	40.6%	15.5%
Sales of merchandise and related services	28.0%	22.2%
Others	80.5%	78.1%
Total	69.3%	72.9%

III. FINANCIAL REVIEW (CONTINUED)

4. Distribution and selling expenses and general and administrative expenses

During the Reporting Period, the Group's distribution and selling expenses amounted to RMB646.1 million (accounting for 10.1% of the revenue), representing an increase of 11.9% from RMB577.2 million (accounting for 11.4% of the revenue) for the same period in 2017, primarily due to growing advertising and promotional expenses as a result of the increase of the investment in advertisements and promotions made for our newly opened shopping malls.

During the Reporting Period, the Group's general and administrative expenses amounted to RMB527.8 million (accounting for 8.3% of the revenue), representing an increase of 12.8% from RMB468.1 million (accounting for 9.2% of the revenue) for the same period in 2017, primarily due to increase in the staff remuneration and office and administrative expenses arising from the increase in the number of newly opened shopping malls. Meanwhile, the Group's investments and cooperations with enterprises with good potential and opportunities for business cooperation in the upstream and downstream home furnishing industry have also resulted in the increase in relevant general and administrative expenses.

5. Financial expenses

During the Reporting Period, the Group's financial expenses amounted to RMB587.1 million, representing an increase of 7.9% from RMB544.2 million for the same period in 2017. Of which, the total interest expense amounted to RMB793.4 million, representing an increase of 22.0% from RMB650.2 million for the same period in 2017, primarily due to the increase in the amount of interest-bearing liabilities as a result of the increase in bank loans and the issuance of USD-denominated overseas bonds and commercial mortgage-backed securities payables in the second half of 2017 and during the Reporting Period in order to meet the capital requirements in line with the expanding business scale of the Group. Meanwhile, the increase in the average financing rate in the market also resulted in the increase of interest expenses. The interest income amounted to RMB153.6 million, representing an increase of RMB113.6 million, comparing with RMB40.0 million in the same period in 2017, primarily due to the increased average cash and bank balance during the Reporting Period and the enhancing of capital pooling in response to the capital utilisation plan of the Group.

6. Income tax expense

During the Reporting Period, the income tax expenses of the Group amounted to RMB553.8 million, representing a decrease of 23.6 % from RMB725.0 million for the same period in 2017. Through effective and reasonable tax planning, the rate of the effective income tax decreased from 25.2 % for the same period of 2017 to 14.7% in the Reporting Period.

Management Discussion and Analysis

III. FINANCIAL REVIEW (CONTINUED)

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

During the Reporting Period, net profit attributable to owners of the Company amounted to RMB3,038.6 million, representing an increase of 48.6% from RMB2,045.2 million for the same period in 2017; the net profit attributable to owners of the Company after deducting non-recurring profit or loss amounted to RMB1,614.8 million, representing an increase of 25.5% from RMB1,286.4 million for the same period in 2017. The performance above is a comprehensive result of the substantial increases in our revenue and efficiency of the scale of operating expenses.

	Six months ended 30 June		
	2018 (Unaudited)	2017 (Audited)	Growth
Net profit attributable to owners of the Company	3,038,609,713.21	2,045,171,145.99	48.6%
Net profit margin attributable to owners of the Company	47.7%	40.3%	7.4 percentage points
Net profit attributable to owners of the Company after deducting non-recurring profit or loss	1,614,825,675.28	1,286,401,391.87	25.5%
Net profit margin attributable to owners of the Company after deducting non-recurring profit or loss	25.3%	25.4%	-0.1 percentage points

During the Reporting Period, the Group's earnings per share was RMB0.78, as compared to RMB0.56 for the same period in 2017.

8. Notes receivable and accounts receivable

As at the end of the Reporting Period, the balance of notes receivable and accounts receivable of the Group amounted to RMB2,051.4 million (including the book balance of accounts receivable of RMB2,980.3 million and the bad debt provision of RMB929.9 million), representing an increase of RMB881.0 million from RMB1,170.4 million as at the end of 2017, primarily due to the impact of the increase in accounts receivable arising from the growth of the relevant revenue from Managed Shopping Malls during the Reporting Period and the adoption of New Standards for Revenue and New Standards for Financial Instruments by the Group since 1 January 2018.

Pursuant to the transition requirement for the New Standards for Revenue and the New Standards for Financial Instruments, the Group shall not adjust the information in comparable period. The Group prepared the financial statements for the comparative period in accordance with the New Standards for Revenue and the New Standards for Financial Instruments and restated the relevant figures pursuant to Cai Kuai Document No. 15, the book value of notes receivable and accounts receivable at the end of 2017 would be RMB1,824.1 million.

III. FINANCIAL REVIEW (CONTINUED)

9. Other equity instrument investments

As at the end of the Reporting Period, the balance of the Group's other equity instrument investments amounted to RMB3,688.9 million, which was mainly due to the Group's long-term equity investments in the upstream and downstream of the home furnishing industry for strategic purposes.

The Group recorded the investments with no significant influence on the investee companies in this item in accordance with the requirements of New Standards for Financial Instruments and Cai Kuai Document No. 15. Such equity investments were listed under available-for-sale financial assets as at the end of 2017.

10. Investment properties and gain on fair value changes

As at the end of the Reporting Period, the balance of the Group's investment properties amounted to RMB75,897.0 million, representing an increase of 7.2% from RMB70,831.0 million as at the end of 2017. During the Reporting Period, the Group's investment properties realized gain on fair value changes of RMB1,103.3 million. The above growth trend was mainly due to the increase in rental of our Portfolio Shopping Malls, the construction progress of invested properties under development and the newly purchased properties.

11. Capital expenditure

During the Reporting Period, the Group's capital expenditures amounted to RMB1,622.1 million (the same period in 2017: RMB1,618.2 million), primarily including the expenditures incurred for the acquisition of land for investment properties and construction expenditures.

Management Discussion and Analysis

III. FINANCIAL REVIEW (CONTINUED)

12. Cash and bank and cash flow

As at the end of the Reporting Period, the balance of the Group's cash and bank amounted to RMB10,123.6 million (of which, the balance of cash and cash equivalents amounted to RMB9,619.9 million), representing a decrease of RMB503.3 million from RMB10,626.9 million (of which, the balance of cash and cash equivalents amounted to RMB10,269.3 million) as at the end of 2017.

	Six months ended 30 June	
	2018 (Unaudited)	2017 (Audited)
Net cash flow from operating activities	1,134,302,924.24	2,516,150,714.39
Net cash flow from investment activities	(6,298,470,764.58)	(4,837,792,737.52)
Net cash flow from financing activities	4,523,425,278.83	3,603,013,236.14
Impact of exchange rate changes on cash and cash equivalent	(8,602,143.90)	–
Net increase/(decrease) in cash and cash equivalents	(649,344,705.41)	1,281,371,213.01

During the Reporting Period, the Group's net cash inflow from operating activities amounted to RMB1,134.3 million, representing a decrease of RMB1,381.8 million from the net inflow of RMB2,516.2 million for the same period in 2017, which was mainly due to the substantial increase in consumption in shopping mall at the end of 2017, leading to a significant increase in the net outflow of receipt and payment during the Reporting Period as compared with the same period in 2017.

During the Reporting Period, the Group's net cash outflow from investment activities amounted to RMB6,298.5 million, representing an increase of RMB1,460.7 million from the net outflow of RMB4,837.8 million for the same period in 2017, which was mainly due to the increase in cash outflow in relation to equity investment during the Reporting Period.

During the Reporting Period, the Group's net cash inflow from financing activities amounted to RMB4,523.4 million, representing an increase of RMB920.4 million, from the net inflow of RMB3,603.0 million for the same period in 2017, which was mainly due to the net cash inflow of raised funds from the issuance of A shares by the Company.

III. FINANCIAL REVIEW (CONTINUED)

13. The debt situation and debt ratio

As of the end of the Reporting Period, the total amount of debt of the Group was RMB31,120.8 million, of which bank borrowings were RMB18,318.0 million, and bonds payable were RMB10,424.4 million, the commercial mortgage-backed securities payable was RMB2,378.4 million. As of the end of the Reporting Period, all of the bank borrowings, bonds payable and the commercial mortgage-backed securities payable of the Group are denominated in RMB except for the bonds payable of US$ 300.0 million issued by the Hong Kong subsidiary of the Group which is denominated in US dollars.

The following table sets out our debt profile:

RMB'000

	As at 30 June 2018 (Unaudited)	As at 31 December 2017 (Audited)
Short-term loans		
Pledge loans	971,810.00	10.00
Mortgage and pledge loans	145,000.00	–
Credit loans	300,000.00	300,000.00
	1,416,810.00	300,010.00
Long-term loans		
Mortgage loans	7,954,914.20	6,215,305.89
Pledge loans	2,484,300.00	2,300,650.00
Mortgage and pledge loans	1,605,784.38	1,715,765.62
Mortgage and guaranteed loans	493,977.13	585,000.00
Mortgage, pledge and guaranteed loans	488,744.30	520,942.97
Credit loans	240,000.00	35,000.00
	13,267,720.01	11,372,664.48
Long-term loans due within 1 year		
Mortgage loans	2,845,870.80	3,479,754.44
Pledge loans	162,800.00	87,900.00
Mortgage and pledge loans	200,275.00	173,837.50
Mortgage and guaranteed loans	291,942.87	197,500.00
Mortgage, pledge and guaranteed loans	63,622.73	62,092.15
Credit loans	69,000.00	10,000.00
	3,633,511.40	4,011,084.09

Management Discussion and Analysis

III. FINANCIAL REVIEW (CONTINUED)

13. The debt situation and debt ratio (Continued)

	As at 30 June 2018 (Unaudited)	As at 31 December 2017 (Audited)
Bonds		
Unsecured medium-term notes		
– Bonds due in 2018	499,629.08	498,726.00
Corporate bonds		
– Corporate bonds due in 2020	4,995,201.77	4,987,988.00
– Corporate bonds due in 2021	1,493,666.35	1,490,868.00
– Corporate bonds due in 2023	1,484,320.53	1,482,044.00
US dollar denominated bonds		
– US dollar denominated bonds due in 2022	1,951,545.29	1,923,566.00
	10,424,363.02	10,383,192.00
Commercial mortgage-backed securities payable	2,378,400.00	2,378,400.00

Among the total debt of the Group, the portion to be repaid in one year or on demand was RMB10,564.2 million; the portion to be repaid more than one year but not more than two years was RMB3,941.5 million; the portion to be repaid more than two years but not more than five years was RMB11,649.2 million; the portion to be repaid over than five years was RMB4,965.9 million. The Group would timely repay the above loans at the maturity date.

	Six months ended 30 June	
	2018 (Unaudited)	2017 (Audited)
Interest expenses coverage ratio(1)	3.96	3.94
EBITDA interest coverage ratio(2)	5.74	5.41

Notes:

(1) Interest expenses coverage ratio is our adjusted EBITDA divided by our interest expenses before capitalization for each period. Adjusted EBITDA represents profit before tax, adding back financial expenses, depreciation, amortisation and impairment losses, 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.

(2) EBITDA = total profit + interest expenses included in financial expenses + depreciation and amortisation.

EBITDA interest coverage ratio = EBITDA/(capitalized interests + interest expenses included in financial expenses)

III. FINANCIAL REVIEW (CONTINUED)

13. The debt situation and debt ratio (Continued)

The following table sets out our major debt ratios:

	As at 30 June 2018 (Unaudited)	As at 31 December 2017 (Audited)
Asset-liability ratio[1]	55.3%	54.7%
Net gearing ratio	44.9%	41.5%

Note:

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

14. Pledged assets

As at the end of the Reporting Period, the Group had pledged investment properties with book value of RMB56,636.0 million, the restricted cash and bank balance of RMB416.9 million and the other equity instrument investments with book value of RMB1,650.0 million for obtaining loans and providing guarantees.

15. Contingent matters

The Group and our cooperative partner provided financial guarantees to a financial institution in respect of a loan in the amount up to RMB2,500.0 million granted to one of our associates, of which the Group provided guarantee according to its equity proportion of 25%, which is RMB625.0 million, to secure the above facility. As at the end of the Reporting Period and the end of 2017, of which, RMB1,000.0 million and RMB1,600.0 million had been utilized by the associate, respectively.

The directors of the Company (the "**Directors**") believe that the amount of the above financial guarantees is not significant and the guaranteed associate is in good financial status.

Management Discussion and Analysis

III. FINANCIAL REVIEW (CONTINUED)

16. Capital commitments

As at the end of the Reporting Period, the amount of commitment in respect of the acquisition of long-term assets which the Group has contracted for but not recognized in the financial statements was RMB1,325.9 million. In addition, the Group has entered into agreements with its partners, pursuant to which the Group's committed to contributing funds for external investment jointly with the partners amounted to RMB352.9 million. Please refer to the details disclosed in Note 11.1.(1) Capital commitments to the financial statements.

17. Financial resources and capital structure

As at the end of the Reporting Period, the net gearing ratio of the Group was 44.9%. In the future, the main sources of capital of the Group will be the cash generated from our operating activities, bank borrowings, issuance of bonds and share capital contributions from our shareholders. To ensure the capital of the Group is effectively utilized, the Group will continue to regularly monitor our working capital needs, comply with loan contract and maintain the sufficiency of our cash reserves and credit limits so as to meet our cash flow needs.

18. Future plans for material investments

Our future major investments are primarily capital expenditures in respect of acquisition and construction of investment properties (including through acquisition of subsidiaries). We expect to capitalize on secular growth trends in the home improvement and furnishings industry by strategically opening new shopping malls in selected cities in China with attractive market attributes and strengthening scale effect.

We will adhere to a prudent financial management strategy, unify management of funds and financing based on the cash inflows, rationally plan and arrange the investment and operational expenditures, expand financing channels while maintain a reasonable financial condition and debt ratio level, so as to maximize the benefits of the Group.

19. Material acquisitions and disposals

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

III. FINANCIAL REVIEW (CONTINUED)

20. 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 USD300 million USD-denominated bonds issued on 21 September 2017 and certain deposits denominated in USD and HKD. To manage the additional exchange risk exposure, the management of the Company adopted relevant risk management and control measures to prepare for risk hedging, including enhancing internal control awareness and strategy, strengthening cooperation with international banks, appropriately selecting forward contracts and currency swaps and other foreign debt hedging instruments, and closely monitoring on trends of foreign exchange market. We believe that foreign exchange risks related to such assets and liabilities denominated in other currencies will not have material impacts on operating results of the Group.

21. Human resources

As at the end of the Reporting Period, the Group employed 23,187 employees (the end of 2017: 22,621 employees) in total. The Group enters into labor contracts with employees according to the Labor Law of the PRC and the relevant provisions of the employee's locality. The Group determines the employee's basic wage and bonus level according to the employee's performance, work experience and the market wage standard, and pays social insurance and housing provident fund for the employees. During the Reporting Period, the Group paid a total of RMB1,453.9 million for salary expenditures (the same period in 2017: RMB1,163.3 million). Meanwhile, the Group also continued to invest resources in providing various education and training opportunities for the staff, aiming to standardize the management work and improve the operation performance, and continuously improve the knowledge and technology level as well as business practice competence of the employees.

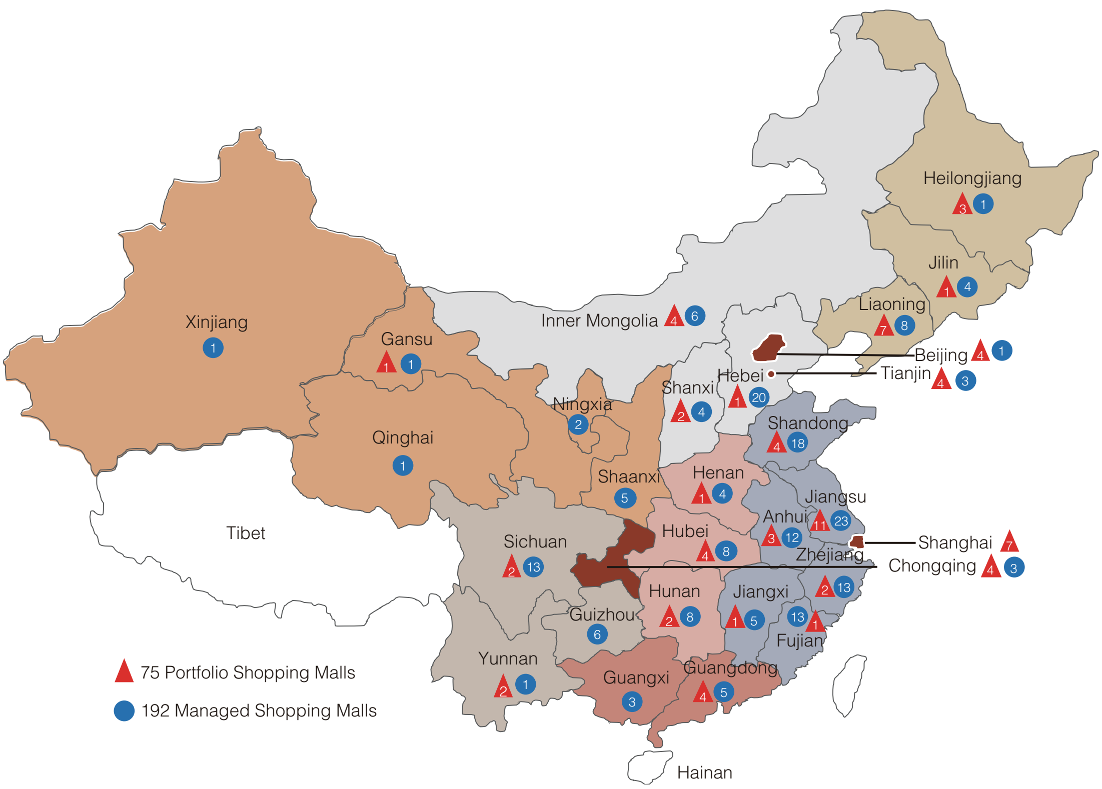
Management Discussion and Analysis

IV. BUSINESS REVIEW

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

As at the end of the Reporting Period, we operated a total of 267 shopping malls with a nationwide coverage across 180 cities in 29 provinces, autonomous regions and municipalities, with a total operating area of 15,955,255 sq.m.. Through applying the two-pronged development model of Portfolio Shopping Malls and Managed Shopping Malls, we have occupied the properties in prime locations in Tier I Cities and Tier II Cities, at the same time accumulated extensive experience in operation of shopping malls, constantly strengthened the brand value, and set a relatively high entry barrier.

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



IV. BUSINESS REVIEW (CONTINUED)

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

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

Color	Region[1] (Municipality/ Administrative Region)	Portfolio Shopping Malls Number of shopping malls	Portfolio Shopping Malls Sub-total Operating Area *(sq.m.)*	Managed Shopping Malls Number of shopping malls	Managed Shopping Malls Sub-total Operating Area *(sq.m.)*
	Beijing	4	301,608	1	88,614
	Shanghai	7	714,543	0	0
	Tianjin	4	344,677	3	133,515
	Chongqing	4	329,676	3	87,103
	Northeast China	11	919,145	13	611,717
	North China (excluding Beijing, Tianjin)	7	389,109	30	1,518,614
	East China (excluding Shanghai)	22	1,851,565	84	4,507,014
	Central China	7	684,263	20	973,129
	South China	4	246,571	8	428,652
	West China	5	311,300	30	1,514,440
	Total	75	6,092,458	192	9,862,798

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; West 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.

Management Discussion and Analysis

IV. BUSINESS REVIEW (CONTINUED)

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

During the Reporting Period, we continued to implement the policy of strategic distribution of our Portfolio Shopping Malls to make sure that most of our Portfolio Shopping Malls are located in prime locations in Tier I and Tier II Cities. As at the end of the Reporting Period, we operated 75 Portfolio Shopping Malls covering a total operating area of 6,092,458 sq.m. with an average occupancy rate of 97.9%. Among these Portfolio Shopping Malls, 19 Portfolio Shopping Malls, representing 25.3% 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 1,690,504 sq.m., representing 27.8% of the total operating area of the Portfolio Shopping Malls. The same mall growth of mature shopping malls *(Note)* was 9.6% during the Reporting Period, which was primarily affected by the increase in unit income from operation and the increase in operating area of mature Portfolio Shopping Malls during the Report period.

Note: "Same mall growth of mature shopping malls" is the growth in income from operation for a particular period compared with the same period in the prior year for all Portfolio Shopping Malls (including associated and joint 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 operation and management, we improved unit income from operation and optimized the operation area of the shopping malls, both of which contributed the increase in overall operating income.

During the Reporting Period, we opened 2 new Portfolio Shopping Malls and 2 Managed Shopping Malls were converted into Portfolio Shopping Malls. As at the end of the Reporting Period, we had 25 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, by virtue of a reputable brand name in the home improvement and furnishing industry and developed capabilities in shopping mall development, tenant sourcing and operation management, we continued to rapidly develop Managed Shopping Malls in Tier III Cities and other cities. We also had internally put in practice a stringent selection and evaluation mechanism to ensure the steady and rapid development of Managed Shopping Malls. As at the end of the Reporting Period, we operated 192 Managed Shopping Malls covering a total operating area of 9,862,798 sq.m., with an average occupancy rate of 97.6%. Among these Managed Shopping Malls, 114 Managed Shopping Malls, representing 59.4% of the total number of Managed Shopping Malls, were located in eastern China (excluding Shanghai) and northern China (excluding Beijing and Tianjin). The operating area of the aforesaid Managed Shopping Malls was 6,025,628 sq.m., representing 61.1% of the total operating area of Managed Shopping Malls. During the Reporting Period, we opened 10 new Managed Shopping Malls and closed 1 Managed Shopping Malls. In addition, 2 Managed Shopping Malls were converted into Portfolio Shopping Malls. As at the end of the Reporting Period, we have obtained land use right certificates/land parcels for 358 pipeline Managed Shopping Malls. Along with steady social and economic development of the country, further progress 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.

IV. BUSINESS REVIEW (CONTINUED)

2. Operational Management of Shopping Malls

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

2.1 Tenant sourcing management

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

By virtue of our insight into the consumption trend in the home furnishings market, we have always catered to changes of the consumption trend in the market, and optimizing the brands and the categories of merchandise in our home furnishing shopping malls. During the Reporting Period, we continued to introduce flagship stores of major brands that meet consumers' demand, improved the strategic layout of shopping malls; 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 the image upgrading and venue renovation on dedicated zone of household products for children, and increased the introduction of intelligent home categories and gradually created the intelligent home experience zone.

Meanwhile, we continued to maintain diversified businesses to enrich category portfolio by combining the surrounding environment 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; we established the "Home Decoration Experience Center" in 50 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 enhanced consumer stickiness. At the same time, we have set up home life experience halls in 10 shopping malls in Tier I and Tier II Cities and further increased the consumption frequency of customers with access to the shopping malls by increasing the area of repurchased household items. As at the end of the Reporting Period, the operation area of new business initiatives including soft decoration and home decoration design have increased by 30% compared with the corresponding period in 2017.

Management Discussion and Analysis

IV. BUSINESS REVIEW (CONTINUED)

2. Operational Management of Shopping Malls (Continued)

2.1 Tenant sourcing management (Continued)

2.1.2 Catering to the trend of consumption upgrading, stepping up our efforts in introducing global brand and continuing 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 continued to penetrate into potential markets to promote the introduction of global brands. As of the end of the Reporting Period, we have created 30 international pavilions in 29 cities. 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 brand booths we owned amounted to 3,849.

2.2 Operational Management

2.2.1 We comprehensively promoted the "Word of Mouth Advertising" project, and set high standards for and stringent requirements on the operation and management of shopping malls with respect to price, quality, service etc.,

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》) which we developed jointly with the National Development and Reform Commission, we continued to exert active efforts in rolling out such regulations in our shopping malls nationwide, and interacted actively with local pricing bureaus in respect of price management.

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 over 1,500 major brands and carried out online operation for over 500 mainstream brands, with over 150 million units of products labeled accordingly. In addition, during the Reporting Period, we replaced the method of random tests on the commodities sourced from factories by random tests on the commodities on sale in malls, effectively preventing counterfeit, inferior commodities in intermediate links and securing quality for end consumers.

IV. BUSINESS REVIEW (CONTINUED)

2. Operational Management of Shopping Malls (Continued)

2.2 Operational Management (Continued)

2.2.1 We comprehensively promoted the "Word of Mouth Advertising" project, and set high standards for and stringent requirements on the operation and management of shopping malls with respect to price, quality, service etc.. (Continued)

In terms of services, we continued to improve the services in our shopping malls in multiple dimensions and placed emphasis on further improving customer satisfaction through return visits or satisfaction surveys. Following the "Return Visit for One Million Customers" launched in the shopping malls across the country, we continued to upgrade this activity and made customer return visits be conducted on a regular basis in a way that brand partners and shopping mall managers conducted follow-up home visits to collect customer feedback, 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 and facilitating shopping mall management to better suit customer needs. As at the end of the Reporting Period, we had 232 shopping malls nationwide that had carried out this activity.

In terms of 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 indicator query and application platform project, being the sole home furnishing brand supported by the Shanghai Special Fund, completed the evaluation for the phase I financial performance project in June 2018. After the completion of the overall evaluation, the full text will be published on the official website of Shanghai Municipal Development and Reform Commission. In May 2018, with the invitation of the Tianjin Commission of Commerce, we attended the special training event on corporate integrity construction of "Integrity for Business Success" and shared the experience of tenants' integrity management system with the participating representatives of corporations. In June 2018, our Company was elected as a member of Shanghai Municipal Commercial Credit Standardization Technology Committee. On 28 June 2018, our Company became one of the first batch of corporations to sign and join the anti-"credit manipulation" alliance of Shanghai.

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 13 shopping malls nationwide.

As at the end of the Reporting Period, our "Word of Mouth Advertising" project had been successfully promoted in 260 shopping malls nationwide.

Management Discussion and Analysis

IV. BUSINESS REVIEW (CONTINUED)

2. Operational Management of Shopping Malls (Continued)

2.2 Operational Management (Continued)

2.2.2 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 award, and initiated an omni-directional quality management system for pre-sales, sales and after-sales, to ensure the standard of healthy living of each consumer. As at the end of the Reporting Period, more than 200 newly-added core home furnishing brands participated in "Leading Green" brand.

2.3 Marketing Management

2.3.1 Brand management

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

In 2018, the Company upgraded the high-end and fashionable image of its brands in an all-round way, and fully mastered the consumer psychology of seizing the global top-notch design products through brand visual advertising, insertions in high-quality TV drama, and design of top-notch products propaganda, to form online and offline competitive zones and disseminate our brand strategy of "Selecting Global Top-notch Design Products".

Focusing on our brand strategy of "Selecting Global Top-notch Design Products", we made high-quality and large-size brand visual advertisements in key locations in Shanghai and Beijing airports, such as lounge bridges.

We continued to build the unique brand culture asset of Red Star Macalline – Luban Top-notch Design Products Festival, focusing on displaying the high-quality products on the platform of Red Star Macalline, interpreting products from the perspectives of culture, art and design, and demonstrating the products and brand strengths through the platform of Red Star Macalline.

We bundled high-quality TV series for deep content insertions, bundled actors in a deep way, and customized designers' roles of Red Star Macalline to enhance the consumers' consciousness that top-notch design products are available in Red Star Macalline and to promote the APP for a home decoration designer platform of Red Star Macalline.

We continued to disseminate the imported home furnishing brand strategy of Red Star Macalline, utilized airport magazines from the four major airlines to launch imported home furnishing advertising, and introduced imported home furnishing brands, products and shopping malls in the forms of features and soft texts.

IV. BUSINESS REVIEW (CONTINUED)

2. Operational Management of Shopping Malls (Continued)

2.3 Marketing Management (Continued)

2.3.1 Brand management (Continued)

Continuingly raising our level of brand communication so as to consolidate our brand strategy of "Selecting Global Top-notch Design Products" (Continued)

We exported splendid home furnishing aesthetic concepts and carried out in-depth interaction with consumers via Wechat and other social media platforms, and constantly led the brand awareness and brand preference of consumers, thus achieving improvement in brand reputation. We showed the content of our stationed brands on the platform of the Company to help publicize brands and products so as to strengthen consumers' purchase decisions.

Brand is the most important intangible asset of a company. We conducted more refined management on the vision of our shopping mall nationwide by formulating standards, proposing visual solutions and strengthening review methods. 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, to form the consumer awareness in relation to high-end shopping malls and to create a more competitive brand image.

2.3.2 Marketing management

Establishing a leading new retail digital marketing system in the home furnishing industry to create a traffic ecosystem with self-production and sound sales

We have established an all-staff, whole-cycle, full-channel digital marketing tool and operating system that enables traffic to be metered, distributed, fissile, managed, integrated and reused, while achieving digital upgrade of online and offline communication channels including SMS, advertisements, WeChat, phone calls, APPs and applets. Through the digital marketing system, we can integrate and retain offline traffic to online platforms on one hand, and we can gather and utilize the precise traffic manipulated by all tenants and selection guides on the other hand. In addition to generating traffic and facilitating increase in sales volume and additional income, more importantly, the value of digital marketing can significantly promote the sustainable and sound development of the marketing system of the Company.

We continued to expand traffic growth and transformation through contacting our customers in an all-dimensional way and a full range of scenarios. As of the end of the Reporting Period, H5 social marketing accumulatively launched 110,000 selection guides, achieving 8.5 million times of H5 exposure on precise users and recruiting 1.22 million precise user members. At the same time, we created a mode of active service for deep traffic operation, further increasing consumption conversion rate, thereby attracting new users and retaining existing users, and effectively increasing repurchase, corporate brand reputation and customer loyalty.

Management Discussion and Analysis

IV. BUSINESS REVIEW (CONTINUED)

2. Operational Management of Shopping Malls (Continued)

2.3 Marketing Management (Continued)

2.3.2 Marketing management (Continued)

Establishing a leading new retail digital marketing system in the home furnishing industry to create a traffic ecosystem with self-production and sound sales (Continued)

At the same time, we continued to enable iterative algorithm of digital marketing products, in order to achieve one-to-one and two-way, real-time communication between the platform and users and to create the C-end, B-end and E-end applets of the Company. Through the computer-supplemental system with standardized management of marketing actions-the creation of smart marketing and project, standardized, digital and intelligent management of the marketing actions for shopping malls can be realized.

We have performed piecework evaluation and incentives of marketing performance. We designed different incentive methods and PK mechanisms for different groups including marketing personnel, selection guides, tenants, designers, property managers and real estate agents to achieve retention and growth of precise traffic.

We further speeded up digital marketing upgrade, and gradually changed the status of traffic from being manipulated by tenants to being manipulated by the Company. The Company has gradually become a traffic distribution platform. Through targeted distribution of traffic to factory owners and tenants, we will use precise traffic to create new profitable models.

In addition, we have expanded our marketing traffic channels through cross-industry cooperations, and actively discussed the possibilities of cooperations 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 customers to customers.

IV. BUSINESS REVIEW (CONTINUED)

2. Operational Management of Shopping Malls (Continued)

2.4 Property Management

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

We maintained and improved our shopping malls by means of source management and control, beautification and restoration as well as professional maintenance. In terms of source management and control, we strived to minimize the damage to the environment by imposing management on and control over the processes of tenants uploading and offloading merchandise, tenants making decoration, advertising companies carrying out construction and arranging exhibitions at nonstandard exhibition spots. In terms of beautification and restoration, we provided trainings and certifications for floor brick restorers, and conducted short training lessons for beautifying and restoring the floor bricks in our shopping malls which improved the environments of shopping malls. In terms of professional maintenance, we improved the environment of toilets by means of checking and retrofitting the exhaust equipment. In terms of environmental protection, we completely enclosed places where decoration work is in progress, and monitored the daily disposal of the garbage generated every day on site, to prevent the decoration work from polluting the environment in our shopping malls.

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

We advocate the concept of energy conservation and environmental protection, and devote ourselves into constructing energy-saving and environment-friendly properties and building green shopping malls. As at the end of the Reporting Period, we recorded a total of 4.39% reduction in power consumption in 65 major shopping malls as compared to the same period in 2017.

2.4.3 Strictly controlling safety in our shopping malls with standardized management, focusing mainly on prevention and preventing 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 for high-risk fields, such as different industries, adjacent properties and contaminated sites. Meanwhile, we organized safety self-inspection campaign, patrol inspection and audit nationwide, utilized professional instruments and third-party risk assessment organizations to identify safety risks of shopping malls. We 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.

Management Discussion and Analysis

IV. BUSINESS REVIEW (CONTINUED)

3. Expansionary Business: Robust Development

During the Reporting Period, the development of our expansionary businesses flourished. We continued to carry out upstream and downstream cross-border business extension and build a business life community for pan-home improvement and furnishings industry with the orientation on the "omni-channel platform service provider for the pan-home improvement and furnishings industry" and by upholding the core concept "home". During the Reporting Period, our internet platform provided consumers with pan-consumption industry chain services such as home renovation and purchase of household-related products. We also provided full-range and all-dimensional logistics services to satisfy multiple needs of users on both ends of the platform so as to realize 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 furnishing consumption ranging from home renovation to purchasing 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 offline real shopping mall network by digitally transforming and upgrading the existing home improvement and furnishings mall. Through these efforts, the Company succeeded in providing convenient and quality services and O2O interactive experience to our customers. At the same time, we had achieved synergies between the offline business and the expansionary business on the internet, further improved overall operation efficiency and maximized value creation.

Internet-based home improvement

Shanghai Betterhome Decoration Engineering Co., Ltd. ("**BetterHome**"), one of our subsidiaries, has an experienced household design team and set up home decoration stores in our household decoration malls to provide customers with integrated service of home design and decoration and create synergy effect with businesses of home decoration malls. As at the end of the Reporting Period, we had 40 offline home decoration stores, which were located in 40 shopping malls in 13 cities including Beijing, Tianjin, Shanghai, Nanjing, Chongqing, Chengdu, Zhengzhou, Hefei, Shijiazhuang, Suzhou, Hangzhou and Wuxi.

During the Reporting Period, we continued to enrich our internet-based home improvement platform focusing on design, and continuously updated and expanded such product programs as content, designers and investment attraction to offer users online display of design content and online communication and reservation of designers and a series of home decoration tool services etc. As at the end of the Reporting Period, our internet-based home improvement platform had signed agreements with 74 high-end home decoration companies, recruited 24,895 designer members who entered the platform and participated in the online and offline design activities of the Company, including 4,348 designers for undertaking of home decoration orders and 55,207 customers making reservation for home decoration through the platform.

IV. BUSINESS REVIEW (CONTINUED)

3. Expansionary Business: Robust Development (Continued)

3.1 Internet-based pan-home consumption (Continued)

Internet retail

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 actively expanded the pure online brands and merchants so as to provide consumers with more rich and diverse choices.

During the Reporting Period, we further upgraded and improved our Internet retail platform to provide consumers with convenient service functions such as merchandise display, customer service consultation, member marketing, online trading, offline store guide and reservation experience. We used online and offline interactions to expand the communication channel between the Company and consumers and enhance customer satisfaction and stickiness and drive overall consumer demand.

As at the end of the Reporting Period, the Company has attracted 17,726 tenants to sign up for its internet-based retail platform. Based on the self-developed new retail system, 69 offline shopping malls of Red Star Macalline in 32 cities succeeded in connecting with the products and services from the online platform.

3.2 Financial information service: retaining and expanding our consumer and tenant base

During the Reporting Period, we provided consumers and financial institutions with consumer loan information business, through cooperation with commercial banks, consumer finance companies and other financial institutions provided consumers with household consumer loans. The loans obtained by the consumers could only be spent in our home mall. During the Reporting Period, the amount of consumer loans issued by financial institutions through the above channels was RMB770 million, and our relevant commission income was RMB7.5 million, which boosted the sale of merchandise for mall merchants.

Management Discussion and Analysis

IV. BUSINESS REVIEW (CONTINUED)

3. Expansionary Business: Robust Development (Continued)

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

In the terminal service system of the home furnishing circulation industry, the logistics and distribution is the direct interface with our consumers. As a result, the quality of logistic service has a significant impact on the reputation of relevant brands. Engaged in principal businesses such as warehousing, distribution, installation, maintenance and after-sales maintenance of home furnishing, we create a standardized, intelligent, informational and integrated home furnishing logistics system to improve customer satisfaction and stickiness to the brands of our tenants as well as the brand of Red Star Macalline. We set up logistics trial centers in 16 cities including Nanjing, Wuxi, Shijiazhuang, Changsha, Shenyang, Jinan, Qingdao and Taiyuan to provide “one-stop” professional services for customers from purchase to professional product distribution and installation. As at the end of the Reporting Period, more than 418 brands have commenced operations with our logistics service business, with a storage area of more than 115,400 sq. m in total.

During the Reporting Period, a smart logistics system jointly developed by the Company and the University of Hong Kong were used online in various projects. The system includes four sets of management service system, namely, merchant service, warehouse management, vehicle arrangement and customer service/customer evaluation, to support the whole-process management of business cooperation, warehousing, delivery, after-sales service, evaluation and expenses. During the Reporting Period, we continued to construct the Smart Logistics 1.0 Project and have made pilot research and development on an unmanned inventory technology with the RFID chip.

4. Continuously Upgrading Information Infrastructures to Support the Development of the Integration of Online and Offline Businesses

During the Reporting Period, focusing on the objective of “integration of online and offline businesses” of the Company, we continued to promote the construction of information infrastructures in the Group’s headquarters and shopping malls, thereby achieving certain results in reinforcement of financial system, upgrade and comprehensive promotion of the “Long Yi” (龍翼) system, application of data analysis as well as intelligent shopping malls and other areas.

During the Reporting Period, we further deepened and speeded up the integration of business, finance, taxation and capital on the basis of facilitating business flow, financial flow, capital flow and tax flow. We rapidly pushed forward comprehensive budget projects, and realized the integration of business and finance of budget by getting through opening up a link between the budget system and the “Long Yi” (龍翼) system. A financial decentralized cashier system was officially launched and it has entered the stage of trial operation, realizing the self-checkout function of tenants and effectively improving customer experience and sales efficiency.

IV. BUSINESS REVIEW (CONTINUED)

4. Continuously Upgrading Information Infrastructures to Support the Development of the Integration of Online and Offline Businesses(Continued)

During the Reporting Period, we completed further upgrade and optimization of the "Long Yi" (龍翼) system, an information system within the Group, including adding new functional modules such as tenant sourcing system, realizing mobile approval of operating system, upgrade and optimization of the property management system, internal control and compliance system, new development system and a number of business systems.

Meanwhile, we activated the large-scale promotion of and trainings for the "Long Yi" (龍翼) system in the first half of this year, aimed at achieving full coverage of the "Long Yi" (龍翼) system to be launched in all shopping malls nationwide by the end of 2018. As of the end of the Reporting Period, the total number of shopping malls for which the "Long Yi" (龍翼) system achieved online operation reached 163, accounting for 63% of the total number of shopping malls nationwide.

In terms of data analysis and application, we provided a real-time data board covering all business segments for middle and high-level management in various business lines of the Group, such as investment, finance, corporate planning, operation, property, as well as management personnel of offline shopping malls, in order to form a basis for offering information to the management to timely keep track of the operating status and make management decisions.

Meanwhile, we also started working on intelligent shopping malls this year. We used advanced artificial intelligence technologies such as machine vision and trajectory analysis and initiated the use of guide service robots in shopping malls to further improve customer experience and raise operating efficiency of shopping malls and tenants, thereby achieving a win-win situation with a number of parties.

5. Highly Efficient Human Resources Management Policies to Support the Efficient Business Growth

During the Reporting Period, closely in line with our corporate strategies, our human resources policies promoted the implementation of strategic adjustment to the integration of the Company's operation and development, rapidly completed the supporting work for organizations and personnels, propped up the integration of operation and development of the Company at provincial level, achieved coordination of the Company's national resources, ensured smooth connection of each of the Company's businesses, 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 construction and optimization, we have completed the establishment and optimization of multiple process systems, including the smart reminder system for induction materials, license management system, strategic talent big data system, etc., and completed optimization of the internal recommendation and one-click publishing functions, process reminder function and PeopleSoft system function in the recruitment system to improve efficiency of the human resources operations.

Management Discussion and Analysis

IV. BUSINESS REVIEW (CONTINUED)

5. Highly Efficient Human Resources Management Policies: to Support the Efficient Business Growth (Continued)

In terms of the management of overall performance, we deeply explored the theme of employees' self-motivation. From the dimensions of organizational management and distribution models such as partnership, piecework counting and commission-basis, in combination of the shopping malls' business models, we carried out research and development and exploratory pilot operation on a basis of incentive model, constantly driving employees' independence and spontaneousness toward their work and forming organizational automation. During the Reporting Period, a package-based performance management and incentive proposal has been formed to be available for selective trial operation by each of the shopping malls based on their actual business needs, on the premise of fulfilling business indicators for each of the operating units, conducive to the improvement of both the performance and management in various shopping malls and regions.

In terms of talent development, we organized and conducted talent review on all of our shopping malls in the country, had a reserve of 114 shopping mall general managers and built a result-oriented training and incubator system to provide support for expansion of 87 newly opened shopping malls this year. In promoting the rejuvenation of the Company, we have introduced a total of 297 university graduates from major colleges and universities across the nation to the home furnishing operation and internet segments through the "Star Motivation" program, further strengthening the cultivation of young talents for the Company.

In terms of business support, we recruited a total of 694 employees for business expansion and business development for the Company during the Reporting Period. We organized talent review development and outstanding case study activities to lay a sound foundation for continuous expansion of our business through sharing and studying outstanding cases. We further optimized the assessment mechanism on employees for business expansion, 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 won the "2018 Outstanding Human Resources Management Award" issued by 51job.com (前程無憂).

We had a total of 23,187 employees as at the end of the Reporting Period.

IV. BUSINESS REVIEW (CONTINUED)

6. Home Furnishing Shopping Malls Brand Portfolio

In terms of the establishment of brand portfolio, in addition to the core brand "Red Star Macalline", the Company also invested in new brands paralleling to the core brand to achieve brand diversity and further enrich the variety of services provided by the Company. A more fashionable and high-end brand, "Red Star Ogloria" (紅星 • 歐麗洛雅) was created to broaden consumer bases and increase the market share. Moreover, since 2016, the Company provided commercial consultation services to property owners in the stage of development planning and a written consultation report for properties in operation other than Portfolio and Managed Shopping Malls. The Company may grant such property owners the authorization to use "Xingyijia" (星藝佳) brand in the way agreed by the Company. In addition, as the Company obtained the concession right of "Jisheng Wellborn", a high-end home improvement and furnishing retail brand, with a term of thirty years in 2014, 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, and to authorize any third parties to use the licensed trademarks within the properties of the shopping malls.

By the end of the Reporting Period, "Red Star Macalline", the core brand remains its leading position in terms of the number of shopping malls and revenue.

V. OUTLOOK AND PROSPECTS

We always shoulder the responsibility of "building a cozy and harmonious home, and improving the taste in shopping and home life". In the second half of 2018 and going forward, we will keep following the operational management mode of "market operation and commercial management" to provide customers with better and more professional services. We will consolidate our leading status in the market as well as the professional status of Red Star Macalline as an expert of home life with customers, to pursue our enterprise development goal of growing into China's most advanced and professional "omni-channel platform service provider for home decoration and furnishing industry".

The plan for our future development is as follows:

1. We will continue to implement the two-pronged business model of Portfolio Shopping Malls and Managed Shopping Malls, and consolidate the market leadership through strategic expansion of our shopping mall network and brand portfolio;

2. We will build comprehensive service system and strive to become new retail benchmark in the home decoration and furnishing industry;

3. We will enhance the long-term competitiveness of the Company through digital strategies;

4. We will be proactive in innovation and attach importance to the application of capital markets and financial instruments; and

5. We will continue to improve corporate governance, standardize our operation and practice social responsibilities.

Corporate Governance and Other Information

The Company is a sino-foreign joint venture incorporated in the PRC under the Company Law of the PRC on 6 January 2011. The Company's H shares were listed on the Main Board of the Hong Kong Stock Exchange on 26 June 2015. The Company's A shares were listed on the Main Board of the Shanghai Stock Exchange on 17 January 2018.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

During the six months ended 30 June 2018, other than deviation from code provision A.2.1 of the Corporate Governance Code, the Company has complied with the provisions of the Corporate Governance Code ("**Corporate Governance Code**") as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("**Listing Rules**"), which set 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. Directors are satisfied that sufficient corporate governance measures have been put in place to manage conflicts of interest between the Group and the controlling shareholders (as defined under the Listing Rules) and/or directors to protect the interests of the minority shareholders.

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

Mr. CHE Jianxing ("**Mr. CHE**") is the Chairman and chief executive officer of the Company. In view of Mr. CHE's experience, personal profile and his roles in the Group as mentioned above and the fact 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 our Board comprises 4 independent non-executive Directors out of the 12 Directors, which is in compliance with the Listing Rules requirement that one-third of the board shall be independent non-executive Directors, and we believe that there is sufficient checks and balances in the Board; (ii) Mr. CHE and the other Directors are aware of and undertake to fulfill their fiduciary duties as Directors, which require, among other things, that he shall act for the benefit and in the best interests of the Company and will make decisions for the Group accordingly; and (iii) the balance of power and 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 of the Board and general manager is necessary.

