

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

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

STOCK CODE: 1528



Annual Report  
2019





# 2019

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# Company Profile

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

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

According to the statistics of Frost & Sullivan, the Group is a nationwide home improvement and furnishing shopping mall operator in China, which ranks first in terms of area of operational premises, the number of malls, and the geographic coverage. As at the end of the Reporting Period, we operated 337 shopping malls with a total operating area of 20,986,950 sq.m. in 212 cities in 29 provinces, municipalities and autonomous regions in China. The malls offer more than 27,000 brands in total. According to the statistics of Frost & Sullivan, in 2019, the Group had a 15.5% market share in the chain home improvement and furnishing mall sector and a 6.3% market share in the whole home improvement and furnishing mall sector (including chain and non-chain) in terms of retail sales, owning the largest market share in China’s steadily growing home improvement and furnishing retail industry.

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

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

# Corporate Information

## BOARD OF DIRECTORS

### Executive Directors

Mr. CHE Jianxing (*Chairman*)  
Mr. GUO Binghe (*Vice Chairman*)  
Ms. CHE Jianfang  
Mr. JIANG Xiaozhong

### Non-executive Directors

Ms. CHEN Shuhong  
Mr. XU Guofeng  
Mr. XU Hong  
Mr. JING Jie

### Independent Non-executive Directors

Mr. QIAN Shizheng  
Mr. LEE Kwan Hung, Eddie  
Mr. WANG Xiao  
Ms. ZHAO Chongyi

## SUPERVISORS

Mr. PAN Ning (*Chairman*)  
Ms. CHAO Yanping  
Mr. ZHENG Hongtao  
Mr. CHEN Gang

## AUDIT COMMITTEE

Mr. QIAN Shizheng (*Chairman*)  
Mr. LEE Kwan Hung, Eddie  
Mr. WANG Xiao

## REMUNERATION AND EVALUATION COMMITTEE

Mr. QIAN Shizheng (*Chairman*)  
Mr. CHE Jianxing  
Mr. WANG Xiao

## NOMINATION COMMITTEE

Mr. LEE Kwan Hung, Eddie (*Chairman*)  
Mr. CHE Jianxing  
Ms. ZHAO Chongyi

## STRATEGY AND INVESTMENT COMMITTEE

Mr. CHE Jianxing (*Chairman*)  
Mr. GUO Binghe  
Mr. JIANG Xiaozhong  
Ms. ZHAO Chongyi  
Mr. XU Hong

## COMPANY SECRETARY

Mr. GUO Binghe

## 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

Red Star Macalline Headquarter  
No. 2/5, Lane 1466, Shenchang Road  
Minhang District  
Shanghai, the PRC

### 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  
Room 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  
18/F, The Hong Kong Club Building  
3A Chater Road  
Hong Kong

#### As to the PRC law

Llinks Law Offices  
19/F One Lujiazui  
68 Yin Cheng Road Middle  
Shanghai 200120  
The PRC

### AUDITOR

Ernst & Young Hua Ming LLP  
Level 16, Ernst & Young Tower  
Oriental Plaza, No. 1 East Changan Ave.  
Dongcheng District  
Beijing, the PRC

### PRINCIPAL BANKS

#### Industrial and Commercial Bank of China

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

#### China Minsheng Bank Corp., Ltd.

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

#### Bank of Communications

Shanghai Putuo Branch  
No. 2000 Zhongshan North Road  
Shanghai, the PRC

### STOCK CODES

Hong Kong Stock Exchange: 1528  
Shanghai Stock Exchange: 601828

### COMPANY'S WEBSITE

[www.chinaredstar.com](http://www.chinaredstar.com)