Corporate Governance and Other Information

COMPLIANCE WITH MODEL CODE

The Company has adopted a code of conduct regarding securities transactions by directors and supervisors of the Company ("**Supervisors**") on terms as required under the Model Code for Securities Transactions by Directors of Listed Issuers ("**Model Code**") as set out in Appendix 10 to the Listing Rules. The Company has conducted specific enquiries to the Directors and Supervisors, and all Directors and Supervisors have confirmed that they had complied with all the provisions and standards set out in the Model Code during the six months ended 30 June 2018.

AUDIT COMMITTEE AND REVIEWING INTERIM RESULTS AND INTERIM REPORT

The Company has established an audit committee ("**Audit Committee**") with written terms of reference in compliance with the Listing Rules, the primary duties of which are to assist the Board by providing an independent view of the effectiveness of the financial reporting process, managing internal control and risk management systems of the Group, overseeing the audit process and performing other duties and responsibilities as assigned by the Board. As at the date of this report, the Audit Committee consisted of three independent non-executive Directors, namely Mr. DING Yuan, Mr. LI Zhenning, and Mr. QIAN Shizheng. Mr. DING Yuan, who holds the appropriate professional qualifications as required under Rules 3.10(2) and 3.21 of the Listing Rules, serves as the chairman of the Audit Committee.

The Audit Committee has reviewed and confirmed the Group's interim results announcement for the six months ended 30 June 2018, the 2018 interim report and the unaudited financial statements for the six months ended 30 June 2018.

THE BOARD, THE BOARD OF SUPERVISORS AND COMMITTEES

From 1 January 2018 to the date of this report, no change was made to the information of the Board, Board of Supervisors, Strategy and Investment Committee, Audit Committee, Remuneration and Evaluation Committee and Nomination Committee, which was consistent with the contents as set out in the 2017 Annual Report of the Company.

From 1 January 2018 to the date of this report, the Board complied with the requirements of appointing at least three independent non-executive Directors (among whom at least one independent non-executive Director holds the appropriate professional qualifications or accounting or relevant financial management knowledge) set out in Rules 3.10(1) and 3.10(2) of the Listing Rules at any time. The Company also complied with the requirements of appointing independent non-executive Directors, accounting for one-third of the members of the Board set out in Rule 3.10A of the Listing Rules.

Corporate Governance and Other Information

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

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

Name of Directors/Supervisors/senior management	Details of changes in position/particulars
Mr. DING Yuan	Appointed as a non-executive director of Saurer Intelligent Technology Co., Ltd. (Shanghai Stock Exchange Stock Code: 600545) since May 2018
Mr. LEE Kwan Hung	Resigned from an independent non-executive director of Asia Cassava Resources Holdings Limited (stock code: 841) since May 2018

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

A Share Issuance

Considering that the Company is mainly engaged in its main businesses in China, the issuance of A shares will enhance the corporate image and brand influence of the Company, further broaden its financing channels, increase its working capital and improve its capital market recognition by attracting large institutions and small and medium-sized investors. The A share issuance will contribute to the business development, financing flexibility and business development of the Company, and also will help the Company to obtain more financial resources and improve its competitiveness, which will facilitate the long-term development of the Company. Taking all these factors into consideration, restarting the application for listing in China is in line with the strategic development needs of the Company. It is also suitable to capture the development opportunities in the Chinese capital market, promote the long-term sustainable development of the Company and create better returns for shareholders.

On 3 January 2018, the Company issued RMB ordinary shares (A shares) with a total issued size of 315,000,000 shares, a total face value of RMB315,000,000 and an issue price of RMB10.23 per share. The total amount of funds raised from the A share issuance was RMB3,222,450,000.00, the issuance expenses were RMB172,442,150.37 and the net amount of funds raised was RMB3,050,007,849.63. The net amount raised per subscription share: RMB9.68 per share.

The subscribers of this A share issuance are qualified A-share offline investors (for details, please refer to the overseas regulatory announcement of the Company dated 26 December 2017 - Initial Public Offering Issuance Arrangement and Preliminary Inquiry Announcement) and A Shares online investors (for details, please refer to the overseas regulatory announcement dated 2 January 2018 - Announcement on the Initial Public Offering of A shares). The subscription date of this issuance (3 January 2018): average price of HK$12.38 per share, closing price of HK$12.28 per share; payment date (5 January 2018): average price of HK$12.73 per share, closing price of HK$12.62 per share.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES (CONTINUED)

A Share Issuance (Continued)

For details of the total amount of funds raised and the use of the proceeds, please see the table below.

	RMB '000
Total amount of fund raised	3,222,450
Issuance expense	172,442
Net fund raised	3,050,008

Proposed investment projects		Total investment planned	Investment amount during the six months ended 30 June 2018	Remarks
Home furnishing shopping mall construction project	Tianjin Beichen Shopping Mall Project	245,137	245,137	Fully invested
	Hohhot Yuquan Shopping Mall Project	76,825	76,825	Fully invested
	Dongguan Wanjiang Shopping Mall Project	164,145	164,145	Fully invested
	Harbin Songbei Shopping Mall Project	294,809	294,809	Fully invested
	Urumqi Convention and Exhibition Mall Project	669,084	499,208	Expected to be invested by December 2018
	Changsha Jinxia Shopping Mall Project(1)	190,000	–	Expected to be invested by December 2018
	Xining Expo Shopping Mall Project(1)	110,000	–	Expected to be invested by December 2018
	Sub-total	1,750,000	1,280,124	–
New intelligent home furnishing shopping mall(1)		400,000	–	Expected to be invested by December 2018
Repayment of bank loans		400,000	400,000	Fully invested
Supplement of liquidity		150,008	141,980	Basically fully invested
Repayment of interest-bearing debts(1)		350,000	–	Expected to be invested by December 2018
Total		3,050,008	1,822,104	

As at the end of the Reporting Period, the Group has utilized approximately 60% of the net proceeds in total for fundraising investment projects as required and replenishment of liquidity. Save as disclosed above, the purpose or planned purpose of the proceeds is in line with the plan disclosed previously, with no significant changes or delays.

Corporate Governance and Other Information

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES (CONTINUED)

A Share Issuance (Continued)

Note:

(1) The Resolution on the Change of Part of Proceeds for Investment Projects, considered and approved by the Board of the Company, and the proposed investment in the project with such proceeds shall be subject to submission to the general meeting of the Company for consideration. For details, please refer to the announcement of the Company dated 7 September 2018 as disclosed on the website of the Hong Kong Stock Exchange (http://www.hkexnews.hk).

H Share Repurchase

Since the beginning of March 2018, the Company started to plan for the repurchase of H Shares in Hong Kong (the "**transaction**") and engaged China International Capital Corporation Limited as the financial advisor and Davis Polk & Wardwell ("**Davis Polk**") as the Hong Kong legal counsel for the transaction. On 13 March, Davis Polk, on behalf of the Company, submitted the relevant requests for the transaction plan to The Securities and Futures Commission of Hong Kong, and the reply and preliminary approval were obtained on 15 March. On 4 April, The Securities and Futures Commission of Hong Kong officially approved the plan for the transaction and issued a consent letter on the transaction under Rule 3.5. For further details, please refer to the announcement of the Company dated 5 April 2018 as disclosed on the website of the Hong Kong Stock Exchange (http://www.hkexnews.hk) and the announcement dated 9 April 2018 as disclosed on the designated media in China.

The Resolution on the Repurchase and Cancellation of H Shares and Reduction of Registered Capital of the Company was considered and approved at the 2017 Annual General Meeting, A Shares Class Meeting and H Shares Class Meeting on 8 June 2018. For the relevant approvals, please refer to the announcement disclosed on the designated media in China. On 17 July, the Company completed the repurchase of H Shares and the cancellation of corresponding H shares. For further details, please refer to the announcement of the Company dated 17 July 2018 as disclosed on the website of the Hong Kong Stock Exchange (http://www.hkexnews.hk) and the announcement dated 19 July 2018 as disclosed on the designated media in China.

Save as disclosed above, the Group did not purchase, sell or redeem any listed securities of the Company during the six months ended 30 June 2018.

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

As at 30 June 2018, the interests or short positions of our Directors, Supervisors and chief executives in the shares, underlying shares or debentures of the Company or any Associated Corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("**SFO**")) (a) which will have to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO); or (b) which will be required, pursuant to Section 352 of the SFO, to be recorded in the register referred to therein; or (c) which will be required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Listing Rules were as follows:

(i) Interests in our Company

Name of shareholders	Title	Class of Shares	Nature of interest	Number of underlying shares held	Approximate percentage in relevant class of Shares[1]	Approximate percentage in total share capital[1]
CHE Jianxing (車建興)[2]	Chairman, Chief Executive Officer and Executive Director	A Shares	Interest of controlled corporation	2,480,315,772 (Long position)	86.24%	62.97%
CHEN Shuhong (陳淑紅)[3]	Non-executive Director	A Shares	Interest of spouse	2,480,315,772 (Long position)	86.24%	62.97%

Notes:

(1) As at 30 June 2018, the Company had 3,938,917,038 issued shares in total, comprising 2,876,103,969 A Shares and 1,062,813,069 H Shares.

(2) Mr. CHE indirectly holds 62.97% of the issued shares in total of our Company through his 92.00% direct interest in RSM Holding, a limited liability company incorporated in the PRC and is deemed to be interested in the 2,480,315,772 A Shares held by RSM Holding for the purpose of the SFO.

(3) Ms. CHEN Shuhong is the spouse of Mr. CHE. Under the SFO, Ms. CHEN Shuhong is deemed to be interested in the same number of shares in which Mr. CHE is interested.

Corporate Governance and Other Information

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

(ii) Interests in Associated Corporation

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

Note：

(1) RSM Holding is the investment holding company of the Company, which is held as to 92% by Mr. CHE and as to 8% by Mr. CHE's sister, Ms. CHE Jianfang and therefore an "associated corporation" of the Company within the meaning of Part XV of the SFO. As at 30 June 2018, RSM Holding held 2,480,315,772 A Shares of the Company which accounted for approximately 62.97% of the total issued shares of the Company.

Save as disclosed above, as at 30 June 2018, none of our Directors, Supervisors or chief executives has any interests or short positions in the shares, underlying shares or debentures of the Company or associated corporations (a) which will have to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO); or (b) which will be required, pursuant to Section 352 of the SFO, to be recorded in the register referred to therein; or (c) which will be required to be further notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code.

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

As at 30 June 2018, the interests or short positions in the shares or underlying shares of the Company which will have to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO, and which will be required, pursuant to Section 336 of the SFO, to be recorded in the register referred to therein, as well as persons (other than the Directors, Supervisors or chief executive of the Company) or corporations deemed, directly and/or indirectly, to be interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at our general meetings were as follows:

Number of shareholders	Class of Shares	Capacity/nature of Interest	Number of underlying shares held	Approximate percentage in relevant class of shares[(1)]	Approximate percentage in total share capital[(1)]
RSM Holding	A Shares	Beneficial owner	2,480,315,772 (Long position)	86.24%	62.97%
Warburg Pincus & Co.[(2)]	H Shares	Interest of controlled corporation	301,057,669 (Long position)	28.33%	7.64%
Warburg Pincus Partners GP LLC[(2)]	H Shares	Interest of controlled corporation	301,057,669 (Long position)	28.33%	7.64%
Warburg Pincus Partners L.P.[(2)]	H Shares	Interest of controlled corporation	301,057,669 (Long position)	28.33%	7.64%
Warburg Pincus Real Estate I GP, LLC[(2)]	H Shares	Interest of controlled corporation	301,057,669 (Long position)	28.33%	7.64%
Candlewood Investment SRL[(2)]	H Shares	Other	196,011,390 (Long position)	18.44%	4.98%
Warburg Pincus Real Estate I, L.P.[(2)]	H Shares	Interest of controlled corporation	196,011,390 (Long position)	18.44%	4.98%
Springwood Investment SRL[(2)]	H Shares	Other	105,046,279 (Long position)	9.88%	2.67%
WPRE Redstar Manager LLC[(2)]	H Shares	Interest of controlled corporation	105,046,279 (Long position)	9.88%	2.67%
WPRE I Redstar, L.P.[(2)]	H Shares	Interest of controlled corporation	105,046,279 (Long position)	9.88%	2.67%

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

Notes:

(1) As at 30 June 2018, the Company had 3,938,917,038 issued shares in total, comprising of 2,876,103,969 A Shares and 1,062,813,069 H Shares.

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

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

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

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

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

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

DIRECTORS' AND SUPERVISORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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

INTERIM DIVIDENDS

The Board does not recommend payment of interim dividend for the six months ended 30 June 2018.

USE OF PROCEEDS FROM GLOBAL OFFERING

The net proceeds from the Company's global offering ("**Global Offering**") amounted to approximately RMB5,573.3 million. As at the end of the Reporting Period, the Company has utilized 95% of the net proceeds in total for fundraising investment projects as required. The Board resolved on 31 July 2015 and 18 January 2018 to change the intended use of part of the net proceeds from the Global Offering. For further details, please refer to the announcements of the Company dated 31 July 2015 and 18 January 2018 (collectively referred to as "**Announcements on Change in Use of Proceeds**" below). All net proceeds have been utilized in a manner consistent with the disclosure set out in the section headed "Future Plans and Uses of Proceeds" in the Prospectus and Announcements on Change in Use of Proceeds of the Company. Unutilized amount is expected to be used in two years.

Analysis of intended use/planned use and utilized net proceeds from the Global Offering as of 30 June 2018 is as follows:

Intended use/Planned use	Planned use *(RMB million)*	Actual use of proceeds for the six months ended 30 June 2018 *(RMB million)*	Unutilized net proceeds for the six months ended 30 June 2018 *(RMB million)*
Development of portfolio shopping mall projects	1,928.5	1,928.5	0
Refinancing of existing debt	1,208.8	1,208.8	0
Investment or acquisition of other market participants in home furnishing industry, development funds for e-commerce business and information technology systems, and working capital and daily expenses	2,436.0	2,158.7	277.3

EVENTS AFTER THE REPORTING PERIOD

Proposed establishment of commercial mortgage loan assets supporting project

Beijing Red Star Macalline EXPO Home Plaza Co. Ltd. (北京紅星美凱龍世博傢俱廣場有限公司) ("**Beijing Expo Home**"), and Yantai Red Star Macalline Home Co. Ltd. (煙台紅星美凱龍家居有限公司)("**Yantai Red Star**"), holding subsidiaries of the Company, will establish a commercial mortgage loan assets supporting project with underlying assets, being the properties and relevant leased properties of Beijing Expo Home as well as the properties of Yantai Red Star and the rents and relevant operating income therefrom, with the Company as the original equity holder and CSC Financial Co., Ltd. as the manager; and issue asset-backed securities for financing under the project. The total issuance scale shall not exceed RMB3 billion. For further details, please refer to the announcement dated 11 July 2018 as disclosed on the website of the Hong Kong Stock Exchange (http://www.hkexnews.hk), and the announcements of Company dated 12 July 2018 as disclosed on the designated media in China.

Corporate Governance and Other Information

EVENTS AFTER THE REPORTING PERIOD (CONTINUED)

Proposed utilization of shareholders' loan claim of controlled subsidiaries as trust properties and establishment of assets supporting project

The Company proposed to establish a property right trust with shareholders' loan claim of Beijing Red Star Macalline International Home Furnishings Malls Company Limited and Wuhan Red Star Macalline Shibo Home Furnishing Plaza Development Company Limited held by the Company. Great Wall Securities Co., Ltd., as the manager, will acquire all trust beneficiary rights held by the Company through funds raising via issuing asset-backed securities to investors and the establishment of a assets supporting project. The issue scale shall not exceed RMB2.7 billion. For further details, please refer to the announcement of the Company dated 17 August 2018 as disclosed on the website of the Hong Kong Stock Exchange (http://www.hkexnews.hk) and the announcement dated 18 August 2018 as disclosed on the designated media in China.

Proposed issuance of asset-backed notes

The Company proposed to conduct the asset-backed notes project as an originator. Changzhou World Furniture and Home Plaza Co. Ltd. and Changzhou Macalline International Computer and Electronics Furnishing Plaza Co., Ltd., the wholly-owned subsidiaries of the Company, will publicly issue the first phase of the 2018 asset support notes of the Red Star Macalline Group Corporation Ltd. for financing, with underlying assets, being the properties of the Home World Project and Macalline Project and the rental income therefrom, as well as the rental income of the decoration city project rented and operated by the two companies, with the first phase of the 2018 asset support notes trust of the Red Star Macalline Group Corporation Ltd. (the principal) as the distributor, with Ping An Trust Co. Ltd. as the distributor management organization, in the national interbank bond market. The issue scale shall not exceed RMB1.3 billion. For further details, please refer to the announcement of the Company dated 17 August 2018 as disclosed on the website of the Hong Kong Stock Exchange (http://www.hkexnews.hk) and the announcement dated 18 August 2018 as disclosed on the designated media in China.

The Results on the issuance of the first tranche of super short-term commercial papers in 2018

On 19 April 2016, the Resolution on the Application for Registration with the National Association of Financial Market Institutional Investors regarding the Super Short-term Commercial Papers by the Company was considered and approved at the 2016 second extraordinary general meeting of the Company. For details, please refer to the relevant announcement disclosed on the website of the Hong Kong Stock Exchange (http://www.hkexnews.hk) on 12 February 2016. On 25 November 2016, the National Association of Financial Market Institutional Investors published the Notice for Acceptance of Registration (Zhong Shi Xie Zhu [2016] No. SCP400), indicating its consent for acceptance of the registration for the issuance of Super Short-term Commercial Papers by the Company with the amount for registration of Super Short-term Commercial Papers reaching RMB3 billion.

EVENTS AFTER THE REPORTING PERIOD (CONTINUED)

The Results on the issuance of the first tranche of super short-term commercial papers in 2018 (Continued)

The Company has issued the 2018 first tranche of Super Short-term Commercial Papers on 18 July 2018 and the actual amount issued totaled RMB500 million, with an interest rate of 5.95%. Net proceeds after deducting the underwriting fees have been fully received on 19 July 2018. The proceeds raised from this tranche of Super Short-term Commercial Papers were wholly used for the repayment of the bank loans of the Company and its subsidiaries. For further details, please refer to the announcement dated 19 July 2018 as disclosed on the website of the Hong Kong Stock Exchange (http://www.hkexnews.hk), and the announcements dated 20 July 2018 as disclosed on the designated media in China. For documents related to the issuance, please refer to the website of Chinamoney (http://www.chinamoney.com.cn) and the website of Shanghai Clearing House (http://www.shclearing.com).

Save as disclosed above, there were no material events of the Group after 30 June 2018.

MATERIAL LEGAL PROCEEDINGS

For the six months ended 30 June 2018, the Group did not have any material legal or arbitral proceedings. The Directors also are not aware of any material legal proceedings or claims which are pending or threatened against the Group.

Consolidated Balance Sheet

30 June 2018

RMB

Items	*Notes*	30 June 2018 (Unaudited)	31 December 2017 (Audited)
Current assets:			
Cash and bank	(V)1	10,123,573,924.17	10,626,917,788.54
Financial assets held for trading	(V)2	210,289,863.93	–
Notes receivable and accounts receivable	(V)3	2,051,417,411.71	1,170,430,013.77
Prepayments	(V)4	302,543,897.90	267,777,107.29
Other receivables	(V)5	1,586,631,674.21	1,734,498,124.83
Inventories	(V)6	229,615,220.18	120,291,360.44
Contract assets	(V)7	845,320,518.22	–
Non-current assets due within one year	(V)8	120,000,000.00	120,000,000.00
Other current assets	(V)8	1,167,610,211.85	527,577,887.53
Total current assets		16,637,002,722.17	14,567,492,282.40
Non-current assets:			
Available-for-sale financial assets	(V)9	–	3,062,451,062.40
Long-term receivables	(V)10	1,628,120,564.67	1,301,785,294.30
Long-term equity investments	(V)11	2,265,732,217.67	1,613,818,294.75
Other equity instrument investments	(V)12	3,688,872,585.26	–
Investment properties	(V)13	75,897,000,000.00	70,831,000,000.00
Fixed assets	(V)14	169,372,805.60	158,862,688.00
Construction in progress	(V)15	16,034,650.52	66,100,052.88
Intangible assets	(V)16	475,675,970.33	458,617,045.42
Development expenditure	(V)17	–	29,418,402.19
Goodwill	(V)18	16,592,357.41	16,592,357.41
Long-term prepaid expenses	(V)19	349,052,476.68	229,333,419.48
Deferred tax assets	(V)20	1,079,882,420.86	718,579,066.08
Other non-current assets	(V)21	4,502,075,610.24	3,960,574,126.00
Total non-current assets		90,088,411,659.24	82,447,131,808.91
Total assets		106,725,414,381.41	97,014,624,091.31
Current liabilities:			
Short-term loans	(V)22	1,416,810,000.00	300,010,000.00
Notes payable and accounts payable	(V)23	593,042,463.49	491,215,018.66
Advance from customers	(V)24	1,194,829,844.94	3,068,282,301.16
Contract liabilities	(V)25	1,508,070,532.98	–
Payroll payable	(V)26	335,426,546.18	800,537,116.04
Taxes payable	(V)27	640,840,903.60	927,266,639.50
Other payables	(V)28	8,201,707,618.53	7,579,360,891.86
Non-current liabilities due within one year	(V)29	9,179,030,132.58	9,550,075,473.97
Total current liabilities		23,069,758,042.30	22,716,747,441.19

Consolidated Balance Sheet

30 June 2018

Items	*Notes*	30 June 2018 (Unaudited)	31 December 2017 (Audited)
Non-current liabilities:			
Long-term loans	(V)30	13,267,720,007.36	11,372,664,484.81
Bonds payable	(V)31	4,929,532,172.70	4,896,478,160.15
Long-term payables	(V)32	1,514,487,882.79	1,415,698,075.42
Deferred income	(V)33	189,360,932.07	192,141,221.74
Deferred tax liabilities	(V)20	10,599,499,359.42	9,714,400,823.89
Other non-current liabilities	(V)34	5,397,629,936.76	2,774,520,500.00
Total non-current liabilities		35,898,230,291.10	30,365,903,266.01
Total liabilities		58,967,988,333.40	53,082,650,707.20
Equity:			
Share capital	(V)35	3,938,917,038.00	3,623,917,038.00
Capital reserve	(V)36	7,837,322,359.59	5,362,115,385.55
Other comprehensive income	(V)37	1,672,852,041.36	1,562,965,633.10
Surplus reserve	(V)38	1,623,080,808.19	1,623,080,808.19
Retained earnings	(V)39	29,431,703,498.53	28,254,693,080.77
General risk reserves		13,301,928.90	–
Total equity attributable to owners of the Company		44,517,177,674.57	40,426,771,945.61
Non-controlling interests		3,240,248,373.44	3,505,201,438.50
Total equity		47,757,426,048.01	43,931,973,384.11
Total liabilities and equity		106,725,414,381.41	97,014,624,091.31

The notes are an integral part of these financial statements

The financial statements set forth from page 48 to 324 are signed by the following persons-in-charge:

CHE Jianxing	XI Shichang	YANG Qin
Legal representative	*Person in charge of accounting*	*Person in charge of the accounting department*

Consolidated Income Statement

For the period from 1 January to 30 June 2018

RMB

Items	Notes	1 January to 30 June 2018 (Unaudited)	1 January to 30 June 2017 (Audited)
I. Revenue	(V)40	6,373,884,119.04	5,070,967,324.48
Less: Cost of sales	(V)40	1,955,057,556.90	1,374,668,202.19
Taxes and surcharges	(V)41	180,937,982.52	152,766,772.53
Distribution and selling expenses	(V)42	646,073,061.94	577,191,949.36
General and Administrative expenses	(V)43	527,767,671.27	468,073,572.29
Research and development expenses		9,581,991.57	–
Financial expenses	(V)44	587,122,443.32	544,212,823.71
Including: Interest expenses		698,438,211.60	574,970,368.00
Interest income		153,598,157.25	39,982,040.44
Impairment loss on assets	(V)45	–	104,678,298.05
Impairment loss of credit	(V)46	144,729,939.93	–
Add: Other income	(V)47	55,801,019.59	12,686,612.35
Investment income	(V)48	108,294,694.00	60,754,608.04
Including: Investment income from associates and joint ventures		105,492,722.92	54,289,350.26
Gain or loss on changes in fair value	(V)49	1,065,984,523.07	960,437,111.54
Gain (loss) from disposal of assets	(V)50	214,551,818.78	(326,742.39)
II. Operating profit		3,767,245,527.03	2,882,927,295.89
Add: Non-operating income	(V)51	7,993,510.02	10,604,652.36
Less: Non-operating expenses	(V)52	7,822,960.77	12,058,449.43
III. Total profit		3,767,416,076.28	2,881,473,498.82
Less: income tax expenses	(V)53	553,807,585.73	724,982,916.95
IV. Net profit		3,213,608,490.55	2,156,490,581.87
(1) According to the classification of continuity of operation			
1. Net profit from continuing operations		3,213,608,490.55	2,156,490,581.87
2. Net profit from discontinued operations		–	–
(2) According to the classification of ownership			
1. Non-controlling interests		174,998,777.34	111,319,435.88
2. Net profit attributable to owners of the Company		3,038,609,713.21	2,045,171,145.99

Consolidated Income Statement

For the period from 1 January to 30 June 2018

Items	*Notes*	1 January to 30 June 2018 (Unaudited)	1 January to 30 June 2017 (Audited)
V. Other comprehensive income (after tax)		226,508,337.58	1,606,854,307.56
Other comprehensive income (after tax) attributable to owners of the Company		225,083,753.24	1,446,168,876.80
(1) Other comprehensive income that will not be reclassified to profit or loss		225,083,753.24	–
1. Changes in fair value of other equity instrument investments		225,083,753.24	–
(2) Other comprehensive income that will be reclassified to profit or loss		–	1,446,168,876.80
1. Gain or loss on changes in fair value of available-for-sale financial assets		–	1,446,168,876.80
Other comprehensive income (after tax) attributable to non-controlling interests		1,424,584.34	160,685,430.76
VI. Total comprehensive income		3,440,116,828.13	3,763,344,889.43
Total comprehensive income attributable to owners of the Company		3,263,693,466.45	3,491,340,022.79
Total comprehensive income attributable to non-controlling interests		176,423,361.68	272,004,866.64
VII. Earnings per share:			
(I) Basic earnings per share	(V)54	0.78	0.56
(II) Diluted earnings per share	(V)54	N/A	N/A

Consolidated Cash Flow Statement

For the period from 1 January to 30 June 2018

RMB

Items	*Notes*	1 January to 30 June 2018 (Unaudited)	1 January to 30 June 2017 (Audited)
I. Cash flows from operating activities:			
Cash received from sales of goods and rendering of services		6,816,404,342.59	5,669,701,472.16
Tax refund		–	–
Other cash received relating to operating activities	(V)55(1)	562,158,627.72	889,477,719.42
Sub-total of cash inflows from operating activities		7,378,562,970.31	6,559,179,191.58
Cash paid for goods and services		1,403,883,347.74	630,107,743.32
Cash paid to and on behalf of employees		1,919,312,484.80	1,440,032,492.58
Cash paid for various types of taxes		1,019,805,078.54	923,457,155.13
Other cash paid relating to operating activities	(V)55(2)	1,901,259,134.99	1,049,431,086.16
Sub-total of cash outflows from operating activities		6,244,260,046.07	4,043,028,477.19
Net cash flows from operating activities	(V)56(1)	1,134,302,924.24	2,516,150,714.39
II. Cash flows from investment activities:			
Cash received from recovery of investments		805,982,571.71	15,000,000.00
Cash received from investment income		163,059,530.87	1,025,000.00
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		1,292,175.46	4,059,863.01
Net cash received from disposal of subsidiaries and other business units	(V)56(3)	–	18,327,130.52
Other cash received relating to investment activities	(V)55(3)	669,272,427.01	434,700,601.44
Sub-total of cash inflows from investment activities		1,639,606,705.05	473,112,594.97
Cash paid to purchase or construct fixed assets, intangible assets, and other long-term assets		2,644,085,651.59	3,273,448,611.60
Cash paid for investments		1,963,716,403.13	472,406,136.59
Net cash paid to acquire subsidiaries and other business units	(V)56(2)	1,586,052,787.16	244,024,183.77
Net cash paid for disposal of subsidiaries and other business units	(V)56(3)	-	-
Other cash paid relating to investment activities	(V)55(4)	1,744,222,627.75	1,321,026,400.53
Sub-total of cash outflows from investment activities		7,938,077,469.63	5,310,905,332.49
Net cash flows from investment activities		(6,298,470,764.58)	(4,837,792,737.52)

Consolidated Cash Flow Statement

For the period from 1 January to 30 June 2018

Items	*Notes*	1 January to 30 June 2018 (Unaudited)	1 January to 30 June 2017 (Audited)
III. Cash flows from financing activities:			
Cash received from capital contributions cash		3,060,751,849.62	28,957,880.00
Including: cash received by subsidiaries from capital contributions of non-controlling interests		10,744,000.00	28,957,880.00
Cash received from loans		3,843,230,000.00	5,965,365,474.60
Other cash received relating to financing activities	(V)55(5)	–	6,099,043.31
Sub-total of cash inflows from financing activities		6,903,981,849.62	6,000,422,397.91
Cash repayments of indebtedness		1,656,947,168.37	1,902,555,709.07
Cash paid for distribution of dividends, profits or settlement of interests		627,931,696.52	442,125,852.70
Including: dividends and profits paid by subsidiaries to non-controlling interests		12,478,000.00	65,359,654.35
Other cash paid relating to financing activities	(V)55(6)	95,677,705.90	52,727,600.00
Sub-total of cash outflows from financing activities		2,380,556,570.79	2,397,409,161.77
Net cash flows from financing activities		4,523,425,278.83	3,603,013,236.14
IV. Effect of exchange rate changes on cash and cash equivalents		(8,602,143.90)	–
V. Net increase in cash and cash equivalents		(649,344,705.41)	1,281,371,213.01
Add: Opening balance of cash and cash equivalents	(V)56(4)	10,269,293,739.45	5,892,424,707.42
VI. Closing balance of cash and cash equivalents	(V)56(4)	9,619,949,034.04	7,173,795,920.43

Consolidated Statement of Changes in Equity

For the period from 1 January to 30 June 2018

RMB

	1 January to 30 June 2018 (Unaudited)								
	Equity attributable to shareholders of the Company								
Item	Share capital	Capital reserve	Other comprehensive income	Surplus reserve	General risk reserves	Retained earnings	Sub-total	Non-controlling interests	Total equity
I. Prior period's closing balance	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
Add: Changes of accounting policies for the period	–	–	20,976,775.82	–	–	(724,018,035.19)	(703,041,259.37)	727,355.88	(702,313,903.49)
II. Opening balance in current period	3,623,917,038.00	5,362,115,385.55	1,583,942,408.92	1,623,080,808.19	–	27,530,675,045.58	39,723,730,686.24	3,505,928,794.38	43,229,659,480.62
III. Changes in current period									
(I) Net profit	–	–	–	–	–	3,038,609,713.21	3,038,609,713.21	174,998,777.34	3,213,608,490.55
(II) Other comprehensive income	–	–	225,083,753.24	–	–	–	225,083,753.24	1,424,584.34	226,508,337.58
Sub-total of above (I) and (II)	–	–	225,083,753.24	–	–	3,038,609,713.21	3,263,693,466.45	176,423,361.68	3,440,116,828.13
(III) Owners' contributions and reduction in capital									
1. Capital contributions from owners (or ordinary shares)	315,000,000.00	2,735,007,849.63	–	–	–	–	3,050,007,849.63	10,744,000.00	3,060,751,849.63
2. Others *(Note)*	–	(259,800,875.59)	–	–	–	–	(259,800,875.59)	(440,369,782.62)	(700,170,658.21)
(IV) Profit distribution									
1. Appropriation to general risk reserves	–	–	–	–	13,301,928.90	(13,301,928.90)	–	–	–
2. Distributions to owners (or shareholders)	–	–	–	–	–	(1,260,453,452.16)	(1,260,453,452.16)	(12,478,000.00)	(1,272,931,452.16)
(V) Internal transfer of equity									
1. Other comprehensive income transfer to retained earnings	–	–	(136,174,120.80)	–	–	136,174,120.80	–	–	–
IV Closing balance for the period	3,938,917,038.00	7,837,322,359.59	1,672,852,041.36	1,623,080,808.19	13,301,928.90	29,431,703,498.53	44,517,177,674.57	3,240,248,373.44	47,757,426,048.01

Note: Changes in the period from 1 January to 30 June 2018 are primarily attributable to the effect of transactions with minority shareholders. For details, please refer to Note (VII)2.

Consolidated Statement of Changes in Equity

For the period from 1 January to 30 June 2018

RMB

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

Note: Changes in the period from 1 January to 30 June 2017 are mainly attributable to the effect of contribution to subsidiaries at premium during the period 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

30 June 2018

RMB

Items	*Notes*	30 June 2018 (Unaudited)	31 December 2017 (Audited)
Current assets:			
Cash and bank balances		2,164,624,401.12	1,969,876,777.44
Notes receivable and accounts receivable	(XIV)1	987,597,140.68	484,757,225.91
Other receivables	(XIV)2	26,586,290,711.96	21,537,417,235.10
Prepayments		12,427,837.23	48,766,995.40
Inventories		8,901,494.72	5,730,984.40
Contract assets		338,679,918.57	–
Other current assets		77,331,044.77	49,830,391.58
Total current assets		30,175,852,549.05	24,096,379,609.83
Non-current assets:			
Available-for-sale financial assets		–	669,543,221.29
Long-term receivables		1,029,512,861.96	808,560,382.87
Long-term equity investments	(XIV)3	13,613,248,705.33	11,388,694,251.59
Other equity instrument investments		1,061,491,021.29	–
Fixed assets		27,048,609.38	25,497,724.38
Construction in progress		16,616,307.47	13,762,311.97
Intangible assets		406,823,772.46	418,061,037.62
Long-term prepaid expenses		22,331,029.82	21,357,637.10
Deferred tax assets		431,132,326.27	384,913,111.65
Other non-current assets		1,875,370,000.00	1,908,490,377.66
Total non-current assets		18,483,574,633.98	15,638,880,056.13
Total assets		48,659,427,183.03	39,735,259,665.96

Company's Balance Sheet

30 June 2018

Items	*Notes*	30 June 2018 (Unaudited)	31 December 2017 (Audited)
Current liabilities:			
Short-term loans		300,010,000.00	300,010,000.00
Notes payable and accounts payable		103,166,427.81	121,642,406.76
Advance from customers		40,980,384.75	731,167,637.28
Contract liabilities		720,943,971.96	–
Payroll payable		71,541,982.31	287,449,474.82
Taxes payable		244,142,060.44	172,165,530.70
Other payables		17,407,901,820.14	11,791,290,877.78
Non-current liabilities due within one year		5,494,830,855.12	5,486,714,288.88
Total current liabilities		24,383,517,502.53	18,890,440,216.22
Non-current liabilities:			
Long-term loans		2,345,000,000.00	2,210,000,000.00
Bonds payable		2,977,986,882.87	2,972,912,335.65
Long-term payables		175,895,752.43	34,621,903.57
Deferred tax liabilities		4,236,950.00	–
Other non-current liabilities		1,158,150,225.88	304,520,500.00
Total non-current liabilities		6,661,269,811.18	5,522,054,739.22
Total liabilities		31,044,787,313.71	24,412,494,955.44
Equity:			
Share capital		3,938,917,038.00	3,623,917,038.00
Capital reserve		8,519,988,945.51	5,784,981,095.88
Other comprehensive income		12,710,850.00	–
Surplus reserve		1,443,262,240.96	1,443,262,240.96
Retained earnings		3,699,760,794.85	4,470,604,335.68
Total equity		17,614,639,869.32	15,322,764,710.52
Total liabilities and equity		48,659,427,183.03	39,735,259,665.96

Company's Income Statement

For the period from 1 January to 30 June 2018

RMB

Items	*Notes*	1 January to 30 June 2018 (Unaudited)	1 January to 30 June 2017 (Audited)
I. Revenue	(XIV)4	864,291,016.51	828,483,298.40
Less: Cost of sales	(XIV)4	174,445,477.52	103,423,331.97
Taxes and surcharges		4,101,636.32	5,633,488.96
Distribution and selling expenses		95,636,223.69	164,839,008.53
General and administrative expenses		137,139,799.39	209,953,796.91
Financial expenses		68,712,147.97	156,825,185.73
Including: Interest expenses		438,300,747.04	415,367,102.95
Interest income		376,205,673.66	256,746,308.16
Impairment loss on assets		–	51,752,821.06
Impairment loss of credit		94,298,922.18	–
Add: Other income		38,231,173.14	3,183,952.44
Investment income	(XIV)5	261,599,668.29	55,028,598.78
Including: Investment income from associates and joint ventures		83,303,068.29	49,790,201.39
Loss from disposal of assets		(341,586.06)	–
II. Operating profit		589,446,064.81	194,268,216.46
Add: Non-operating income		2,555,034.90	2,561,076.17
Less: Non-operating expenses		2,116,499.58	5,404,630.88
III. Total profit		589,884,600.13	191,424,661.75
Less: income tax expenses		90,056,113.25	50,951,861.83
IV. Net profit		499,828,486.88	140,472,799.92
(1) Net profit from continuing operations		499,828,486.88	140,472,799.92
(2) Net profit from discontinued operations		–	–
V. Other comprehensive income (after tax)		12,710,850.00	–
(1) Other comprehensive income that will not be reclassified to profit or loss		12,710,850.00	–
1. Changes in fair value of other equity instrument investments		12,710,850.00	–
(2) Other comprehensive income that will be reclassified to profit or loss		–	–
1. Gain or loss on changes in fair value of available-for-sale financial assets		–	–
VI. Total comprehensive income		512,539,336.88	140,472,799.92

Company's Cash Flow Statement

For the period from 1 January to 30 June 2018

RMB

Items	Notes	1 January to 30 June 2018 (Unaudited)	1 January to 30 June 2017 (Audited)
I. Cash flow from operating activities:			
Cash received from the sales of goods and rendering of services		1,018,060,352.52	942,828,699.25
Other cash received relating to operating activities		105,284,394.54	34,464,439.30
Sub-total of cash inflow from operating activities		1,123,344,747.06	977,293,138.55
Cash payments for goods purchased and services received		117,453,770.57	53,527,051.28
Cash payments to and on behalf of employees		376,366,424.01	303,500,798.01
Payments of various types of taxes		158,845,044.18	122,258,057.20
Other cash payments relating to operating activities		377,857,698.33	283,302,340.52
Sub-total of cash outflow from operating activities		1,030,522,937.09	762,588,247.01
Net Cash Flows from Operating Activities		92,821,809.97	214,704,891.54
II. Cash flow from investment activities:			
Cash received from disposal of investments		–	–
Cash received from investment income		247,011,247.92	117,858,000.00
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		–	384,550.00
Net cash received from acquisition or disposal of subsidiaries and other business units		81,500,000.00	16,000,000.00
Other cash received relating to investing activities		8,290,217,315.06	8,641,430,951.62
Sub-total of cash inflow from investing activities		8,618,728,562.98	8,775,673,501.62
Cash paid to purchase and construct fixed assets, intangible assets and other long-term assets		339,019,824.71	148,924,405.41
Cash paid for investments		2,224,526,988.97	732,456,358.51
Net cash received paid by subsidiaries		–	–
Other cash paid in relation to investing activities		13,149,188,433.29	9,309,378,747.48
Sub-total of cash outflow from investing activities		15,712,735,246.97	10,190,759,511.40
Net Cash Flow from Investing Activities		(7,094,006,683.99)	(1,415,086,009.78)
III. Cash flow from financing activities:			
Cash receipts from capital contributions		3,050,007,849.63	–
Cash received from borrowings		450,000,000.00	–
Other cash received relating to financing activities		33,054,812,016.28	6,195,643,201.76
Sub-total of cash inflow from financing activities		36,554,819,865.91	6,195,643,201.76
Cash repayments of borrowings		315,000,000.00	620,000,000.00
Cash payments for distribution of dividends or profits or settlement of interest expenses		368,883,371.04	164,492,104.85
Other cash payments relating to financing activities		28,875,003,997.20	3,969,495,973.44
Sub-total of cash outflow from financing activities		29,558,887,368.24	4,753,988,078.29
Net Cash Flow from Financing Activities		6,995,932,497.67	1,441,655,123.47
IV. Effect of exchange rate changes on cash and cash equivalents		–	–
V. Net increase in cash and cash equivalents		(5,252,376.35)	241,274,005.23
Add: Opening balance of cash and cash equivalents		1,969,876,777.47	1,505,388,102.38
VI. Closing balance of cash and cash equivalents		1,964,624,401.12	1,746,662,107.61

Company's Statement of Changes in Equity

For the period from 1 January to 30 June 2018

RMB

Item	1 January to 30 June 2018 (Unaudited)					
	Share capital	Capital reserve	Other comprehensive income	Surplus reserve	Retained earnings	Total equity
I. Prior period's closing balance	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
Add: Changes of accounting policies for the period	-	-	-	-	(10,218,575.55)	(10,218,575.55)
II. Opening balance in current period	3,623,917,038.00	5,784,981,095.88	-	1,443,262,240.96	4,460,385,760.13	15,312,546,134.97
III. Changes in current period						
(I) Net profit	-	-	-	-	499,828,486.88	499,828,486.88
(II) Other comprehensive income	-	-	12,710,850.00	-	-	12,710,850.00
Sub-total of above (I) and (II)	-	-	12,710,850.00	-	499,828,486.88	512,539,336.88
(III) Owners' contributions and reduction in capital						
1. Capital contributions from owners	315,000,000.00	2,735,007,849.63	-	-	-	3,050,007,849.63
(IV) Profit distribution						
1. Transfer to surplus reserve	-	-	-	-	-	-
2. Distributions to shareholders	-	-	-	-	(1,260,453,452.16)	(1,260,453,452.16)
IV. Closing balance for the period	3,938,917,038.00	8,519,988,945.51	12,710,850.00	1,443,262,240.96	3,699,760,794.85	17,614,639,869.32

Item	1 January to 30 June 2017 (Audited)				
	Share capital	Capital reserve	Surplus reserve	Retained earnings	Total equity
I. Current period's opening balance	3,623,917,038.00	5,784,981,095.88	1,046,293,288.42	2,419,928,918.74	12,875,120,341.04
II. Changes in current period					
(I) Net profit	-	-	-	140,472,799.92	140,472,799.92
(II) Other comprehensive income	-	-	-	-	-
Sub-total of above (I) and (II)	-	-	-	140,472,799.92	140,472,799.92
(III) Capital contribution made and reduced by owners					
1. Capital contribution made by owners	-	-	-	-	-
(IV) Profit distribution					
1. Transfer to surplus reserve	-	-	-	-	-
2. Distributions to shareholders	-	-	-	(1,522,045,155.96)	(1,522,045,155.96)
III. Closing balance for the period	3,623,917,038.00	5,784,981,095.88	1,046,293,288.42	1,038,356,562.70	11,493,547,985.00

Notes to the Financial Statements

For the period from 1 January to 30 June 2018

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

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

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

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

Notes to the Financial Statements

For the period from 1 January to 30 June 2018

(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 1:1into a registered capital of RMB3,000,000,000.00, divided into 3,000,000,000 shares in total with a par value of RMB1 each, and paid the registered capital of RMB3,000,000,000.00, representing 100% of the Company's registered capital. The Company completed the business registration in respect of such change on 6 January 2011.

Notes to the Financial Statements

For the period from 1 January to 30 June 2018

(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. 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 of the Company, as approved at the fourth extraordinary general meeting of the Company in 2015, and as permitted by China Securities Regulatory Commission via the Approval on the Issuance of Foreign Preference Shares by Red Star Macalline Group Corporation Ltd. (Zheng Jian Xu Ke [2015] No.822) on 5 August 2018, 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 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, the public issuance of overseas listed foreign shares (H shares) were listed for trading on the Hong Kong Stock Exchange. The Company completed the business registration in respect of such change on 7 September 2015.

Approved by the 2016 second extraordinary general meeting and permitted on 22 December 2017 in the 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) and was granted listing and trading at Shanghai Stock Exchange. As of 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 restricted RMB-denominated shares (A shares) was 2,561,103,969 shares; the amount of unrestricted RMB-denominated shares (A shares) was 315,000,000 shares, and the amount of unrestricted overseas listed foreign shares (H shares) was 1,062,813,069 shares. The Company completed the business registration in respect of such change on 20 March 2018.

As considered at the 2017 Annual General Meeting, A Shareholders' Class Meeting and H Shareholders' Class Meeting, the Company implemented repurchasing of overseas listed foreign shares (H shares) by way of voluntary conditional cash offer (the "Offer"). The price of repurchasing the overseas listed foreign shares (H shares) is HK$11.78 per share, with up to 388,917,038 shares subject to the repurchase. The Company has completed the repurchase of H shares and cancelled such H shares according to the Offer in July 2018.

Notes to the Financial Statements

For the period from 1 January to 30 June 2018

(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; exhibition and demonstration services.