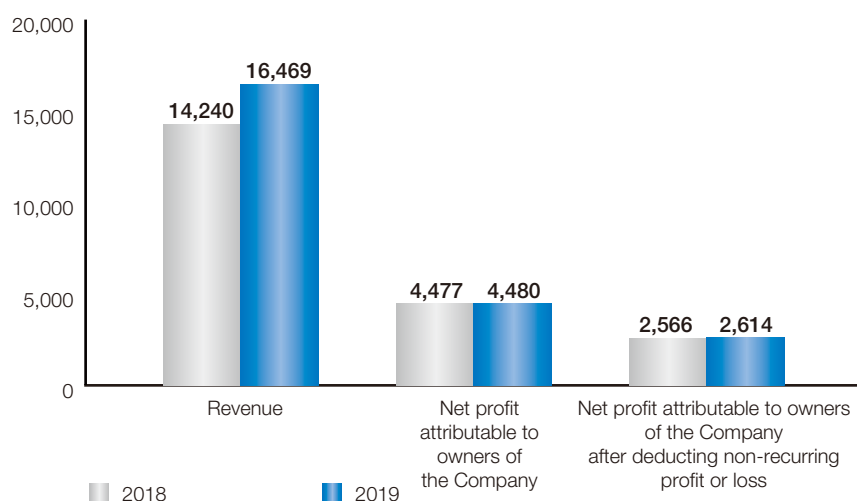
# Financial and Operational Highlights

## FINANCIAL HIGHLIGHTS

	For the year ended 31 December	
	2019 <i>(Audited)</i>	2018 <i>(Audited)</i>
	(RMB'000, except otherwise stated)	
Revenue	16,469,238	14,239,793
Gross profit	10,733,627	9,426,093
Gross profit margin	65.2%	66.2%
Net profit	4,686,242	4,705,447
Net profit attributable to owners of the Company	4,479,682	4,477,411
Net profit margin attributable to owners of the Company	27.2%	31.4%
Net profit attributable to owners of the Company after deducting non-recurring profit or loss	2,613,622	2,566,154
Net profit margin attributable to owners of the Company after deducting non-recurring profit or loss	15.9%	18.0%
Earnings per share (basic)	RMB1.26	RMB1.20
Dividend per share (tax inclusive)	RMB0.253	RMB0.27

### Key Financial Performance Indicators

RMB million



## Financial and Operational Highlights

### OPERATIONAL HIGHLIGHTS

The following table sets forth certain operating statistics of Portfolio Shopping Malls and Managed Shopping Malls in operation as at the dates indicated:

	As at 31 December 2019	As at 31 December 2018
Number of shopping malls	337	308
Operating area of shopping malls (sq.m.)	20,986,950	18,939,341
Number of cities covered	212	199
Number of Portfolio Shopping Malls	87	80
Operating area of Portfolio Shopping Malls (sq.m.)	7,736,844	6,918,993
Average occupancy rate of Portfolio Shopping Malls	93.4%	96.2%
Number of Managed Shopping Malls	250	228
Operating area of Managed Shopping Malls (sq.m.)	13,250,106	12,020,347
Average occupancy rate of Managed Shopping Malls	93.5%	95.0%

# Chairman's Statement



Dear Shareholders,

On behalf of the Board, I am pleased to present the annual result report of the Company and its subsidiaries (the “Group” or “we” or “us”) for the year ended 31 December 2019 (the “Reporting Period”) to all shareholders:

In 2019, the Group’s operating revenue amounted to RMB16,469 million; net profit attributable to owners of the Company amounted to RMB4,480 million; and net profit attributable to owners of the Company after deducting non-recurring profit and loss amounted to RMB2,614 million. We are willing to share the development outcomes of the Group with shareholders as we achieve satisfactory financial results. It was pleased to announce at the 2019 Board meeting that the 2019 cash dividend per share proposed to be RMB0.253 (tax inclusive) and one share per 10 shares will be issued to all shareholders by way of conversion of capital reserve.

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

## CAPITALIZING ON THE DEVELOPMENT OPPORTUNITIES ARISING FROM THE HOME IMPROVEMENT AND FURNISHING INDUSTRY

Home furnishing is closely related to people’s daily life and standard of living. Along with the growth in disposable income, people’s enhanced standard of living and higher requirements for quality of life, the home furnishing market in China has experienced a steady and healthy development in the past five years. The economy moved forward within a reasonable range, with the economic structure being continuously optimized; the new development drivers grew rapidly; new breakthroughs have been made in reform and opening up; the three critical battles got off to a good start; and people’s living standards continued to improve. The continuous promotion of the urbanization process and the increase of residents’ income levels provide favorable conditions for the continuing development of the social consumer goods market; meanwhile, the second interior home decorations, partial renewals, the constant consumption upgrade for home appliances and the pursuit of good home life of citizens in Tier III and Tier IV Cities also bring room for continuous development for the industry.