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

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

(II) 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 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 Financial Statements

For the period from 1 January to 30 June 2018

(II) BASIS OF PREPARATION OF FINANCIAL STATEMENTS (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 30 June 2018, the Group's current liabilities in aggregate exceeded its current assets in aggregate with an amount of RMB6,432,755,320.13. The management of the Group had assessed its ongoing operation for the 12 months starting from 30 June 2018, and after taking into account unutilized bank facilities, and the expected net cash inflows from operating activities as at 30 June 2018, believed that the liquidity risk arising from the fact that its current assets is less than its current liabilities as of 30 June 2018 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 Financial Statements

For the period from 1 January to 30 June 2018

(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). 10 Method of bad debt provision in relation to other receivables, Note (III). 11 Method of bad debt provision in relation to accounts receivable, 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 30 June 2018 and the consolidated and the company's operating results and the consolidated and the company's cash flows for the period from 1 January to 30 June 2018.

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 sales of merchandise and related 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.

(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 and goodwill

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 value, 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 Financial Statements

For the period from 1 January to 30 June 2018

(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 and goodwill (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 value 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 provision, and is presented separately in the consolidated financial statements.

6. Preparation of consolidated financial statement

The scope of consolidation in the consolidated financial statements is determined on the basis of control. Control exists when the investor has power over the investee; is exposed, or has rights, to variable returns from its involvement with the investee; and has the ability to use its power over the investee to affect its returns. The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes of the above elements of the definition of control.

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

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

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

Notes to the Financial Statements

For the period from 1 January to 30 June 2018

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

6. Preparation of consolidated financial statement (Continued)

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

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

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

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

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

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

Where equity interests in an acquiree are acquired in stages through multiple transactions ultimately constituting a business combination not involving entities under common control, the acquirer determines if these transactions are considered to be "a bundled transaction". If yes, these transactions are accounted for as a single transaction where control is obtained. If no, these transactions are accounted for as multiple transactions where control is obtained at the acquisition date; In this case, the acquirer remeasures its previously-held equity interests in the acquiree at their fair value on the acquisition date and 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 Financial Statements

For the period from 1 January to 30 June 2018

(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 operations

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. 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.

8. Standards for determining cash and cash equivalents

Cash comprises cash on hand and deposits available for payment at any time. Cash equivalents are the Group's short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Notes to the Financial Statements

For the period from 1 January to 30 June 2018

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

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

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, monetary items denominated in foreign currency 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 and are capitalized as part of the cost of the qualifying asset during the capitalisation period.

When the consolidated financial statements include foreign operation(s), if there are monetary items denominated in foreign currency 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.

Non-monetary items denominated in foreign currency 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.

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

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

Notes to the Financial Statements

For the period from 1 January to 30 June 2018

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

10. Financial Instrument

The Group has applied following financial instrument policies since 1 January 2018 ("New Standards for Financial Instruments").

The Group shall recognize a financial asset or a financial liability in its statement of financial position when, and only when, the Group becomes a party to the contractual provisions of the instrument. The financial assets and liabilities were initially recognized at fair value. For the financial assets and liabilities measured at fair value through profit or loss ("FVTPL"), related transaction expenses are directly charged to the profit or loss for the period; for other financial assets and liabilities, related transaction expenses are included in the initial recognized amount. When the accounts receivable without significant financing component recognized or the financing components less than 1 year of the accounts receivable were not considered according to the Accounting Standard for Business Enterprises No.14 – Revenue ("New Standard for Revenue"), the accounts receivable shall be initially recognized at the transaction price defined by the New Standard for Revenue.

10.1 Classification and measurement of financial assets

After initial recognition, the Group shall subsequently measure a financial asset at amortized cost, fair value through other comprehensive income or fair value through profit or loss according to the classification of the financial assets.

10.1.1 Financial assets measured at amortized cost

Financial assets are subsequently measured at amortized cost when the contractual terms of the financial asset set that the cash flows on specified dates are solely payments of principal and the interest based on the outstanding amount of principal; and the financial asset is held within a business model whose objective is to collect contractual cash flows.

The financial assets using effective interest rate method are subsequently measured at amortized cost using the effective interest method. Gain or loss arising from impairment or derecognition is recognized in current profit or loss.

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

10. Financial Instrument (Continued)

10.1 Classification and measurement of financial assets (Continued)

10.1.1 Financial assets measured at amortized cost (Continued)

10.1.1.1 Effective interest method and amortized cost

The effective interest method is the method used in calculating the amortized cost of a financial asset or a financial liability and allocating the interest income or interest expense over the relevant period.

Effective interest rate is the rate used in discounting the estimated future cash flows through the expected life of the financial asset or liability into the book balance of financial asset or the amortized cost of the financial liability. When determining the effective interest rate, the Group shall estimate the expected cash flows by considering all the contractual terms of the financial instrument (for example, early repayment, extension, call or other similar options) but shall not consider the expected credit losses.

Amortized cost of a financial asset or financial liability is the initial recognized amount minus the principal repaid, plus or minus the cumulative amortisation of the difference between the initial recognized amount and the amount at maturity calculated using the effective interest rate method, deducting accumulated loss allowance (only for financial assets).

Interest income of financial assets measured at amortized cost and at fair value through other comprehensive income shall be calculated using the effective interest method. The interest income shall be calculated by multiplying the book balance of a financial asset by the effective interest rate except for:

- For purchased or originated credit-impaired financial assets, the Group should calculate the interest income according to the amortized cost and the credit-adjusted effective rate since initial recognition.

- For the financial assets, of which their credit impairment has yet to occur when purchased externally or originated internally, but subsequently occurs, the Group should calculate the interest income according to the amortized cost and the credit-adjusted effective rate during the subsequent periods. If the financial instrument no longer suffers from credit impairment due to its improved credit risk during the subsequent period, the Group should turn to calculate and determine interest income by multiplying the effective interest rate by the book balance of the financial asset.

Notes to the Financial Statements

For the period from 1 January to 30 June 2018

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

10. Financial Instrument (Continued)

10.1 Classification and measurement of financial assets (Continued)

10.1.2 Financial assets at FVTOCI

A financial asset shall be measured at fair value through other comprehensive income if both of the following conditions are met: the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The change in fair value of such financial asset shall be recognized in other comprehensive income, except for impairment losses or gains, interest income calculated by adoption of effective interest method and foreign exchange gains and losses. When the financial asset is derecognized, the cumulative gains or losses previously recognized in other comprehensive income is reclassified from other comprehensive income to profit or loss as a reclassification adjustment.

10.1.3 Financial assets at FVTPL

Financial assets at fair value through profit or loss consist of those categorized as fair value through profit or loss and those designated as at fair value through profit or loss.

- A financial asset shall be measured at fair value through profit or loss unless it is measured at amortized cost or at fair value through other comprehensive income.

- At initial recognition, irrevocably designate a financial asset as measured at fair value through profit or loss if doing so eliminates or significantly reduces an accounting mismatch.

Financial assets are subsequently measured at fair value unless it is part of a hedging relationship. Any gains or losses arising from changes in the fair value and any dividend or interest expenses related to the financial assets are recognized in profit or loss.

Notes to the Financial Statements

For the period from 1 January to 30 June 2018

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

10. Financial Instrument (Continued)

10.1 Classification and measurement of financial assets (Continued)

10.1.4 Designated financial assets at FVTOCI

At initial recognition, the Group irrevocably assigns (on an instrument-by-instrument basis) the non-tradable equity instruments to financial assets measured at fair value through comprehensive income. When the financial assets are contingent consideration recognized by an acquirer in a business combination not under common control, the financial assets are categorized as at fair value through profit or loss, not designated as at fair value through comprehensive income.

After the designation, the change in fair value of the financial assets is recognized in other comprehensive income. When the financial assets are derecognized, the cumulative gains or loss previously recognized in other comprehensive income are reclassified from other comprehensive income to retained earnings. While holding the equity instrument investment, the Group's right to receive payment of the dividend is established; and it is probable that the economic benefits associated with the dividend will flow to the Group. The dividend income is recognized in profit or loss for the period as the amount of dividends can be measured reliably.

10.2 Impairment of financial instrument

The Group shall recognize a loss allowance for expected credit losses on financial instrument measured at amortized cost and at fair value through other comprehensive income, lease receivables, contract assets, accounts receivable and loan commitment and financial guarantee contract.

The Group shall always measure the loss allowance at an amount equal to lifetime expected credit losses for trade receivables or contract assets that result from transactions that do not contain a significant financing component or in contracts not more than one year.

As for other financial instruments, in addition to the purchased or originated credit-impaired financial asset, the Group assesses the changes in the credit risk of relevant financial instrument subsequent to initial recognition at each balance sheet date. At each reporting date, the Group shall measure the loss allowance for a financial instrument at an amount equal to the lifetime expected credit losses if the credit risk on that financial instrument has increased significantly since initial recognition. If, at the reporting date, the credit risk on a financial instrument has not increased significantly since initial recognition, the Group shall measure the loss allowance for that financial instrument at an amount equal to 12-month expected credit losses. Except for the financial assets at FVTOCI, the gains (or reversal) of credit loss allowance are recognized in profit and loss for the period as an impairment gain or loss. As for financial assets at FVTOCI, the credit loss allowance is recognized in other comprehensive income, the impairment gains or loss are recognized in profit and loss, and the book value of the financial assets listed in the balance sheet has not decreased.

Notes to the Financial Statements

For the period from 1 January to 30 June 2018

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

10. Financial Instrument (Continued)

10.2 Impairment of financial instrument (Continued)

For the previous accounting period, the Group has measured the loss provision at the amount equivalent to the expected credit loss over the entire lifetime of a financial instrument. However, at the balance sheet date of the current period, if such financial instrument no longer belongs to the situation of there being a significant increase in credit risk since initial recognition, the Group will measure the loss provision of such financial instrument on the balance sheet date of the current period according to the expected credit loss in the next 12 months, and the reversal amount of the loss provision resulting from which is recognized as an impairment gain in profit or loss for the current period.

10.2.1 Significant increase in credit risk

To assess whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group shall compare the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition through reasonable and supportable information. For loan commitments and financial guarantee contracts, the date that the Group becomes a party to the irrevocable commitment shall be considered to be the date of initial recognition for the purposes of applying the impairment requirements.

The following non-exhaustive list of information may be relevant in assessing changes in credit risk:

(1) Whether there are significant changes in internal price indicators of credit risk as a result of a change in credit risk.

(2) Whether there are other changes in the rates or terms of an existing financial instrument that would be significantly different if the instrument was newly originated or issued at the reporting date (such as more stringent covenants, increased amounts of collateral or guarantees, or higher income coverage).

(3) Whether there are significant changes in external market indicators of credit risk for a particular financial instrument or similar financial instruments with the same expected life. Changes in market indicators of credit risk include: the credit spread; the credit default swap prices for the borrower; the length of time or the extent to which the fair value of a financial asset has been less than its amortized cost; and other market information related to the borrower, such as changes in the price of a borrower's debt and equity instruments.

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

10. Financial Instrument (Continued)

10.2 Impairment of financial instrument (Continued)

10.2.1 Significant increase in credit risk (Continued)

(4) Whether there is an actual or expected significant change in the financial instrument's external credit rating.

(5) Whether there is an actual or expected internal credit rating downgrade for the borrower.

(6) Whether there are existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant change in the borrower's ability to meet its debt obligations.

(7) Whether there is an actual or expected significant change in the operating results of the borrower.

(8) Whether there are significant increases in credit risk on other financial instruments of the same borrower.

(9) Whether there is adverse change in the regulatory, economic, or technological environment of the borrower.

(10) Whether there are significant changes in the value of the collateral supporting the obligation or in the quality of third-party guarantees or credit enhancements, which are expected to reduce the borrower's economic incentive to make scheduled contractual payments or to otherwise have an effect on the probability of a default occurring.

(11) Whether there is a significant change in the economic incentive to make scheduled contractual payments of the borrower.

(12) Expected changes in the loan documentation including an expected breach of contract that may lead to covenant waivers or amendments, interest payment holidays, interest rate step-ups, requiring additional collateral or guarantees, or other changes to the contractual framework of the instrument.

Notes to the Financial Statements

For the period from 1 January to 30 June 2018

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

10. Financial Instrument (Continued)

10.2 Impairment of financial instrument (Continued)

10.2.1 Significant increase in credit risk (Continued)

(13) Whether there is significant changes in the expected performance and behaviour of the borrower.

(14) Whether there are changes in the Group's credit management approach in relation to the financial Instrument.

(15) Whether the contract payment has been overdue for 30 days or more.

The Group may assume that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the balance sheet date.

10.2.2 Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired include observable data about the following events:

(1) Significant financial difficulty of the issuer or the borrower;

(2) A breach of contract, such as a default or past due event in relation to interest and principal payments;

(3) The lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider;

(4) The borrower probably being bankrupt or carrying out other financial restructuring;

(5) The disappearance of an active market for that financial asset because of financial difficulties of the issuer or the borrower;

(6) The purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.

Notes to the Financial Statements

For the period from 1 January to 30 June 2018

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

10. Financial Instrument (Continued)

10.2 Impairment of financial instrument (Continued)

10.2.3 Determination of expected credit losses

The credit loss of lease receivables is recognized on individual basis. For accounts receivable, contract assets, and debt investment, a loss allowance is recognized using a provision matrix on a collective basis. The Group can group financial instruments on the basis of shared credit risk characteristics, which includes: financial instrument type and credit risk ratings.

The Group recognizes expected credit loss of financial instruments as follows:

- For financial assets, a credit loss is the present value of the difference between the contractual cash flows that are due to the Group under the contract and the cash flows that the Group expects to receive.

- For lease receivables, a credit loss is the present value of the difference between the contractual cash flows that are due to the Group under the contract and the cash flows that the Group expects to receive.

- For financial guarantee contracts, a credit loss is the present value of the difference that the estimated payment for the credit losses incurred by the contract holder minus the expected amount to be received from the contract holder, the debtor or any other parties.

- For a financial asset that is credit-impaired at the balance sheet date, but that is not a purchased or originated credit-impaired financial asset, a credit loss is the present value of the difference between the book balance of the financial assets and estimated future cash flows discounted at the financial asset's original effective interest rate.

The factors reflecting the measurement of expected credit losses of a financial instrument by the Group include: an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes; the time value of money; and reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

Notes to the Financial Statements

For the period from 1 January to 30 June 2018

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

10. Financial Instrument (Continued)

10.2 Impairment of financial instrument (Continued)

10.2.4 Written-off of financial assets

The Group shall directly reduce the balance value of a financial asset when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. A write-off constitutes a derecognition event of relevant financial assets.

10.3 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 Company measures the associated liability as follows:

- if the transferred asset is measured at amortized cost, the book value of an associated liability is equal to the book value of the transferred financial assets minus the amortized cost of the rights retained by the Group (if any) and plus the amortized cost of the obligations assumed by the Group (if any). The associated liability is not designated as the financial liabilities at FVTPL.

- if the transferred asset is measured at fair value, the book value of an associated liability is equal to the book value of the transferred financial assets minus the fair value of the rights retained by the Group (if any) and plus the fair value of the obligations assumed by the Group (if any). The fair value of the rights and obligations is measured on individual basis.

For a transfer of a financial asset in its entirety that satisfies the derecognition criteria, focusing on the financial assets measured at amortized cost and financial assets at FVTOCI, the difference between the carrying amount of the financial asset transferred and the sum of the consideration received due to the transfer and the cumulative amount of change in fair value originally through other comprehensive income is recognized in the current gains or losses. As for the non-tradable equity instruments designated by the Group at FVTOCI, cumulative gains or losses previously included in other comprehensive income are transferred and included in retained earnings.

Notes to the Financial Statements

For the period from 1 January to 30 June 2018

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

10. Financial Instrument (Continued)

10.3 Transfer of financial assets (Continued)

If a part of the transferred financial asset qualifies for derecognition, the carrying amount of the pre-transferred financial asset is allocated between the part that is derecognized and the part that continues to be recognized based on their fair values at the date of transfer. The difference between the sum of the consideration at the derecognized part and any cumulative gain or loss that has been recognized in other comprehensive income related to the derecognized part and the book value of the derecognized part on the date of derecognition, are recognized in profit or loss, or as retained earnings.

For a transfer of a financial asset in its entirety that dissatisfies the derecognition criteria, the Group will continue to recognised the transferred financial asset in its entirety, and the consideration received from the transfer is designated as liabilities.

10.4 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.

10.4.1 Financial liabilities at FVTPL

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

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.

Notes to the Financial Statements

For the period from 1 January to 30 June 2018

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

10. Financial Instrument (Continued)

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

10.4.1 Financial liabilities at FVTPL (Continued)

Financial liabilities held for trading 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.

Changes in fair value of financial liabilities designated at fair value through profit and loss arising from the changes in the Group's self-owned credit risk shall be recognized in other comprehensive income. When the liability is derecognized, the accumulated changes in fair value arising from changes in its own credit risk, which are included in other comprehensive income, are transferred to retained earnings. Other 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. If using the above methods dealing with the influence of changes in the own credit risk of financial liabilities will create or enlarge an accounting mismatch, all gains or loss of the financial liabilities (including the impacted amount of the changes in the corporate's own credit risk) are recognized in profit or loss.

The Group accounts for financial liabilities arising from contingent consideration of business combination not under common control as the acquiree at fair value through profit or loss.

10.4.2 Other financial liabilities

Other financial liabilities, other than financial liabilities arising from financial assets of which the transfer does not meet the conditions for derecognition or continue to be involved in transferred financial assets, financial guarantee contracts and loan commitments, are classified as financial liabilities measured at amortized cost, and subsequently measured at amortized cost. Gain or loss arising from derecognition or amortization is recognized in profit or loss.

When the renegotiation or modification of the contract by the Group and its counterparties does not result in the derecognition of the financial liability measured at amortized cost but results in the change in the contractual cash flow, the Group shall recalculate the book value of the financial liability and shall recognize the gain or loss in profit or loss. The book value of the financial liability recalculated is recognized as the present value of the renegotiated or modified contractual cash flows that are discounted at the financial liability's original effective interest rate. As for the costs or fees from the modified or renegotiated contract, the Group adjusts the book value of the modified financial liability and are amortized over the remaining term of the modified financial liability.

Notes to the Financial Statements

For the period from 1 January to 30 June 2018

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

10. Financial Instrument (Continued)

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

10.4.3 Financial guarantee contracts

A financial guarantee contract is a contract by which an issuer is required to pay for the loss of the specified amount to the contractor in case a particular debtor fails to pay the debt in accordance with the terms of the original or modified debt instrument. Financial guarantee contracts that are not designated as financial liabilities at fair value through profit or loss, are measured at the amount of credit loss provision and the initial recognized amount after deducting the accumulated amortization amount in accordance with the relevant standard after initial recognition.

10.5 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.

10.6 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.

Notes to the Financial Statements

For the period from 1 January to 30 June 2018

(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.

The following financial instrument accounting policies are applicable to 2017:

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.

10.8 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.

10.9 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, loan 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.

Notes to the Financial Statements

For the period from 1 January to 30 June 2018

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

10. Financial Instrument (Continued)

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

10.9.1 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 amortisation is recognized in profit or loss.

10.9.2 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 Financial Statements

For the period from 1 January to 30 June 2018

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

10. Financial Instrument (Continued)

10.10 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 provision. 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 information 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;

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

10. Financial Instrument (Continued)

10.10 Impairment of financial assets (Continued)

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

For the period from 1 January to 30 June 2018

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

10. Financial Instrument (Continued)

10.10 Impairment of financial assets (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 amortisation) 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.

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

10. Financial Instrument (Continued)

10.11 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 value 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.

Notes to the Financial Statements

For the period from 1 January to 30 June 2018

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

10. Financial Instrument (Continued)

10.12 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.

10.12.1 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.

Notes to the Financial Statements

For the period from 1 January to 30 June 2018

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

10. Financial Instrument (Continued)

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

10.12.2 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 liabilities are subsequently measured at amortized cost using the effective interest method, with gain or loss arising from derecognition or amortisation recognized in profit or loss.

10.12.3 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 value 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 amortisation recognized in accordance with the principles set out in Accounting Standard for Business Enterprises No. 14 – Revenue.

10.13 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 Financial Statements

For the period from 1 January to 30 June 2018

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

10. Financial Instrument (Continued)

10.14 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.

10.15 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, and payment of stock dividends does not affect total shareholders' equity.

11. Receivables

The following bad debt provision policies of receivables are applicable to 2017:

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

The basis of individually significant amount or criterion of 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 is included in a group of financial assets with similar credit risk characteristics to be tested for impairment collectively.

Notes to the Financial Statements

For the period from 1 January to 30 June 2018

(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 previous 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 2; (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 Financial Statements

For the period from 1 January to 30 June 2018

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

11. Receivables (Continued)

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

- Credit portfolio II of other receivables: it consists of other receivables within the normal collection period with adequate securities/guarantees or other evidence of recoverability. It is to be determined based on historical loss experience and current economic performance according to similar credit risk characteristics as well as estimated losses existing in the portfolio of such receivables, and for which bad debt is provided by balance percentage;

- Credit portfolio III of other receivables: it consists of other receivables other than those covered by credit portfolio I and II of other receivables. The proportions of bad debt provided for different age groups of such portfolio in the current period are determined based on the loss rate of such type of receivables and with reference to the status quo, and for which bad debt is provided by aging analysis;

- Portfolio of loans: it consists of microfinance loans granted to third parties by a microfinance company of the Group with its self-owned funds; and for which risk reserve is provided at 1% of the balance of loans being granted.

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

Notes to the Financial Statements

For the period from 1 January to 30 June 2018

(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

	Proportions of bad debt provided *(%)*	
Aging	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 Financial Statements

For the period from 1 January to 30 June 2018

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

12. Inventory

12.1 Categories of inventories

The Group's inventories mainly include low-value consumables, 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 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 selling expenses and relative taxes to the completion date from the estimated selling price of the inventory in daily activities. The company determined net realizable value of inventories, made the obtained conclusive evidence as basis, and considered the purposes of holding inventories, events after the balance sheet date and other factors.

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

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

12.4 The inventory system for Inventory

The inventory system is a perpetual inventory system.

12.5 Amortization method of low-value consumables materials

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

Notes to the Financial Statements

For the period from 1 January to 30 June 2018

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

13. Assets classified as 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 Financial Statements

For the period from 1 January to 30 June 2018

(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 initial 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.

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

14. Long-term Equity Investment (Continued)

14.2 Determination of initial 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.

14.3.2 Long-term equity investment accounted for by equity method

The Group accounts for investment in associates and joint ventures using the equity method except for all or part of equity investments in an associate or joint venture which are classified as held for sale assets. 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.

Notes to the Financial Statements

For the period from 1 January to 30 June 2018

(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 (Continued)

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.

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.

Notes to the Financial Statements

For the period from 1 January to 30 June 2018

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

14. Long-term Equity Investment (Continued)

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.

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.

Notes to the Financial Statements

For the period from 1 January to 30 June 2018

(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 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.

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.

Notes to the Financial Statements

For the period from 1 January to 30 June 2018

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

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.

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.

Notes to the Financial Statements

For the period from 1 January to 30 June 2018

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

16. Fixed Assets (Continued)

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.

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; Capitalisation of borrowing costs ceases when the qualifying asset being acquired, constructed or produced becomes ready for its intended use or sale. Other borrowing costs are recognized as expenses in the period when they are incurred.

Where funds are borrowed under a specific-purpose borrowing, the amount of interest to be 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 capitalisation rate to the weighted average of the excess of cumulative expenditures on the asset over the amounts of specific-purpose borrowings. The capitalisation rate is the weighted average of the interest rates applicable to the general-purpose borrowings.

Notes to the Financial Statements

For the period from 1 January to 30 June 2018

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

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

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

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

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

Research and development expenses

Expenditure on the research phase is 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 met 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;

Notes to the Financial Statements

For the period from 1 January to 30 June 2018

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

19. Intangible Assets (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, asset impairment provision 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 business 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 Financial Statements

For the period from 1 January to 30 June 2018

(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 on average by installments 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 Financial Statements

For the period from 1 January to 30 June 2018

(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 employees. 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 employees 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.

Notes to the Financial Statements

For the period from 1 January to 30 June 2018

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

25. Revenue

The Group's revenue is mainly derived from the following businesses:

(1) Revenue from the lease and management of Owned/Leased Portfolio Shopping Malls: 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.

(2) Revenue relating to Managed Shopping Malls: includes 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, revenue from commercial management and consultation service for construction project and revenue from commercial consultation fees and tenant sourcing commissions.

(3) Revenue from sales of goods and home decoration: includes the revenue obtained by the Group from sales of home decoration and furnishing products of Portfolio Shopping Malls and the revenue obtained from home design and decoration works provided by the Group.

(4) Other revenues: includes strategic consultation fee, joint marketing income and project construction income.

For a performance obligation being satisfied, the Group recognizes the transaction price allocated to such performance obligation as revenue when the customer obtains control of the relevant goods or services. A performance obligation refers to the commitment of the Group to transfer goods and services that is distinct. The transaction price refers to the amount of consideration to which the Group expects to be entitled in exchange of transferring promised goods or services to a customer, excluding the amount received on behalf of third parties and the amount that the Group expects to return to a customer.

Where a contract includes two or more performance obligations, the Group allocates the transaction price to each individual performance obligation on the commencement date of the contract on the basis of the standalone selling prices of each distinct goods or services promised in the contract. However, if there is conclusive evidence that the contract discount or variable consideration is only associated with one or more (but not all) performance obligations in the contract, the Group allocates such contract discount or variable consideration to the relevant one or more performance obligations. A standalone selling price refers to the price at which the Group sells goods or services separately to customers. Where a standalone selling price is unable to be directly observed, the Group considers all the relevant information that can be reasonably obtained and estimates the standalone selling price with utmost adoption of observable inputs.

Notes to the Financial Statements

For the period from 1 January to 30 June 2018

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

25. Revenue (Continued)

For the performance obligations fulfilled within a certain period of time, the Group recognizes revenue within such period of time by reference to the progress towards the satisfaction of the performance obligations if one of the following conditions is met: (1) the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs; (2) the Group's performance creates and enhances an asset that the customer controls as the Group performs; or (3) the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date. Otherwise, revenue is recognized at a point in time when the customer obtains control of the distinct goods or services.

Contractual rights not exercised by customers

In the event that the Group receives an advance from customers for goods or services, such advance is first recognized as a liability and then transferred to revenue upon fulfillment of the relevant performance obligations. In the event that the Group is not required to return an advance, a customer may waive all or part of its contractual rights and the Group expects to be entitled to the amount in relation to the contractual rights waived by the customer, the aforementioned amount is recognized as revenue on a pro rata basis in accordance with the model in which the customer exercises its contractual rights; otherwise, the Group transfers the relevant balance of the above liability to revenue only when the probability of the customer's request for performance of the remaining performance obligation is extremely low.

Initial fee with no refund required

The initial fee charged to a customer with no refund required at the commencement date (or close to the commencement date) of the contract is recognized as transaction price. In the event that such initial fee is related to the promised goods or services transferred to the customer, and such goods or services constitute a single performance obligation, the Group recognizes revenue at the transaction price allocated to the goods or services at the time of transfer of such goods or services by the Group. In the event that such initial fee is related to the promised goods or services transferred to the customer, while such goods or services do not constitute a single performance obligation, the Group recognizes revenue at the transaction price allocated to such single performance obligation at the time of performance of such single performance obligation comprising such goods or services. In the event that such initial fee is not related to the promised goods or services transferred to the customer, such initial fee is regarded as the advance for goods or services to be transferred in the future, and recognized as revenue at the time of transfer of such goods or services in the future.

Notes to the Financial Statements

For the period from 1 January to 30 June 2018

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

25. Revenue (Continued)

Cost of obtaining a contract

The Group is expected to be able to recover the increased cost incurred in obtaining a contract (i.e., the cost that would not occur without obtaining the contract) and recognizes such cost as an asset. If the amortisation period of such asset does not exceed one year, it is recognized as profit or loss for the current period at the time of occurrence. Other expenses incurred by the Group in obtaining a contract is recognized as profit or loss for the current period at the time of occurrence, except for those borne by the customers.

Cost of performing a contract

The cost incurred from performing a contract is recognized by the Group as an asset in the event that such cost is beyond the scope of other accounting standards for business enterprises other than the standards for revenue and the following conditions are met: (1) such cost is directly related to an existing contract or a contract expected to be obtained; (2) such cost leads to the increase in the Group's resources for fulfillment of its performance obligations in the future; and (3) such cost is expected to be recovered.

The above asset in relation to the contractual cost is amortized on the same basis as the recognition of revenue from goods or services in relation to such asset, which is recognized in profit or loss for the current period.

In the event that the carrying amount of the above asset in relation to the contractual cost is higher than the difference between (1) the remaining consideration expected to be obtained from transfer of goods or services in relation to such asset by the Group; and (2) the estimated cost for transfer of such goods or services, the excess is recognized as asset impairment loss with impairment provision determined.

Upon the provision for impairment, in the event that changes in impairment factors for the previous period lead to the difference between the above two items higher than the carrying amount of such asset, the asset impairment provision previously determined is transferred to profit or loss for the current period, while the carrying amount of the transferred asset does not exceed the carrying amount of such asset on the date of reversal, assuming that no impairment provision is determined.

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer, which is dependent on other factors other than passage of time. For details in relation to the accounting policies for contract asset impairment, please refer to Note (III). 10. The Group's unconditional right to consideration from customers (which is dependent only on passage of time) is stated separately as receivables.

Notes to the Financial Statements

For the period from 1 January to 30 June 2018

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

25. Revenue (Continued)

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

The following accounting policies for revenue were applied in 2017:

25.1 Revenue from sales of goods and home decoration

25.1.1 Revenue from sale of goods

Revenue from sale of goods is the revenue obtained from sales of home decoration and furnishing products. It 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.

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.

Notes to the Financial Statements

For the period from 1 January to 30 June 2018

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

25. Revenue (Continued)

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;

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.

Notes to the Financial Statements

For the period from 1 January to 30 June 2018

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

25. Revenue (Continued)

25.3 Revenue Relating to Managed Shopping Malls (Continued)

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.

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.

Notes to the Financial Statements

For the period from 1 January to 30 June 2018

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

25. Revenue (Continued)

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.

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.

Notes to the Financial Statements

For the period from 1 January to 30 June 2018

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

25. Revenue (Continued)

25.4 Other revenues (Continued)

25.4.3 Project construction income (Continued)

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 Financial Statements

For the period from 1 January to 30 June 2018

(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).33 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 is accounted for in the profit or loss for the current period on a straight-line basis over the useful life of related assets.

26.2 Criterion and accounting treatment of income-related government grant

Please refer to Note (V).47 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.

Notes to the Financial Statements

For the period from 1 January to 30 June 2018

(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 utilized. 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 utilized.

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.

(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)

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 utilized. 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.

28. Leases

Leases are classified as financial 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.

Notes to the Financial Statements

For the period from 1 January to 30 June 2018

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

28. Leases (Continued)

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 financial 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).13 for subsequent measurement of investment properties under financial lease.

Unrecognized finance charge is calculated using the effective interest method over the period of the lease. Contingent rents are recognized in profit or loss based on actual occurrence. The balance of minimum lease payments after deducting unrecognized finance charge are presented separately as long-term liability or long-term liability which due within one year.

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.

Notes to the Financial Statements

For the period from 1 January to 30 June 2018

(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)

– Significant judgments made in applying accounting policies

The followings 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 for 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.

For the period from 1 January to 30 June 2018:

When the Group takes into account of the time point or period of relevant revenue recognition, as the customer simultaneously receives and consumes the benefits it brings when the Group fulfills its obligation, and the customer is able to control the shopping malls under construction during the fulfillment of the obligation of the Group, the performance obligations are fulfilled within a certain period of time, during which revenue is recognized by the Group by reference to the fulfillment progress towards obligations. The Group further considers the nature of the consulting and management service titled the Company's name for the early stage of the project, and adopts appropriate methods to determine the fulfillment progress towards the obligations..

For the year 2017:

When the Group takes into account of the time point 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, under the circumstance that 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, in the event that the Group and the partners have entered into management framework agreement or contract and the partners have obtained land transaction confirmation or land use right certificate, the Group recognizes the initial revenue from the consulting and management services titled the Company's name for the early stage of the projects at the relevant amount agreed in the contract; while upon the opening of relevant Managed Shopping Malls, the Group recognizes the remaining revenue from the consulting and management service titled the Company's name for the early stage of the project at the amount agreed in the contract.

Notes to the Financial Statements

For the period from 1 January to 30 June 2018

(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)

– Significant judgments made in applying accounting policies (Continued)

Deferred tax for investment properties

The Group conducts subsequent measurement of self-owned shopping malls by adopting the fair value model. 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

As at the end of the current period and the end of the previous year, the carrying amounts of the Group's investment properties measured at fair value amounted to RMB75,897,000,000.00 and RMB70,831,000,000.00. In assessing, the valuer adopted the valuation methods involving particular estimates against the market situation. The management of the Group considers that such assumptions used in the process of valuation by valuer reflect the current market situation. Changes of data used in assessing will affect the appraisal value for investment properties and gains or losses arising from changes in fair value it relates. Relevant information was disclosed in Note (V), 13 and Note (IX).

Income Tax

As at the end of the current period and the end of the previous year, the deferred tax assets of the Group amounted to RMB1,079,882,420.86 and RMB718,579,066.08 respectively after deducting relevant income tax liabilities (see Note (V), 20 for details). 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.

Notes to the Financial Statements

For the period from 1 January to 30 June 2018

(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)

– Critical Assumptions and Uncertainties in Accounting Estimates (Continued)

Fixed assets

As at the end of the current period and the end of the previous year, the carrying amounts of the fixed assets of the Group amounted to RMB419,079,325.57 and RMB392,882,286.21 respectively, while the net carrying amount was RMB169,372,805.60 and RMB158,862,688.00 respectively. Management of the Group determined the related depreciation fee of fixed-assets by taking into account of expected useful lives, expected net residual 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. As at the end of the current period and the end of the previous year, management of the Group has not found any impairment of fixed assets.

Intangible assets

As at the end of the current period and the end of the previous year, the initial carrying amount of the Group's intangible assets were RMB692,842,216.57 and RMB661,502,586.47, respectively, and the net carrying amount were RMB475,675,970.33 and RMB458,617,045.42. 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 the asset group comprising the intangible assets, being the higher between the fair value less disposal costs and the estimated present value of future cash flow. When its recoverable amount is lower than its carrying amount, the management will make provision for impairment in the current period. As at the end of the current period and the end of the previous year, the impairments on intangible assets of the Group were RMB100,000,000.00.

Notes to the Financial Statements

For the period from 1 January to 30 June 2018

(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)

– Critical Assumptions and Uncertainties in Accounting Estimates (Continued)

Accounts receivable and other receivables

During the period from 1 January to 30 June 2018:

Accounts receivable of the Group are recognized in accordance with the standards for revenue with no significant financing components involved. The management reviews the amount of expected credit loss over entire lifetime of accounts receivable to estimates the amount of impairment of accounts receivable. In the event that the actual results or further expectations differ from the original estimates, the relevant difference will exert an impact on the estimated carrying amount of receivables, and the accrual and reversal of bad debt provision for receivables during the period of change in accounting estimates.

For the year 2017:

The Group provides impairment provision 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.

As at the end of the current period and the end of the previous year, the balances of bad debts provision for accounts receivable of the Group amounted to RMB929,877,855.74 and RMB766,752,183.69 respectively. As at the end of the current period and the end of the previous year, the balances of bad debts provision for other receivables amounted to RMB247,112,602.17 and RMB208,984,259.16.

Notes to the Financial Statements

For the period from 1 January to 30 June 2018

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

30. Changes in Significant Accounting Policies and Accounting Estimates

The Group has applied the New Standards for Financial Instruments and New Standards for Revenue since 1 January 2018. Meanwhile, the financial statements have been prepared in accordance with the "Notice on the Revision of the Format of General Financial Statements for 2018" (Cai Kuai [2018] No. 15) issued by the Ministry of Finance (the "MoF") on 15 June 2018 ("Cai Kuai Document No. 15").

New Standards for Financial Instruments

The Group has applied the "Accounting Standards for Business Enterprises No. 22 – Financial Instrument: Recognition and Measurement", "Accounting Standards for Business Enterprises No. 23 – Transfer of Financial Assets", "Accounting Standards for Business Enterprise No. 24 – Hedging Accounting" and "Accounting Standards for Business Enterprises No. 37 – Financial instrument: Presentation" ("**New Standards for Financial Instruments**") revised by the MoF since 1 January 2018.

For classification and measurement of financial assets, the New Standards for Financial Instruments require that the financial assets should be classified into three categories: financial assets measured at amortized cost, financial assets at FVTOCI and financial assets at FVTPL based on characteristics of contractual cash flows and business models for the enterprise to manage these assets. The original categories including loans and receivables, held-to-maturity investments and available-for-sale financial asset have been cancelled. Investments in equity instruments are generally categorized into financial assets at FVTPL. The enterprise is also allowed to designate the non-tradable investments in equity instruments as financial assets at FVTOCI, but such designation is non-cancellable, and the cumulative amounts of changes in fair value previously recognized in other comprehensive income will no longer be reclassified to profit or loss upon disposal.

For impairment of financial assets, the New Standards for Financial Instruments on impairment are applicable to financial assets measured at amortized cost and trade receivables. The New Standards for Financial Instruments require adoption of expected credit losses model to replace the original incurred credit loss model. The new impairment model requires adoption of a three-phase model, credit loss provision is made based on expected credit losses within 12 months or during the entire life according to whether the credit risks of relevant items have been significantly increased since initial recognition. There is simplified method for the trade receivables whereby impairment provision is allowed to be recognized for the expected credit losses during the entire life all along.

Pursuant to the circular issued by the MoF, for domestically- and overseas-listed enterprises and enterprises listed overseas and adopting International Financial Reporting Standards or Accounting Standards of Business Enterprises to prepare financial statements shall apply the New Standards for Financial Instruments since 1 January 2018. Therefore, the Group has applied the abovementioned New Standards for Financial Instruments since 1 January 2018 and recognized, measured and reported the Group's financial instruments in accordance with the New Standards for Financial Instruments since that day. Please see the Note (III).10 for details of accounting policies after changes.

Notes to the Financial Statements

For the period from 1 January to 30 June 2018

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

30. Changes in Significant Accounting Policies and Accounting Estimates (Continued)

If the recognition and measurement of financial instruments before 1 January 2018 was inconsistent with the New Standards for Financial Instruments, the Group would adjust in accordance with the transition requirement of the New Standards for Financial Instruments. In case there is inconsistence with the requirements of the New Standards for Financial Instruments for the comparative figures in financial statements, the Group will not make adjustment. The difference between the original carrying amount of the financial instruments and the new carrying amount at the adoption date of the new standards shall be recognized in retained earnings or other comprehensive income at 1 January 2018. The below table sets out the impact of the Group's adoption of New Standards for Financial Instruments on 1 January 2018.

		Impact of implementing New Standards for Financial Instruments		
Item	Carrying amount as stated in accordance with original standards 31 December 2017	Transferred from the original available-for-sale financial assets *(Note 1)*	Change from cost measurement to fair value measurement *(Note 1)*	Carrying amount as stated in accordance with New Standards for Financial Instruments 1 January 2018
Available-for-sale financial assets	3,062,451,062.40	(3,062,451,062.40)	–	–
Other equity instrument investments	–	3,062,451,062.40	26,936,200.40	3,089,387,262.80
Other comprehensive income	1,562,965,633.10	–	20,976,775.82	1,583,942,408.92
Deferred tax liabilities	9,714,400,823.89	–	5,232,068.70	9,719,632,892.59
Non-controlling interests	3,505,201,438.50	–	727,355.88	3,505,928,794.38

Note 1: Transferred from the original available-for-sale financial assets

Transfer from available-for-sale financial assets to other equity instrument investments

On 1 January 2018, the available-for-sale financial assets of RMB3,062,451,062.40 were reclassified as other equity instrument investments, which were held by the Group for strategic plans and were not held for receiving contractual cash flows. Among which the available-for-sale financial assets of RMB741,798,731.55 were equity instrument investments without a quoted price in an active market whose fair value cannot be reliably measured, which were measured at cost for the previous period in accordance with the original standards for financial instruments. On 1 January 2018, such equity investments were measured at fair value, resulting in an increase in carrying value of other equity instrument investments by RMB26,936,200.40 and a corresponding increase in other comprehensive income (changes in fair value of other equity instrument investments).

Note 2: The management of the Group is of the view that on 1 January 2018, loss provisions recognized by the Group for financial assets measured at amortized cost in accordance with the original standards for financial instruments were close to the credit loss provisions recognized under New Standards for Financial Instruments.

Notes to the Financial Statements

For the period from 1 January to 30 June 2018

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

30. Changes in Significant Accounting Policies and accounting estimates (Continued)

New Standards for Revenue

Since 1 January 2018, the Group has applied "Accounting Standards for Business Enterprises No. 14 – Revenue" ("**New Standards for Revenue**") revised by the MoF in 2017. The New Standards for Revenue introduced the 5-step method for revenue recognition and measurement and added more instructions on specific transactions (or events). Details about the Group's accounting policies on revenue recognition and measurement are disclosed in Note (III). 25. The New Standards for Revenue require the entity to adjust the cumulative effect into the retained earnings at the beginning of initial adoption period of the new standards (i.e. 1 January 2018) and relevant items in the financial statements, and not to adjust information in comparative period. For changes in contract incurred before the beginning of the adoption period of New Standards for Revenue, the Group uses simplified treatment, namely, the Group would identify the fulfilled and unfulfilled performance obligations, determine transaction price and allocate the transaction price between the fulfilled and unfulfilled performance obligations according to the final arrangement of contract changes.

(1) In addition to providing disclosure of a wider range of revenue transactions, the impact of the implementation of New Standards for Revenue on the relevant balance sheet items at the beginning of the current period is as follows:

RMB

Item	31 December 2017	Remeasurement	Reclassification	1 January 2018
Current assets:				
Notes receivable	3,000,000.00		(3,000,000.00)	–
accounts receivable	1,167,430,013.77	653,633,667.19	(1,821,063,680.96)	–
Notes receivable and accounts receivable	–		1,824,063,680.96	1,824,063,680.96
Contract assets	–	536,488,289.95		536,488,289.95
Non-current assets:				
Deferred tax assets	718,579,066.08	7,301,299.14		725,880,365.22
Current liabilities:				
Advance from customers	3,068,282,301.16	258,913,970.90	(2,062,423,620.00)	1,264,772,652.06
Contract liabilities	–		2,062,423,620.00	2,062,423,620.00
Other payables	7,579,360,891.86	37,113,009.74		7,616,473,901.60
Taxes payable	927,266,639.50	81,043,189.31		1,008,309,828.81
Non-current liabilities:				
Other non-current liabilities	2,774,520,500.00	1,544,371,121.52		4,318,891,621.52
Equity:				
Retained earnings	28,254,693,080.77	(724,018,035.19)		27,530,675,045.58

Notes to the Financial Statements

For the period from 1 January to 30 June 2018

(IV) TAXATION

1. Major categories of taxes and tax rate

Category of tax	Basis of tax computation	Tax rate
Value-added tax ("VAT")	Revenue from sales of goods	17%
	Taxable service revenue	6% *(Note1)*
	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)*
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 areas, tax rate is 1%
Education surcharge	Actually paid VAT and business tax	3%
Local education surcharge	Actually paid VAT and business tax	2%

Notes to the Financial Statements

For the period from 1 January to 30 June 2018

(IV) TAXATION (CONTINUED)

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

Category of tax	Basis of tax computation	Tax rate
Property tax	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 (雲南紅星美凱龍家居生活廣場有限公司) ("**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 Zhongxiang Meitong Storage Company Limited ("**Suzhou Zhongxiang**"), 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 (合肥紅星美凱龍世博家居廣場有限公司) 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. 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.	
Land use tax	Paid as actual tax rate	
Stamp duty	Paid as actual tax rate	
Enterprise income tax (except subsidiaries stated in Note (IV) 2)	Taxable income	25%

Notes to the Financial Statements

For the period from 1 January to 30 June 2018

(IV) TAXATION (CONTINUED)

1. Major categories of tax 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.

Notes to the Financial Statements

For the period from 1 January to 30 June 2018

(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 2017 of 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) was 15%, and rate on corporate income tax for 2017 of Chengdu Changyi Red Star Macalline Home Furnishing Market Management Company Limited was 25%. In accordance with the communication with the local tax authorities when prepaying the income tax, Chengdu Red Star Macalline Xinnan Business Management Company Limited (成都紅星美凱龍新南商業管理有限公司), 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, Red Star Macalline Chengdu Business Management Company Limited, Red Star Macalline Chengdu Enterprise Management and Consultancy Company Limited and Chengdu Red Star Macalline Xinnan Business Management Company Limited temporarily paid corporate income tax at the rate of 15% for 2018.

Notes to the Financial Statements

For the period from 1 January to 30 June 2018

(IV) TAXATION (CONTINUED)

2. Tax Preference and Approvals (Continued)

As stipulated in Cai Shui [2011] No. 112 Notice on Corporate Income Tax Preferential Policy in the Kashi and Khorgos Special Economic Development Zones in Xinjiang (關於新疆喀什霍爾果斯兩個特殊經濟開發區企業所得税優惠政策的通知)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税優惠目錄的通知), 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税優惠目錄(試行(2016 版本))》) (the hereinafter referred to as "**Directory**"). For newly established 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 are temporarily exempt from incorporate income tax in 2018. Khorgos Hongju Enterprise Management Company Limited (霍爾果斯紅居企業管理有限公司) and Khorgos Yarui Venture Capital Company Limited (霍爾果斯雅睿創業投資有限公司), being subsidiaries of the Group, acquired the first operating revenue in 2018, therefore in accordance with the communication between these companies and the local tax authorities, such companies are temporarily exempt from corporate income tax in 2018.

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) and Tibet Red Star Macalline Enterprise Management Company Limited (西藏紅星美凱龍企業管理有限公司), being the subsidiaries of the Group, were registered in Tibet Autonomous Region. Pursuant to Zangzhengfa [2014] No. 51 the Notice Issued by the People's Government of the Tibet Autonomous Region Regarding the Publication of Implementation Rules of Enterprise Income Tax Policy of the Tibet Autonomous Region, enterprises unitedly executing the Great Western Development Strategy in Tibet Autonomous Region are subject to EIT at a rate of 15%.

Notes to the Financial Statements

For the period from 1 January to 30 June 2018

(V) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Cash and Bank

RMB

Items	30 June 2018 Amount in foreign currency	Exchange rate	Amount in RMB	31 December 2017 Amount in foreign currency	Exchange rate	Amount in RMB
Cash on hand:						
Renminbi (refers to "RMB")			19,454,091.01			47,859,870.87
Bank deposits:						
RMB			9,686,509,547.81			10,069,660,980.46
US dollars (refers to "USD")	1,839.77	6.6166	12,173.02	37,632,036.13	6.5342	245,895,250.48
Hong Kong dollars (refers to "HKD")	794,900.42	0.8431	670,180.54	120,764.37	0.8359	100,948.14
Other cash and bank:						
RMB			416,927,931.79			263,400,738.59
Total			10,123,573,924.17			10,626,917,788.54

As at the end of the current period, in the Group's other cash and bank, RMB32,479,250.47 was used for long-term borrowing pledges, RMB7,514,670.36 was deposits for performance guarantee, RMB167,480,969.30 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, such amount cannot be freely withdrawn because the tenants had been prosecuted for its product quality issue. RMB200,000,000.00 was the bank deposit of the Company, such amount cannot be freely withdrawn because of the pending litigation.

As at the end of the prior 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 deposits for performance guarantee, RMB205,655,403.94 was placed as deposit reserve with 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, such amount cannot be freely withdrawn because the tenants had been prosecuted for its product quality issue.

As at the end of the current period and the previous year, the Group's time deposits with maturity of more than three months amounted to RMB86,700,000.00 and RMB94,223,310.50, respectively.

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

Notes to the Financial Statements

For the period from 1 January to 30 June 2018

(V) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2. Financial assets held for trading

RMB

Item	30 June 2018	31 December 2017
Financial assets classified as at fair value through profit or loss	210,289,863.93	–
Including: Equity instrument investments	210,289,863.93	–
Total	210,289,863.93	–

3. Notes Receivable and Accounts Receivable

RMB

Item	Note	30 June 2018	31 December 2017
Notes Receivable	(1)	1,000,000.00	3,000,000.00
Accounts Receivable	(2)	2,050,417,411.71	1,167,430,013.77
Total		2,051,417,411.71	1,170,430,013.77

(1) Notes Receivable

(a) Categories of notes receivable

RMB

Category	30 June 2018	31 December 2017
Bank acceptances	1,000,000.00	3,000,000.00

(b) As at the end of the current period and the previous year, the Group had no pledged notes receivable.

(c) As at the end of the current period and the previous 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.

Notes to the Financial Statements

For the period from 1 January to 30 June 2018

(V) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

3. Notes Receivable and Accounts Receivable (Continued)

(2) Accounts Receivable

(a) Disclosure of accounts receivable by categories

RMB

Category	30 June 2018 Book balance Amount	Bad debt provision Amount	Bad debt provision Proportion *(%)*	Book value Amount
Receivables without significant financing component	2,980,295,267.45	929,877,855.74	31.20	2,050,417,411.71
Total	2,980,295,267.45	929,877,855.74	31.20	2,050,417,411.71

RMB

Category	31 December 2017 Book balance Amount	Book balance Proportion *(%)*	Bad debt provision Amount	Bad debt provision Proportion *(%)*	Book value Amount
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 Financial Statements

For the period from 1 January to 30 June 2018

(V) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

3. Notes Receivable and Accounts Receivable (Continued)

(2) Accounts Receivable (Continued)

(b) Disclosure of accounts receivable by aging

RMB

	30 June 2018		
	Book balance	Amount of bad debt	Proportion for provision *(%)*
Within 1 year	1,032,685,279.30	69,930,182.89	6.77
1 to 2 years	503,830,057.41	59,136,345.25	11.74
2 to 3 years	492,882,776.48	236,227,173.34	47.93
3 to 4 years	424,912,000.00	206,287,000.00	48.55
4 to 5 years	370,306,632.95	238,451,965.27	64.39
Over 5 years	155,678,521.31	119,845,188.99	76.98
Total	2,980,295,267.45	929,877,855.74	31.20

(c) Impairment for accounts receivable

The Group measures the impairment provision of notes receivable and accounts receivable according to the amount of expected credit losses equivalent to the entire life period, and calculates its expected credit losses based on the comparison table for credit risk rating and default loss rate.

RMB

	30 June 2018		
Credit risk rating	Default loss rate	Accounts receivable	Bad debt provision
Normal	2.11%	136,014,561.98	2,870,382.10
Doubtful	23.19%	2,496,079,296.41	578,806,064.58
In default	100.00%	348,201,409.06	348,201,409.06
Total	31.20%	2,980,295,267.45	929,877,855.74

The default loss rate is calculated based on the historical actual credit loss, and it is adjusted based on the differences between the economic situation during the historical data collection period, the current economic situation and the economic situation that the Group believes to be during the expected life period.

Notes to the Financial Statements

For the period from 1 January to 30 June 2018

(V) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

3. Notes Receivable and Accounts Receivable (Continued)

(2) Accounts Receivable (Continued)

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

RMB

	31 December 2017		
	Book balance	Amount of bad debt	Proportion for provision *(%)*
Within 1 year	752,264,745.72	37,613,234.58	5.00
1 to 2 years	278,218,511.10	27,821,851.10	10.00
2 to 3 years	87,388,124.11	17,477,624.82	20.00
3 to 4 years	44,000,000.00	22,000,000.00	50.00
4 to 5 years	–	–	80.00
Over 5 years	4,500,000.00	4,500,000.00	100.00
Total	1,166,371,380.93	109,412,710.50	9.38

(3) Provision, collection or reversal of bad debt provision during the Reporting Period:

During the current period, provision for bad debt provision amounted to RMB142,541,596.93, the reversal of bad debts amounted to RMB30,000,000.00. There was no actual written-off of accounts receivable.

Significant amount of provision, collection or reversal of bad debt provision during the current period:

RMB

Companies	Recovery or reversal amount	Recovery method
Guangxi Shengli Decoration Engineering Co. Ltd. (廣西晟力裝飾工程有限公司)	15,000,000.00	Collection of accounts receivable
Jiangsu Construction Engineering Co., Ltd. (江蘇省建築工程集團有限公司)	15,000,000.00	Collection of accounts receivable

Notes to the Financial Statements

For the period from 1 January to 30 June 2018

(V) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

3. Notes Receivable and Accounts Receivable (Continued)

(4) Top 5 accounts receivable at the end of the period

RMB

Name of entity	Book balance	Proportion of total accounts receivable *(%)*	Amount of bad debt provision
The Second Construction Group Corporation Limited of Yancheng Jiangsu (江蘇鹽城二建集團有限公司)	83,432,000.00	2.80	31,432,000.00
Changzhou Wujin Construction Engineering Company Limited(常州市武進建設工程有限公司)	55,000,000.00	1.85	55,000,000.00
Guangxi Shengli Decoration Engineering Co. Ltd. (廣西晟力裝飾工程有限公司)	42,000,000.00	1.41	27,500,000.00
Jiangsu Golden Pecker Decoration Engineering Co., Ltd. (江蘇金啄木裝飾工程有限公司)	41,000,000.00	1.37	3,715,753.42
Jiangsu Jiangzhong Group Company Limited (江蘇江中集團有限公司)	30,000,000.00	1.01	30,000,000.00
Total	251,432,000.00	8.44	147,647,753.42

(5) As at the end of the current period and prior year, the Group had no derecognition of accounts receivable due to the transfer of financial assets.

(6) As at the end of the current period, 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 RMB2,240,389,718.09, and impairment provision amounted to RMB595,073,021.81.

Notes to the Financial Statements

For the period from 1 January to 30 June 2018

(V) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

4. Prepayments

(1) Aging analysis of prepayments is as follows:

RMB

Aging	30 June 2018 Amount	30 June 2018 Proportion (%)	31 December 2017 Amount	31 December 2017 Proportion (%)
Within 1 year	298,753,209.61	98.75	261,983,675.65	97.84
1 to 2 years	588,488.29	0.19	2,591,231.64	0.97
2 to 3 years	880,000.00	0.29	980,000.00	0.37
Over 3 years	2,322,200.00	0.77	2,222,200.00	0.82
Total	302,543,897.90	100.00	267,777,107.29	100.00

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

(2) Top 5 entities with the largest amounts of prepayment at the end of the period

RMB

Name of entity	Amount	Proportion of the total amount to prepayments (%)
Khorgas Wonderful Culture Media Co., Ltd. (霍爾果斯奇思妙想文化傳媒有限公司)	19,760,000.00	6.53
Beijing Beiyuan Xinghua Comprehensive Market Co., Ltd. (北京北苑星華綜合市場有限公司)	15,546,400.00	5.14
National Exhibition and Convention Center (Shanghai) Company Limited (國家會展中心(上海)有限責任公司)	6,869,530.40	2.27
Shanghai Jingting Enterprise Management Company Limited (上海晶庭企業管理有限公司)	5,000,000.00	1.65
Kailian Information Technology Company Limited (開聯信息技術有限公司)	5,000,000.00	1.65
Total	52,175,930.40	17.24

Notes to the Financial Statements

For the period from 1 January to 30 June 2018

(V) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5. Other Receivables

RMB

Item	30 June 2018	31 December 2017
Others	1,586,631,674.21	1,734,498,124.83
Total	1,586,631,674.21	1,734,498,124.83

(1) Other receivables disclosed by categories

RMB

Category	30 June 2018 Book balance Amount	Bad debt provision Amount	Bad debt provision Proportion (%)	Book value Amount
Receivables without significant financing component	1,833,744,276.38	247,112,602.17	13.48	1,586,631,674.21
Total	1,833,744,276.38	247,112,602.17	13.48	1,586,631,674.21

Category	31 December 2017 Book balance Amount	Book balance Proportion (%)	Bad debt provision Amount	Bad debt provision Proportion (%)	Book value Amount
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

Notes to the Financial Statements

For the period from 1 January to 30 June 2018

(V) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5. Other Receivables (Continued)

(2) Impairment of other receivables

The Group measures the impairment provision of other receivables according to the amount of expected credit losses for the entire life period, and calculates its expected credit losses based on the comparison table of credit risk rating and default loss rate.

RMB

	30 June 2018		
Credit risk rating	Default loss rate	Other receivables	Bad debt provision
Normal	0.00%	367,496,044.27	–
Doubtful	7.89%	1,318,404,071.69	104,080,680.05
In default	96.75%	147,844,160.42	143,031,922.12
Total		1,833,744,276.38	247,112,602.17

The default loss rate is calculated based on the actual credit loss for the previous historical periods, and it is adjusted based on the differences between the economic situation during the historical data collection period, the current economic situation and the economic situation that the Group believes to be during the expected life period.

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

Portfolio I:

RMB

	31 December 2017		
	Book balance	Bad debts	Proportion for provision *(%)*
Portfolio I	553,075,277.01	–	–

Notes to the Financial Statements

For the period from 1 January to 30 June 2018

(V) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5. Other Receivables (Continued)

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

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

RMB

	31 December 2017		
	Book balance	Amount of bad debts	Proportion for provision *(%)*
Portfolio II	254,910,612.43	12,745,530.62	5.00

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

RMB

	31 December 2017		
	Book balance	Amount of bad debts	Proportion for provision *(%)*
Within 1 year	901,613,850.97	45,080,692.55	5.00
1 to 2 years	48,466,346.02	4,846,634.60	10.00
2 to 3 years	34,466,339.65	6,893,267.93	20.00
3 to 4 years	12,978,538.30	6,489,269.15	50.00
4 to 5 years	1,159,820.00	927,856.00	80.00
Over 5 years	3,586,377.00	3,586,377.00	100.00
Total	1,002,271,271.94	67,824,097.23	6.77

Notes to the Financial Statements

For the period from 1 January to 30 June 2018

(V) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5. Other Receivables (Continued)

(4) Provision, recovery or reversal of bad debt provision for the current period

For the current period, the provision for bad debts was RMB57,128,343.00, reversal of provision for bad debts was RMB19,000,000.00.

(5) Other receivables presented by nature is as follows:

RMB

Item	30 June 2018	31 December 2017
Loan and advances	1,019,884,523.46	678,234,257.94
– to related parties	403,866,101.17	118,226,176.43
– to minority shareholders of subsidiaries	91,815,418.12	89,450,113.93
– to third parties	524,203,004.17	470,557,967.58
Equity transfer receivables	–	354,264,500.00
Sales proceeds collected on behalf of the tenants	367,496,044.27	553,075,277.01
Deposits	116,805,355.27	99,631,452.25
Others	82,445,751.21	49,292,637.63
Total	1,586,631,674.21	1,734,498,124.83

Note: As at the end of the period, the loans to minority shareholders of Portfolio Shopping Malls and partnership for Managed Shopping Malls (both of which hereinafter referred to as the "**partnership**") included in other receivables amounted to RMB184,347,330.62, and the related impairment provision amounted to RMB34,319,219.64.

Notes to the Financial Statements

For the period from 1 January to 30 June 2018

(V) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5. Other Receivables (Continued)

(6) Top five entities with the largest amounts of other receivables as at the end of the period

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 period
Handan Fengfeng Mining District Royal Property Development Company Limited (邯鄲市峰峰礦區皇室房地產開發有限公司) *(Note1)*	Borrowing	300,000,000.00	16.36	15,000,000.00
Shanghai Mingyi Enterprise Development Company Limited (上海名藝商業企業發展有限公司) *(Note 2)*	Borrowing	109,000,000.50	5.94	5,450,000.03
Chengdu Great-wall Industrial Group Limited (成都長城實業集團有限公司)	Current account	46,237,187.31	2.52	2,311,859.37
Huaihua Xingqi Real Estate Development Construction Company Limited (懷化星旗房地產開發建設有限公司)	Borrowing	44,899,218.00	2.45	2,265,691.45
Youke Plant (Beijing) Venture Capital Company Limited (優客工廠(北京)創業投資有限公司)	Borrowing	30,000,000.00	1.64	1,500,000.00
Total		530,136,405.81	28.91	26,527,550.85

Note 1: Handan Fengfeng Mining District Royal Property Development Company Limited, being an associate of the Company (the Company held 20% of its shares), planned to develop malls and facilitating properties pursuant to the project cooperation agreement*(項目合作協議) and related loan agreements, for Red Star Macalline. The Company provided it with a loan amounted to RMB300,000,000 for the construction and its daily operations, the term of the loan is 12 months and the annual interest rate is 10%.

Note 2: Shanghai Mingyi Enterprise Development Company Limited, a joint venture of the Company of which 50% of its shares are held by the Company, has finished the construction and has opened the Red Star Macalline Mall (紅星美凱龍商場). Pursuant to the project cooperation agreement*(項目合作協議), the Company invests in its development, construction and daily capital needs in proportion to the shares held, and bears the relevant loan repayment obligations as well.

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

Notes to the Financial Statements

For the period from 1 January to 30 June 2018

(V) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

6. Inventories

RMB

Item	30 June 2018 Book balance	30 June 2018 Impairment provision	30 June 2018 Book value	31 December 2017 Book balance	31 December 2017 Impairment provision	31 December 2017 Book value
Low-value consumables	99,669,507.32	–	99,669,507.32	22,436,272.95	–	22,436,272.95
Commodities in inventory	129,945,712.86	–	129,945,712.86	97,855,087.49	–	97,855,087.49
Total	229,615,220.18	–	229,615,220.18	120,291,360.44	–	120,291,360.44

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

7. Contract assets

(1) Contract assets as follows

RMB

Item	Closing balance Book balance	Closing balance Impairment provision	Closing balance Book value	Opening balance Book balance	Opening balance Impairment provision	Opening balance Book value
Construction contract assets	282,402,015.18	–	282,402,015.18	–	–	–
Charges for the consulting and management service titled the Company's name for the early stage of the project	575,668,503.04	12,750,000.00	562,918,503.04	–	–	–
Total	858,070,518.22	12,750,000.00	845,320,518.22	–	–	–

Notes to the Financial Statements

For the period from 1 January to 30 June 2018

(V) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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

8.1 Non-current assets due within one year

RMB

Item	30 June 2018	31 December 2017
Entrusted loans	120,000,000.00	120,000,000.00
Total	120,000,000.00	120,000,000.00

8.2 Other current assets

RMB

Item	30 June 2018	31 December 2017
Entrusted loans *(Note 1)*	275,000,000.00	250,000,000.00
Available-for-sale financial assets *(Note 2)*	–	3,000,000.00
Wealth management products *(Note 3)*	28,500,000.00	–
Factoring receivables *(Note 4)*	350,000,000.00	–
Financial lease receivables *(Note 4)*	150,000,000.00	–
Tax recoverable	364,110,211.85	274,577,887.53
Total	1,167,610,211.85	527,577,887.53

Notes to the Financial Statements

For the period from 1 January to 30 June 2018

(V) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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

8.2 Other current assets (Continued)

Note 1: Details of entrusted loans for the end of the period are set out in the following table:

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) *(Note)*	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
Shenzhen Sampo Furniture Co., Ltd. (深圳市森堡家俬有限公司)	Partnership	1 February 2018	1 February 2019	RMB	11.88	25,000,000.00
Total						275,000,000.00

Note: The original maturity date of the entrusted loan provided by Shanghai Xinwei Property Company Limited, a subsidiary of the Group, to Zhejiang Borui Holding Group Company Limited was 18 December 2017, and was extended from December 2017 to 17 November 2018.

The original maturity date of the entrusted loan provided by Shanghai Red Star Macalline Real Estate Co. Ltd. a subsidiary of the Group, to Hebei Zhuohang Real Estate Development Company Limited was 19 March 2018, and was extended from March 2018 to 19 March 2019.

Notes to the Financial Statements

For the period from 1 January to 30 June 2018

(V) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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

8.2 Other current assets *(Continued)*

Note 2: RMB3,000,000.00 as at the end of the previous year represents the guaranteed wealth management product purchased by the Group from China Minsheng Bank's "Extraordinary Asset Management 89 – Tiananying 174th Public Fund" (非凡資產管理89天安贏第174期對公款), which has been redeemed during the period.

Note 3: As at the end of the current period, RMB28,500,000.00 was paid by the Group to purchase the public product "Flexi Plus" (活期寶) issued by China Everbright Bank Co., Ltd..

Note 4: As at the end of the current period, the Group has an accumulated injection of funds of RMB500,000,000, through the commercial factoring company that has been approved by the Shanghai Municipal Commission of Commerce, as well as through the joint approval by Shanghai Business Committee and Shanghai State Taxation Bureau, ventured into the commercial factoring and financial leasing business, as a domestic financial leasing company in the Shanghai Pilot Free Trade Zone. The funds were mainly used for the transferal of accounts receivable from well-known large-scale manufacturing enterprises in China, as well as after-sale leaseback business of construction equipments and facilities from outstanding construction engineering enterprises.

9. Available-for-sale Financial Assets

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

RMB

	31 December 2017		
Item	Book balance	Impairment provision	Book value
Available-for-sale debt instruments	120,000,000.00	–	120,000,000.00
Available-for-sale equity instruments	3,089,251,264.88	146,800,202.48	2,942,451,062.40
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
Total	3,209,251,264.88	146,800,202.48	3,062,451,062.40

The Company made adjustments to the items originally presented as available-for-sale financial assets at the end of the Reporting Period in accordance with the requirements of New Standards for Financial Instruments and Cai Kuai [2018] Document No.15. Non-tradable investments in equity instruments that will be classified as fair value through other comprehensive income will be presented as "Other equity instrument investments".

(V) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

9. Available-for-sale Financial Assets (Continued)

(2) Available-for-sale financial assets measured at fair value at the 31 December 2017

As at 31 December 2017, available-for-sale equity instruments measured at fair value:

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. In 2017, 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.

Notes to the Financial Statements

For the period from 1 January to 30 June 2018

(V) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

9. Available-for-sale Financial Assets (Continued)

(3) Available-for-sale financial assets measured at cost as at 31 December 2017

	31 December 2017		
Investee	Book balance	Impairment provision	Book value
Beijing Bluepower Technology Co.,Ltd. (北京藍海華業科技股份有限公司)	44,151,221.29	–	44,151,221.29
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合夥企業(有限合夥))	45,000,000.00	–	45,000,000.00
Beijing Tingjiandan Information Technology Co., Ltd. (北京停簡單資訊技術有限公司)	32,500,000.00	–	32,500,000.00
Soccer World (Shanghai) Sports Development Co., Ltd. (索福德(上海)體育發展有限公司)	25,000,000.00	–	25,000,000.00
Beijing Haozu Technology Development Co., Ltd. (北京好租科技發展有限公司)	20,000,000.00	–	20,000,000.00
Guangzhou Animation Cartoon Game Life Technology Co, Ltd. (廣州酷漫居動漫科技有限公司)	24,740,000.00	–	24,740,000.00
Guangzhou Snimay Home Furnishing Co., Ltd. (廣州市詩尼曼家居有限公司)	33,610,000.00	–	33,610,000.00
AUPU Home Co., Ltd. (奧普家居股份有限公司)	240,527,474.60	–	240,527,474.60
Oriental Standard Human Resources Holdings Limited	55,503,660.66	–	55,503,660.66
Sinostone (Guangdong) Co. Ltd (廣東中旗新材料科技有限公司)	32,980,000.00	–	32,980,000.00
Keeson Technology Corporation Limited (麒盛科技股份有限公司)	75,430,875.00	–	75,430,875.00
Foshan Junda Enterprise Management Co., Ltd. (佛山郡達企業管理有限公司)	20,607,000.00	–	20,607,000.00
Shanghai Scholar Home Enterprise Management Consulting Centre (LIMITED PARTNERSHIP) (上海檀敘企業管理諮詢中心(有限合夥))	19,960,000.00	–	19,960,000.00
YunDing Network Technology (Beijing) Co., Ltd. (雲丁網路技術(北京)有限公司)	15,790,000.00	–	15,790,000.00
Qingdao Yeelink Information Technology Co., Ltd. (青島億聯客資訊技術有限公司)	14,700,000.00	–	14,700,000.00
Xi'an Jiahexing Household Co., Ltd. (西安佳和興家居有限責任公司)	11,400,000.00	–	11,400,000.00
Others	176,698,702.48	–	176,698,702.48
Total	888,598,934.03	–	888,598,934.03

The Group does not have control, joint control or significant influence over the above-mentioned investees, and therefore, as at 31 December 2017, the Group accounted for them as available-for-sale financial assets. As equity instrument investment was not quoted in an active market and its fair value cannot be reliably measured, it was measured at cost.

Notes to the Financial Statements

For the period from 1 January to 30 June 2018

(V) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

10. Long-term receivables

RMB

Item	30 June 2018 Book balance	Impairment provision	Book value	31 December 2017 Book balance	Impairment provision	Book value
Deposits *(Note 1)*	220,192,806.30	–	220,192,806.30	160,192,806.30	–	160,192,806.30
Project loan *(Note 2)*	1,308,228,673.45	–	1,308,228,673.45	1,047,335,102.98	–	1,047,335,102.98
Lease deposit	99,699,084.92	–	99,699,084.92	94,257,385.02	–	94,257,385.02
Total	1,628,120,564.67	–	1,628,120,564.67	1,301,785,294.30	–	1,301,785,294.30

Note 1: Breakdown of the deposits as at the end of the period is as follows:

RMB

Name of entity	Nature	Relationship with the Company	Amount	Proportion to total deposits *(%)*
Changsha Ideal Real Estate Development Co., Ltd.* (長沙理想房地產開發有限公司)	Performance bond	Project partner	60,000,000.00	27.25
Shenzhen Renheng Xingcheng Investment Management Co., Ltd. (深圳仁恒星城投資管理有限公司)	Performance bond	Project partner	36,000,000.00	16.35
Shanxi Chongkang Food Group Co., Ltd. (山西崇康食品集團有限公司)	Performance bond	Project partner	15,000,000.00	6.81
Shanxi Yunjinsheng Technology Co., Ltd. (山西雲錦盛科技有限公司)	Performance bond	Project partner	50,000,000.00	22.71
Finance Bureau of Lecong Town, Shunde District, Foshan City (佛山市順德區樂從鎮財政局)	Performance bond	Project partner	10,000,000.00	4.54
Human Resources and Social Security Bureau of Panlong District, Kunming City (昆明市盤龍區人力資源和社會保障局)	Retention money	Third party	13,000,000.00	5.90
Construction Management Station of Beichen District, Tianjin City (天津市北辰區建築管理站)	Retention money	Third party	6,800,000.00	3.09
Human Resources and Social Security Bureau of Xicheng 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	3.02
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	2.72
Shaanxi Weihua Industry Co., Ltd. (陝西煒華實業有限公司)	Project deposit	Minority shareholders of a subsidiary	5,000,000.00	2.27
Tianjin Binhai New District 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	2.27
Chongqing Baotian Property (Group) Co., Ltd. (重慶寶田地產(集團)有限公司)	Project deposit	Project partner	5,000,000.00	2.27
Hefei Human Resources and Social Security Bureau (合肥市人力資源和社會保障局)	Retention money	Third party	1,250,000.00	0.57
Hefei Urban Rail Transit Co., Ltd. (合肥城市軌道交通有限公司)	Retention money	Third party	500,000.00	0.23
Total			220,192,806.30	

Notes to the Financial Statements

For the period from 1 January to 30 June 2018

(V) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

10. Long-term receivables (Continued)

Note 2: Breakdown of the project borrowings as at the end of the period 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) *(Note)*	Shareholder loan	Associate	218,144,320.00	16.67	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	73,908,430.13	5.65	Annual interest rate of 12%
Foshan Haoda Development Co., Ltd. (佛山市豪達發展有限公司) *(Note)*	Project loan	Project partner	150,000,000.00	11.47	Non-interest bearing
Foshan Junda Enterprise Management Co., Ltd. (佛山郡達企業管理有限公司) *(Note)*	Shareholder loan	Investee	146,570,857.22	11.20	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	7.19	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) *(Note)*	Shareholder loan	Joint Venture	172,121,511.79	13.16	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	3.82	Non-interest bearing
LIU Peng	Money lending	Minority shareholder of the subsidiary	8,000,000.00	0.61	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	50,000.00	-	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	27,500,000.00	2.10	Non-interest bearing
Xi'an Jiahexing Household Co., Ltd. (西安佳和興家居有限責任公司) *(Note)*	Project loan	Investee	119,801,500.00	9.16	Non-interest bearing
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	0.76	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	0.19	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	0.05	Non-interest bearing
Xiamen Donghua Haitian Investment Co., Ltd. (廈門東華海天投資有限公司)	Money lending	Project partner	2,249,799.26	0.17	Non-interest bearing
Huaihua Xingqi Real Estate Development Construction Company Limited (懷化星旗房地產開發建設有限公司)	Money lending	Project partner	9,831,781.68	0.75	Non-interest bearing
Foshan Nanhai Guochang Investment Co., Ltd. (佛山市南海國昌投資有限公司)	Money lending	Project partner	500,000.00	0.04	Non-interest bearing
Beijing Roman Furniture Plaza Company Limited (北京羅馬諦家居廣場有限公司)	Money lending	Third party	308,284.62	0.02	Non-interest bearing
Shangqiu Hualian Properties Co., Ltd. (商丘華聯置業有限公司) *(Note)*	Project loan	Project partner	200,000,000.00	15.29	Annual interest rate of 14.5%
DORIA HOLDINGS LTD.	Money lending	Third party	22,124,583.86	1.69	Annual interest rate of 12%
Total			1,308,228,673.45		

As at the end of this period, money lending relating to partners included in long-term receivables amounted to RMB595,586,118.29.

Notes to the Financial Statements

For the period from 1 January to 30 June 2018

(V) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

10. Long-term receivables (Continued)

Note: Hangzhou Red Star Macalline Global Home Living Company Limited: The company, as an associate held as to 19% equity interests by the Company, proposed to develop and construct Red Star Macalline Home Furnishing Shopping Malls and ancillary properties. According to the cooperation agreement of the project, the Company provided corresponding development, construction and daily funds to the company based on the shareholdings on a pro rata basis. Upon unanimous agreement by all shareholders, such borrowings are not interest-bearing.

Foshan Haoda Development Co., Ltd.: The company is the partner of Lecong Shopping Mall, whose business has been commenced. In order to fulfill the business expansion and strategic layout of the Company, the Company provided it with borrowings amounting to RMB150 million, which would be used for discharges of pledge, separation, demolition and composition of land as well as other relevant work for Lecong phase two project developed jointly with its partner.

Foshan Junda Corporate Management Co., Ltd.: The company is the project company for Lecong phase two project established by the Company and its partner Foshan Haoda Development Co., Ltd., which is held as to 19% equity interests by the Company. According to the cooperation agreement, the Company provided borrowings to the project company for the purpose of, specifically, supplementary payment of land transferring fees to government authorities (and relevant tax fees) for the completion of transformation work from project land to commercial land.

Nanchang Red Star Macalline Global Home Furnishing Expo Center Co., Ltd.: The company is a joint venture held as to 54% equity interests by the Company. According to the cooperation agreement, the company proposed to develop and construct Red Star Macalline Home Furnishing Shopping Malls and ancillary properties. According to the cooperation agreement of the project, the Company provided corresponding development, construction and daily funds to the company based on the shareholdings on a pro rata basis, while the annual interest rate was calculated based on the benchmark interest rate of loans from financial institution for the same period as issued by the People's Bank of China.

Xi'an Jiahexing Household Co., Ltd.: The company is an investee held as to 19% equity interests by the Company. According to the cooperation agreement, the company proposed to develop and construct Red Star Macalline Home Furnishing Shopping Malls and ancillary properties. According to the cooperation agreement of the project, the Company provided corresponding development, construction and daily funds to the company with an annual interest rate of 11%.

Shangqiu Hualian Properties Co., Ltd.: The company is the partner of the Company's Managed Shopping Malls. In light of the needs of business expansion and strategic layout of the Company, the loans amounting to RMB200 million was provided to the company for the use of the construction of Red Star Macalline Home Furnishing Shopping Malls and ancillary facilities, with a term of 24 months and an annual interest rate of 14.5%.

Notes to the Financial Statements

For the period from 1 January to 30 June 2018

(V) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

11. Long-term Equity Investments

RMB

Investee	1 January 2018	Increase/decrease during the period: Increase in investment	Decrease in investment	Investment gain /loss under equity method	Adjustment to other comprehensive income	Other changes to equity	Cash dividend or profit declared	Provision made for impairment	Others	30 June 2018	Investment year	Proportion of shareholding in the investee *(%)*	Voting rights in the investee
I. Joint ventures *(Note 1)*													
Shanghai Mingyi Enterprise Development Company Limited (上海名藝商業企業發展有限公司)	19,733,335.25	-	-	9,086,795.76	-	-	-	-	-	28,820,131.01	2009	50.00%	Note 1
Chengdu Dongtai Shopping Mall Company Limited (成都東泰商場有限公司)	802,517,821.89	-	-	39,810,653.54	-	-	-	-	-	842,328,475.43	2009	50.00%	Note 1
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)	9,781,445.02	-	-	(395,064.48)	-	-	-	-	-	9,386,380.54	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)	4,279,068.25	-	-	(1,658,549.31)	-	-	-	-	-	2,620,518.94	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)	27,000,000.00	-	-	(2,059,664.99)	-	-	-	-	-	24,940,335.01	2017	54.00%	Note 1
Sub-total	863,311,670.41	-	-	44,784,170.52	-	-	-	-	-	908,095,840.93			

Notes to the Financial Statements

For the period from 1 January to 30 June 2018

(V) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

11. Long-term Equity Investments (Continued)

Investee	1 January 2018	Increase in investment	Decrease in investment	Increase/decrease during the period: Investment gain /loss under equity method	Adjustment to other comprehensive income	Other changes to equity	Cash dividend or profit declared	Provision made for impairment	Others	30 June 2018	Investment year	Proportion of shareholding in the investee *(%)*	Voting rights in the investee
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)	45,255,063.01	-	-	-	-	-	-	-	-	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) *(Note 3)*	140,817,361.27	125,000,000.00	-	15,228,768.11	-	-	-	-	-	281,046,129.38	2014	25.00%	1 seat out of 6 seats of the Board
Hangzhou Red Star Macalline Global Home Living Company Limited (杭州紅星美凱龍環球家居有限公司)	58,626,478.44	-	-	1,233,328.19	-	-	-	-	-	59,859,806.63	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)	17,900,796.13	-	-	(890,045.61)	-	-	-	-	-	17,010,750.52	2016	10.00%	1 seat out of 4 seats of the Board
Shanghai Jiazhan Construction Engineering Company Limited (上海嘉展建築裝潢工程有限公司)	7,304,104.60	-	-	84,231.69	-	-	-	-	-	7,388,336.29	2016	5.00%	1 seat out of 3 seats of the Board
ArtPollo Network Technology (Beijing) Company Limited (愛菠蘿網絡科技(北京)有限公司)	14,074,848.66	-	-	(279,033.39)	-	-	-	-	-	13,795,815.27	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)	60,732,340.93	-	-	3,769,960.68	-	-	-	-	-	64,502,301.61	2017	30.00%	2 seats out of 5 seats of the Board

Notes to the Financial Statements

For the period from 1 January to 30 June 2018

(V) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

11. Long-term Equity Investments (Continued)

Investee	1 January 2018	Increase/decrease during the period: Increase in investment	Decrease in investment	Investment gain /loss under equity method	Adjustment to other comprehensive income	Other changes to equity	Cash dividend or profit declared	Provision made for impairment	Others	30 June 2018	Investment year	Proportion of shareholding in the investee (%)	Voting rights in the investee
Shanghai Reyi Network Technology Company Limited (上海熱一網絡科技有限公司)	5,274,701.29	-	-	58,899.61	-	-	-	-	-	5,333,600.90	2017	15.01%	1 seat out of 3 seats of the Board
Wuhu Meihe Asset Management Company Limited (蕪湖美和資產管理有限公司)	490,000.00	-	-	(168,474.66)	-	-	-	-	-	321,525.34	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)	23,988,527.38	-	-	395,507.03	-	-	-	-	-	24,384,034.41	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	-	-	1,328,085.32	-	-	-	-	-	61,311,504.32	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責任公司)	40,000,000.00	-	-	(1,433,186.66)	-	-	-	-	-	38,566,813.34	2017	16.00%	1 seat out of 5 seats of the Board
Ant Live (Tianjin) Network Technology Co., Ltd. (蟻安居(天津)網路技術有限公司)	50,000,000.00	-	-	(341,889.29)	-	-	-	-	-	49,658,110.71	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)	127,000,000.00	-	-	37,637,419.46	-	-	-	-	-	164,637,419.46	2017	19.00%	1 seat out of 7 seats of the Board
Shanghai Harbour Home Investment Management Co., Ltd. (上海灣寓投資管理有限公司)	750,000.00	-	-	(1,807,077.86)	-	-	-	-	-	(1,057,077.86)	2017	5.82%	1 seat out of 5 seats of the Board

Notes to the Financial Statements

For the period from 1 January to 30 June 2018

(V) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

11. Long-term Equity Investments (Continued)

		Increase/decrease during the period											
Investee	1 January 2018	Increase in investment	Decrease in investment	Investment gain /loss under equity method	Adjustment to other comprehensive income	Other changes to equity	Cash dividend or profit declared	Provision made for impairment	Others	30 June 2018	Investment year	Proportion of shareholding in the investee *(%)*	Voting rights in the investee
SUNSEAPARKING INC.	98,308,983.63	22,119,000.00	-	(1,068,825.90)	-	-	-	-	-	119,359,157.73	2017	15.00%	1 seat out of 5 seats of the Board
Shenzhen Red Star Macalline Renheng Home Furnishing Plaza Company Limited (深圳市紅星美凱龍仁恒家居廣場有限公司) *(Note 4)*	-	-	-	-	-	-	-	-	-	-	2015	43.00%	Not applicable
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 4)*	-	-	-	-	-	-	-	-	-	-	2016	49.74%	Not applicable
Wuhu Gaohe Macalline Changxing Investment Center (Limited Partnership) (蕪湖高和美凱龍高暢星投資中心(有限合夥)) *(Note 5)*	-	-	-	-	-	-	-	-	-	-	2017	Note 5	Note 5

Notes to the Financial Statements

For the period from 1 January to 30 June 2018

(V) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

11. Long-term Equity Investments (Continued)

Investee	1 January 2018	Increase in investment	Decrease in investment	Increase/decrease during the period: Investment gain /loss under equity method	Adjustment to other comprehensive income	Other changes to equity	Cash dividend or profit declared	Provision made for impairment	Others	30 June 2018	Investment year	Proportion of shareholding in the investee *(%)*	Voting rights in the investee
Handan Fengfeng Mining District Royal Property Development Co., Ltd. (邯鄲市峰峰礦區皇室房地產開發有限公司)	-	10,000,000.00	-	-	-	-	-	-	-	10,000,000.00	2018	20.00%	Not applicable
Handan Red Star Royal Properties Co., Ltd. (邯鄲市紅星皇室置業有限公司)	-	4,000,000.00	-	-	-	-	-	-	-	4,000,000.00	2018	20.00%	Not applicable
Weifang Binxing Properties Co., Ltd. (濰坊濱星置業有限公司)	-	90,000,000.00	-	-	-	-	-	-	-	90,000,000.00	2018	30.00%	1 seat out of 3 seats of the Board
Jiangsu Baili Aijia Home Technology Co., Ltd. (江蘇佰麗愛家家居科技有限公司)	-	30,000,000.00	-	-	-	-	-	-	-	30,000,000.00	2018	10.00%	1 seat out of 3 seats of the Board
Guangzhou Huoshu Yinhua Information Technology Co., Ltd. (廣州火數銀花信息科技有限公司)	-	5,000,000.00	-	-	-	-	-	-	-	5,000,000.00	2018	10.00%	1 seat out of 3 seats of the Board
Guangdong Sanweijia Information Technology Co., Ltd. (廣東三維家信息科技有限公司)	-	180,302,200.00	-	-	-	-	-	-	-	180,302,200.00	2018	15.00%	1 seat out of 6 seats of the Board
Zhongshan Weifa Household Products Co., Ltd. (中山市威法家居製品有限公司)	-	80,000,000.00	-	-	-	-	-	-	-	80,000,000.00	2018	13.00%	1 seat out of 5 seats of the Board
Shenzhen Red Star Macalline Home Furnishing Plaza Company Limited (深圳紅星美凱龍家居生活廣場有限公司) *(Note 4)*	-	-	-	6,960,885.68	-	-	-	-	-	6,960,885.68	2018	37.00%	2 seats out of 5 seats of the Board
Sub-total	750,506,624.34	546,421,200.00	-	60,708,552.40	-	-	-	-	-	1,357,636,376.74	-	-	-
Total	1,613,818,294.75	546,421,200.00	-	105,492,722.92	-	-	-	-	-	2,265,732,217.67			

Notes to the Financial Statements

For the period from 1 January to 30 June 2018

(V) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

11. Long-term Equity Investments (Continued)

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: As at June 2018, the Group has not paid its share of the registered capital of Shenzhen Red Star Macalline Renheng Home Furnishing Plaza Company Limited (深圳市紅星美凱龍仁恒家居廣場有限公司), 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)) and Shenzhen Red Star Macalline Home Furnishing Plaza Company Limited (深圳紅星美凱龍家居生活廣場有限公司).

Note 5: 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. In the consolidated financial statements, the Company eliminated 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 and the beginning of this period was zero.

Notes to the Financial Statements

For the period from 1 January to 30 June 2018

(V) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

12. Other equity instrument investments

RMB

Item	30 June 2018
Oppein Home Group Inc. *(Note 1)*	2,220,403,532.49
AUPU Home Co., Ltd. *(Note 2)*	301,977,100.00
Ningbo Meishan Bonded Port Area Qijun Equity Investment Partnership (LIMITED PARTNERSHIP) *(Note 3)*	200,000,000.00
Wanjia Gongying Asset Management Company Limited *(Note 4)*	135,000,000.00
Chengdu Xinchao Media Group Co., Ltd. *(Note 5)*	100,000,000.00
Keeson Technology Corporation Limited	90,708,500.00
Jinan Caijin Fosun Weishi Equity Investment Fund Joint Venture (LIMITED PARTNERSHIP)	90,000,000.00
MengBaihe Home Furnishing Science & Technology Joint Stock Co., Ltd.	70,020,000.00
Oriental Standard Human Resources Holdings Limited	56,758,200.00
Beijing Tingjiandan Information Technology Co., Ltd.	50,000,000.00
YunDing Network Technology (Beijing) Co., Ltd.	40,455,550.00
Guangzhou Snimay Home Furnishing Co., Ltd.	33,610,000.00
Sinostone (Guangdong) Co., Ltd.	32,980,000.00
Beijing Haozu Technology Development Co., Ltd.	29,447,800.00
Guangzhou Animation Cartoon Game Life Technology Co, Ltd.	26,071,257.35
Soccer World (Shanghai) Sports Development Co., Ltd.	25,000,000.00
Foshan Junda Enterprise Management Co., Ltd.	20,607,000.00
Plus Space (Shanghai) International Corp. Ltd.	20,000,000.00
Shanghai Scholar Home Enterprise Management Consulting Centre (LIMITED PARTNERSHIP)	19,960,000.00
Beijing Bluepower Technology Co., Ltd.	19,712,530.64
Qingdao Yeelink Information Technology Co., Ltd.	14,700,000.00
Hangzhou Water Show Culture Creation Development Co., Ltd.	13,473,000.00
Black Sesame International Holding Limited	12,493,744.08
Xi’an Jiahexing Household Co., Ltd.	11,400,000.00
Shanghai Yijia Lighting Technology Co., Ltd. (上海艺嘉照明科技有限公司)	9,980,000.00
Wuhan Red Star Macalline Zhengda Logistics Company Limited	9,000,000.00
Shanghai Zhenyang Decoration Co., Ltd.	4,990,000.00
DESSMANN (China) Machinery & Electronic Co., Ltd.	2,000,000.00
Others	28,124,370.70
Total	3,688,872,585.26

Notes to the Financial Statements

For the period from 1 January to 30 June 2018

(V) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

12. Other equity instrument investments (Continued)

The Group's above equity instrument investments is the investments held in a planned way for strategic purposes, but not for receiving the contract cash flow, so they are designated as at FVTOCI by the Group. The Company takes the fair value as the new book value on 1 January 2018. The difference between its fair value and book value amounted to RMB20,976,775.82 which is accounted as other comprehensive income.

Note 1: The Group sold 1,230,864.00 shares of Oppein Home Group Inc. in the current period. And the accumulated gains of approximately RMB160 million, which are originally accounted as other comprehensive income, are transferred to retained earnings.

Note 2: The Group invested in AUPU Home Co., Ltd. by means of increasing the company's capital in 2017 which is mainly engaged in the wholesale and retail of home appliance such as bathroommaster, representing 4.2368% of the equity interest of the investee at the end of the current period.

Note 3: The Group invested in Ningbo Meishan Bonded Port Area Qijun Equity Investment Partnership(LIMITED PARTNERSHIP) by means of increasing the company's capital in 2018 which is mainly engaged in the equity investment and the relevant consulting service, representing 28.3038% of the equity interest of the investee at the end of the current period.

Note 4: 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).11). 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 2017, 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, No. 2 Fund and No. 3 Fund, being limited partners, contributed capital of RMB100 million and RMB100 million, respectively, to invest in Wuhu Gopher Haoli Investment Center (LIMITED PARTNERSHIP) which had been lent to Tangshan Feikai. As of the end of 2017 and the current period, the Group has additionally invested RMB20 million and RMB15 million for No. 2 Fund in Wuhu Gopher Haoli Investment Center (LIMITED PARTNERSHIP) which had been lent to Tangshan Feikai.

Note 5: The Group, by increasing its capital invested in Chengdu Xinchao Media Group Co., Ltd. which is mainly engaged in planning cultural communication activities, represents 1.9802% of the equity interest of the investee.

Notes to the Financial Statements

For the period from 1 January to 30 June 2018

(V) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

13. Investment Properties

Investment properties with fair value measurement model

RMB

Item	Completed properties	Properties under construction	Total
1 January 2018	67,864,000,000.00	2,967,000,000.00	70,831,000,000.00
Additions in the period	472,026,077.27	999,948,746.89	1,471,974,824.16
Additions from acquisition of subsidiaries	2,266,399,991.50	224,333,336.26	2,490,733,327.76
Changes in fair value	937,573,931.23	165,717,916.85	1,103,291,848.08
Transfer from properties under construction to completed properties	165,000,000.00	(165,000,000.00)	–
30 June 2018	71,705,000,000.00	4,192,000,000.00	75,897,000,000.00

At the end of the current period and the end of previous year, the investment properties valued RMB56,636,000,000.00 and RMB54,025,000,000.00 respectively was held by the Group as security for mortgages to acquire the bank borrowings stated in Note (V), 22, 29 and 30.

For the period from 1 January to 30 June 2018 and for the period from 1 January to 30 June 2017, the borrowing costs capitalized amounted to RMB94,958,796.81 and RMB75,251,880.82 respectively.

As at the end of the current period and the previous year, the investment properties at fair value of RMB1,532,000,000.00 and RMB1,516,000,000.00 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 financial lease. The Group held no ownership certificate for such investment properties.

As at the end of the current period, the investment properties held by the Group with certificates of real estate ownership not settled because of repurchase of business. The details are as follows:

RMB

Item	30 June 2018
Home Furnishing Shopping Mall Business Division Of Dalian Red Star Macalline Investment Development Company Limited	1,195,000,000.00
Total	1,195,000,000.00

Notes to the Financial Statements

For the period from 1 January to 30 June 2018

(V) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

13. Investment Properties (Continued)

Investment properties with fair value measurement model (Continued)

Except for those investment properties with ownership certificate not settled as stated above, as at the end of this period, the investment properties held by the Group with ownership certificate not settled valued RMB10,958,000,000.00. 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	30 June 2018	Reason for not yet settling ownership certificate
Shanghai Home Furnishing Expo	2,445,000,000.00	Application for ownership certificate is in progress
Hangzhou Shibo Furniture Plaza	269,000,000.00	Application for ownership certificate is in progress
Chongqing Zhongkun Home Living Plaza	316,000,000.00	Application for ownership certificate is in progress
Tianjin World Trade Home Furnishing Plaza	1,143,000,000.00	Application for ownership certificate is in progress
Changsha Yinhong Home Furnishing Plaza	806,000,000.00	Application for ownership certificate is in progress
Lanzhou Shibo Home Furnishing Plaza	409,000,000.00	Application for ownership certificate is in progress
Hefei Shibo Furniture Plaza	774,000,000.00	Application for ownership certificate is in progress
Dongguan Red Star Shibo Furniture Plaza	429,000,000.00	Application for ownership certificate is in progress
Harbin Red Star Shibo Furniture Plaza	970,000,000.00	Application for ownership certificate is in progress
Tianjin Home Furnishings Plaza	982,000,000.00	Application for ownership certificate is in progress
Nanjing International Home Living Plaza	1,341,000,000.00	Application for ownership certificate is in progress
Total	9,884,000,000.00	

The fair value of the Group's investment properties as at the end of the current period 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.

Notes to the Financial Statements

For the period from 1 January to 30 June 2018

(V) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

14. Fixed assets

RMB

Item	Special equipment	Transportation equipment	Electronic equipment, appliances and fixtures	Total
I. Initial carrying amount:				
1 January 2018	23,386,540.68	135,132,898.04	234,362,847.49	392,882,286.21
Increased amount at current period	116,052.14	9,470,605.13	31,602,634.34	41,189,291.61
(1) Purchase	116,052.14	7,889,376.13	22,656,129.12	30,661,557.39
(2) Transfer from construction in progress	–	–	5,532,610.68	5,532,610.68
(3) Increase in acquisition of subsidiaries	–	1,581,229.00	3,413,894.54	4,995,123.54
Reduced amount at current period	–	3,535,664.00	11,456,588.25	14,992,252.25
(1) Disposal	–	3,535,664.00	11,456,588.25	14,992,252.25
30 June 2018	23,502,592.82	141,067,839.17	254,508,893.58	419,079,325.57
II. Accumulated depreciation				
1 January 2018	2,609,667.09	90,101,807.75	141,308,123.37	234,019,598.21
Increased amount at current period	890,173.32	9,525,780.72	18,495,898.33	28,911,852.37
(1) Provision	890,173.32	8,068,738.17	15,887,521.03	24,846,432.52
(2) Increase in acquisition of subsidiaries		1,457,042.55	2,608,377.30	4,065,419.85
Reduced amount at current period		2,928,509.43	10,296,421.18	13,224,930.61
(1) Disposal		2,928,509.43	10,296,421.18	13,224,930.61
30 June 2018	3,499,840.41	96,699,079.04	149,507,600.52	249,706,519.97
III. Impairment provision				
1 January 2018	–	–	–	–
Increased amount at current period	–	–	–	–
Reduced amount at current period	–	–	–	–
30 June 2018	–	–	–	–
IV. Carrying value				
30 June 2018	20,002,752.41	44,368,760.13	105,001,293.06	169,372,805.60
1 January 2018	20,776,873.59	45,031,090.29	93,054,724.12	158,862,688.00

As at the end of the current period, the Group held no temporarily vacant fixed assets, fixed assets leased under financial lease, fixed assets rented out under operating lease or fixed assets with ownership certificate not settled.

Notes to the Financial Statements

For the period from 1 January to 30 June 2018

(V) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

15. Construction in Progress

RMB

Item	30 June 2018 Book balance	30 June 2018 Impairment provision	30 June 2018 Book value	31 December 2017 Book balance	31 December 2017 Impairment provision	31 December 2017 Book value
Construction in Progress	16,034,650.52	–	16,034,650.52	66,100,052.88	–	66,100,052.88

RMB

Item	1 January 2018	Increase in current period	Transfer to fixed assets	Transfer to intangible assets	Other decreases *(Note)*	30 June 2018
Current Period:						
Expenses for renovation project of Honggutan Wanda Plaza	47,562,799.09	35,774,280.50	(295,853.79)	–	(83,041,225.80)	–
Expenses for renovation project of Glory Casa store	2,267,441.81	3,805,861.79	–	–	–	6,073,303.60
Others	16,269,811.98	15,859,210.58	(5,236,756.89)	(1,480,820.27)	(15,450,098.48)	9,961,346.92
Total	66,100,052.88	55,439,352.87	(5,532,610.68)	(1,480,820.27)	(98,491,324.28)	16,034,650.52

Note: Mainly refers to the transfer to long-term prepaid expenses. During the period, there was no interest capitalized in the increase in construction in progress.

Notes to the Financial Statements

For the period from 1 January to 30 June 2018

(V) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

16. Intangible Assets

RMB

Item	Software	Trademark use Right *(Note)*	Others	Total
I. Initial carrying amount				
1 January 2018	127,336,311.10	525,000,000.00	9,166,275.37	661,502,586.47
Increased amount at current period	31,339,630.10	–	–	31,339,630.10
(1) Purchase	440,407.64	–	–	440,407.64
(2) Transfer from development expenditure	29,418,402.19	–	–	29,418,402.19
(3) Transfer from construction in progress	1,480,820.27	–	–	1,480,820.27
Reduced amount at current period	–	–	–	–
(1) Disposal	–	–	–	–
(2) Decrease upon disposal of subsidiaries	–	–	–	–
30 June 2018	158,675,941.20	525,000,000.00	9,166,275.37	692,842,216.57
II. Accumulated amortization				
1 January 2018	34,794,817.50	59,060,916.99	9,029,806.56	102,885,541.05
Increased amount at current period	10,027,013.76	4,242,996.43	10,695.00	14,280,705.19
(1) Provision	10,027,013.76	4,242,996.43	10,695.00	14,280,705.19
Reduced amount at current period				
(1) Disposal	–	–	–	–
(2) Decrease upon disposal of subsidiaries	–	–	–	–
30 June 2018	44,821,831.26	63,303,913.42	9,040,501.56	117,166,246.24
III. Impairment provision				
1 January 2018	–	100,000,000.00	–	100,000,000.00
Increased amount at current period	–	–	–	–
Reduced amount at current period	–	–	–	–
30 June 2018	–	100,000,000.00	–	100,000,000.00
IV. Carrying value				
30 June 2018	113,854,109.94	361,696,086.58	125,773.81	475,675,970.33
1 January 2018	92,541,493.60	365,939,083.01	136,468.81	458,617,045.42

Notes to the Financial Statements

For the period from 1 January to 30 June 2018

(V) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

16. 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 the 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 period 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 and RMB100,000,000.00 respectively.

17. Development Expenditure

RMB

Item	1 January 2018	Increase in current period	Transfer to intangible assets for the current period	30 June 2018
Home improvement and data platform	29,418,402.19	–	29,418,402.19	–
Total	29,418,402.19	–	29,418,402.19	–

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

Notes to the Financial Statements

For the period from 1 January to 30 June 2018

(V) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

18. Goodwill

(1) Initial carrying amount of goodwill

RMB

Name of investee	1 January 2018	Increase in current period Arising from business combination	Decrease in current period Disposal	30 June 2018
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 period 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.

Notes to the Financial Statements

For the period from 1 January to 30 June 2018

(V) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

19. Long-term Prepaid Expenses

RMB

Item	1 January 2018	Increased amount in current period	Amortized amount in current period	30 June 2018
Improvement expenditures for fixed assets rented *(Noted)*	200,547,530.02	158,153,721.97	38,507,718.01	320,193,533.98
Others	28,785,889.46	3,952,189.54	3,879,136.30	28,858,942.70
Total	229,333,419.48	162,105,911.51	42,386,854.31	349,052,476.68

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).

20. Deferred Tax Assets/Deferred Tax Liabilities

(1) Deferred tax assets and Deferred Tax Liabilities that are not offset

RMB

Item	30 June 2018	31 December 2017
Deferred tax assets:		
Changes in fair value of investment properties	123,295,300.71	35,951,942.03
Provision for unpaid expenses	173,321,582.92	116,740,952.43
Provision for impairment of assets and credit loss	552,045,839.44	406,422,478.87
Asset-related deferred income	34,726,365.44	48,035,305.43
Cost overruns for carry-over deduction	20,327,014.54	19,574,636.88
Long-term assets capitalized in group's internal transaction	39,567,551.12	33,427,527.26
Deductible loss	250,097,472.83	219,626,952.22
Capitalisation of loan interest in the group	18,652,236.49	9,055,216.11
Subtotal	1,212,033,363.49	888,835,011.23
Deferred tax liabilities:		
Changes in fair value of investment properties	10,372,513,890.05	9,553,451,417.47
Adjustment to the fair value arising from business combination	23,993,019.46	24,741,501.94
Adjustment to the fair value of investment in available-for-sale financial assets and other equity instruments	335,143,392.52	306,463,849.63
Subtotal	10,731,650,302.03	9,884,656,769.04

Base on the future profit forecasts of relevant entities of the Group, the Group considers that it is probable to obtain sufficient taxable income in future against which deductible temporary differences and deductible losses may be utilized, therefore the deferred tax assets are recognized.

Notes to the Financial Statements

For the period from 1 January to 30 June 2018

(V) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

20 Deferred Tax Assets/Deferred Tax Liabilities (Continued)

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

RMB

Item	30 June 2018 Set-off amount of deferred tax assets and deferred tax liabilities	30 June 2018 Closing balance of deferred tax assets or deferred tax liabilities after offset	31 December 2017 Set-off amount of deferred tax assets and deferred tax liabilities	31 December 2017 Closing balance of deferred tax assets or deferred tax liabilities after offset
Deferred tax assets	132,150,942.61	1,079,882,420.86	170,255,945.15	718,579,066.08
Deferred tax liabilities	132,150,942.61	10,599,499,359.42	170,255,945.15	9,714,400,823.89

(3) Details of unrecognized deferred tax assets

RMB

Item	30 June 2018	31 December 2017
Deductible temporary difference	290,544,775.41	253,746,414.80
Deductible loss	3,513,586,152.70	2,926,306,881.98
Total	3,804,130,928.11	3,180,053,296.78

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 Financial Statements

For the period from 1 January to 30 June 2018

(V) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

20 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	30 June 2018	31 December 2017
2018	238,160,300.10	238,160,300.10
2019	280,045,959.73	280,045,959.73
2020	521,345,844.86	521,345,844.86
2021	545,544,877.93	545,544,877.93
2022	1,341,209,899.36	1,341,209,899.36
2023	587,279,270.72	–
Total	3,513,586,152.70	2,926,306,881.98

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

RMB

Item	30 June 2018	31 December 2017
Deductible temporary differences and deductible loss:		
Changes in fair value of investment properties	493,181,202.76	143,807,768.04
Provision of unpaid expenses	733,656,394.58	499,017,749.45
Provision for impairment of assets and credit loss	2,242,544,433.65	1,647,260,664.98
Asset-related deferred income	138,905,461.73	192,141,221.74
Cost overruns for carry-over deduction	117,146,948.67	78,352,856.34
Long-term assets capitalized in group's internal transaction	158,270,204.48	133,710,109.02
Deductible loss	1,001,640,171.77	878,507,808.80
Capitalisation of loan interest in the group	74,608,945.94	36,220,864.44
Subtotal	4,959,953,763.58	3,609,019,042.81

Notes to the Financial Statements

For the period from 1 January to 30 June 2018

(V) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

20 Deferred Tax Assets/Deferred Tax Liabilities (Continued)

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

Item	30 June 2018	31 December 2017
Taxable temporary differences:		
Changes in fair value of investment properties	41,490,055,560.21	38,213,805,669.90
Adjustment to the fair value arising from business combination	95,972,077.82	98,966,007.76
Adjustment to the fair value of available-for-sale financial assets and other equity instrument investments	2,234,289,283.47	2,043,092,330.85
Others	–	–
Subtotal	43,820,316,921.50	40,355,864,008.51

21. Other Non-current Assets

RMB

Item	30 June 2018	31 December 2017
Prepayments for equity transfer *(Note 1)*	266,950,000.00	166,100,000.00
Prepayments for repurchase *(Note 2)*	247,705,000.00	247,705,000.00
Prepayments for land *(Note 3)*	1,987,431.03	–
Entrusted loan *(Note 4)*	250,400,000.00	250,985,284.28
Capital contribution to investees *(Note 5)*	172,350,000.00	178,350,000.00
Prepayments for construction	1,148,187,758.66	820,469,683.34
Prepayments for purchasing an office premise *(Note 6)*	2,117,929,865.00	2,117,929,865.00
Construction contributions *(Note 7)*	296,565,555.55	179,034,293.38
Total	4,502,075,610.24	3,960,574,126.00

Note 1: The Company entered into an agreement with Beijing Borui Jingming Technology Company Limited, pursuant to which, to increase the capital and subscribe 14.31% of equity after that. As of 30 June 2018, the prepayment for equity transfer made by the Company pursuant to the agreement amounted to RMB8,350,000.00.

Notes to the Financial Statements

For the period from 1 January to 30 June 2018

(V) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

21. Other Non-current Assets (Continued)

Note 1: (Continued)

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 of 30 June 2018, the prepayment for equity transfer made by the Company pursuant to the agreement amounted to RMB18,600,000.00.

The Company entered into an agreement with Shenyudao Cultural Tourism Holding Co., Ltd., pursuant to which, to increase the capital and subscribe 35% of equity after that. At of 30 June 2018, the prepayment for equity transfer made by the Company pursuant to the agreement amounted to RMB40,000,000.00.

The Company entered into an agreement with China Yintai Holdings Co., Ltd., pursuant to which, the Company accepted the transfer of 39.2% equity held by China Yintai Holdings Co., Ltd. in the target Company. At of 30 June 2018, the prepayment for equity transfer made by the Company pursuant to the agreement amounted to RMB200,000,000.00.

Note 2: At the end of the current period 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 Shanghai Greenland Group Chengdu Jinniu Real Estate Development Co., Ltd. (上海綠地集團成都金牛房地產開發有限公司) (the "**Greenland Jinniu Real Estate Home Furnishing Shopping Mall Business Segment**").

Note 3: Prepayments for land were recorded in 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.

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**"), Anhui Tenghui Investment Group ("**Anhui Tenghui**") and Beihai Zhongxiang Land Investment Ltd. ("**Beihai Zhongxiang**") and, 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 period, 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 period;

Notes to the Financial Statements

For the period from 1 January to 30 June 2018

(V) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

21. Other Non-current Assets (Continued)

Note 4: (Continued)

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 RMB27,000,000.00 as at the end of the period, with the maturity date of 15 December 2020, all of which were accounted as other non-current assets as at the end of the period;

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 period, with the maturity date of 5 December 2019, all of which were accounted as other non-current assets as at the end of the period;

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 RMB47,400,000.00 as at the end of the period, with the maturity date of 18 July 2027, all of which were accounted as other non-current assets as at the end of the period;

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 period, 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 period.

The entrusted loan issued to Beihai Zhongxiang has an interest rate of 12.00% and a balance amounting to RMB6,000,000.00 as at the end of the period, with the maturity date of 9 November 2019, all of which were accounted as other non-current assets as at the end of the period.

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 period, the balance of capital contributions to investees decreased by RMB6,000,000.00 as compared to that at the end of the prior year, among which, the capital contribution withdrawn amounted to RMB6,000,000.00.

Notes to the Financial Statements

For the period from 1 January to 30 June 2018

(V) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

21. Other Non-current Assets (Continued)

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. In 2017, 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 in 2017, 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.

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**"), Shanxi Chongkang Real Estate Development Co., Ltd. (山西崇康房地產開發有限公司) ("**Shanxi Chongkang**") and Oppein Home Group Inc. ("**Oppein Home**"), all being 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.

Notes to the Financial Statements

For the period from 1 January to 30 June 2018

(V) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

21. Other Non-current Assets (Continued)

Note 7: (Continued)

At the end of the current period 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 RMB42,000,000.00 and RMB45,488,092.20, respectively; and at the end of the current period 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 Derun, based on the above arrangements were RMB75,000,000.00 and RMB75,000,000.00, respectively.

At the end of the current period 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 RMB93,385,000.00 and RMB58,546,201.18, respectively.

At the end of the current period, the total amount of principal and interest of the entrusted loans provided by the Group to Oppein Home based on the above arrangements were RMB86,180,555.55.

22. Short-term Loans

RMB

Item	30 June 2018	31 December 2017
Pledge loans *(Note 2)*	971,810,000.00	10,000.00
Mortgage and guaranteed loans	145,000,000.00	–
Credit loans *(Note 1)*	300,000,000.00	300,000,000.00
Total	1,416,810,000.00	300,010,000.00

Note 1: Credit loans were the loans obtained for the guarantees provided by the companies within the Group.

Note 2: The pledge loans were the loans of Red Star Xizhao Investment Company Limited pledged with the shares of Oppein Home it held to No. 2 directional asset management plan of Huabao Securities- industrial plan in order to obtain short-term loans of RMB971,800,000.00.

As at the end of the current period and prior year, there were no short-term loans that were overdue.

Notes to the Financial Statements

For the period from 1 January to 30 June 2018

(V) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

23. Notes Payable and Accounts Payable

RMB

Item	*Notes*	30 June 2018	31 December 2017
Notes payable		–	–
Accounts payable	(1)	593,042,463.49	491,215,018.66
Total		593,042,463.49	491,215,018.66

(1) Details of accounts payable are as follows:

RMB

Item	30 June 2018	31 December 2017
Amounts payable for advertisements and purchase of goods	593,042,463.49	491,215,018.66
Total	593,042,463.49	491,215,018.66

As at the end of the current period and prior year, the accounts payable aged more than one year of the Group amounted to RMB6,523,467.10 and RMB8,344,607.73, respectively.

24. Advance from Customers

RMB

Item	30 June 2018	31 December 2017
Rental	1,194,829,844.94	1,264,772,652.06
Charges for the consulting and management service titled the Company's name for the early stage of the project	–	1,004,930,781.91
Charges for the annual consulting and management service titled the Company's name for the project	–	190,995,805.46
Commerce and management consultancy fee over projects	–	76,000,000.00
Revenue from commercial consultation fees and tenant sourcing commissions	–	166,761,415.53
Advertising expenses	–	7,527,882.45
Others	–	357,293,763.75
Total	1,194,829,844.94	3,068,282,301.16

Notes to the Financial Statements

For the period from 1 January to 30 June 2018

(V) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

24. Advance from Customers (Continued)

As at the end of prior year, the advance from customers aged more than 1 year for the charges for the consulting and management service titled the Company's name for the early stage of the project amounted to RMB366,800,000.00, and the advance from customers aged more than 1 year for the charges for the annual consulting and managed service titled the Company's name for the project amounted to RMB15,495,151.90. The revenue has not been recognized at the end of the year due to failure in meeting revenue recognition criterion.

25. Contract liabilities

(1) Details of contract liabilities are as follows:

RMB

Item	30 June 2018	31 December 2017
Charges for the consulting and management service titled the Company's name for the early stage of the project	798,826,894.98	–
Charges for the annual consulting and management service titled the Company's name for the project	170,123,613.30	–
Commerce and management consultancy fee over projects	68,000,000.00	–
Revenue from commercial consultation fees and tenant sourcing commissions	211,093,264.87	–
Advertising expenses	72,981,760.50	–
Others	187,044,999.33	–
Total	1,508,070,532.98	–

Notes to the Financial Statements

For the period from 1 January to 30 June 2018

(V) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

26. Payroll Payable

(1) Details of payroll payable are as follows

RMB

Item	1 January 2018	Increase in the current period	Decrease in the current period	30 June 2018
1. Short-term compensation	786,271,323.97	1,331,261,011.80	1,795,487,572.89	322,044,762.88
2. Termination benefits	3,174,249.30	3,816,054.31	5,519,340.71	1,470,962.90
3. Retirement benefits-defined contribution plans	11,091,542.77	118,797,920.94	117,978,643.31	11,910,820.40
Total	800,537,116.04	1,453,874,987.05	1,918,985,556.91	335,426,546.18

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

RMB

Item	1 January 2018	Increase in the current period	Decrease in the current period	30 June 2018
Ⅰ. Wages or salaries, bonuses, allowances and subsidies	771,713,934.86	1,130,286,905.43	1,594,813,679.75	307,187,160.54
Ⅱ. Staff welfare	31,843.00	74,908,654.65	74,920,547.65	19,950.00
Ⅲ. Social security contributions	5,547,812.41	60,870,262.11	60,626,757.89	5,791,316.63
Including: Medical insurance	4,845,563.84	53,060,651.19	52,820,835.54	5,085,379.49
Work injury insurance	250,815.97	3,010,061.32	3,039,493.93	221,383.36
Maternity insurance	451,432.60	4,799,549.60	4,766,428.42	484,553.78
Ⅳ. Housing funds	5,942,810.26	52,447,000.41	52,469,080.83	5,920,729.84
Ⅴ. Labour union and staff education fund	3,034,923.44	12,748,189.20	12,657,506.77	3,125,605.87
Total	786,271,323.97	1,331,261,011.80	1,795,487,572.89	322,044,762.88

Notes to the Financial Statements

For the period from 1 January to 30 June 2018

(V) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

26. Payroll Payable (Continued)

(3) Retirement benefits-defined contribution plans

RMB

Item	1 January 2018	Increase in the current period	Decrease in the current period	30 June 2018
1. Pension insurance	10,636,518.95	115,315,751.27	114,703,423.46	11,248,846.76
2. Unemployment insurance	455,023.82	3,482,169.67	3,275,219.85	661,973.64
Total	11,091,542.77	118,797,920.94	117,978,643.31	11,910,820.40

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

For the period from 1 January to 30 June 2018 and for the period from 1 January to 30 June 2017, the Group shall contribute RMB115,315,751.27, RMB3,482,169.67, RMB97,858,174.88 and RMB4,062,689.23 to pension insurance and unemployment insurance.

As at the end of the current period and prior year, the Group's payable amounts of RMB11,248,846.76, RMB661,973.64 and RMB10,636,518.95, RMB455,023.82 was the outstanding amounts contributed to pension insurance and unemployment insurance scheme which has been provided at the end of the current Reporting Period. Such payables have been paid subsequent to the Reporting Period.

Notes to the Financial Statements

For the period from 1 January to 30 June 2018

(V) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

27. Taxes Payable

RMB

Item	30 June 2018	31 December 2017
VAT	146,609,301.90	260,895,356.26
Enterprise income tax	422,560,322.31	588,091,629.40
Property tax	30,598,338.16	39,649,408.65
Others	41,072,941.23	38,630,245.19
Total	640,840,903.60	927,266,639.50

28. Other Payables

RMB

Item	*Notes*	30 June 2018	31 December 2017
Interest Payables	(1)	438,899,357.04	178,691,354.69
Dividends Payable	(2)	1,250,107,397.43	61,960,000.00
Other Payables	(3)	6,512,700,864.06	7,338,709,537.17
Total		8,201,707,618.53	7,579,360,891.86

(1) Interest Payables

RMB

Item	30 June 2018	31 December 2017
Interests on long-term loans with periodic payments of interest and return of principal at maturity	2,254,442.82	31,581,648.86
Interests on commercial mortgage-backed securities *(Note (V).34. Note 2)*	102,316,109.60	36,465,000.00
Interests on bonds	332,148,731.25	108,977,193.75
Interests payable for short-term loans	2,180,073.37	1,667,512.08
Total	438,899,357.04	178,691,354.69

As at the end of the current period and prior year, there was no interest payable of the Group that was overdue.

Notes to the Financial Statements

For the period from 1 January to 30 June 2018

(V) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

28. Other Payables (Continued)

(2) Dividends Payable

RMB

Item	30 June 2018	31 December 2017
Zhejiang Mingdu Investment Company Limited	31,960,000.00	51,960,000.00
Jin Yan	3,024,000.00	4,000,000.00
Shanghai Xinchangzheng (Group) Company Limited	3,780,000.00	6,000,000.00
Red Star Macalline Holding Group Company Limited	793,701,047.04	–
Shanghai Red Star Macalline Enterprise Operation and Management Co., Ltd.	74,692,168.31	–
Shanghai Yizhi Business Consulting Center (Limited Partnership)	2,850,000.00	–
Public shareholders	340,100,182.08	–
Total	1,250,107,397.43	61,960,000.00

Notes to the Financial Statements

For the period from 1 January to 30 June 2018

(V) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

28. Other Payables (Continued)

(3) Other Payables

RMB

Item	30 June 2018	31 December 2017
Proceeds collected on behalf of the tenants	1,317,161,425.21	2,346,259,268.66
Deposits from tenants	2,211,426,482.19	1,816,499,570.48
Payment received in advance from partners	162,183,509.71	152,900,000.00
Amounts due to and from partners	879,003,188.27	809,321,874.67
Accrued expenses	87,485,776.96	217,405,781.98
Rental deposits from tenants	772,185,229.92	751,021,735.06
Amounts payable to construction contractors	383,202,863.60	900,281,717.08
Lease payable	96,044,256.83	50,917,834.27
Amounts payable for prepaid cards *(Note 1)*	45,593,340.18	73,420,850.89
Equity acquisition	233,200,000.00	–
Others	325,214,791.19	220,680,904.08
Total	6,512,700,864.06	7,338,709,537.17

Note 1: 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. Pre-paid Cards were included in liabilities upon sales. When consumption is made by customers with Pre-paid 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.

Notes to the Financial Statements

For the period from 1 January to 30 June 2018

(V) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

29. Non-current Liabilities Due within One Year

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

RMB

Item	30 June 2018	31 December 2017
Long-term loans due within one year	3,633,511,400.95	4,011,084,091.87
Financial lease payable due within one year	11,687,876.51	13,277,093.22
Long-term rental due within one year	20,000,000.00	20,000,000.00
Bonds payable due within one year	5,494,830,855.12	5,486,714,288.88
Commercial mortgage-backed securities due within one year *(Note (V).34. Note 2)*	19,000,000.00	19,000,000.00
Total	9,179,030,132.58	9,550,075,473.97

(2) Long-term loans due within one year

RMB

Item	30 June 2018	31 December 2017
Mortgage loans *(Note)*	2,845,870,796.56	3,479,754,437.95
Pledge loans *(Note)*	162,800,000.00	87,900,000.00
Mortgage and pledge loans *(Note)*	200,275,000.00	173,837,500.00
Mortgage and guaranteed loans *(Note)*	291,942,875.00	197,500,000.00
Mortgage, pledge and guaranteed loans *(Note)*	63,622,729.39	62,092,153.92
Credit loans *(Note)*	69,000,000.00	10,000,000.00
Total	3,633,511,400.95	4,011,084,091.87

Note: please see Note (V), 30.

As at the end of the current period and prior year, there were no overdue long-term loans due within one year, of which the durations are extended.

As at the end of the current period and prior year, please see Note (V), 30 for details of the interest rate of the Group's borrowings.

Notes to the Financial Statements

For the period from 1 January to 30 June 2018

(V) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

30. Long-term Loans

(1) Categories of long-term loans

RMB

Item	30 June 2018	31 December 2017
Mortgage loans *(Note 1)*	7,954,914,203.45	6,215,305,888.66
Pledge loans *(Note 2)*	2,484,300,000.00	2,300,650,000.00
Mortgage and pledge loans *(Note 3)*	1,605,784,375.00	1,715,765,625.00
Mortgage and guaranteed loans *(Note 4)*	493,977,125.00	585,000,000.00
Mortgage, pledge and guaranteed loans *(Note 5)*	488,744,303.91	520,942,971.15
Credit loans *(Note 6)*	240,000,000.00	35,000,000.00
Total	13,267,720,007.36	11,372,664,484.81

Note 1: Represents the loans obtained by securing with the investment properties. Please see Note (V), 13 and Note (V), 57.

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), 57.

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), 13 and 57.

Note 4: Represents the borrowings obtained by securing with the investment properties and providing guarantee by the related parties. Please see Note (V), 13, 57 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, 13, 57 and Note (X), 5(3).

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

As at the end of the current period and prior year, there were no long-term loans that were overdue.

Notes to the Financial Statements

For the period from 1 January to 30 June 2018

(V) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

30. Long-term Loans (Continued)

(2) Interest rate on borrowings

As at the end of current period, the aforesaid fixed-rate borrowings carried interest rates at 4.35% to 7.59% per annum, and the variable-rate borrowings carried interest rates at 4.35% to 7.83% per annum.

As at the end of prior 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.

As at the end of current period and prior year, the variable-rate borrowings and fixed-rate borrowings by amounts present as follows:

RMB

Item	30 June 2018	31 December 2017
Fixed-rate borrowings	2,739,369,375.00	1,965,363,125.00
Variable-rate borrowings	15,578,672,033.30	13,718,395,451.68
Total	18,318,041,408.30	15,683,758,576.68
Including: Short-term loans	1,416,810,000.00	300,010,000.00
Long-term loans due within one year	3,633,511,400.95	4,011,084,091.87
Long-term loans	13,267,720,007.36	11,372,664,484.81

31. Bonds Payable

RMB

Item	30 June 2018	31 December 2017
5–year Corporate Bonds of 2016 of Red Star Macalline Group Corporation Ltd. (First tranche)	1,493,666,353.83	1,490,868,192.87
7–year Corporate Bonds of 2016 of Red Star Macalline Group Corporation Ltd. (First tranche)	1,484,320,528.98	1,482,044,142.78
5–year US$-denominated bonds of Hong Kong Red Star Macalline in 2017	1,951,545,289.89	1,923,565,824.50
Total	4,929,532,172.70	4,896,478,160.15

Notes to the Financial Statements

For the period from 1 January to 30 June 2018

(V) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

31. Bonds Payable (Continued)

RMB

Name of bonds	Par value	Issue date	Maturity	Issue amount	1 January 2018	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 profit and loss	30 June 2018
30 June 2018													
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	498,726,366.25	12,500,000.00	–	18,750,000.00	902,718.50	–	31,250,000.00	–	499,629,084.75
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	4,987,987,922.63	31,250,000.00	–	112,500,000.00	7,213,847.74	–	143,750,000.00	–	4,995,201,770.37
5- year corporate notes of 2016 of Red Star Macalline Group Corporation Ltd.(First tranche)	1,500,000,000.00	14 July 2016	5 years	1,483,202,830.18	1,490,868,192.87	21,875,000.00	–	26,250,000.00	2,798,160.96	–	48,125,000.00	–	1,493,666,353.83
7-year Corporate notes of 2016 of Red Star Macalline Group Corporation Ltd. (the first tranche)	1,500,000,000.00	14 July 2016	7 years	1,476,127,358.48	1,482,044,142.78	26,812,500.00	–	32,175,000.00	2,276,386.20	–	58,987,500.00	–	1,484,320,528.98
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	1,923,565,824.50	16,539,693.75	–	33,496,537.50	3,598,195.44	–	50,036,231.25	(24,381,269.95)	1,951,545,289.89
Total				10,347,507,084.29	10,383,192,449.03	108,977,193.75	–	223,171,537.50	16,789,308.84	–	332,148,731.25	(24,381,269.95)	10,424,363,027.82
Less: Bonds payable due within one year													5,494,830,855.12
Bonds payable due after one year													4,929,532,172.70

Notes to the Financial Statements

For the period from 1 January to 30 June 2018

(V) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

31. Bonds Payable (Continued)

In August 2013, the Company was approved by National Association of Financial Market Institutional Investors to issue the medium-term notes in the PRC of RMB1,000 million and the registered amount would be effective for two years, and the notes may be issued in tranches during the valid period of 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 interests shall be payable annually in five years.

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

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

Hong Kong Red Star Macalline, a subsidiary of the Group, issued the US$-denominated bonds totaling US$300 million on 21 September 2017, with bond code of B2022(5278) and a fixed rate of interest at 3.375%. The maturity of the bond is five years, and shall be paid semi-annually. Hong Kong Red Star Macalline is entitled to the right to redeem the whole instead of part of the bond. The Company provided unconditional irrevocable guarantee for the US$-denominated bonds issued by Hong Kong Red Star Macalline.

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

Notes to the Financial Statements

For the period from 1 January to 30 June 2018

(V) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

32. Long-term Payables

RMB

Item	30 June 2018	31 December 2017
Long-term rental	302,962,635.12	344,655,634.92
Compensation fees due to breach of contract	1,940,585.02	1,940,585.02
Financial lease payables *(Note 1)*	414,424,784.52	415,215,826.20
Amounts due to and from partners *(Note 2)*	475,778,978.64	464,505,129.78
Contributions from minority shareholders *(Note 3)*	189,380,899.49	189,380,899.50
Equity acquisition	130,000,000.00	–
Total	1,514,487,882.79	1,415,698,075.42

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	30 June 2018	31 December 2017
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	848,933,558.42	864,558,102.44
Total minimum lease payment	947,615,110.58	963,239,654.60
Less: Unrecognized financing charge	521,502,449.55	534,746,735.18
Financial lease payables	426,112,661.03	428,492,919.42
Including: Financial lease payables due within one year	11,687,876.51	13,277,093.22
Financial lease payables due after one year	414,424,784.52	415,215,826.20

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) for details.

Notes to the Financial Statements

For the period from 1 January to 30 June 2018

(V) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

33. Deferred Income

RMB

Item	30 June 2018	31 December 2017
Asset-related government grant	189,360,932.07	192,141,221.74
Total	189,360,932.07	192,141,221.74

Government grant:

RMB

Liabilities item	1 January 2018	Increased grants in the current period	Amount included in other income in the current period	30 June 2018	Related to assets/profit
Subsidy for land supporting expenses *(Note)*	192,141,221.74	–	2,780,289.67	189,360,932.07	Related to assets
Total	192,141,221.74	–	2,780,289.67	189,360,932.07	

Note: Represents the project government grants obtained by Tianjin Home Furnishings 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 Financial Statements

For the period from 1 January to 30 June 2018

(V) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

34. Other Non-Current Liabilities

RMB

Item	30 June 2018	31 December 2017
Charges for the consulting and management service titled the Company's name for the early stage of the project *(Note 1)*	3,023,229,936.76	400,120,500.00
Charges for the annual consulting and management service titled the Company's name for the project *(Note 1)*	15,000,000.00	15,000,000.00
Commercial mortgage-backed securities *(Note 2)*	2,359,400,000.00	2,359,400,000.00
Total	5,397,629,936.76	2,774,520,500.00

Note 1 : The balance represents the obligation to provide management services for the amounts received and receivable by the company on 30 June 2018. These contract liabilities were included to other non-current liabilities as the management expects the corresponding management services will be provided after one year. As at 31 December 2017, the balance consisted of the prepayments received relating to the management services to provide. As the management expected that it would be more than 1 year to recognize the corresponding revenue, these amounts were included in other non-current liabilities.

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.

Notes to the Financial Statements

For the period from 1 January to 30 June 2018

(V) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

35. Share Capital (Continued)

RMB

Shareholders	1 January 2018	Changes in the prior period New shares issued *(Notes)*	Others	Subtotal	30 June 2018
1 January to 30 June 2018:					
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
Other public shareholders of A Shares	–	315,000,000.00	–	315,000,000.00	315,000,000.00
Total	3,623,917,038.00	315,000,000.00	–	315,000,000.00	3,938,917,038.00

Notes to the Financial Statements

For the period from 1 January to 30 June 2018

(V) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

35. Share Capital (Continued)

Shareholders	1 January 2017	Changes in the prior period New shares issued	Others	Subtotal	30 June 2017
1 January to 30 June 2017:					
RSM Holding	2,480,315,772.00	–	–	–	2,480,315,772.00
Ping'an Pharmacy	3,688,206.00	–	–	–	3,688,206.00
Shanghai Jinghai Assets Management Center (Limited Partnership)	56,849,998.00	–	–	–	56,849,998.00
Shanghai Kaixing Business Administration Center (Limited Partnership) Shanghai	7,589,999.00	–	–	–	7,589,999.00
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

Note: Pursuant to the resolution of the general meeting of the Company, 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 315,000,000 ordinary shares (A Shares) with a par value of RMB1.00 per share and an increase of registered capital by RMB315,000,000.00. As of 9 January 2018, the Company has completed the public issuance at an issuance price of RMB10.23 per share, with the total capital raised of RMB3,222,450,000.00. The net capital raised amounted to RMB3,050,007,849.63 after deducting the issuance expenses of RMB172,442,150.37, among which RMB315,000,000.00 was accounted as share capital and RMB2,735,007,849.63 was accounted as capital reserve.

Notes to the Financial Statements

For the period from 1 January to 30 June 2018

(V) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

36. Capital Reserve

RMB

Item	1 January 2018	Increase in the current period *(Note 1)*	Decrease in the current period *(Note 2)*	30 June 2018
1 January to 30 June 2018:				
Share premium	5,362,115,385.55	2,735,007,849.63	259,800,875.59	7,837,322,359.59
Including: Capital invested by investors	5,786,331,727.05	2,735,007,849.63	–	8,521,339,576.68
The difference arising from business combination under common control	(180,578,073.16)	–	–	(180,578,073.16)
Others	(243,638,268.34)	–	259,800,875.59	(503,439,143.93)
Total	5,362,115,385.55	2,735,007,849.63	259,800,875.59	7,837,322,359.59

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

Note 1: Represents the capital reserve from the ordinary shares (A Shares) publicly issued by the Company. Please see Note (V), 35 for details.

Note 2: Represents the effect of acquisition of non-controlling interest in subsidiaries at premium. Please see Note (VII).2 for details.

Notes to the Financial Statements

For the period from 1 January to 30 June 2018

(V) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

37. Other Comprehensive Income

				Amount recognized in the current period					
Item	1 January 2018	The effect of applying the new financial instrument standards	Amount adjusted at the beginning of the period	Amount before income tax in the current period	Less: previously included in other comprehensive income converted to retained earnings for the current period	Less: income tax expense	After-tax amount attributable to the owners of the Company	After-tax amount attributable to non-controlling interests	30 June 2018
Other comprehensive income/(loss) not to be reclassified into the profit or loss:									
Change in the fair value of other equity instrument investments	–	1,583,942,408.92	1,583,942,408.92	254,965,923.13	136,174,120.80	28,457,585.55	88,909,632.44	1,424,584.34	1,672,852,041.36
Other comprehensive income to be reclassified into the profit or loss subsequently									
Gains and losses from changes in fair value of available-for-sale financial assets	1,562,965,633.10	(1,562,965,633.10)	–	–	–	–	–	–	–
Total	1,562,965,633.10	20,976,775.82	1,583,942,408.92	254,965,923.13	136,174,120.80	28,457,585.55	88,909,632.44	1,424,584.34	1,672,852,041.36

38. Surplus Reserve

RMB

Item	Opening balance	Increase in the current period	Decrease in the current period	Closing balance
1 January to 30 June 2018:				
Statutory surplus reserve	1,623,080,808.19	–	–	1,623,080,808.19
Total	1,623,080,808.19	–	–	1,623,080,808.19
1 January to 30 June 2017:				
Statutory surplus reserve	1,226,111,855.65	–	–	1,226,111,855.65
Total	1,226,111,855.65	–	–	1,226,111,855.65

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

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

Notes to the Financial Statements

For the period from 1 January to 30 June 2018

(V) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

39. Retained Earnings

RMB

Item	Amount	Proportion of withdrawal or distribution
1 January to 30 June 2018:		
Opening balance of retained earnings	28,254,693,080.77	
Add: Changes in accounting policies	(724,018,035.19)	
Add: Net profit attributable to owners of the Company for the current period	3,038,609,713.21	
Add: Other comprehensive income converted to retained earnings	136,174,120.80	
Less: Appropriation to statutory surplus reserve	–	Note 1
Less: Appropriation to provision for general risks	13,301,928.90	
Less: Dividend payable for ordinary shares	1,260,453,452.16	Note 2
Closing balance of retained earnings	29,431,703,498.53	
1 January to 30 June 2017:		
Opening balance of retained earnings	26,095,809,439.81	
Add: Net profit attributable to owners of the Company for the current period	2,045,171,145.99	
Less: Appropriation to statutory surplus reserve	–	Note 1
Less: Dividend payable for ordinary shares	1,522,045,155.96	Note 2
Closing balance of retained earnings	26,618,935,429.84	

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 period and prior year, the balance of retained earnings of the Group included the withdrawn surplus reserves by the subsidiaries of RMB366,114,507.94 and RMB381,312,682.06, respectively.

Note 2: On 8 June 2018, as approved by the 2017 general meeting of the Company, and based on 3,938,917,038 issued shares, the Company paid cash dividend of RMB3.2 per 10 shares to all shareholders; 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 of RMB4.2 per 10 shares to all shareholders.

Notes to the Financial Statements

For the period from 1 January to 30 June 2018

(V) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

40. Revenue and Cost of Sales

(1) Revenue

RMB

Item	1 January to 30 June 2018 Revenue	Costs	1 January to 30 June 2017 Revenue	Costs
Principal business	6,268,650,492.34	1,921,331,515.50	5,003,766,735.14	1,365,021,504.79
Other business	105,233,626.70	33,726,041.40	67,200,589.34	9,646,697.40
Total	6,373,884,119.04	1,955,057,556.90	5,070,967,324.48	1,374,668,202.19

(2) Principal business (by sector)

RMB

Name of sector	1 January to 30 June 2018 Revenue	Costs	1 January to 30 June 2017 Revenue	Costs
Leasing and management revenue	3,535,894,591.52	772,121,419.76	3,188,830,865.46	696,929,743.37
Revenue from the consulting and management service titled the Company's name for the early stage of the project *(Note 1)*	633,376,635.23	137,256,520.71	625,556,781.73	77,227,812.20
Revenue from annual consulting and management service title the Company's name for the project *(Note 2)*	828,988,527.21	504,690,280.20	674,117,705.65	404,279,693.74
Revenue from commerce management and consultancy over the project	144,741,509.43	9,320,838.04	4,509,688.68	5,707,355.12
Revenue from commercial consultation fees and tenant sourcing commissions	142,092,595.00	37,613,902.74	168,867,924.52	20,130,835.75
Revenue from construction and design service	458,986,112.62	272,597,029.98	31,238,177.65	26,399,447.83
Revenue from sales of good and home decoration services	187,528,781.63	135,052,128.67	109,284,985.25	85,057,453.53
Others	337,041,739.70	52,679,395.40	201,360,606.20	49,289,163.25
Total	6,268,650,492.34	1,921,331,515.50	5,003,766,735.14	1,365,021,504.79

Notes to the Financial Statements

For the period from 1 January to 30 June 2018

(V) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

40. Revenue and Costs of Sales (Continued)

(2) Principal business (by sector) (Continued)

Note 1: During the period from 1 January to 30 June 2018 and the period from 1 January to 30 June 2017, the amounts of RMB1,677,148.85 and RMB14,150,943.40 respectively, in the revenue from the consulting and management service titled the Company's name for the early stage of 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; and the amounts of RMB15,723,270.44 and RMB0.00, respectively, in the revenue from the consulting and management service titled the Company's name for the early stage of the project were derived from an enterprise that is participated by employees who hold positions in the ultimate controller of the Group. During the period from 1 January to 30 June 2018 and the period from 1 January to 30 June 2017, the amounts of RMB41,808,247.90 and RMB45,669,811.32 in the revenue from the consulting and management service titled the Company's name for the early stage of the project were derived from investees of the Company or other shareholders of investees of the Company.

Note 2: During the period from 1 January to 30 June 2018 and the period from 1 January to 30 June 2017, the amounts of RMB2,987,421.44 and RMB3,066,037.80 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. During the period from 1 January to 30 June 2018 and the period from 1 January to 30 June 2017, the amounts of RMB26,885,606.79 and RMB18,216,627.33 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.

41. Taxes and Surcharges

RMB

Item	1 January to 30 June 2018	1 January to 30 June 2017	Payment Standards
Urban maintenance and construction tax	16,862,745.57	14,023,177.94	Note(IV) 1
Education surcharge	8,883,656.71	12,486,364.32	Note(IV) 1
Property tax	116,862,006.76	106,722,035.36	Note(IV) 1
land use tax	9,694,111.32	9,974,609.98	Note(IV) 1
stamp duty	5,000,854.44	5,268,531.77	Note(IV) 1
Others	23,634,607.72	4,292,053.16	
Total	180,937,982.52	152,766,772.53	

Notes to the Financial Statements

For the period from 1 January to 30 June 2018

(V) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

42. Distribution and Selling Expenses

RMB

Item	1 January to 30 June 2018	1 January to 30 June 2017
Salary, bonus and benefits	29,108,228.90	15,766,378.68
Depreciation and Amortization	3,388,683.81	1,033,173.40
Energy and maintenance expenses	167,214,843.32	120,022,958.86
Advertising and promotional expenses	411,971,857.16	415,439,654.69
After-sales service expenses	16,301,025.81	12,978,469.68
Office and administrative expenses	9,273,870.55	6,930,921.95
Others	8,814,552.39	5,020,392.10
Total	646,073,061.94	577,191,949.36

43. General and administrative Expenses

RMB

Item	1 January to 30 June 2018	1 January to 30 June 2017
Salary, bonus and benefits	249,224,316.30	231,527,404.54
Depreciation and Amortization	12,986,989.05	13,071,621.33
Energy and maintenance expenses	2,280,306.82	3,437,722.87
Professional services expenses	57,561,571.10	68,112,670.59
Office and administrative expenses	150,607,918.02	125,952,395.82
Others	55,106,569.98	25,971,757.14
Total	527,767,671.27	468,073,572.29

Notes to the Financial Statements

For the period from 1 January to 30 June 2018

(V) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

44. Financial Expenses

RMB

Item	1 January to 30 June 2018	1 January to 30 June 2017
Interest expenses	793,397,008.41	650,222,248.82
Less: Capitalized interest expenses	94,958,796.81	75,251,880.82
Less: Interest income	153,598,157.25	39,982,040.44
Foreign exchange differences	32,983,413.85	(470,457.37)
Others	9,298,975.12	9,694,953.52
Total	587,122,443.32	544,212,823.71

During the period from 1 January to 30 June 2018 and the period from 1 January to 30 June 2017, the average capitalisation rate of borrowings was 5.26% and 5.08% respectively.

45. Impairment Losses of Assets

RMB

Item	1 January to 30 June 2017
Loss on bad debts	92,791,584.20
Provision of impairment of other non-current assets	12,000,000.00
Provision of impairment of loans	(113,286.15)
Total	104,678,298.05

Notes to the Financial Statements

For the period from 1 January to 30 June 2018

(V) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

46. Impairment Loss of Credit

RMB

Item	1 January to 30 June 2018
Impairment of notes receivable and accounts receivable	112,541,596.93
Impairment losses of contract assets	12,750,000.00
impairment losses of other receivables	19,128,343.00
Others	310,000.00
Total	144,729,939.93

47. Other Income

(1) Details of other income are as follows:

RMB

Source resulting in other income	1 January to 30 June 2018	1 January to 30 June 2017
Subsidy for land supporting expenses and subsidy for gas and air conditioning equipments	2,780,289.67	2,069,562.87
Other government grants relating to daily operating activities	53,020,729.92	10,617,049.48
Total	55,801,019.59	12,686,612.35

Notes to the Financial Statements

For the period from 1 January to 30 June 2018

(V) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

47. Other Income (Continued)

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

RMB

Item	1 January to 30 June 2018	1 January to 30 June 2017	Related to assets/profit
Subsidies *(Note 1)*	39,522,274.43	4,550,958.15	Related to profit
Special government grants *(Note 2)*	10,768,640.37	–	Related to profit
Reward support	2,729,815.12	6,066,091.33	Related to profit
Total	53,020,729.92	10,617,049.48	

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

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

Notes to the Financial Statements

For the period from 1 January to 30 June 2018

(V) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

48. Investment Income

(1) Details of investment income are as follows:

RMB

Item	1 January to 30 June 2018	1 January to 30 June 2017
Long-term equity investment income accounting under equity method	105,492,722.92	54,289,350.26
Gains on disposal of investments in subsidiaries *(Note 1)*	–	4,559,861.19
Gains on disposal of investments in associates	–	880,397.44
Fixed income received as agreed *(Note 2)*	1,560,000.00	1,024,999.15
Others	1,241,971.08	–
Total	108,294,694.00	60,754,608.04

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

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

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

49. Gains (Losses) on Changes in Fair Value

RMB

Source resulting in gains (losses) on fair value changes	1 January to 30 June 2018	1 January to 30 June 2017
Financial assets held for trading	(37,307,325.01)	–
Investment properties measured at fair value	1,103,291,848.08	960,437,111.54
Total	1,065,984,523.07	960,437,111.54

Notes to the Financial Statements

For the period from 1 January to 30 June 2018

(V) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

50. Gains (Losses) on Asset Disposal

RMB

Source resulting in gains on asset disposal	1 January to 30 June 2018	1 January to 30 June 2017
Gains (losses) on asset disposal	214,551,818.78	(326,742.39)

51. Non-operating income

(1) The details of non-operating income are as follows:

RMB

Item	1 January to 30 June 2018 Amount	1 January to 30 June 2018 Amount included in non-recurring profit or loss for the current period	1 January to 30 June 2017 Amount	1 January to 30 June 2017 Amount included in non-recurring profit or loss for the current period
Income from default compensation	1,670,353.21	1,670,353.21	1,876,804.47	1,876,804.47
Income from project termination	–	–	1,415,094.34	1,415,094.34
Others	6,323,156.81	6,323,156.81	7,312,753.55	7,312,753.55
Total	7,993,510.02	7,993,510.02	10,604,652.36	10,604,652.36

52. Non-operating Expenses

RMB

Item	1 January to 30 June 2018 Amount	1 January to 30 June 2018 Amount included in non-recurring profit or loss for the current period	1 January to 30 June 2017 Amount	1 January to 30 June 2017 Amount included in non-recurring profit or loss for the current period
External donations	2,040,155.50	2,040,155.50	2,355,266.25	2,355,266.25
Compensation expenses	3,471,301.35	3,471,301.35	6,292,024.75	6,292,024.75
Others	2,311,503.92	2,311,503.92	3,411,158.43	3,411,158.43
Total	7,822,960.77	7,822,960.77	12,058,449.43	12,058,449.43

Notes to the Financial Statements

For the period from 1 January to 30 June 2018

(V) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

53. Income Tax Expenses

RMB

Item	1 January to 30 June 2018	1 January to 30 June 2017
Current income tax based on tax law and relevant regulations	507,090,694.75	429,281,114.67
Deferred income tax	40,744,920.55	268,505,840.16
Difference from income tax annual settlement for prior year	5,971,970.43	27,195,962.12
Total	553,807,585.73	724,982,916.95

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 Horgos of Xinjiang, two Special Economic Development Zones, were approved to be exempt 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 Financial Statements

For the period from 1 January to 30 June 2018

(V) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

53. Income Tax Expenses (Continued)

Adjustment process of accounting profit and income tax expenses:

RMB

Item	1 January to 30 June 2018	1 January to 30 June 2017
Total profit	3,767,416,076.28	2,881,473,498.82
Income tax expenses calculated based on statutory/ applicable tax rate	941,854,018.96	720,368,374.71
Tax impact of non-deductible costs, expenses and losses	51,580,639.82	13,819,450.81
Tax impact of intra-Group debt waived *(Note 1)*	(29,820,174.77)	–
Impact of non-taxable income	(70,582,732.37)	(15,798,810.61)
Impact of deductible temporary difference or deductible loss on unrecognized deferred income assets for the period	183,457,931.23	95,109,167.61
Impact of utilizing deductible loss on unrecognized deferred income tax assets for the previous period	(9,887,638.98)	(124,958.60)
Impact of different tax rates applicable to subsidiaries	(518,766,428.58)	(115,586,269.09)
Impact of adjustment of the income tax for the previous period	5,971,970.42	27,195,962.12
Total	553,807,585.73	724,982,916.95

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.

54. 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	1 January to 30 June 2018	1 January to 30 June 2017
Net profit attributable to ordinary shareholders for the current period	3,038,609,713.21	2,045,171,145.99
Including: Net profit attributable to ongoing operations	3,038,609,713.21	2,045,171,145.99
Net profit attributable to terminated operations	–	–

Notes to the Financial Statements

For the period from 1 January to 30 June 2018

(V) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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

Unit: share

Item	1 January to 30 June 2018	1 January to 30 June 2017
Number of ordinary shares issued at the beginning of the period and the end of the period	3,623,917,038	3,623,917,038
Add: Weighted average number of ordinary shares issued during the period	262,500,000	–
Less: Weighted average number of ordinary shares repurchased during the period	–	–
Weighted average number of ordinary shares issued at the end of the period	3,886,417,038	3,623,917,038

The Group has no dilutive ordinary share.

Earnings per share

RMB

Item	1 January to 30 June 2018	1 January to 30 June 2017
Calculated based on net profit attributable to shareholders of the Company:		
Basis earnings per share	0.78	0.56
Diluted earnings per share	N/A	N/A
Calculated based on ongoing operations net profit attributable to shareholders of the Company		
Basis earnings per share	0.78	0.56
Diluted earnings per share	N/A	N/A
Calculated based on terminated operations net profit attributable to shareholders of the Company:		
Basis earnings per share	–	–
Diluted earnings per share	N/A	N/A

Notes to the Financial Statements

For the period from 1 January to 30 June 2018

(V) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

55. Notes to the Cash Flow Statements

(1) Other cash received in connection with operating activities

RMB

Item	1 January to 30 June 2018	1 January to 30 June 2017
Deposits, margin funds and cash pledge received	420,511,917.55	498,700,126.25
Proceeds collected and paid on behalf of others	–	102,156,419.85
Recovery of small loans	–	230,637,265.57
P2P investors' fund received	–	–
Non-operating income and government grants	61,724,966.71	21,221,701.83
Interest income	41,747,308.91	36,762,205.92
Reserves with central bank	38,174,434.55	–
Total	562,158,627.72	889,477,719.42

(2) Other cash paid in connection with operating activities

RMB

Items	1 January to 30 June 2018	1 January to 30 June 2017
Payment of expenses and other proceeds	1,041,293,504.67	813,586,855.20
Proceeds collected and paid on behalf of others	843,017,960.71	–
Bank charges and other expenses	9,124,708.84	4,683,896.15
Non-operating expenses	7,822,960.77	11,851,684.81
Small loans extended	–	219,308,650.00
Reserves with central bank	–	–
Total	1,901,259,134.99	1,049,431,086.16

Notes to the Financial Statements

For the period from 1 January to 30 June 2018

(V) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

55. Notes to the Cash Flow Statements (Continued)

(3) Other cash received in connection with investing activities

RMB

Items	1 January to 30 June 2018	1 January to 30 June 2017
Current account *(Note)*	410,495,029.96	112,601,735.64
Recovery of the entrusted loan	58,672,038.39	15,491,454.66
Government grant related to assets	–	10,110,000.01
Interest income from loans	155,027,902.02	3,219,834.52
Redemption of the wealth management products	3,000,000.00	100,000,000.00
Recovery of restricted cash and bank	8,301,413.91	47,008,942.62
Redemption of fixed bank deposits over 3 months after maturity	33,776,042.73	135,268,633.99
Proceeds from disposal of associates	–	11,000,000.00
Total	669,272,427.01	434,700,601.44

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

Notes to the Financial Statements

For the period from 1 January to 30 June 2018

(V) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

55. Notes to the Cash Flow Statements (Continued)

(4) Other cash paid in connection with investing activities

RMB

Item	1 January to 30 June 2018	1 January to 30 June 2017
Current account *(Note)*	775,084,297.25	340,873,767.15
Granting the entrusted loan	214,385,598.27	221,200,000.00
Purchase of wealth management products	28,500,000.00	242,000,000.00
Restricted cash and bank	200,000,000.00	308,252,352.18
Fixed bank deposits over 3 months after maturity	26,252,732.23	208,700,281.20
Factoring receivable	350,000,000.00	–
Financing lease receivable	150,000,000.00	–
Total	1,744,222,627.75	1,321,026,400.53

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

(5) Other cash received in connection with financing activities

RMB

Item	1 January to 30 June 2018	1 January to 30 June 2017
Current account	–	6,099,043.31
Total	–	6,099,043.31

Notes to the Financial Statements

For the period from 1 January to 30 June 2018

(V) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

55. Notes to the Cash Flow Statements (Continued)

(6) Other cash paid in connection with financing activities

RMB

Item	1 January to 30 June 2018	1 January to 30 June 2017
Loan charges	26,941,397.05	4,540,600.00
Acquisition of non-controlling interest *(Note 1)*	68,736,308.85	48,187,000.00
Total	95,677,705.90	52,727,600.00

Note 1: Please see Note (VII).2 for details.

Notes to the Financial Statements

For the period from 1 January to 30 June 2018

(V) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

56. Supplementary Information to Cash Flows Statements

(1) Supplementary information to cash flows statements

RMB

Supplementary information	1 January to 30 June 2018	1 January to 30 June 2017
1. Reconciliation of net profits to cash flow from operating activities:		
Net profits	3,213,608,490.55	2,156,490,581.87
Add: Gains from changes in fair value	(1,065,984,523.07)	(960,437,111.54)
Impairment loss on assets	144,729,939.93	104,678,298.05
Depreciation of fixed assets	28,911,852.37	20,723,908.14
Amortization of intangible assets	14,280,705.19	12,847,815.28
Amortization of long-term prepaid expenses	42,386,854.31	29,529,022.42
Amortization of deferred income	(2,069,562.90)	(2,069,562.87)
Losses (Gains) on disposal of fixed assets, intangible assets and other long-term assets	475,146.18	326,742.39
Financial expenses	574,715,415.07	557,893,200.96
Investment losses (gains)	(323,321,658.96)	(60,754,608.04)
Decrease/(Increase) in deferred tax assets	(361,303,354.78)	(249,779,040.98)
Increase/(Decrease) in deferred tax liabilities	885,098,535.53	802,418,609.77
Decrease/(Increase) in inventories	(109,323,859.74)	(17,179,890.45)
Decrease/(Increase) in operating receivables	(947,340,173.15)	(302,961,768.88)
Increase/(Decrease)in operating payables	(960,560,882.29)	424,424,518.27
Net cash flows from operating activities	1,134,302,924.24	2,516,150,714.39
2. Net change in cash and cash equivalents:		
Cash balance at the end of the period	9,619,949,034.04	7,173,795,920.43
Less: Cash balance at the beginning of the period	10,269,293,739.45	5,892,424,707.42
Add: Balance of cash equivalents at the end of the period	–	–
Less: Balance of cash equivalents at the beginning of the period	–	–
Net increase (decrease) in cash and cash equivalents	(649,344,705.41)	1,281,371,213.01

Notes to the Financial Statements

For the period from 1 January to 30 June 2018

(V) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

56. Supplementary Information to Cash Flows Statements (Continued)

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

RMB

Supplementary information	1 January to 30 June 2018	1 January to 30 June 2017
Cash or cash equivalents paid for business combination during this period	1,630,000,001.00	244,072,700.00
Including: Ningbo Aoyang(寧波澳洋家居)	1.00	–
Kunshan Kaide Commercial Real Estate Co., Ltd(昆山凱德置業)	50,000,000.00	–
Suzhou Xingkaike Home(蘇州星凱科家居)	1,220,000,000.00	–
Ozing Digital Technology Co.,Ltd.(好記星數碼科技)	360,000,000.00	–
Xining Runling Real Estate Development Co., Ltd.(西寧潤領房地產開發有限公司) –equity acquisition	–	72,162,700.00
Xining Runling Real Estate Development Co., Ltd. –others *(Note)*	–	171,790,000.00
Shanghai Muye Asset Management Co., Ltd. (上海睦燁資產管理有限公司)	–	120,000.00
Less: Cash and cash equivalents held by subsidiaries on the acquisition date	43,947,213.84	48,516.23
Including: Ningbo Aoyang	7,778,200.26	–
Kunshan Kaide Commercial Real Estate Co., Ltd	1,597,044.54	–
Suzhou Xingkaike Home	14,458,457.92	–
Ozing Digital Technology Co., Ltd.	20,113,511.12	–
Xining Runling Real Estate Development Co., Ltd.	–	48,516.23
Net cash paid for acquisition of subsidiaries	1,586,052,787.16	244,024,183.77

Note: When acquiring Tenghui Logistics(騰輝物流), Tenghui Investment Hefei Company(騰輝投資合肥公司) 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 Financial Statements

For the period from 1 January to 30 June 2018

(V) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

56. Supplementary Information to Cash Flows Statements (Continued)

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

RMB

Supplementary information	1 January to 30 June 2018	1 January to 30 June 2017
Cash or cash equivalents received from disposal of subsidiaries during this period	–	101,069,200.00
Including：Shanghai Jiajinsuo Financial Information Services Company Limited	–	96,069,200.00
Yantai Red Star International Home Furnishings Management Company Limited	–	5,000,000.00
Less: Cash and cash equivalents held by subsidiaries on the date of the loss of control	–	82,742,069.48
Including：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) the disposal of subsidiaries	–	18,327,130.52

Notes to the Financial Statements

For the period from 1 January to 30 June 2018

(V) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

56. Supplementary Information to Cash Flows Statements (Continued)

(4) Composition of cash and cash equivalents

RMB

Item	1 January to 30 June 2018	1 January to 30 June 2017
I. Cash	9,619,949,034.04	10,269,293,739.45
Including: Cash on hand	19,454,091.01	47,859,870.87
Bank deposits available for payment at anytime	9,600,494,943.03	10,221,433,868.58
II. Cash equivalents	–	–
III. Closing balance of cash and cash equivalents	9,619,949,034.04	10,269,293,739.45

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

57. Assets with Restricted Ownership or Use Right

RMB

Item	30 June 2018	31 December 2017	Causes
Cash and bank	32,479,250.47	32,262,664.29	Pledge loans
Cash and bank	7,514,670.36	16,032,670.36	Retention money
Cash and bank	209,450,000.00	9,450,000.00	Frozen capital by courts
Cash and bank	167,480,969.30	205,655,403.94	Reserves deposited with the Central Bank
Investment properties	56,636,000,000.00	54,025,000,000.00	Mortgage loans
Other equity instrument investments	1,649,951,200.00	–	Pledge loans
Total	58,702,876,090.13	54,288,400,738.59	

At the end of the period, all operating incomes of Shanghai Zhenbei Shopping Mall (上海真北商場), Jinan Red Star Shopping Mall (濟南紅星商場), Zhengzhou Red Star Shopping Mall (鄭州紅星商場), Chengdu Changyi Shopping Mall (成都長益商場), Shanghai Jinqiao Shopping Mall (上海金橋商場), Harbin International Home Shopping Mall (哈爾濱國際家居商場), Shanghai Xinglong Shopping Mall (上海星龍商場), Tianjin Hedong Shopping Mall (天津河東商場), Yumu Enterprise Management (宇慕企業管理), Yuxu Enterprise Management (宇煦企業管理), Yuzhu Enterprise Management (宇築企業管理), Yuxiao Enterprise Management (宇霄企業管理), Beijing West Fourth Ring Shopping Mall (北京西四環商場) and Beijing East Fourth Ring Shopping Mall (北京東四環商場) during the relevant loan period were used for loan pledge.

Notes to the Financial Statements

For the period from 1 January to 30 June 2018

(V) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

58. Monetary Items Denominated in Foreign Currency

RMB

	30 June 2018			31 December 2017		
Item	Amount of foreign currency	Exchange rate	Amount of RMB	Amount of foreign currency	Exchange rate	Amount of RMB
Cash and bank:						
US dollars	1,839.77	6.6166	12,173.02	37,632,036.13	6.5342	245,895,250.48
HK dollars	794,900.42	0.8431	670,180.54	120,764.37	0.8359	100,948.14
Bonds payable:						
US dollars	294,946,844.28	6.6166	1,951,545,289.89	294,384,289.51	6.5342	1,923,565,824.50
Total	–	–	1,952,227,643.45	–	–	2,169,562,023.12

(VI) CHANGES IN CONSOLIDATION SCOPE

1. Business Combination not Under Common Control

(1) For the period from 1 January and 30 June 2018

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

RMB

Name of the acquirees	Date of acquisition	Cost on equity acquisition	Percentage of equity acquired *(%)*	Acquisition method	Date of acquisition	Determination basis for the acquisition date	Income of the acquiree from the acquisition date to the end of the period	Net loss of the acquiree from the acquisition date to the end of the period
Ningbo Aoyang Home Shopping Plaza Company Limited ("**Ningbo Aoyang**")	19 June 2018	1.00	100.00%	Cash	19 June 2018	The combination date is the date on which the acquirer effectively obtains control of the acquirees	9,187,584.59	(3,405,529.31)

Notes to the Financial Statements

For the period from 1 January to 30 June 2018

(VI) CHANGES IN CONSOLIDATION SCOPE (CONTINUED)

1. Business Combination not Under Common Control (Continued)

(1) For the period from 1 January and 30 June 2018 (Continued)

(b) *Combination cost and goodwill*

RMB

Combination cost	Ningbo Aoyang
Cash	1.00
Total combination cost	1.00
Less: Acquired interest in the fair value of identifiable net assets	1.00
Goodwill	–
Amount that the combination cost is less than the acquired interest in the fair value of identifiable net assets	–

(c) *Acquiree's identifiable assets and liabilities on the acquisition date:*

RMB

	Ningbo Aoyang	
	Fair value on acquisition date	Carrying value on acquisition date
Assets:		
Cash and bank	7,778,200.26	7,778,200.26
Other receivables	6,623,257.58	6,623,257.58
Investment properties	736,177,185.50	736,177,185.50
Fixed assets	793,732.27	793,732.27
Other assets	3,450,639.67	3,450,639.67
Liability:		
Short-term loan	160,000,000.00	160,000,000.00
Advance from customers	15,216,809.54	15,216,809.54
Other payables	242,066,459.57	242,066,459.57
Long-term loan	288,000,000.00	288,000,000.00
Deferred tax liabilities	46,571,434.26	46,571,434.26
Other liabilities	2,968,310.91	2,968,310.91
Net assets	1.00	1.00
Less: non-controlling interests	–	
Net assets obtained	1.00	

Notes to the Financial Statements

For the period from 1 January to 30 June 2018

(VI) CHANGES IN CONSOLIDATION SCOPE (CONTINUED)

1. Business Combination not Under Common Control (Continued)

(2) For the period from 1 January and 30 June 2017

(a) *Business combination not under common control in current period*

RMB

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

(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	220–
Total combination cost	120,000.00
Less: Acquired interest in the fair value of identifiable net assets	120,000.00
Goodwill	–
Amount that the combination cost is less than the acquired interest in the fair value of identifiable net assets	–

Notes to the Financial Statements

For the period from 1 January to 30 June 2018

(VI) CHANGES IN CONSOLIDATION SCOPE (CONTINUED)

1. Business Combination not Under Common Control (Continued)

(2) For the period from 1 January and 30 June 2017 (Continued)

(c) *Identifiable assets and liabilities of acquiree on acquisition date:*

RMB

	Shanghai Muye Asset Management Co., Ltd. Fair value on acquisition date	Carrying value on acquisition date
Assets:		
Other assets	138,500.00	138,500.00
Liability:		
Other payables	18,500.00	18,500.00
Net assets	120,000.00	120,000.00
Less: Non-controlling interests	–	
Net assets obtained	120,000.00	

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

2. Assets acquisition

(1) The period from 1 January to 30 June 2018

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
Kunshan Kaide Commercial Real Estate Co., Ltd. ("**Kunshan Kaide.**") *(Note 1)*	20 March 2018	50,000,000.00	100.00%	Cash	20 March 2018	The date when acquiree's asset control right is transferred to acquirer
Suzhou Xingkaike Home Furnishing Company Limited ("**Suzhou Xingkaike Home**") *(Note 2)*	30 April 2018	1,220,000,000.00	100.00%	Cash	30 April 2018	The date when acquiree's asset control right is transferred to acquirer
Shanghai Ozing Digital Technology Co.,Ltd. ("**Ozing**") *(Note 3)*	27 April 2018	360,000,000.00	100.00%	Cash	27 April 2018	The date when acquiree's asset control right is transferred to acquirer

Notes to the Financial Statements

For the period from 1 January to 30 June 2018

(VI) CHANGES IN CONSOLIDATION SCOPE (CONTINUED)

2. Assets acquisition (Continued)

(1) The period from 1 January to 30 June 2018 (Continued)

Note 1: In March 2018, the Group acquired Kunshan Kaide Commercial Real Estate Co., Ltd from third-party CapitalRetail China Developments (B) Pte. Ltd. Kunshan Kaide 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 was recognized as asset acquisition.

Note 2: In May 2018, the Group acquired Suzhou Xingkaike Home, which held the property of Chongqing Jiangbei Home Furnishing Mall. The management of the Company held that the transaction above does not constitute business acquisition and regarded it as asset acquisition.

Note 3: In April 2018, the Group acquired Ozing from a third party, China DRTV, Inc. Ozing owned a land parcel that is suitable for subsequent re-development of home furnishing mall. The management of the Company held that the transaction above does not constitute business acquisition and regarded it as asset acquisition.

(a) *Book value of assets and liabilities of acquiree on acquisition date*

RMB

	Kunshan Kaide	
	Fair value on acquisition date	Book value on acquisition date
Assets:		
Cash and bank	176,597,044.54	176,597,044.54
Investment properties	224,333,336.26	224,333,336.26
Other assets	181,427.41	181,427.41
Liabilities:		
Short-term loan	175,458,864.58	175,458,864.58
Other payables	175,000,445.00	175,000,445.00
Other liabilities	652,498.63	652,498.63
Net assets	50,000,000.00	50,000,000.00
Less: Non-controlling interests	–	
Net assets obtained	50,000,000.00	

Notes to the Financial Statements

For the period from 1 January to 30 June 2018

(VI) CHANGES IN CONSOLIDATION SCOPE (CONTINUED)

2. Assets acquisition (Continued)

(1) The period from 1 January to 30 June 2018 (Continued)

(a) Book value of assets and liabilities of acquiree on acquisition date (Continued)

RMB

	Suzhou Xingkaike Home	
	Fair value on acquisition date	Book value on acquisition date
Assets:		
Cash and bank	14,458,457.92	14,458,457.92
Investment properties	1,187,691,191.71	1,187,691,191.71
Other current assets	32,308,808.29	32,308,808.29
Liabilities:		
Short-term loan	13,939,421.75	13,939,421.75
Other liabilities	519,036.17	519,036.17
Net assets	1,220,000,000.00	1,220,000,000.00
Less: Non-controlling interests	–	
Net assets obtained	1,220,000,000.00	

Notes to the Financial Statements

For the period from 1 January to 30 June 2018

(VI) CHANGES IN CONSOLIDATION SCOPE (CONTINUED)

2. Assets acquisition (Continued)

(1) The period from 1 January to 30 June 2018 (Continued)

(a) *Book value of assets and liabilities of acquiree on acquisition date (Continued)*

RMB

	Ozing	
	Fair value on acquisition date	Book value on acquisition date
Assets:		
Cash and bank	20,113,511.12	20,113,511.12
Investment properties	343,818,244.10	343,818,244.10
Other assets	1,659,439.47	1,659,439.47
Liabilities:		
Other payables	4,755,791.70	4,755,791.70
Other liabilities	835,402.99	835,402.99
Net assets	360,000,000.00	360,000,000.00
Less: Non-controlling interests	–	
Net assets obtained	360,000,000.00	

Notes to the Financial Statements

For the period from 1 January to 30 June 2018

(VI) CHANGES IN CONSOLIDATION SCOPE (CONTINUED)

3. Disposals of subsidiaries

(1) The period from 1 January to 30 June 2018

No disposals of subsidiaries in this period.

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

RMB

Name of subsidiary	Amount of disposal for equity	Ratio of disposal for equity	Mode of disposal for equity	Time of control ceases	Basis for determining the time of control ceases	Differences arising from between disposal amount and proportion of net assets held by disposal investment for the range of consolidated financial statements	Ratio of the remaining equity at the date of 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 remeasured 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 Services 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

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

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

Notes to the Financial Statements

For the period from 1 January to 30 June 2018

(VI) CHANGES IN CONSOLIDATION SCOPE (CONTINUED)

4. Other Reasons for Consolidation Scope Changes

(1) The period from 1 January to 30 June 2018

Company Abbreviation	Company Name	Main business site	Place of incorporation	Nature of business	Shareholding ratio Direct	Indirect	Reasons for change
Newly-incorporated and included in consolidation scope subsidiaries:							
Khorgos Hongju Corporate management	Khorgos Hongju Corporate management Co Ltd	Xinjiang	Xinjiang	Consultancy	70%	-	Newly-established company
Chengdu Xinnan business management	Chengdu Xinnan business management Co Ltd	Chengdu	Chengdu	Consultancy	100%	-	Newly-established company
Chengdu Macalline Logistics	Chengdu Red Star Macalline Logistics Company Limited	Chengdu	Chengdu	Logistics		100%	Newly-established company
Khorgos Yarui Investment Co	Khorgos Yarui Investment Co	Xinjiang	Xinjiang	Venture capital	90%	-	Newly-established company
Ogloria	Shanghai Red Star Ogloria Enterprise Management Company Limited	Shanghai	Shanghai	Brand management	100%	-	Newly-established company
Xinkaiying Asset Management	Ningbo Meishan Bonded Port Area Xinkaiying Asset Management Company Limited	Zhejiang	Zhejiang	Asset Management	51%	-	Newly-established company
Xi'an Shibo Home Furnishing	Xi'an Red Star Macalline Home Furnishing Plaza Company	Shaanxi	Shaanxi	Site leasing management	100%	-	Newly-established company
Yiming Venture Capital	Khorgos Red Star Yiming venture capital Company limited	Xinjiang	Xinjiang	Venture capital	90%	-	Newly-established company
Jiajinsuo Investment Management	Jiajinsuo Investment Management	Shanghai	Shanghai	Investment management		100%	Newly-established company
Xingju Supply Chain management	Shanghai Xingju Supply Chain Management Company Limited	Shanghai	Shanghai	Supply chain management	-	60%	Newly-established company
Shanghai Red Star Commercial Factoring	Shanghai Red Star Macalline Commercial Factoring Company Limited	Shanghai	Shanghai	Financing of accounts receivable	-	100%	Newly-established company
Huojing Business Management	Huojing business management Company Limited	Shanghai	Shanghai	Consultancy	65%	-	Newly-established company
Jinrui Corporate Management	Tianjin Jinrui Corporate Management Company Limited	Tianjin	Tianjin	Consultancy	100%	-	Newly-established company

Notes to the Financial Statements

For the period from 1 January to 30 June 2018

(VI) CHANGES IN CONSOLIDATION SCOPE (CONTINUED)

4. Other Reasons for Consolidation Scope Changes (Continued)

(1) The period from 1 January to 30 June 2018 (Continued)

Company Abbreviation	Company Name	Main business site	Place of incorporation	Nature of business	Shareholding ratio Direct	Shareholding ratio Indirect	Reasons for change
Bright Rainbow Investments	Bright Rainbow Investments Limited	Hong Kong	Hong Kong	Market service, investment		100%	Newly-established company
Chongqing Ogloria	Chongqing Red Star Ogloria Company Limited	Chongqing	Chongqing	Sale of home furniture	100%		Newly-established company
Huaixing Culture	Shanghai Huaixing Culture Company Limited	Shanghai	Shanghai	Cultural exchange	80%	-	Newly-established company
Cloud Design Information Technology	Shanghai Red Star Macalline Cloud Design Information Technology Company Limited	Shanghai	Shanghai	Network technology	-	100%	Newly-established company
Tibet Macalline Business Management	Tibet Macalline Business Management Company Limited	Tibet	Tibet	E-commerce	100%	-	Newly-established company
Red Star Exhibition service	Shanghai Red Star Macalline Exhibition service Company Limited	Shanghai	Shanghai	Exhibition	55%	-	Newly-established company
Subsidiaries that are deregistered and are no longer included in the consolidation scope:							
Nanjing Home Furnishing	Nanjing Red Star International Living Plaza Management Service Company Limited	Jiangsu	Jiangsu	Management company			Deregistration
Subsidiaries that are no longer included in consolidation scope due to capital increase from other investors							
None							

Notes to the Financial Statements

For the period from 1 January to 30 June 2018

(VI) CHANGES IN CONSOLIDATION SCOPE (CONTINUED)

4. Other Reasons for Consolidation Scope Changes (Continued)

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

Company Abbreviation	Company Name	Main business site	Place of incorporation	Nature of business	Shareholding ratio direct	Shareholding ratio indirect	Reasons for change
Newly-incorporated and included in consolidation scope subsidiaries:							
Changzhou Business Management	Changzhou Red Star Plaza Business Management Co., ltd	Jiangsu	Jiangsu	Site leasing management	-	80%	Newly-established company
Xinjiang Macalline Enterprise Management	Red Star Macalline Enterprise Management Consulting Co., Ltd	Xinjiang	Xinjiang	Consultancy	100%	-	Newly-established company
Xinjiang Red Star Ogloria	Red Star Ogloria Enterprise Management Company Limited	Xinjiang	Xinjiang	Consultancy	-	100%	Newly-established company
Khorgos Xingyijia	Khorgos Red Star Macalline Business Management Company Limited	Xinjiang	Xinjiang	Consultancy	-	100%	Newly-established company
Nanchang Red Star	Nanchang Red Star Macalline Global Home Furnishing Plaza Company Limited	Jiangxi	Jiangxi	Site leasing management	51%	-	Newly-established company
Shaanxi Macalline Logistics	Shaanxi Red Star Macalline Logistics Company Limited	Shaanxi	Shaanxi	Logistics	-	100%	Newly-established company
Fanju Network Technology	Shanghai Fanju Network Technology Company Limited	Shanghai	Shanghai	Network technology	-	61%	Newly-established company
Labor Dispatch Company	Shanghai Red Star Macalline Labour Dispatch Company Limited	Shanghai	Shanghai	Labour dispatching	100%	-	Newly-established company
Jiajinsuo Financial Technology	Shanghai Jiajinsuo Financial Technology Information Services Company Limited	Shanghai	Shanghai	Investment management	-	70%	Newly-established company
Yantai Xinhua	Yantai Xinhua Enterprise Management Company Limited	Shandong	Shandong	consultancy	-	100%	Newly-established company
Chongqing Macalline Logistics	Chongqing Red Star Macalline Logistics Company Limited	Chongqing	Chongqing	Logistics	-	100%	Newly-established company
Macalline International Trade	Shanghai Red Star Macalline International Trading Company Limited	Shanghai	Shanghai	Import and export	55%	-	Newly-established company
Subsidiaries that are deregistered and are no longer included in consolidation scope:							
Shanghai Yongdian	Shanghai Yongdian Home Decorating Design Company Limited ("Shanghai Yongdian")	Shanghai	Shanghai	Home decoration design	-	100%	Deregistration
Subsidiaries that are no longer included in consolidation scope due to capital increase from other investors							
None							

Notes to the Financial Statements

For the period from 1 January to 30 June 2018

(VII) INTERESTS IN OTHER ENTITIES

1. Interests in Subsidiaries

(1) Constitution of subsidiaries

(a) The period from 1 January to 30 June 2018

Company Abbreviation	Company Name	Main business site	Place of incorporation	Nature of business	Shareholding ratio Direct	Indirect	Acquisition method
Changzhou Macalline	Changzhou Macalline International Computer and Electronics Furnishing Plaza Co., Ltd.	Jiangsu	Jiangsu	Site leasing management	100%	–	Business combinations under common control
Changzhou Home World	Changzhou Home World 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
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

Notes to the Financial Statements

For the period from 1 January to 30 June 2018

(VII) INTERESTS IN OTHER ENTITIES (CONTINUED)

1. Interests in Subsidiaries (Continued)

(1) Constitution of subsidiaries (Continued)

(a) The period from 1 January to 30 June 2018 (Continued)

Company Abbreviation	Company Name	Main business site	Place of incorporation	Nature of business	Shareholding ratio Direct	Indirect	Acquisition method
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
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

Notes to the Financial Statements

For the period from 1 January to 30 June 2018

(VII) INTERESTS IN OTHER ENTITIES (CONTINUED)

1. Interests in Subsidiaries (Continued)

(1) Constitution of subsidiaries (Continued)

(a) The period from 1 January to 30 June 2018 (Continued)

Company Abbreviation	Company Name	Main business site	Place of incorporation	Nature of business	Shareholding ratio Direct	Indirect	Acquisition method
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 company	–	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

Notes to the Financial Statements

For the period from 1 January to 30 June 2018

(VII) INTERESTS IN OTHER ENTITIES (CONTINUED)

1. Interests in Subsidiaries (Continued)

(1) Constitution of subsidiaries (Continued)

(a) The period from 1 January to 30 June 2018 (Continued)

Company Abbreviation	Company Name	Main business site	Place of incorporation	Nature of business	Shareholding ratio Direct	Indirect	Acquisition method
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
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	Shanghai Red Star Macalline Home Furnishing Design Expo Company Limited	Shanghai	Shanghai	Site leasing management	100%	–	Acquisition by the Expo ("Shanghai Design Expo") management company through establishment or investment
Shanghai Dingsheng	Shanghai Dingsheng Construction Management and Design Company Limited	Shanghai	Shanghai	Engineering design	–	100%	Business combinations not under control
Shanghai Global Market	Shanghai Red Star Macalline Global Home Furnishing Market Management Company Limited	Shanghai	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

Notes to the Financial Statements

For the period from 1 January to 30 June 2018

(VII) INTERESTS IN OTHER ENTITIES (CONTINUED)

1. Interests in Subsidiaries (Continued)

(1) Constitution of subsidiaries (Continued)

(a) *The period from 1 January to 30 June 2018 (Continued)*

Company Abbreviation	Company Name	Main business site	Place of incorporation	Nature of business	Shareholding ratio Direct	Shareholding ratio Indirect	Acquisition method
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
Jingdu Investment	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

Notes to the Financial Statements

For the period from 1 January to 30 June 2018

(VII) INTERESTS IN OTHER ENTITIES (CONTINUED)

1. Interests in Subsidiaries (Continued)

(1) Constitution of subsidiaries (Continued)

(a) The period from 1 January to 30 June 2018 (Continued)

Company Abbreviation	Company Name	Main business site	Place of incorporation	Nature of business	Shareholding ratio Direct	Indirect	Acquisition method
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	Heilongjiang	Heilongjiang	Site leasing management	100%	–	Acquisition by the company through establishment or investment
Xingjia Building Materials	Shanghai Xingjia Decoration and Building Materials Company Limited	Shanghai	Shanghai	Construction material markets	–	100%	Acquisition by the company through establishment or investment
Chongqing Zhongkun	Chongqing Red Star Macalline Zhongkun Home Living Plaza Company Limited	Chonhgqing	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

Notes to the Financial Statements

For the period from 1 January to 30 June 2018

(VII) INTERESTS IN OTHER ENTITIES (CONTINUED)

1. Interests in Subsidiaries (Continued)

(1) Constitution of subsidiaries (Continued)

(a) *The period from 1 January to 30 June 2018 (Continued)*

Company Abbreviation	Company Name	Main business site	Place of incorporation	Nature of business	Shareholding ratio Direct	Shareholding ratio Indirect	Acquisition method
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	Heillongjiang	Site leasing management	70%	–	Acquisition by the company through establishment or investment
Langfang Kaihong Home Living	Langfang Kaihong Home Living Plaza Company Limited	Hebei	Hebei	Site leasing management	70%	–	Business combinations not under control
Changzhou Jiapindao	Changzhou Jiapindao Home Furnishing and Decorating Company Limited	Jiangsu	Jiangsu	Self-managed sale	–	100%	Acquisition by the company through establishment or investment
Beijing Furnishing Market	Beijing Red Star Macalline Furnishing Market Company Limited	Beijing	Beijing	Brand management	–	100%	Acquisition by the company through establishment or investment
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

Notes to the Financial Statements

For the period from 1 January to 30 June 2018

(VII) INTERESTS IN OTHER ENTITIES (CONTINUED)

1. Interests in Subsidiaries (Continued)

(1) Constitution of subsidiaries (Continued)

(a) The period from 1 January to 30 June 2018 (Continued)

Company Abbreviation	Company Name	Main business site	Place of incorporation	Nature of business	Shareholding ratio Direct	Shareholding ratio Indirect	Acquisition method
Beijing Century Kailong	Beijing Century Kailong Business Investment Company Limited	Beijing	Beijing	Site leasing management	100%	–	Acquisition by the company through establishment or investment
Tianjin Home 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	Self-managed sale	–	100%	Acquisition by the company through establishment or investment

Notes to the Financial Statements

For the period from 1 January to 30 June 2018

(VII) INTERESTS IN OTHER ENTITIES (CONTINUED)

1. Interests in Subsidiaries (Continued)

(1) Constitution of subsidiaries (Continued)

(a) *The period from 1 January to 30 June 2018 (Continued)*

Company Abbreviation	Company Name	Main business site	Place of incorporation	Nature of business	Shareholding ratio Direct	Indirect	Acquisition method
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
Harbin International Home Funishing	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 *(Note 1)*	Changchun Red Star Macalline Shibo Home Living Plaza Company Limited	Jilin	Jilin	Commodity rental	100%	–	Acquisition by the company through establishment or investment
Xizhao Investment	Red Star Xizhao Investment Company Limited	Tibet	Tibet	Investment management	90%	–	Acquisition by the company through establishment or investment
Red Star Mall Management	Red Star Macalline Home Furnishing Mall Management Company Limited	Tibet	Tibet	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

Notes to the Financial Statements

For the period from 1 January to 30 June 2018

(VII) INTERESTS IN OTHER ENTITIES (CONTINUED)

1. Interests in Subsidiaries (Continued)

(1) Constitution of subsidiaries (Continued)

(a) *The period from 1 January to 30 June 2018 (Continued)*

Company Abbreviation	Company Name	Main business site	Place of incorporation	Nature of business	Shareholding ratio Direct	Indirect	Acquisition method
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
Shenyang Shibo Home Furnishing (瀋陽世博家居) *(Note1)*	Shenyang Red Star Macalline Shibo Home Furnishing Company Limited	Liaoning	Liaoning	Site leasing management	100%	–	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

Notes to the Financial Statements

For the period from 1 January to 30 June 2018

(VII) INTERESTS IN OTHER ENTITIES (CONTINUED)

1. Interests in Subsidiaries (Continued)

(1) Constitution of subsidiaries (Continued)

(a) The period from 1 January to 30 June 2018 (Continued)

Company Abbreviation	Company Name	Main business site	Place of incorporation	Nature of business	Shareholding ratio Direct	Shareholding ratio Indirect	Acquisition method
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 Home 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
Urumqi Red Star	Urumqi Red Star Macalline Shibo Furniture Plaza Company Limited	Xinjiang	Xinjiang	Site leasing management	100%	–	Acquisition by the company through establishment or investment
Dongguan Red Star	Dongguan Red Star Macalline Shibo Furniture Plaza Company Limited	Dongguan	Dongguan	Site leasing management	70%	–	Acquisition by the company through establishment or investment
Anjia Network	Shanghai Anjia Network Technology Company Limited	Shanghai	Shanghai	E-commerce	–	100%	Acquisition by the company through establishment or investment
Aiguangjia E-Commerce	Shanghai Aiguangjia E-commerce Company Limited	Shanghai	Shanghai	E-commerce	–	100%	Acquisition by the company through establishment or investment

Notes to the Financial Statements

For the period from 1 January to 30 June 2018

(VII) INTERESTS IN OTHER ENTITIES (CONTINUED)

1. Interests in Subsidiaries (Continued)

(1) Constitution of subsidiaries (Continued)

(a) The period from 1 January to 30 June 2018 (Continued)

Company Abbreviation	Company Name	Main business site	Place of incorporation	Nature of business	Shareholding ratio Direct	Indirect	Acquisition method
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	Hohhot Red Star Macalline Shibo Home Furnishing Plaza Company Limited	Hohhot	Hohhot	Site leasing management	100%	–	Business combinations not under common controls
Diken Trading	Kunming Diken Trading Company Limited	Kunming	Kunming	Site leasing management	63%	–	Business combinations not under common control
Betterhome Decoration *(Note1)*	Shanghai Betterhome Decoration Engineering Co., Ltd.	Shanghai	Shanghai	Home decoration	–	80%	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

Notes to the Financial Statements

For the period from 1 January to 30 June 2018

(VII) INTERESTS IN OTHER ENTITIES (CONTINUED)

1. Interests in Subsidiaries (Continued)

(1) Constitution of subsidiaries (Continued)

(a) *The period from 1 January to 30 June 2018 (Continued)*

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

Notes to the Financial Statements

For the period from 1 January to 30 June 2018

(VII) INTERESTS IN OTHER ENTITIES (CONTINUED)

1. Interests in Subsidiaries (Continued)

(1) Constitution of subsidiaries (Continued)

(a) The period from 1 January to 30 June 2018 (Continued)

Company Abbreviation	Company Name	Main business site	Place of incorporation	Nature of business	Shareholding ratio Direct	Indirect	Acquisition method
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
Beijing Global Home Furnishing	Red Star Macalline Global (Beijing) Home Furnishing Plaza Company Limited	Beijing	Beijing	Site leasing management	–	100%	Business combinations under common control
Baotou Red Star	Baotou Red Star Macalline Home Furnishing Plaza Company Limited	Inner Mongolia	Inner Mongolia	Site leasing management	100%	–	Business combinations under common control
Tianjin Shibo Home Furnishing	Red Star Macalline Shibo (Tianjin) Home Furnishing Plaza Company Limited	Tianjin	Tianjin	Site leasing management	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

Notes to the Financial Statements

For the period from 1 January to 30 June 2018

(VII) INTERESTS IN OTHER ENTITIES (CONTINUED)

1. Interests in Subsidiaries (Continued)

(1) Constitution of subsidiaries (Continued)

(a) The period from 1 January to 30 June 2018 (Continued)

Company Abbreviation	Company Name	Main business site	Place of incorporation	Nature of business	Shareholding ratio Direct	Shareholding ratio Indirect	Acquisition method
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	Inventory and logistics	100%	–	Business combination not under common control
Tenghui Investment Hefei Company	Anhui Tenghui Investment Group Hefei Company Limited	Anhui	Anhui	Investment management	100%	–	Business combination not under common control
Nanjing Home Furnishing	Nanjing Red Star International Home Furnishing Plaza Management Service Company Limited	Jiangsu	Jiangsu	Management company	–	100%	Acquisition by the company through establishment or investment
Changshu Red Star	Changshu Red Star Macalline Global Home Furnishing Company Limited	Jiangsu	Jiangsu	Brand management	–	100%	Acquisition by the company through establishment or investment
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 Furninshing Plaza Company Limited	Sichuan	Sichuan	Site leasing management	100%	–	Acquisition by the company through establishment or investment
Chengdu Tianfu New District	Chengdu Tianfu New District Red Star Macalline World Trade Home Furnishing Company Limited	Sichuan	Sichuan	Site leasing management	100%	–	Acquisition by the company through establishment or investment

Notes to the Financial Statements

For the period from 1 January to 30 June 2018

(VII) INTERESTS IN OTHER ENTITIES (CONTINUED)

1. Interests in Subsidiaries (Continued)

(1) Constitution of subsidiaries (Continued)

(a) The period from 1 January to 30 June 2018 (Continued)

Company Abbreviation	Company Name	Main business site	Place of incorporation	Nature of business	Shareholding ratio Direct	Shareholding ratio Indirect	Acquisition method
Hong Kong Red Star Macalline	Hong Kong 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	Inventory and logistics	–	100%	Acquisition by the company through establishment or investment
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

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For the period from 1 January to 30 June 2018

(VII) INTERESTS IN OTHER ENTITIES (CONTINUED)

1. Interests in Subsidiaries (Continued)

(1) Constitution of subsidiaries (Continued)

(a) The period from 1 January to 30 June 2018 (Continued)

Company Abbreviation	Company Name	Main business site	Place of incorporation	Nature of business	Shareholding ratio Direct	Indirect	Acquisition method
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 Financial Statements

For the period from 1 January to 30 June 2018

(VII) INTERESTS IN OTHER ENTITIES (CONTINUED)

1. Interests in Subsidiaries (Continued)

(1) Constitution of subsidiaries (Continued)

(a) The period from 1 January to 30 June 2018 (Continued)

Company Abbreviation	Company Name	Main business site	Place of incorporation	Nature of business	Shareholding ratio Direct	Indirect	Acquisition method
Xinjiang Macalline Enterprise Management	Red Star Macalline Enterprise Management Consulting Co., Ltd.	Xinjiang Autonomous Region	Xinjiang Autonomous Region	Enterprise management consulting	100%	–	Acquisition by the company through establishment or investment
Xinjiang Red Star Ogloria	Red Star Ogloria Business Management Company Limited	Xinjiang Autonomous Region	Xinjiang Autonomous Region	Enterprise management consulting	–	100%	Acquisition by the company through establishment or investment
Khorgos Xingyijia	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
Shannxi Macalline Logistics	Shannxi Red Star Macalline Logistics Company Limited	Shaanxi	Shaanxi	Inventory and logistics	–	100%	Acquisition by the company through establishment or investment
Fanju Network Technology	Shanghai Fanju Network Technology Company Limited	Shanghai	Shanghai	Network technology	–	100%	Acquisition by the company through establishment or investment
Labour Despatching Company	Shanghai Red Star Macalline Labour Despatching Company Limited	Shanghai	Shanghai	Labour despatching	100%	–	Acquisition by the company through establishment or investment
Jiajinsuo Financial Technology	Shanghai Jiajinsuo Financial Technology Information Services Company Limited	Shanghai	Shanghai	Investment management	–	70%	Acquisition by the company through establishment or investment
Yantai Xinhuan	Yantai Xinhuan Enterprise Management Company Limited	Shandong	Shandong	Enterprise management consulting	–	100%	Acquisition by the company through establishment or investment

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For the period from 1 January to 30 June 2018

(VII) INTERESTS IN OTHER ENTITIES (CONTINUED)

1. Interests in Subsidiaries (Continued)

(1) Constitution of subsidiaries (Continued)

(a) The period from 1 January to 30 June 2018 (Continued)

Company Abbreviation	Company Name	Main business site	Place of incorporation	Nature of business	Shareholding ratio Direct	Shareholding ratio Indirect	Acquisition method
Chongqing Macalline Logistics	Chongqing Red Star Macalline Logistics Company Limited	Chongqing	Chongqing	Inventory and logistics	–	100%	Acquisition by the company through establishment or investment
Xining Red Star Macalline Shibo Home Furnishing	Xining Red Star Macalline Shibo Home Furnishing Plaza Company Limited	Qinghai	Qinghai	Site leasing management	100%	–	Acquisition by the company through establishment or investment
Tianjin Macalline Logistics	Tianjin Red Star Macalline Logistics Company Limited	Tianjin	Tianjin	Inventory and logistics	–	60%	Acquisition by the company through establishment or investment
Jiajinsuo Investment Holding	Shanghai Jiajinsuo Investment Holding Company Limited	Shanghai	Shanghai	Investment management	70%	–	Acquisition by the company through establishment or investment
Zhengzhou Junkai Enterprise Management	Zhengzhou Junkai 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 Enterprise Management	Shanghai Yumu Enterprise Management Company Limited	Shanghai	Shanghai	Enterprise management consulting	100%	–	Acquisition by the company through establishment or investment

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For the period from 1 January to 30 June 2018

(VII) INTERESTS IN OTHER ENTITIES (CONTINUED)

1. Interests in Subsidiaries (Continued)

(1) Constitution of subsidiaries (Continued)

(a) The period from 1 January to 30 June 2018 (Continued)

Company Abbreviation	Company Name	Main business site	Place of incorporation	Nature of business	Shareholding ratio Direct	Indirect	Acquisition method
Yuxu Enterprise Management	Shanghai Yuxu Enterprise Management Company Limited	Shanghai	Shanghai	Enterprise management consulting	100%	–	Acquisition by the company through establishment or investment
Yuzhu Enterprise Management	Shanghai Yuzhu Enterprise Management Company Limited	Shanghai	Shanghai	Enterprise management consulting	100%	–	Acquisition by the company through establishment or investment
Yuxiao Enterprise Management	Shanghai Yuxiao Enterprise Management Company Limited	Shanghai	Shanghai	Enterprise management consulting	100%	–	Acquisition by the company through establishment or investment
Zhengzhou Dongsheng	Zhengzhou Dongsheng Enterprise Management Company Limited	Henan	Henan	Enterprise management consulting	–	100%	Acquisition by the company through establishment or investment
Glory Casa	Red Star Macalline Glory Casa (Shanghai) Home Furnishing Company Limited	Shanghai	Shanghai	Independent sale	100%	–	Acquisition by the company through establishment or investment
Muye Asset	Shanghai Muye Asset Management Co., Ltd.	Shanghai	Shanghai	Enterprise management consulting	100%	–	Business combinations not under common control
Macalline International Trade	Shanghai Red Star Macalline International Trade Company Limited	Shanghai	Shanghai	Import and export	55%	–	Acquisition by the company through establishment or investment
Red Star Finance Company	Red Star Macalline Group Finance Company Limited	Shanghai	Shanghai	Loan service	90%	10%	Acquisition by the company through establishment or investment

Notes to the Financial Statements

For the period from 1 January to 30 June 2018

(VII) INTERESTS IN OTHER ENTITIES (CONTINUED)

1. Interests in Subsidiaries (Continued)

(1) Constitution of subsidiaries (Continued)

(a) The period from 1 January to 30 June 2018 (Continued)

Company Abbreviation	Company Name	Main business site	Place of incorporation	Nature of business	Shareholding ratio Direct	Indirect	Acquisition method
Shanghai Longzhihui *(Note 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	Guizhou Red Star Macalline Logistics Company Limited	Guizhou	Guizhou	Inventory and logistics	0%	100%	Acquisition by the company through establishment or investment
Red Star Equipment Financial Leasing Company	Shanghai Red Star Macalline Financial Leasing Company Limited (Formerly known as: Shanghai Red Star Macalline Equipment Leasing Company Limited)	Shanghai	Shanghai	Equipment leasing	0%	100%	Acquisition by the company through establishment or investment
Red Star Home Furnishing Trading	Shanghai Red Star Macalline Home Furnishing Trading Company Limited	Shanghai	Shanghai	Import and export	51%	–	Acquisition by the company through establishment or investment
Suzhou Shibo Home Furnishing	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 5)*	Shanghai Betterhome Industrial Company Limited	Shanghai	Shanghai	Construction decorating	0%	50%	Acquisition by the company through establishment or investment
Kunming Shibo Home Furnishing	Kunming Red Star Macalline Shibo Home Furnishing Plaza Company Limited	Yunnan	Yunnan	Site leasing management	–	87%	Acquisition by the company through establishment or investment

Notes to the Financial Statements

For the period from 1 January to 30 June 2018

(VII) INTERESTS IN OTHER ENTITIES (CONTINUED)

1. Interests in Subsidiaries (Continued)

(1) Constitution of subsidiaries (Continued)

(a) The period from 1 January to 30 June 2018 (Continued)

Company Abbreviation	Company Name	Main business site	Place of incorporation	Nature of business	Shareholding ratio Direct	Shareholding ratio Indirect	Acquisition method
Chongqing Chayuan	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	Shanghai Jinshan Red Star Macalline Global Home Furnishing Company Limited	Shanghai	Shanghai	Site leasing management	100%	–	Acquisition by the company through establishment or investment
Yunnan Home Furnishing	Yunnan Red Star Macalline Home Furnishing Plaza Company Limited	Yunnan	Yunnan	Site leasing management	87%	–	Acquisition by the company through establishment or investment
Nanchang Global Home Furnishing	Nanchang Red Star Macalline Global Home Furnishing Plaza Company Limited	Jiangxi	Jiangxi	Site leasing management	51%	–	Acquisition by the company through establishment or investment
Xi'an Shibo Home Furnishing *(Note 2)*	Xi'an Red Star Macalline Shibo Home Furnishing Plaza Company	Shaanxi	Shaanxi	Site leasing management	100%	–	Acquisition by the company through establishment or investment
Ogloria Brand *(Note 2)*	Shanghai Red Star Ogloria Brand Management Company Limited	Shanghai	Shanghai	Brand management	100%	–	Acquisition by the company through establishment or investment
Khorgos Hongju Corporate Management *(Note 2)*	Khorgos Hongju Corporate Management Co., Ltd.	Xinjiang	Xinjiang	Enterprise management consulting	70%	–	Acquisition by the company through establishment or investment
Chengdu Xinnan Business Management *(Note 2)*	Chengdu Xinnan business Management Co., Ltd.	Chengdu	Chengdu	Enterprise management consulting	100%	–	Acquisition by the company through establishment or investment

Notes to the Financial Statements

For the period from 1 January to 30 June 2018

(VII) INTERESTS IN OTHER ENTITIES (CONTINUED)

1. Interests in Subsidiaries (Continued)

(1) Constitution of subsidiaries (Continued)

(a) The period from 1 January to 30 June 2018 (Continued)

Company Abbreviation	Company Name	Main business site	Place of incorporation	Nature of business	Shareholding ratio Direct	Indirect	Acquisition method
Chengdu Macalline Logistics *(Note 2)*	Chengdu Red Star Macalline Logistics Company Limited	Chengdu	Chengdu	Inventory and logistics	–	100%	Acquisition by the company through establishment or investment
Khorgos Yarui Venture Capital Company *(Note 2)*	Khorgos Yarui Venture Capital Company Limited	Xinjiang	Xinjiang	Venture capital	90%	–	Acquisition by the company through establishment or investment
Xingkaiying Asset Management Company *(Note 2)*	Ningbo Meishan Bonded Port Area Xingkaiying Asset Management Company Limited	Zhejiang	Zhejiang	Asset management	51%	–	Acquisition by the company through establishment or investment
Yiming Venture Capital *(Note 2)*	Khorgos Red Star Yiming Venture Capital Company Limited	Xinjiang	Xinjiang	Venture capital	90%	–	Acquisition by the company through establishment or investment
Jiajinsuo Investment Management *(Note 2)*	Shanghai Jiajinsuo Investment Management Company Limited	Shanghai	Shanghai	Investment management	–	100%	Acquisition by the company through establishment or investment
Kunshan Kaide Real Estate *(Note 3)*	Kunshan Kaide Commercial Real Estate Co., Ltd.	Jiangsu	Jiangsu	Site leasing management, real estate development	100%	–	Acquisition by the company through establishment or investment
Xingju Supply Chain Management *(Note 2)*	Shanghai Xingju Supply Chain Management Company Limited	Shanghai	Shanghai	Supply chain management	–	60%	Acquisition by the company through establishment or investment
Shanghai Red Star Commercial Factoring *(Note 2)*	Shanghai Red Star Macalline Commercial Factoring Company Limited	Shanghai	Shanghai	Financing of accounts receivable	–	100%	Acquisition by the company through establishment or investment

Notes to the Financial Statements

For the period from 1 January to 30 June 2018

(VII) INTERESTS IN OTHER ENTITIES (CONTINUED)

1. Interests in Subsidiaries (Continued)

(1) Constitution of subsidiaries (Continued)

(a) The period from 1 January to 30 June 2018 (Continued)

Company Abbreviation	Company Name	Main business site	Place of incorporation	Nature of business	Shareholding ratio Direct	Indirect	Acquisition method
Huojing Business Management *(Note 2)*	Shanghai Huojing Business Management Company Limited	Shanghai	Shanghai	Enterprise management consulting	65%	–	Acquisition by the company through establishment or investment
Jinrui Corporate Management *(Note 2)*	Tianjin Jinrui Corporate Management Company Limited	Tianjin	Tianjin	Enterprise management consulting	100%	–	Acquisition by the company through establishment or investment
Suzhou Xingkaike Home *(Note 3)*	Suzhou Xingkaike Home Furnishing Company Limited	Jiangsu	Jiangsu	Site leasing management	–	100%	Acquisition by the company through establishment or investment
Ozing Digital Technology *(Note 3)*	Shanghai Ozing Digital Technology Co.,Ltd.	Shanghai	Shanghai	Production and processing of electronic products	–	100%	Acquisition by the company through establishment or investment
Bright Rainbow Investments *(Note 2)*	Bright Rainbow Investments Limited (合燊投資有限公司)	Hong Kong	Hong Kong	Market service, investment	–	100%	Acquisition by the company through establishment or investment
Chongqing Ogloria *(Note 2)*	Chongqing Red Star Ogloria Home Furnishing Company Limited	Chongqing	Chongqing	Sale of home furniture	100%	–	Acquisition by the company through establishment or investment
Ningbo Aoyang Home *(Note 3)*	Ningbo Aoyang Home Shopping Plaza Company Limited	Zhejiang	Zhejiang management	Site leasing management	100%	–	Business combinations not under common control
Huaixing Culture *(Note 2)*	Shanghai Huaixing Culture Company Limited	Shanghai	Shanghai	Planning of culture and arts exchanges	80%	–	Acquisition by the company through establishment or investment

Notes to the Financial Statements

For the period from 1 January to 30 June 2018

(VII) INTERESTS IN OTHER ENTITIES (CONTINUED)

1. Interests in Subsidiaries (Continued)

(1) Constitution of subsidiaries (Continued)

(a) The period from 1 January to 30 June 2018 (Continued)

Company Abbreviation	Company Name	Main business site	Place of incorporation	Nature of business	Shareholding ratio Direct	Indirect	Acquisition method
Cloud Design Information Technology *(Note 2)*	Shanghai Red Star Macalline Cloud Design Information Technology Company Limited	Shanghai	Shanghai	Technological development of information technology	–	100%	Acquisition by the company through establishment or investment
Tibet Macalline Enterprise Management *(Note 2)*	Tibet Macalline Business Management Company Limited	Tibet	Tibet	E-commerce	100%	–	Acquisition by the company through establishment or investment
Red Star Exhibition Service *(Note 2)*	Shanghai Red Star Macalline Exhibition Service Company Limited	Shanghai	Shanghai	Exhibition	55%	–	Acquisition by the company through establishment or investment

Notes to the Financial Statements

For the period from 1 January to 30 June 2018

(VII) INTERESTS IN OTHER ENTITIES (CONTINUED)

1. Interests in Subsidiaries (Continued)

(1) Constitution of subsidiaries (Continued)

(a) The period from 1 January to 30 June 2018 (Continued)

Shopping Mall Business Division:

Business units	Main business site	Place of incorporation	Nature of business
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 for the current period.

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 for the current period.

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 for the current period.

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).(b).

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 Longzhihui and Betterhome Industrial. For details, please refer to Note (VII).1.(1).(c).

Notes to the Financial Statements

For the period from 1 January to 30 June 2018

(VII) INTERESTS IN OTHER ENTITIES (CONTINUED)

1. Interests in Subsidiaries (Continued)

(1) Constitution of subsidiaries (Continued)

(b) 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. 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 unremovable 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 to liabilities, which will not be accounted as equity instruments.

Notes to the Financial Statements

For the period from 1 January to 30 June 2018

(VII) INTERESTS IN OTHER ENTITIES (CONTINUED)

1. Interests in Subsidiaries (Continued)

(1) Constitution of subsidiaries (Continued)

(b) Subsidiaries that create fixed returns for its minority shareholders (Continued)

Pursuant to the relevant contracts signed between the Company and Changzhou Wujin Sanyang Shopping Centre Company Limited, a shareholder of Changzhou Hongyang, within 21 years starting from 2009, Changzhou Wujin 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 the relevant contracts, the Group 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 Group will divide the corresponding minority interests into two parts, namely financial liabilities and equity instruments, and make separate presentation.

Notes to the Financial Statements

For the period from 1 January to 30 June 2018

(VII) INTERESTS IN OTHER ENTITIES (CONTINUED)

1. Interests in Subsidiaries (Continued)

(1) Constitution of subsidiaries (Continued)

(c) *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 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 period	Dividends paid to minority shareholders for the period	Others	Accumulated minority shareholders interests by end of the period
Zhengzhou Red Star	40.5%	52,091,042.94	3,572,000.00	–	916,095,505.25

Notes to the Financial Statements

For the period from 1 January to 30 June 2018

(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	30 June 2018/for the period from 1 January to 30 June 2018	31 December 2017/ for the period from 1 January to 30 June 2017
Current assets	297,705,276.34	245,887,923.58
Non-current assets	3,318,708,586.42	3,277,889,912.88
Total assets	3,616,413,862.76	3,523,777,836.46
Current liabilities	224,977,719.15	253,551,550.05
Non-current liabilities	948,686,839.53	1,074,096,841.43
Total liabilities	1,173,664,558.68	1,327,648,391.48
Revenue	159,400,409.01	122,843,918.43
Net profit	128,619,859.10	172,135,358.91
Total comprehensive income	128,619,859.10	172,135,358.91
Cash flows from operating activities	118,980,551.99	125,986,626.11

Notes to the Financial Statements

For the period from 1 January to 30 June 2018

(VII) INTERESTS IN OTHER ENTITIES (CONTINUED)

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

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

(a) *For the period from 1 January to 30 June 2018*

The Group acquired 30% equity interest in Changchun Red Star from minority shareholders of Changchun Red Star, at RMB350,000,000.00. After the completion of the acquisition, equities of Changchun Red Star attributable to the Group increased from 70% to 100%, writing down capital reserve by RMB217,271,045.23.

The Group acquired 30% equity interest in Betterhome Decoration from minority shareholders of Betterhome Decoration, at RMB51,000,000.00. After the completion of the acquisition, equities of Betterhome Decoration attributable to the Group increased from 50% to 80%, writing down capital reserve by RMB42,529,830.35.

The Group acquired 27% equity interest in Shenyang Shibo Home Furnishing from minority shareholders of Shenyang Shibo Home Furnishing with RMB12,296,340.00 in cash, RMB34,079,044.40 in debt exemption, and other non-current assets with fair value of RMB215,026,964.96 as consideration. After the completion of the acquisition, equities of Shenyang Shibo Home Furnishing attributable to the Group increased from 73% to 100%, writing down capital reserve by RMB0.00.

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

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

Notes to the Financial Statements

For the period from 1 January to 30 June 2018

(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

(a) *For the period from 1 January to 30 June 2018*

RMB

	Changchun Red Star	Betterhome Decoration	Shenyang Shibo Home Furnishing
Purchase cost			
– Cash	350,000,000.00	51,000,000.00	12,296,340.00
– Debt exemption	–	–	34,079,044.40
– Other non-current assets			215,026,964.96
Total purchase cost and consideration	350,000,000.00	51,000,000.00	261,402,349.36
Less: the share of net assets of the subsidiary calculated based on the percentage of equity acquired	132,728,954.77	8,470,169.65	261,402,349.36
Differences	217,271,045.23	42,529,830.35	–
Including: Capital reserve adjustment	217,271,045.23	42,529,830.35	–

Notes to the Financial Statements

For the period from 1 January to 30 June 2018

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

RMB

	Panjin Red Star
Purchase cost	
– Cash	48,187,000.00
Total purchase cost and consideration	48,187,000.00
Less: the share of net assets of the subsidiary calculated based on the percentage of equity acquired	30,832,216.74
Differences	17,354,783.26
Including: Capital reserve adjustment	17,354,783.26

3. Interest in Joint Ventures or Associates

(1) Important joint ventures or associates

Name of joint venture	Main business site	Place of incorporation	Nature of business	Shareholding ratio Direct	Shareholding ratio Indirect	Accounting treatment of investments in associates and joint ventures
Chengdu Dongtai	Sichuan	Sichuan	Site leasing management	50%	–	Equity method

Notes to the Financial Statements

For the period from 1 January to 30 June 2018

(VII) INTERESTS IN OTHER ENTITIES (CONTINUED)

3. Interest in Joint Ventures or Associates (Continued)

(2) Major financial information on important joint ventures

RMB

	Chengdu Dongtai	
	30 June 2018/ 1 January to 30 June 2018	31 December 2017/ 1 January to 30 June 2017
Current assets	362,029,851.01	345,450,012.65
Including: cash and cash equivalents	87,484,867.84	76,713,271.88
Non-current assets	1,783,020,240.00	1,728,407,680.70
Total assets	2,145,050,091.01	2,073,857,693.35
Current liabilities	85,358,045.24	109,493,177.47
Non-current liabilities	375,035,070.85	359,328,872.11
Total liabilities	460,393,116.09	468,822,049.58
Net assets share calculated based on the percentage of shareholding	842,328,487.46	802,517,821.89
Book value in the investment of joint ventures equity	842,328,487.46	802,517,821.89
Fair value of joint venture equity investment of public offer	N/A	N/A
Revenue	80,466,897.19	80,548,485.87
Financial expenses	(159,819.67)	1,335,597.40
Income tax expense	26,917,273.71	28,214,792.14
Net profit	79,621,307.08	85,239,953.98
Other comprehensive income	–	–
Total comprehensive income	79,621,307.08	85,239,953.98
Dividends received from joint ventures for the period	–	–

Notes to the Financial Statements

For the period from 1 January to 30 June 2018

(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

	30 June 2018/ 1 January to 30 June 2018	30 June 2017/ 1 January to 30 June 2017
Joint ventures:		
Total book value of the investments	65,767,365.50	23,146,884.08
The aggregate of following items calculated based on the percentage of shareholding		
– Net profits	4,973,516.94	(78,431.69)
– Other comprehensive income	–	–
– Total comprehensive income	4,973,516.94	(78,431.69)
Associates:		
Total book value of the investments	1,357,636,376.74	353,038,840.71
The aggregate of following items calculated based on the percentage of shareholding		
– Net profit	60,708,551.61	12,628,202.34
– Other comprehensive income	–	–
– Total comprehensive income	60,708,551.61	12,628,202.34

Notes to the Financial Statements

For the period from 1 January to 30 June 2018

(VII) INTERESTS IN OTHER ENTITIES (CONTINUED)

3. Interest in Joint Ventures or Associates (Continued)

(4) Risk information related to the interests of the Group in joint ventures and associates

At the end of the current period and the end of the previous year, the investee's ability to transfer capital to the Group with cash dividends, repayment of loans or advances was not limited, of which the Group held as a long-term equity investment.

At the end of the current period and the end of the previous year, the Group has no unrecognized investment losses due to the excess losses incurred by the investee.

(5) Contingent liabilities related to investments in joint ventures or associates

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 period and prior year, the balances of borrowings were RMB1,000,000,000.00 and RMB1,600,000,000.00 respectively.

(6) Commitment related to investments in joint ventures or associates

By the end of the current period, the Group has not paid its share of the registered capital to Shenzhen Red Star Macalline Renheng 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 Renheng Home Furnishing Plaza Company Limited and RMB100 million for Macalline Gaohe (Wuhu) Home Furnishing Commercial Property Investment Fund Partnership (Limited Partnership).

(VIII) RISKS RELATED TO FINANCIAL INSTRUMENTS

Financial instruments the Group invested mainly include cash and bank, long-term equity investment, other equity instrument investments, financial assets held for trading, accounts receivable, notes receivable, other receivables, other current assets, non-current assets due within one year, long-term receivables, other non-current assets, accounts payable, 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. For the purpose of risk management, 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.

Notes to the Financial Statements

For the period from 1 January to 30 June 2018

(VIII) RISKS RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

1. Goal and Policies of Risk Management (Continued)

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 30 June 2018, 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.

RMB'000

Items	30 June 2018	31 December 2017
US dollars		
Cash and bank	12	245,895
Bonds payable	1,951,545	1,923,566
HK dollars		
Cash and bank	670	101

Notes to the Financial Statements

For the period from 1 January to 30 June 2018

(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)

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	30 June 2018		31 December 2017	
		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	36,591	36,591	62,913	62,913
	5% depreciation of HK dollars against Renminbi	(13)	(13)	(4)	(4)

Notes to the Financial Statements

For the period from 1 January to 30 June 2018

(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, 22, 30 and 31 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.

Notes to the Financial Statements

For the period from 1 January to 30 June 2018

(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 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 after tax of the Group (excluding the impact of interest capitalization) for the current year and prior year are as follows:

	30 June 2018 *RMB'000*	31 December 2017 *RMB'000*
Decrease in net profit	29,285	51,444
Decrease in shareholders' equity	29,285	51,444

If the floating interest rate of bank borrowings falls by 50 basis points and all other variables remain unchanged, the annual net profit will increase by the same amounts in the above table.

If the interest rate of bank account balance and the restricted bank deposits rises by 25 basis points and all other variables remain unchanged, the increases in net profit of the Group for the current year and prior year are as follows:

	30 June 2018 *RMB'000*	31 December 2017 *RMB'000*
Increase in net profit	9,269	15,717
Increase in shareholders' equity	9,269	15,717

If the interest rate of bank deposits falls by 25 basis points and all other variables remain unchanged, the annual net profit will decrease by the same amounts in the above table.

Notes to the Financial Statements

For the period from 1 January to 30 June 2018

(VIII) RISKS RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

1. Goal and Policies of Risk Management (Continued)

1.2 Credit risks

For the current period and prior year, the biggest exposure of credit risks that can cause financial losses of the Group 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 consolidated 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 supervises 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, therefore the credit concentration risk is very limited.

Notes to the Financial Statements

For the period from 1 January to 30 June 2018

(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 , the amount of non-derivative financial liabilities with floating rate listed in the table below will also change.

RMB'000

30 June 2018	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	8,519,487	–	–	–	8,519,487	8,519,487
Long-term payables	–	834,225	135,526	130,312	1,100,063	1,100,063
Bank borrowings-fixed rate	2,203,751	185,306	291,689	209,371	2,890,117	2,739,369
Bank borrowings with floating interest rate	3,115,735	2,357,293	5,884,399	5,006,029	16,363,456	15,578,672
Bonds payable	5,946,040	1,683,540	3,804,782	–	11,434,362	10,424,363
Financial lease payables	36,183	31,249	31,249	848,934	947,615	426,113
Financial guarantees	250,000	–	–	–	250,000	–
Commercial mortgage-backed securities	151,600	158,450	2,484,510	–	2,794,560	2,378,400
	20,222,796	5,250,063	12,632,155	6,194,646	44,299,660	41,166,467

Notes to the Financial Statements

For the period from 1 January to 30 June 2018

(VIII) RISKS RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

1. Goal and Policies of Risk Management (Continued)

1.3 Liquidity risks (Continued)

RMB'000

31 December 2017	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

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.

Notes to the Financial Statements

For the period from 1 January to 30 June 2018

(VIII) RISKS RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

1. Goal and Policies of Risk Management (Continued)

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 financial leases payable (deducting 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 Financial Statements

For the period from 1 January to 30 June 2018

(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 loans, accounts payable, other payables, non–current liabilities due within one year, bonds payable, long–term loans, long–term payables and 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 value of such assets and liabilities.

Notes to the Financial Statements

For the period from 1 January to 30 June 2018

(IX) FAIR VALUE MEASUREMENT (CONTINUED)

1. Assets and Liabilities not Measured at Fair Value but Disclosed at Fair Value (Continued)

RMB

	30 June 2018		31 December 2017	
Item	Book amortized cost	Fair value	Book amortized cost	Fair value
Bonds payable				
First tranche of the medium-term notes of 2013 of Red Star Macalline Group Corporation Ltd.	499,629,084.75	512,565,000.00	498,726,366.25	516,841,500.00
First tranche of 5-year corporate bonds of Red Star Macalline Group Corporation Ltd. in 2015	4,995,201,770.37	4,925,000,000.00	4,987,987,922.63	4,982,665,000.00
5-year Corporate notes of 2016 of Red Star Macalline Group Corporation Ltd. (the first tranche)	1,493,666,353.83	1,437,500,000.00	1,490,868,192.87	1,468,692,000.00
7-year Corporate notes of 2016 of Red Star Macalline Group Corporation Ltd. (the first tranche)	1,484,320,528.98	1,455,000,000.00	1,482,044,142.78	1,484,358,000.00
5-year U.S. bonds of 2017 of Hong Kong Red Star Macalline	1,951,545,289.89	1,974,181,621.50	1,923,565,824.50	1,922,524,995.00
Total	10,424,363,027.82	10,304,246,621.50	10,383,192,449.03	10,375,081,495.00

The Group adopts the second level of fair value hierarchy for the above financial liabilities.

Notes to the Financial Statements

For the period from 1 January to 30 June 2018

(IX) FAIR VALUE MEASUREMENT (CONTINUED)

2. Closing Fair Value of Assets Measured at Fair Value of the Group

	30 June 2018			
Item	Fair value measurement in first level	Fair value measurement in second level	Fair value measurement in third level	Total
I. Persistent fair value measurement				
1. Financial assets held for trading				
(1) debt instrument investments	–	–	–	–
(2) equity instrument investments	210,289,863.93	–	–	210,289,863.93
2. Other equity instrument investments				
(1) debt instrument investments	–	–	–	–
(2) equity instrument investments	2,310,136,063.13	–	1,378,736,522.13	3,688,872,585.26
Investment properties	–	–	75,897,000,000.00	75,897,000,000.00
Total assets measured continuously at fair value	2,520,425,927.06	–	77,275,736,522.13	79,796,162,449.19

	31 December 2017			
Item	Fair value measurement in first level	Fair value measurement in second level	Fair value measurement in third level	Total
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

During the periods from 1 January to 30 June 2018 and from 1 January and 30 June 2017, there was no mutual transfer between the fair value levels.

Notes to the Financial Statements

For the period from 1 January to 30 June 2018

(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 leasable 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 appraised value of investment properties.

We use direct comparison approach for the valuation of the properties under construction at an early development stage: We make adjustments 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.

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 30 June 2018 and 31 December 2017 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.

Notes to the Financial Statements

For the period from 1 January to 30 June 2018

(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)

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.

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 current period: RMB33 to RMB294 End of the prior year: RMB22 to RMB290
			Capitalization rate	Capitalization rate	End of current period: 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 current period: RMB1,082 to RMB3,260 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 current period: RMB38.5 to RMB103 End of the prior year: RMB34 to RMB44
			Capitalization rate	Capitalization rate	End of this current period: 6.5% to 7.5% End of the prior year: 6.5% to 7.5%

(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)

If the market monthly rent of leasable 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.

The valuation techniques of the financial instruments adopted by the Group are as follows:

The following table provides basic information on how to determine the fair value of the financial instrument, including valuation techniques, input(s), and significant unobservable input(s) and range used in the fair value measurement.

Financial Instrument	Fair value hierarchy	Valuation technique(s)	Input(s)	Significant unobservable input (s) and range	
Other equity instrument investments	Level 3	Comparable company analysis method	Discount rate for deficiency of liquidity	Discount rate for deficiency of liquidity	42.20%
	Level 3	Next-round valuation method	Valuation when additional capital was invested in shares	Valuation when additional capital was invested in shares	RMB172,000,000 – RMB1,303,000,000

Notes to the Financial Statements

For the period from 1 January to 30 June 2018

(IX) FAIR VALUE MEASUREMENT (CONTINUED)

4. Adjustment Information of Carrying Amounts between the Beginning of Period and the End of Period for Recurring Fair Value Measurements categorised within Level 3

RMB

				Total gain or loss for the current period		Purchase, issue, sell and settle					
Item	1 January 2018	Transferred into Level 3	Transferred into Level 3	Included in profit or loss	Included in other comprehensive income	Purchase	Issue	Sell	Settle	30 June 2018	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
Investment properties	70,831,000,000.00	–	–	857,161,708.57	–	4,122,838,291.43	–	–	–	75,811,000,000.00	857,161,708.57

RMB

			Total gain or loss for the current year		Purchase, issue, sell and settle					
Item	31 December 2017	Impact of adoption of New Standards for Financial Instruments	Included in profit or loss	Included in other comprehensive income	Purchase	Issue	Sell	Settle	30 June 2018	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
Other equity instrument investments	–	829,686,996.32	–	116,112,781.73	432,936,744.08	–	–	–	1,378,736,522.13	116,112,781.73

Notes to the Financial Statements

For the period from 1 January to 30 June 2018

(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 Jianxin	Investment management	RMB200 million	62.97%	62.97%	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 the details of joint ventures and associates of the Group, please refer to Note (V). 11 and Note (VII). 3.

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 (錢玉梅)	Family member who has a close relationship with the ultimate actual controller
Che Guoxing (車國興)	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**”) (常州市紅星裝飾城)	Corporate controlled by the ultimate actual controller
Changzhou Red Star Furniture Plant Co., Ltd. (“**Red Star Furniture Plant**”) (常州市紅星家具總廠有限公司)	Corporate controlled by the family member who has a close relationship with the ultimate actual controller

Notes to the Financial Statements

For the period from 1 January to 30 June 2018

(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
Jining Hongrui Real Estate Co., Ltd. ("**Jining Hongrui**") (濟寧鴻瑞置業有限公司)	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**") (陝西鴻瑞家居生活廣場有限公司)	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**") (徐州紅星美凱龍全球家居生活廣場有限公司)	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**") (徐州紅星美凱龍國際家具裝飾城有限公司)	Corporate controlled by the family member who has a close relationship with the ultimate actual controller
Yangzhou Kailong Consulting Co., Ltd. ("**Yangzhou Kailong**") (揚州凱龍管理諮詢有限公司)	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**") (揚州紅星美凱龍全球家居生活廣場置業有限公司)	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**") (興化市星凱家居生活廣場有限公司)	Corporate significantly influenced by the family member who has a close relationship with the ultimate actual controller
Chongqing Red Star Macalline Enterprise Development Co., Ltd. ("**Chongqing Qifa**") (重慶紅星美凱龍企業發展有限公司)	Corporate held by RSM Holding
Shanghai AEGEAN Commercial Group Co., Ltd. ("**Shanghai AEGEAN**") (上海愛琴海商業集團有限公司)	Corporate held by RSM Holding
Shanghai Xingcheng Yijia Home Furnishings Co., Ltd. ("**Xingcheng Yijia**") (上海星誠藝佳家居有限責任公司)	Corporate held by RSM Holding
Suzhou Red Star Macalline Property Development Company Limited (蘇州紅星美凱龍房地產開發有限公司)	Corporate held by RSM Holding
Ningbo Huixin Property Company Limited (寧波匯鑫置業有限公司)	Corporate held by RSM Holding
Chengdu Red Star Macalline Real Estate Co., Ltd. ("**Chengdu Real Estate**") (成都紅星美凱龍置業有限公司)	Subsidiary of Chongqing Qifa
Shanghai Red Star Macalline Real Estate Group Company Limited ("**Shanghai Real Estate**") (上海紅星美凱龍房地產集團有限公司)	Subsidiary of Chongqing Qifa
Ningbo Kailong Property Company Limited ("**Ningbo Kailong**") (寧波凱龍置業有限公司)	Subsidiary of Chongqing Qifa

Notes to the Financial Statements

For the period from 1 January to 30 June 2018

(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 Hongmei Property Company Limited ("**Hongmei Property**") (上海洪美置業有限公司) *(Note 1)*	Subsidiary of Chongqing Qifa
Shenyang Red Star Macalline Property Management Co., Ltd.("**Shenyang Macalline Property**") (瀋陽紅星美凱龍物業管理有限公司)	Subsidiary of Chongqing Qifa
Shanghai Jinshan Red Star Macalline Global Home Furnishing Company Limited ("**Jinshan Home Furnishing**") (上海金山紅星美凱龍全球家居有限公司) *(Note 1)*	Subsidiary of Chongqing Qifa
Shanghai Xinglong Property Development Co., Ltd. ("**Xinglong Property**") (上海星龍房地產開發有限公司)	Subsidiary of Chongqing Qifa
Shanghai Greenland Group Chengdu Jinniu Real Estate Development Co., Ltd. ("**Greenland Jinniu Real Estate**")(上海綠地集團成都金牛房地產開發公司)	Joint venture of Chongqing Qifa
Wuhu Minghui Business Management Co., Ltd. ("**Wuhu Minghui**") (蕪湖明輝商業管理有限公司)	Subsidiary of a joint venture
Cao Zhongmin (曹仲民)	Family member who has a close relationship with director, supervisor or senior management
Zhang Jianfang (張建芳)	Family member who has a close relationship with the actual controller
Zhu Qingling (朱青嶺)	Family member who has a close relationship with director, supervisor or senior management
Changzhou Yizhi Furniture Company Limited ("**Changzhou Yizhi**") (常州市藝緻家具有限公司)	Corporation invested and controlled by family member who has a close relationship with director, supervisor or senior management
Business Division of Nanjing Pukou Lilicheng Furniture ("**Lilicheng Furniture**") (南京市浦口區立力成家居經營部)	Corporation invested by and being served by family member who has a close relationship with the actual controller
Ningbo Aoyang Home Shopping Plaza Company Limited ("**Ningbo Aoyang Home**")(寧波澳洋家居購物廣場有限公司) *(Note 2)*	Corporation invested by and being served by family member who has a close relationship with the actual controller

Note 1: Hongmei Property was spun off in 2017 and Jinshan Home Furnishing was then set up (while Hongmei Property 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.

Note 2: In June 2018, the Group acquired Ningbo Aoyang, details of which are set out in Note (VI).1.

Notes to the Financial Statements

For the period from 1 January to 30 June 2018

(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	For the period from 1 January to 30 June 2018	For the period from 1 January to 30 June 2017
Ningbo Aoyang	Revenue from annual consulting and management service titled the Company's name for the project	Agreed price	2,161,949.70	1,646,761.01
Yangzhou Property	Revenue from annual consulting and management service titled the Company's name for the project	Agreed price	943,396.20	943,396.20
Jining Hongrui	Revenue from annual consulting and management service titled the Company's name for the project	Agreed price	1,415,094.36	1,415,094.36
Xuzhou Home Furnishing Mall	Revenue from annual consulting and management Service titled the Company's name for the project	Agreed price	716,981.16	716,981.16
Wuhu Minghui	Revenue from annual consulting and management service titled the Company's name for the project	Agreed price	1,415,094.36	1,415,094.36
Xuzhou Home Furnishing Plaza	Revenue from annual consulting and management Service titled the Company's name for the project	Agreed price	1,169,811.36	1,169,811.36
Shaanxi Hongrui	Revenue from annual consulting and management service titled the Company's name for the project	Agreed price	1,415,094.36	1,415,094.36
Greenland Jinniu Real Estate	Revenue from annual consulting and management Service titled the Company's name for the project	Agreed price	1,886,792.46	1,886,792.46
Xinghua Xingkai	Revenue from annual consulting and management service titled the Company's name for the project	Agreed price	1,179,245.31	1,179,245.28
Total			12,303,459.27	11,788,270.55
Hongmei Property	Design consultation income	Agreed price	–	453,600.00
Suzhou Red Star Macalline Property Development Company Limited	Design consultation income	Agreed price	3,500,000.000	–
Ningbo Huixin Property Company Limited	Design consultation income	Agreed price	600,406.17	–
Ningbo Kailong	Design consultation income	Agreed price	3,484,670.48	–
Total			7,585,076.65	453,600.00

Notes to the Financial Statements

For the period from 1 January to 30 June 2018

(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)

Related Parties	Details of Connected Transactions	Pricing and Decision making Methods for Connected Transactions	For the period from 1 January to 30 June 2018	For the period from 1 January to 30 June 2017
Xuzhou Home Furnishing Mall	Xingyi Tonghui commission income regarding pre-paid cards	Agreed price	20,415.27	1,902.64
Shaanxi Hongrui	Xingyi Tonghui commission income regarding pre-paid cards	Agreed price	27,550.00	–
Chengdu Dongtai	Xingyi Tonghui commission income regarding pre-paid cards	Agreed price	22,117.38	28,206.82
Wuhu Minghui	Xingyi Tonghui commission income regarding pre-paid cards	Agreed price	3,396.23	166,302.63
Yangzhou Kailong	Xingyi Tonghui commission income regarding pre-paid cards	Agreed price	32,905.66	80,597.78
Xiamen Baoxiang	Xingyi Tonghui commission income regarding pre-paid cards	Agreed price	84,150.94	–
Total			190,535.48	277,009.87
Red Star Furniture Plant	Service income	Agreed price	29,497.27	–
Haier Consume Financing	Service income	Agreed price	–	163,753.43
Xiamen Baoxiang	Service income	Agreed price	7,127.84	113,822.64
Cao Zhongmin	Service income	Agreed price	–	3,144.65
Qian Yumei	Service income	Agreed price	–	2,830.19
RSM Holding	Service income	Agreed price	14,230.20	–
Shanghai Aegean	Service income	Agreed price	136,310.68	–
Wuhu Minghui	Service income	Agreed price	18,933.52	–
Chengdu Dongtai	Service income	Agreed price	18,980.62	–
Changzhou Yizhi	Service income	Agreed price	4,528.30	–
Total			229,608.43	283,550.91

Notes to the Financial Statements

For the period from 1 January to 30 June 2018

(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)

Related Parties	Details of Connected Transactions	Pricing and Decision making Methods for Connected Transactions	For the period from 1 January to 30 June 2018	For the period from 1 January to 30 June 2017
Chengdu Dongtai	Income from sales of commodities	Agreed price	–	32,136.75
Hongmei Property	Income from sales of commodities	Agreed price	–	14,256.41
Shenzhen Red Star	Income from sales of commodities	Agreed price	–	4,660.19
Total			–	51,053.35
Changzhou Yizhi	Loan interest income	Agreed price	–	4,259.96
Zhu Qingling	Loan interest income	Agreed price	–	239,764.15
Total			–	244,024.11

Notes to the Financial Statements

For the period from 1 January to 30 June 2018

(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)

Related Parties	Details of Connected Transactions	Pricing and Decision-making Methods for Connected Transactions	For the period 1 January 2018 to 30 June 2018	For the period 1 January 2018 to 30 June 2017
Chengdu Dongtai	Joint marketing income	Agreed price	35,660.38	–
Jining Hongrui	Joint marketing income	Agreed price	143,330.19	–
Xiamen Baoxiang	Joint marketing income	Agreed price	36,745.28	–
Wuhu Minghui	Joint marketing income	Agreed price	153,339.64	–
Yangzhou Kailong	Joint marketing income	Agreed price	106,198.11	–
Total			475,273.60	–
Chengdu Dongtai	Revenue from advertising space lease/ Administrative expenses	Agreed price	23,423.94	–
Jining Hongrui	Revenue from advertising space lease/ Administrative expenses	Agreed price	115,680.00	–
Xiamen Baoxiang	Revenue from advertising space lease/ Administrative expenses	Agreed price	371,573.26	–
Shaanxi Hongru	Revenue from advertising space lease/ Administrative expenses	Agreed price	310,699.52	–
Wuhu Minghui	Revenue from advertising space lease/ Administrative expenses	Agreed price	420,434.98	–
Xuzhou Home Furnishing Mall	Revenue from advertising space lease/ Administrative expenses	Agreed price	40,952.38	–
Yangzhou Property	Revenue from advertising space lease/ Administrative expenses	Agreed price	256,219.27	–
Total			1,538,983.35	–

Notes to the Financial Statements

For the period from 1 January to 30 June 2018

(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)

Related Parties	Details of Connected Transactions	Pricing and Decision-making Methods for Connected Transactions	For the period 1 January 2018 to 30 June 2018	For the period 1 January 2018 to 30 June 2017
Xinglong Property	Power costs	Agreed price	2,697,249.08	–
Shenyang Macalline Property	Power costs	Agreed price	1,881,132.95	–
Total			4,578,382.03	–
Red Star Furniture Plant	Purchase of goods	Agreed price	183,240.00	–
Total			183,240.00	–
Wuhu Minghui	Interest income	Agreed price	509.72	–
Xiamen Baoxiang	Interest income	Agreed price	195.30	–
Total			705.02	
Shenzhen Red Star	Service costs	Agreed price	168,066.22	–
Xiamen Baoxiang	Service costs	Agreed price	39,521.31	–
Chengdu Dongtai	Service costs	Agreed price	44,444.80	–
Total			252,032.33	–

Notes to the Financial Statements

For the period from 1 January to 30 June 2018

(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 1 January 2018 to 30 June 2018	Revenue from operating leases 1 January 2017 to 30 June 2017	Determination basis of lease charge
Nanjing Furnishing Mall	Qian Yumei	Shop(s) in shopping mall	1 January 2011	16 May 2017	-	52,185.00	Contract agreement
Nanjing Mingdu	Qian Yumei	Shop(s) in shopping mall	1 January 2011	31 July 2018	353,595.03	284,452.00	Contract agreement
Changzhou Macalline	Cao Zhongmin	Shop(s) in shopping mall	1 November 2012	31 May 2019	7,532.28	6,965.73	Contract agreement
Changzhou Home World	Cao Zhongmin	Shop(s) in shopping mall	1 June 2012	31 May 2019	402,957.00	400,978.50	Contract agreement
Changzhou Macalline	Zhang Jianfang	Shop(s) in shopping mall	1 August 2015	31 May 2019	99,453.18	91,865.48	Contract agreement
Changzhou Home World	Changzhou Yizhi	Shop(s) in shopping mall	1 April 2017	31 May 2019	304,632.00	-	Contract agreement
Total					1,168,169.49	836,446.71	

Notes to the Financial Statements

For the period from 1 January to 30 June 2018

(X) RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

5. Related Party Transactions (Continued)

(2) Particulars of 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 1 January to 30 June 2018	Lease expense 1 January to 30 June 2017	Determination basis of lease charge
Changzhou Furnishing Mall	Changzhou Macalline	Shopping mall(s)	1 April 2011	31 March 2021	8,127,065.16	8,135,999.46	Contract agreement
Che Guoxing	Beijing Shibo Furniture	Dormitory	1 January 2014	31 December 2018	183,280.60	168,000.00	Contract agreement
Hongmei Property	Shanghai Jinshan	Shopping mall(s)	1 May 2016	30 April 2019	–	272,233.30	Contract agreement
Jinshan Red Star	Shanghai Jinshan	Shopping mall(s)	1 May 2016	30 April 2019	–	3,561,100.00	Contract agreement
Shenzhen Red Star	Glory Casa	Exhibition space	1 September 2017	30 November 2018	4,538,877.40	–	Contract agreement
Chengdu Dongtai	Betterhome Decoration	Exhibition space	10 September 2016	31 August 2018	84,641.76	–	Contract agreement
Chen Shuhong	Yangzhou subsidiary	Dormitory	1 February 2018	31 January 2021	52,000.00	–	Contract agreement
Total					12,985,864.92	12,137,332.76	

Notes to the Financial Statements

For the period from 1 January to 30 June 2018

(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 30 June 2018	Amount of guarantees 31 December 2017	Inception date of guarantee	Expiration date of guarantee	Whether guarantee has been performed
Providing guarantees:						
Borrowings:						
Company *(Note 1)*	Haier Consume Financing	250,000,000.00	400,000,000.00	8 November 2016	8 November 2019	No
Sub-total		250,000,000.00	400,000,000.00			
Guarantees accepted:						
Borrowings:						
Che Jianxing, Chen Shuhong and RSM Holding *(Note 2)*	The Company	300,000,000.00	300,000,000.00	25 July 2017	25 July 2020	No
Che Jianxing *(Note 3)*	Hongxin Oukai	230,000,000.00	255,000,000.00	4 March 2014	19 February 2019	No
Che Jianxing *(Note 4)*	Chongqing Expo Home	355,000,000.00	367,500,000.00	8 June 2016	8 June 2026	No
Che Jianxing, RSM Holding, Red Star Furniture Group Limited *(Note 5)*	Beijing Shibo Furniture	552,367,033.30	583,035,125.07	9 October 2012	9 October 2022	No
Sub-total		1,437,367,033.30	1,505,535,125.07			

Notes to the Financial Statements

For the period from 1 January to 30 June 2018

(X) RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

5. Related Party Transactions (Continued)

(3) Guarantees with related parties (Continued)

Note 1: 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.. The term of the loan is 3 years. At the end of the period and prior year, the balances of borrowings were RMB1,000,000,000.00 and RMB1,600,000,000.00.

Note 2: The loan is guaranteed by Che Jianxing, Chen Shuhong and RSM Holding with the maximum amount of RMB0.5 billion by way of joint and several liability guarantees.

Note 3: The loan is also secured by Hongxin Oukai's investment property.

Note 4: The loan is also secured by Chongqing Expo Home Furnishing's investment property.

Note 5: 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.

Notes to the Financial Statements

For the period from 1 January to 30 June 2018

(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	Remarks
1 January to 30 June 2018				
Borrowed from				
Zhuzhou Red Star (株洲紅星)	8,590,086.80	Nil	Nil	No rate and no fixed term
Chengdu Dongtai	9,952.11	Nil	Nil	No rate and no fixed term
Wuhu Minghui	149,502.14	Nil	Nil	No rate and no fixed term
Yangzhou Kailong	121,926.59	Nil	Nil	No rate and no fixed term
Total	8,871,467.64			
Lent to				
Shanghai Mingyi	3,600,000.00	Nil	Nil	No rate and no fixed term
Xiamen Baoxiang	5,000,000.00	Nil	Nil	No rate and no fixed term
Hangzhou Global (杭州環球家居)	4,504,425.00	Nil	Nil	No rate and no fixed term
Handan Fengfeng	300,000,000.00	Nil	Nil	No rate and no fixed term
Nanchang Global (南昌環球博覽)	172,121,511.79	21 June 2018	20 June 2019	Benchmark lending rate of financial institutions
Total	485,225,936.79			

Notes to the Financial Statements

For the period from 1 January to 30 June 2018

(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	Remarks
1 January to 30 June 2018				
Borrowed from				
Greenland Jinniu Real Estate	23,923,856.89	Nil	Nil	No rate and no fixed term
Total	23,923,856.89			
Lent to				
Shanghai Mingyi	4,800,000.00	Nil	Nil	No rate and no fixed term
Shaanxi Hongrui	7,500,000.00	Nil	Nil	No rate and no fixed term
Total	12,300,000.00			

(5) Compensation for key management personnel

RMB'000

Item	1 January to 30 June 2018	1 January to 30 June 2017
Compensation for key management personnel	17,692	20,273

Notes to the Financial Statements

For the period from 1 January to 30 June 2018

(X) RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

5. Related Party Transactions (Continued)

(6) Amounts Due from/to Related Parties

Amounts due from related parties

RMB

Item	Related party	30 June 2018 Book balance	30 June 2018 Bad debt provision	31 December 2017 Book balance	31 December 2017 Bad debt provision
Accounts receivable	Xinghua Xingkai	367,990.94	18,399.55	248,333.39	12,416.67
	Xuzhou Home Furnishing Mall	–	–	10,000.00	500.00
	Total	367,990.94	18,399.55	258,333.39	12,916.67
Other receivables	Shanghai Mingyi	109,000,000.50	5,450,000.03	105,400,000.50	5,270,000.02
	Shaanxi Hongrui	7,629,762.00	762,976.20	12,040,969.93	1,041,143.29
	Xiamen Baoxiang	4,000.00	200.00	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	390,000.00	19,500.00
	Wuhu Minghui	1,102,685.04	55,134.25	1,127,050.00	56,352.50
	Xingcheng Yijia	2,892,905.64	144,645.28	2,899,405.64	144,970.28
	Hangzhou Global	4,504,425.00	225,221.25	–	–
	Handan Fengfeng	300,000,000.00	15,000,000.00	–	–
	Total	425,523,778.18	21,657,677.01	124,910,811.82	6,684,635.39

Notes to the Financial Statements

For the period from 1 January to 30 June 2018

(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)

		30 June 2018		31 December 2017	
Item	Related party	Book balance	Bad debt provision	Book balance	Bad debt provision
Long-term receivables	Xiamen Baoxiang	27,500,000.00	–	22,500,000.00	–
	Hangzhou Global	218,144,320.00	–	218,144,320.00	–
	Nanchang Global	172,121,511.79	–	84,970,532.70	–
	Total	417,765,831.79	–	325,614,852.70	–
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: At the end of the period and prior year, the other non-current assets for Chengdu Property were advances paid for the repurchase of Greenland Jinniu Real Estate Home Furnishing Shopping Mall Business Segment. Please see the Note (V). 21. Note 2 for details.

Notes to the Financial Statements

For the period from 1 January to 30 June 2018

(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

Item	Related Parties	30 June 2018	31 December 2017
Other payables	Shenzhen Red Star	11,544,722.36	11,544,722.36
	Greenland Jinniu Real Estate	1,647,534.23	9,019,918.53
	Ningbo Aoyang	–	1,522,037.31
	Zhuzhou Red Star	8,590,086.80	–
	Chengdu Dongtai	9,952.11	467,221.94
	Shaanxi Hongrui	5,952.68	–
	Wuhu Minghui	149,502.14	1,046,382.16
	Xuzhou Home Furnishings Mall	–	20,536.42
	Yangzhou Kailong	121,926.59	212,862.59
	Shanghai Jiazhan	–	999,000.00
	Hongmei Property	–	20,000,000.00
	Total	22,069,676.91	44,832,681.31
Advances from customers	Wuhu Minghui	2,184,246.58	684,246.58
	Xuzhou Furnishing Plaza	1,277,661.37	365,435.37
	Greenland Jinniu Real Estate	2,610,045.66	2,610,045.66
	Jining Hongrui	402,377.29	902,377.29
	Ningbo Aoyang	–	18,466.67
	Xinghua Xingkai	–	850,342.47
	Qian Yumei	18,599.13	113,450.41
	Cao Zhongmin	–	10,792.17
	Zhang Jianfang	–	16,575.98
	Total	6,492,930.03	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 Financial Statements

For the period from 1 January to 30 June 2018

(XI) COMMITMENTS AND CONTINGENCIES

1. Significant Commitments

(1) Capital commitments

RMB'000

Type	30 June 2018	31 December 2017
Contracted but not recognized in the financial statements:		
– Commitment for acquisition and construction of long–term assets	1,325,880	2,654,884
– Commitment for external investment	352,904	589,902
Total	1,678,784	3,244,786

Notes to the Financial Statements

For the period from 1 January to 30 June 2018

(XI) COMMITMENTS AND CONTINGENCIES (CONTINUED)

1. Significant Commitments (Continued)

(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

Type	30 June 2018	31 December 2017
Minimum lease payment under irrevocable operating lease:		
First year after the balance sheet date	637,778	636,533
Second year after the balance sheet date	593,011	593,895
Third year after the balance sheet date	525,623	559,792
Fourth year after the balance sheet date	483,159	477,954
Fifth year after the balance sheet date	454,599	452,705
Subsequent years	3,186,059	2,517,621
Total	5,880,229	5,238,500

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

Type	30 June 2018	31 December 2017
Future lease payment under irrevocable operating lease:		
First year after the balance sheet date	4,138,062	3,561,051
Second year after the balance sheet date	34,953	58,306
Total	4,173,015	3,619,357

Notes to the Financial Statements

For the period from 1 January to 30 June 2018

(XI) COMMITMENTS AND CONTINGENCIES (CONTINUED)

2. Contingencies

(1) Contingent liabilities and its financial implications arising from pending litigations and arbitrations

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 cooperation 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 should 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 and August 2018 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 RMB145.983 million, and an expected return of RMB416.828 million to Changsha Ideal and bore fees for pit backfilling on sites and litigation costs and other related costs.

The Company believes that Changsha Ideal's performance of the cooperation contract constitutes a breach of contract, so it filed a counterclaim in April 2017 at the Hunan Provincial Higher People's Court, and then it changed claims in May 2017 and August 2018 respectively, 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 deposits of RMB120 million and RMB62.102 million which had been invested by the Company in the joint venture project, and compensate the Company for RMB12.421 million, accounting for 20% of the claimed amount, and bear attorney fees and appraisal cost.

As of the date of approval of the financial statements, the case has completed the second pre–trial evidence exchange 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 period and prior year.

Notes to the Financial Statements

For the period from 1 January to 30 June 2018

(XI) COMMITMENTS AND CONTINGENCIES (CONTINUED)

2. Contingencies (Continued)

(2) The contingent liabilities and its financial implications arising from the provision of debt guarantees for other entities

On 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 period and prior year, the balances of borrowings were RMB1,000,000,000.00 and RMB1,600,000,000.00 respectively.

(XII) EVENTS AFTER THE BALANCE SHEET DATE

On 25 November 2016, the National Association of Financial Market Institutional Investors published the Notice for Acceptance of Registration (Zhong Shi Xie Zhu [2016] No. SCP400), indicating its consent for acceptance of the registration for the issuance of Super Short–term Commercial Papers by the Company with the amount for registration of Super Short–term Commercial Papers reaching RMB3 billion and the registered amount would be effective for 2 years since 25 November 2016. The Company has issued the 2018 first tranche of Super Short–term Commercial Papers ("**Super Short–term Commercial Papers**") on 18 July 2018 and the actual amount issued totaled RMB500 million with a term of 180 days. The nominal value is RMB100 and the interest rate is 5.95%.

In July 2018, the Company has implemented the repurchase pursuant to the Offer. As considered at the 2017 Annual General Meeting, A Shareholders' Class Meeting and H Shareholders' Class Meeting, the Company implemented repurchasing of overseas listed foreign shares (H share) by way of voluntary conditional cash offer. The price of repurchasing the overseas listed foreign shares (H share) is HK$11.78 per share, with up to 388,917,038 shares subject to the repurchase. The Company has completed the Offer and cancelled the repurchase of H shares in July 2018.

Notes to the Financial Statements

For the period from 1 January to 30 June 2018

(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 five reporting segments, namely, the leasing and management section, the entrusted operation and management section, the construction and design segment, 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, revenue from commercial consultation fees and tenant sourcing commissions and revenue from commercial management and consultation service for construction project), revenue from construction and design service, 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 information are not presented as such information is not reported to the management on a regular basis and used for the purpose of resource allocation and performance evaluation.

During the period from 1 January to 30 June 2018 and from 1 January to 30 June 2017, the Group had no customer who contributed more than 10% of the total income.

Segment reporting information is disclosed based on the accounting policies and measurement standards used by the segments to report to the management, which are consistent with the accounting and measurement basis for the preparation of financial statements.

The information on the total segment assets and liabilities is not used in the segment reporting of the Group.

Notes to the Financial Statements

For the period from 1 January to 30 June 2018

(XIII)OTHER SIGNIFICANT EVENTS (CONTINUED)

1. Segment reporting (Continued)

(1) Reporting segment's information

RMB'000

	1 January to 30 June 2018							
	Owned/Leased Portfolio Shopping Malls	Related to Managed Shopping Malls	Construction and design	Sales of merchandise and related services	Other revenue	Unallocated item	Inter–segment eliminations	Total
Operating revenue								
External revenue	3,535,895	1,749,199	458,986	187,529	442,275	–	–	6,373,884
Less: Taxes and surcharges	161,859	13,264	1,467	554	3,794	–	–	180,938
External revenue(after deducting business taxes and surcharges)	3,374,036	1,735,935	457,519	186,975	438,481	–	–	6,192,946
Inter–segment revenue	–	–	–	–	–	–	–	–
Total segment operating revenue	3,374,036	1,735,935	457,519	186,975	438,481	–	–	6,192,946
Less: Cost of sales	772,121	688,882	272,597	135,052	86,405	–	–	1,955,057
Distribution and selling expenses	524,692	35,172	–	49,194	37,015	–	–	646,073
General and administrative expenses	142,545	160,269	20,107	52,267	121,419	31,160	–	527,767
Research and development expenses	–	–	2,841	–	–	6,741	–	9,582
Financial expenses	–	–	–	–	–	587,122	–	587,122
Impairment loss of credit	–	–	–	–	–	144,730	–	144,730

Notes to the Financial Statements

For the period from 1 January to 30 June 2018

(XIII)OTHER SIGNIFICANT EVENTS (CONTINUED)

1. Segment reporting (Continued)

(1) Reporting segment's information (Continued)

	1 January to 30 June 2018							
	Owned/Leased Portfolio Shopping Malls	Related to Managed Shopping Malls	Construction and design	Sales of merchandise and related services	Other revenue	Unallocated item	Inter-segment eliminations	Total
Add: Gain or loss on changes in fair value	–	–	–	–	–	1,065,985	–	1,065,985
Investment income	–	–	–	–	–	108,295	–	108,295
Gain from disposal of assets	–	–	–	–	–	214,552	–	214,552
Other income	–	–	–	–	–	55,801	–	55,801
Operating profit (loss)	1,934,678	851,612	161,974	(49,538)	193,642	674,880	–	3,767,248
Add: Non-operating income	–	–	–	–	–	7,994	–	7,994
Less: Non-operating expenses	–	–	–	–	–	7,823	–	7,823
Total profit (loss)	1,934,678	851,612	161,974	(49,538)	193,642	675,051	–	3,767,419
Less: Income tax expenses	–	–	–	–	–	553,808.00	–	553,808
Net profit (loss)	1,934,678	851,612	161,974	(49,538)	193,642	121,243	–	3,213,611
Depreciation of fixed assets	12,185	6,279	620	3,391	2,371	–	–	24,846
Amortization of intangible assets	451	10,855	87	1,596	1,292	–	–	14,281
Amortization of long-term prepaid expenses	34,578	3,400	23	2,977	1,409	–	–	42,387

Notes to the Financial Statements

For the period from 1 January to 30 June 2018

(XIII)OTHER SIGNIFICANT EVENTS (CONTINUED)

1. Segment reporting (Continued)

(1) Reporting segment's information (Continued)

RMB'000

	1 January to 30 June 2017							
	Own/Leased Portfolio Shopping Malls	Related to Managed Shopping Malls	Construction and design	Sales of merchandise and related services	Other revenue	Unallocated item	Inter-segment eliminations	Total
Operating revenue								
External revenue	3,188,831	1,473,052	31,238	109,285	268,561	–	–	5,070,967
Less: Taxes and surcharges	138,889	9,367	1,966	499	2,046	–	–	152,767
External revenue(after deducting taxes and surcharges)	3,049,942	1,463,685	29,272	108,786	266,515	–	–	4,918,200
Inter-segment revenue	–	–	–	–	–	–	–	–
Total segment operating revenue	3,049,942	1,463,685	29,272	108,786	266,515	–	–	4,918,200
Less: Cost of sales	696,930	507,346	26,399	85,057	58,936	–	–	1,374,668
Distribution and selling expenses	450,205	87,864	–	30,824	8,299	–	–	577,192.00
General and administrative expenses	194,481	148,941	9,022	36,137	43,373	36,120	–	468,074.00
Financial expenses	–	–	–	–	–	544,213	–	544,213
Impairment loss on assets	–	–	–	–	–	104,678	–	104,678

Notes to the Financial Statements

For the period from 1 January to 30 June 2018

(XIII)OTHER SIGNIFICANT EVENTS (CONTINUED)

1. Segment reporting (Continued)

(1) Reporting segment's information (Continued)

	1 January to 30 June 2017							
	Own/Leased Portfolio Shopping Malls	Related to Managed Shopping Malls	Construction and design	Sales of merchandise and related services	Other revenue	Unallocated item	Inter-segment eliminations	Total
Add: Gain or loss on changes in fair value	–	–	–	–	–	960,437	–	960,437
Investment income	–	–	–	–	–	60,755	–	60,755
Other income	–	–	–	–	–	12,687	–	12,687
Gain (loss) from disposal of assets	–	–	–	–	–	(327)	–	(327)
Operating profit (loss)	1,708,326	719,534	(6,149)	(43,232)	155,907	348,541	–	2,882,927
Add: Non-operating income	–	–	–	–	–	10,605	–	10,605
Less: Non-operating expenses	–	–	–	–	–	12,058	–	12,058
Total profit (loss)	1,708,326	719,534	(6,149)	(43,232)	155,907	347,088	–	2,881,474
Less: Income tax expenses	–	–	–	–	–	724,983	–	724,983
Net profit (loss)	1,708,326	719,534	(6,149)	(43,232)	155,907	(377,895)	–	2,156,491
Depreciation of fixed assets	11,710	5,283	486	1,824	1,421	–	–	20,724
Amortization of intangible assets	319	9,901	8	1,472	1,148	–	–	12,848
Amortization of long-term prepaid expenses	25,244	2,518	–	1,356	411	–	–	29,529

Notes to the Financial Statements

For the period from 1 January to 30 June 2018

(XIV) NOTES TO THE MAJOR ITEMS IN THE FINANCIAL STATEMENTS OF THE PARENT COMPANY

1. Notes Receivables and Accounts Receivable

RMB

Items	*Note*	As at 30 June 2018	As at 31 December 2017
Accounts receivable	(1)	987,597,140.68	484,757,225.91
Total		987,597,140.68	484,757,225.91

(1) Accounts receivable:

(a) Accounts receivable are disclosed by categories:

RMB

Category	As at 30 June 2018			
	Book balance	Bad debt provision		Book value
	Amount	Amount	Proportion *(%)*	Amount
Accounts receivable without significant financing components	1,779,882,200.26	792,285,059.58	44.51	987,597,140.68
Total	1,779,882,200.26	792,285,059.58	44.51	987,597,140.68

Notes to the Financial Statements

For the period from 1 January to 30 June 2018

(XIV) NOTES TO THE MAJOR ITEMS IN THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (CONTINUED)

1. Notes Receivables and Accounts Receivable (Continued)

(1) Accounts receivable: (Continued)

(a) Accounts receivable are disclosed by categories: (Continued)

RMB

Category	As at 31 December 2017				
	Book balance		Bad debt provision		Book value
	Amount	Proportion *(%)*	Amount	Proportion *(%)*	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	87.70	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	97.43	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	13.66	407,552,961.28
Other	1,172,992,405.38	100.00	688,235,179.47	58.67	484,757,225.91

Notes to the Financial Statements

For the period from 1 January to 30 June 2018

(XIV) NOTES TO THE MAJOR ITEMS IN THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (CONTINUED)

1. Notes Receivables and Accounts Receivable (Continued)

(1) Accounts receivable: (Continued)

(b) Ageing analysis of the book value of accounts receivable:

RMB

	As at 30 June 2018		
	Book balance	Bad debt provision	Provision Proportion *(%)*
Within 1 year	414,803,687.64	46,409,108.15	11.19
1 to 2 years	168,259,863.02	33,270,917.82	19.77
2 to 3 years	321,211,295.34	174,510,679.35	54.33
3 to 4 years	406,930,000.00	199,755,000.00	49.09
4 to 5 years	348,006,632.95	238,268,632.95	68.47
Over 5 years	120,670,721.31	100,070,721.31	82.93
Total	1,779,882,200.26	792,285,059.58	44.51

Notes to the Financial Statements

For the period from 1 January to 30 June 2018

(XIV) NOTES TO THE MAJOR ITEMS IN THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (CONTINUED)

1. Notes Receivables and Accounts Receivable (Continued)

(1) Accounts receivable: (Continued)

(c) *Impairment for accounts receivable:*

The Group measures the impairment provision of notes receivable and accounts receivable according to the amount of expected credit losses for the entire life period, and calculates its expected credit losses based on the comparison table for credit risk rating and default loss rate.

RMB

	As at 30 June 2018		
Credit risk rating	Default loss rate	Notes receivable and accounts receivable	Bad debt provision
Normal	5.00%	550,578.53	27,528.93
Doubtful	20.79%	1,246,112,212.67	259,038,121.59
In default	100.00%	533,219,409.06	533,219,409.06
Total	44.51%	1,779,882,200.26	792,285,059.58

The default loss rate is calculated based on the historical actual credit loss, and it is adjusted based on the differences between the economic situation during the historical data collection period, the current economic situation and the economic situation that the Group believes to be during the expected life period.

Notes to the Financial Statements

For the period from 1 January to 30 June 2018

(XIV) NOTES TO THE MAJOR ITEMS IN THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (CONTINUED)

1. Notes Receivables and Accounts Receivable (Continued)

(1) Accounts receivable: (Continued)

(d) Accounts receivable for which bad debts are provided based on credit risk characteristics portfolio:

RMB

	As at 31 December 2017		
	Book balance	Bad debt provision	Provision Proportion *(%)*
Within 1 year	237,348,735.50	11,867,434.21	5.00
1 to 2 years	111,368,511.10	11,136,851.11	10.00
2 to 3 years	74,800,000.00	14,960,000.00	20.00
3 to 4 years	44,000,000.00	22,000,000.00	50.00
4 to 5 years	–	–	80.00
Over 5 years	4,500,000.00	4,500,000.00	100.00
Total	472,017,246.60	64,464,285.32	13.66

Notes to the Financial Statements

For the period from 1 January to 30 June 2018

(XIV) NOTES TO THE MAJOR ITEMS IN THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (CONTINUED)

1. Notes Receivables and Accounts Receivable (Continued)

(2) Provision, recovery or reversal of bad debt provision for the period

During the period, the provision for bad debts amounted to RMB86,746,844.86. There was no reversal of provision for bad debts and no written-off of accounts receivable.

There was no recovery or reversal of provision for bad debts with significant amount for the current period.

(3) Top 5 accounts receivable at the end of the period

RMB

Companies	Book balance	Amount of bad debt	Proportion of total accounts receivable *(%)*
The Second Construction Group Corporation Limited of Yancheng Jiangsu	82,600,000.00	30,600,000.00	4.64
Changzhou Wujin Construction Engineering Company Limited	55,000,000.00	55,000,000.00	3.09
Jiangsu Jiangzhong Group Company Limited	30,000,000.00	30,000,000.00	1.69
Fuqing Xingrong Real Estate Company Limited	17,000,000.00	17,000,000.00	0.96
Xichang Hongbo Real Estate Co., Ltd.	17,000,000.00	850,000.00	0.96
Total	201,600,000.00	133,450,000.00	11.33

(4) The Company has no derecognized receivables out of transfer of financial assets at the end of the current period and prior year.

2. Other Receivables

RMB

Items	As at 30 June 2018	As at 31 December 2017
Dividends receivables	3,126,300,000.00	3,131,960,000.00
Others	23,459,990,711.96	18,405,457,235.10
Total	26,586,290,711.96	21,537,417,235.10

Notes to the Financial Statements

For the period from 1 January to 30 June 2018

(XIV) NOTES TO THE MAJOR ITEMS IN THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (CONTINUED)

2. Other Receivables (Continued)

(1) Other receivables disclosed by categories:

RMB

Category	As at 30 June 2018			
	Book balance	Bad debt provision		Book value
	Amount	Amount	Proportion *(%)*	Amount
Amounts receivable without significant financing component	24,022,995,488.27	563,004,776.31	2.34	23,459,990,711.96
Total	24,022,995,488.27	563,004,776.31	2.34	23,459,990,711.96

RMB

Category	As at 31 December 2017				
	Book balance		Bad debt provision		Book value
	Amount	Proportion *(%)*	Amount	Proportion *(%)*	Amount
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

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 Financial Statements

For the period from 1 January to 30 June 2018

(XIV) NOTES TO THE MAJOR ITEMS IN THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (CONTINUED)

2. Other Receivables (Continued)

(2) Impairment for other receivables

The Group measures the impairment provision of other receivables according to the amount of expected credit losses for the entire life period, and calculates its expected credit losses based on the comparison table of credit risk rating and default loss rate.

RMB

	As at 30 June 2018		
Credit risk rating	Default loss rate	Other receivable	Bad debt provision
Normal	0.00%	18,697,845,880.36	–
Doubtful	6.82%	274,329,441.76	18,703,836.71
In default	10.78%	5,050,820,166.15	544,300,939.60
Total		24,022,995,488.27	563,004,776.31

The default loss rate is calculated based on the actual credit loss for the previous historical periods, and it is adjusted based on the differences between the economic situation during the historical data collection period, the current economic situation and the economic situation that the Group believes to be during the expected life period.

(3) Other receivables for which bad debts are provided based on credit risk characteristics portfolio:

Portfolio I:

RMB

	As at 31 December 2017		
	Book balance	Amount of bad debt	Provision proportion *(%)*
Portfolio I	83,254.74	–	–

Notes to the Financial Statements

For the period from 1 January to 30 June 2018

(XIV) NOTES TO THE MAJOR ITEMS IN THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (CONTINUED)

2. Other Receivables (Continued)

(3) Other receivables for which bad debts are provided based on credit risk characteristics portfolio: (Continued)

Portfolio II: Bad debts are provided based on balance percentage method:

RMB

	As at 31 December 2017		
	Book balance	Amount of bad debt	Provision proportion *(%)*
Portfolio II	198,673,425.12	9,933,671.25	5.00

Portfolio III: Bad debts are provided based on aging percentage method:

RMB

	As at 31 December 2017		
	Book balance	Amount of bad debt	Provision proportion *(%)*
Within 1 year	176,103,519.74	8,805,175.99	5.00
1 to 2 years	537,369.93	53,736.99	10.00
2 to 3years	14,428,435.24	2,885,687.05	20.00
3 to 4 years	500,703.18	250,351.59	50.00
4 to 5 years	871,000.00	696,800.00	80.00
Over 5 years	–	–	100.00
Total	192,441,028.09	12,691,751.62	6.60

Notes to the Financial Statements

For the period from 1 January to 30 June 2018

(XIV) NOTES TO THE MAJOR ITEMS IN THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (CONTINUED)

2. Other Receivables (Continued)

(4) Provision, recovery or reversal of bad debt provision for the current period

Provision for bad debts made for the period was RMB0; collected or reversed provision for bad debts amounted to RMB3,921,586.16.

(5) Other receivables presented by nature.

RMB

Item	30 June 2018	31 December 2017
Loan and advances	23,406,139,547.18	18,350,585,536.74
– to related parties	23,304,722,774.52	18,127,791,121.28
– to minority shareholders of subsidiaries	–	35,077,643.76
– to third parties	101,416,772.66	187,716,771.70
Deposits	49,908,450.00	53,728,096.62
Others	3,942,714.78	1,143,601.74
Total	23,459,990,711.96	18,405,457,235.10

(6) Particulars of the top five of other receivables at the end of the period:

RMB

Companies	Relationship with the Company	Closing balance	Percentage of the total amount of other receivables (%)	Bad debt provision amount at the end of the period
Shanghai Red Star Macalline Home Furnishing Design Expo Company Limited	Subsidiary	2,521,846,439.07	10.50	(129,552,550.73)
Red Star Macalline Home Furnishing Mall Management Company Limited	Subsidiary	1,153,637,278.81	4.80	–
Tianjin Red Star Macalline International Home Furnishing Expo Company Limited	Subsidiary	1,037,418,689.37	4.32	–
Zhengzhou Red Star Macalline International Home Furnishing Company Limited	Subsidiary	860,000,000.00	3.58	–
Shanghai Xingkai Chengpeng Business Management Company Limited	Subsidiary	809,695,189.92	3.37	(17,874,886.21)
Total		6,382,597,597.17	26.57	(147,427,436.94)

Notes to the Financial Statements

For the period from 1 January to 30 June 2018

(XIV) NOTES TO THE MAJOR ITEMS IN THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (CONTINUED)

2. Other Receivables (Continued)

(7) At the end of the current period and prior year, the Group has no other receivables involving government grants and other receivables derecognized due to the transfer of financial assets.

3. Long-term Equity Investments

(1) Details of long-term equity investments are as follows:

RMB

Investee	Accounting method	As at 30 June 2018	As at 31 December 2017
Changzhou Macalline	Cost method	(1,955,167.87)	(1,955,167.87)
Changzhou Home World	Cost method	15,447,913.31	15,447,913.31
Wuxi Red Star	Cost method	47,998,405.33	47,998,405.33
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
Nanjing Mingdu	Cost method	47,227,734.43	47,227,734.43
Shanghai Decoration Mall	Cost method	136,115,702.30	136,115,702.30
Shanghai Global Home Furnishing	Cost method	138,456,423.17	138,456,423.17
Hongxin Oukai	Cost method	92,508,623.92	92,508,623.92
Xinwei Property	Cost method	272,756,078.13	272,756,078.13
Shanghai Management	Cost method	(1,408,244.71)	(1,408,244.71)
Changsha Furniture	Cost method	5,000,000.00	5,000,000.00
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
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
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
Red Star Macalline Brand Management	Cost method	5,000,000.00	5,000,000.00
Chongqing Global Home Furnishing	Cost method	10,000,000.00	10,000,000.00
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

Notes to the Financial Statements

For the period from 1 January to 30 June 2018

(XIV) NOTES TO THE MAJOR ITEMS IN THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (CONTINUED)

3. Long–term Equity Investments (Continued)

(1) Details of long–term equity investments are as follows: (Continued)

RMB

Investee	Accounting method	As at 30 June 2018	As at 31 December 2017
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
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	94,087,000.00
Red Star Consulting	Cost method	650,000.00	650,000.00
Shenyang Home Furnishing	Cost method	28,058,441.77	28,058,441.77
Xingkai Chengpeng	Cost method	10,000,000.00	10,000,000.00
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
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
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 Home 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

Notes to the Financial Statements

For the period from 1 January to 30 June 2018

(XIV) NOTES TO THE MAJOR ITEMS IN THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (CONTINUED)

3. Long–term Equity Investments (Continued)

(1) Details of long–term equity investments are as follows: (Continued)

RMB

Investee	Accounting method	As at 30 June 2018	As at 31 December 2017
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	397,600,000.00	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
Yangzhou International	Cost method	3,000,000.00	3,000,000.00
Shanghai Longmei	Cost method	1,000,000.00	1,000,000.00
Sunan Construction	Cost method	53,170,000.00	53,170,000.00
Shenyang Shibo Home Furnishing	Cost method	81,443,441.90	35,068,057.50
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
Decorating Public Network Technology	Cost method	3,200,000.00	3,200,000.00
Urumqi Red Star	Cost method	50,000,000.00	50,000,000.00
Dongguan Red Star	Cost method	70,000,000.00	70,000,000.00
Hohhot Shibo	Cost method	123,280,264.00	123,280,264.00
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	20,000,000.00	3,000,000.00
Macalline Logistics	Cost method	51,086,820.00	40,886,820.00
Red Star Industrial	Cost method	206,841,181.40	206,841,181.40

Notes to the Financial Statements

For the period from 1 January to 30 June 2018

(XIV) NOTES TO THE MAJOR ITEMS IN THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (CONTINUED)

3. Long–term Equity Investments (Continued)

(1) Details of long–term equity investments are as follows: (Continued)

RMB

Investee	Accounting method	As at 30 June 2018	As at 31 December 2017
Xinglong Home Furnishing	Cost method	39,000,000.00	39,000,000.00
Hong Kong Red Star Macalline	Cost method	112,839,554.51	112,839,554.51
Macalline Business Management	Cost method	100,000,000.00	100,000,000.00
Changsha Jinxia	Cost method	120,000,000.00	120,000,000.00
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
Beijing Shibo Furniture	Cost method	31,856,462.57	31,856,462.57
Beijing Home Furnishing Market	Cost method	630,335.17	630,335.17
Tianjin Shibo Home Furnishing	Cost method	230,851,821.21	230,851,821.21
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
Red Star Finance Company	Cost method	270,000,000.00	270,000,000.00
Nanchang Global Home Furnishing	Cost method	15,300,000.00	15,300,000.00
Muye Asset Management	Cost method	120,000.00	120,000.00
Jinshan Home Furnishing	Cost method	25,000,000.00	25,000,000.00

Notes to the Financial Statements

For the period from 1 January to 30 June 2018

(XIV) NOTES TO THE MAJOR ITEMS IN THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (CONTINUED)

3. Long–term Equity Investments (Continued)

(1) Details of long–term equity investments are as follows: (Continued)

RMB

Investee	Accounting method	As at 30 June 2018	As at 31 December 2017
Suzhou Red Star Macalline Shibo Home Furnishing	Cost method	151,611,912.79	151,611,912.79
Xining Red Star Macalline Shibo Home Furnishing	Cost method	247,162,700.00	72,162,700.00
Labor Dispatch Company	Cost method	2,000,000.00	2,000,000.00
Jisheng Wellborn Brand Management	Cost method	5,000,000.00	5,000,000.00
Yumu Business Management	Cost method	5,000,000.00	5,000,000.00
Yuxu Business Management	Cost method	5,000,000.00	5,000,000.00
Yuzhu Business Management	Cost method	5,000,000.00	5,000,000.00
Yuxiao Business Management	Cost method	5,000,000.00	5,000,000.00
Jiajinsuo Investment Company	Cost method	140,000,000.00	140,000,000.00
Glory Casa	Cost method	200,000,000.00	200,000,000.00
Yunnan Home Furnishing	Cost method	69,976,000.00	–
Chengdu Tianfu New District	Cost method	210,000,000.00	–
Chongqing Tea Garden	Cost method	50,000,000.00	–
Khorgos Hongju Business Management	Cost method	7,000,000.00	–
Ogloria Brand	Cost method	100,000.00	–
Yiming Venture Capital	Cost method	9,000,000.00	–
Kunshan Kaide Real Estate	Cost method	50,000,000.00	–
Huo Jing Business Management	Cost method	6,500,000.00	–
Jinrui Business Management	Cost method	1,220,000,000.00	–

Notes to the Financial Statements

For the period from 1 January to 30 June 2018

(XIV) NOTES TO THE MAJOR ITEMS IN THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (CONTINUED)

3. Long–term Equity Investments (Continued)

(1) Details of long–term equity investments are as follows: (Continued)

RMB

Investee	Accounting method	As at 30 June 2018	As at 31 December 2017
Ningbo Aoyang Home Furnishing	Cost method	1.00	–
Huaixing Culture	Cost method	1,600,000.00	–
Xiamen Baoxiang	Equity method	2,620,518.94	4,279,068.25
Chengdu Dongtai	Equity method	842,674,769.75	802,864,116.22
Shanghai Mingyi	Equity method	28,820,131.02	19,733,335.25
Zhejiang Mingdu	Equity method	165,300,000.00	165,300,000.00
Shenzhen Red Star	Equity method	45,255,063.01	45,255,063.01
Hangzhou Global	Equity method	59,859,806.63	58,626,478.44
Wuhan Zhengkai	Equity method	164,637,419.46	127,000,000.00
Meiwu 365	Equity method	17,010,750.52	17,900,796.13
Jiazhan Construction	Equity method	7,388,336.29	7,304,104.60
Reyi Network Technology	Equity method	5,333,600.90	5,274,701.29
Nanchang Global	Equity method	24,940,335.01	27,000,000.00
Total		13,613,248,705.33	11,388,694,251.59

Notes to the Financial Statements

For the period from 1 January to 30 June 2018

(XIV) NOTES TO THE MAJOR ITEMS IN THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (CONTINUED)

4. Revenue and Cost of Sales

(1) Revenue

RMB

Item	1 January to 30 June 2018		1 January to 30 June 2017	
	Revenue	Costs	Revenue	Costs
Principal businesses	781,636,841.40	174,445,477.52	773,162,466.47	103,423,331.97
Other businesses	82,654,175.11	–	55,320,831.93	–
Total	864,291,016.51	174,445,477.52	828,483,298.40	103,423,331.97

(2) Principal businesses

RMB

Name of sector	For the period 1 January to 30 June 2018		For the period 1 January to 30 June 2017	
	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	96,745,873.62	152,846,005.19	129,000,178.00	78,865,687.38
Revenue from annual consulting and management service titled the Company's name for the project	152,018,081.95	–	117,570,672.99	–
Revenue from commerce and management consultancy fee over projects	–	9,320,838.04	–	5,707,355.12
Leasing and management revenue	400,030,905.03	12,278,634.29	428,383,284.70	18,850,289.47
Other revenue	132,841,980.80	–	98,208,330.78	–
Total	781,636,841.40	174,445,477.52	773,162,466.47	103,423,331.97

Notes to the Financial Statements

For the period from 1 January to 30 June 2018

(XIV) NOTES TO THE MAJOR ITEMS IN THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (CONTINUED)

5. Investment Income

RMB

Item	For the period 1 January to 30 June 2018	For the period 1 January to 30 June 2017
Gain on long-term equity investment based on cost method	222,422,000.00	4,358,000.00
Gain on long-term equity investment based on equity method	83,303,068.29	49,790,201.39
Investment gain from disposal of long-term equity investments	(44,125,400.00)	880,397.39
Total	261,599,668.29	55,028,598.78

(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.

(XVI) SUPPLEMENTARY INFORMATION

1. Statement of Non-Recurring Profit or Loss

RMB

Item	For the period from 1 January 2018 to 30 June 2018	For the period from 1 January 2017 to 30 June 2017	Remark
Gain or loss on disposal of non-current assets	214,551,818.78	(326,742.39)	
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))	57,225,600.48	12,686,612.36	
Funds-use income received by non-financial enterprises and credited to the profit or loss for the period	30,458,354.70	27,462,750.40	

Notes to the Financial Statements

For the period from 1 January to 30 June 2018

(XVI) SUPPLEMENTARY INFORMATION (CONTINUED)

1. Statement of Non–Recurring Profit or Loss (Continued)

RMB

Item	For the period from 1 January 2018 to 30 June 2018	For the period from 1 January 2017 to 30 June 2017	Remark
Income received from the disposal of subsidiaries exceeds the book value of the investee's identifiable net assets at disposal in the current period	–	4,559,861.62	
Investment gain (loss) on disposal of associates	–	880,397.44	
Profit or loss from change in fair value of financial assets held for trading and financial liabilities held for trading and investment income from disposal of financial assets held for trading, financial liabilities held for trading and available–for–sale financial assets, other than effective hedging business in the ordinary operations of the Company	(37,307,324.70)	–	
Gain or loss arising from changes in fair value of investment properties measured subsequently at fair value	1,103,291,848.08	960,437,111.54	
The value–added portion of investment gain from investment properties valuation of associates and joint ventures attributable to the enterprise	72,622,739.63	27,445,509.75	
Non–operating income and expenses other than the above items	(55,631,430.34)	(1,453,797.08)	
Effect on income tax	62,487,136.94	(251,061,548.47)	
Effect on minority interest (after tax)	(23,914,705.64)	(21,860,401.05)	
Total	1,423,784,037.93	758,769,754.12	

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 (2008)" (CSRC Announcement [2008] No.43) issued by the China Securities Regulatory Commission.

Notes to the Financial Statements

For the period from 1 January to 30 June 2018

(XVI) SUPPLEMENTARY INFORMATION (CONTINUED)

2. Return on net assets and earnings per share

For the period from 1 January 2018 to 30 June 2018	Weighted average return on net assets *(%)*	Earnings per share Basic	Diluted
Net profit attributable to shareholders of ordinary shares of the Company	6.93	0.78	N/A
Net profit attributable to shareholders of ordinary shares of the Company, after deducting non–recurring gains and losses	3.74	0.42	N/A

For the period from 1 January 2017 to 30 June 2017	Weighted average return on net assets *(%)*	Earnings per share Basic	Diluted
Net profit attributable to shareholders of ordinary shares of the Company	5.46	0.56	N/A
Net profit attributable to shareholders of ordinary shares of the Company, after deducting non–recurring gains and losses	3.44	0.35	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.