## Chairman's Statement

According to the independent authoritative market research institutions, in 2019, the total retail sales of home improvement and the furnishing industry reached a high level of nearly RMB5.4 trillion and the home furniture retail market in the PRC recorded rapid growth of CAGR of 10.0% from 2013 to 2019; however, when it comes to per capita consumption, there is still an obvious gap between China and developed countries, such as the United States and the United Kingdom. Along with the continued steady growth in China's macro economy and people's constantly enhanced taste and requirement in living, the industry will grow steadily in the coming five years.

### **CONSOLIDATING OUR LEADING POSITION IN THE HOME IMPROVEMENT AND FURNISHING INDUSTRY**

According to the independent authoritative market research institutions, we are a nationwide home improvement and furnishing shopping mall operator in China which ranks first in terms of area of operational premises, the number of malls, the geographic coverage, and with the biggest relevant market share in China's rapidly growing home improvement and furnishing retail industry. As of the end of the Reporting Period, we have operated 87 Portfolio Shopping Malls and 250 Managed Shopping Malls in mainland China; in addition, the Company has authorized to open 44 franchise home improvement material projects<sup>(1)</sup>, including 428 home improvement material stores/industry streets<sup>(2)</sup> in total. The total operating area of our shopping malls amounted to approximately 20,990 thousand sq.m. However, compared with the home furnishing markets in the United States and other developed countries, the market concentration of the home furnishing industry in mainland China is significantly lower. As one of the most influential home furnishing enterprises in mainland China, we not only have absolute market superiority, but also have great room for growth and integration potential.

#### *Notes:*

- (1) Franchised home improvement material projects represent the home improvement material stores and home improvement material industry streets operated by the Group by way of franchising. For such franchised home improvement material projects, the Group will not participate in the daily operation and management after their commencement of operations.
- (2) For home improvement material stores/industry streets, the Group regards those with independent market logos as home improvement material stores/industry streets for the purpose of operation and management convenience after taking into full account the physical form of the managed property and product categories sold.

### **BUILDING A BENCHMARK NEW RETAILER IN THE HOME IMPROVEMENT AND FURNISHING INDUSTRY, CONSTRUCTING A NEW LANDSCAPE OF RETAILS**

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

In 2019, Red Star Macalline has worked together with Alibaba (China) Technology Co., Ltd. ("Alibaba") to deeply expand the layout of the new retail sector. We have deeply promoted business transformation and strengthened the brand image of "omni-channel service provider for the pan-home improvement and furnishing industry". With "smart retail" as the shared concept, Red Star Macalline and Alibaba have cooperated in the fields of creating digital and differentiated consumer experiences, building a "digital" operating system, and establishing a digital ecosystem in the home furnishing industry, building an IMP (Intelligent Marketing Platform) global home furnishing intelligent marketing platform and exploring the value chain reshaping of the home furnishing retail industry, so as to realize a leap-forward upgrade in respect of marketing of overall roles, scenarios, channels, chains and overall consumption life cycle of users in home living industry and truly enable merchants.

In order to enhance the self-traffic-driving capability of the integrated online and offline platform including Internet platforms and physical shopping malls, and to meet the personalized needs of high-end customers, we have expanded our business to front-end design and end-user sales based on the existing Internet retail and Internet home improvement business, and with the strategic goal of "one-stop service for high-end home improvement" in practice, provide consumers with one-stop solutions for design, home improvement, goods and services.

During the Reporting Period, we launched a series of innovative businesses such as the M+ top design competition, design cloud and the "Star Design" platform with design as the focus, and created marketing IPs in home improvement and design field, increased the connection between designers and Red Star Macalline home furnishing business platform and established a design service portal. In addition, we have self-developed the design cloud software, through applying the scheme of designer to the goods of our shopping malls, which really solved the pain spot that consumers were unable to find the furniture matched with the design scheme for a long term, and achieved "what you see is what you get".

Meanwhile, the Company has brought in excellent global brands, reserves tenant sourcing and business integration resources through trade shows. The trade shows have connected excellent distributor resources nationwide to achieve accurate business matching, and have accumulated a lot of new resources for the Group's tenant sourcing management and business integration.

As one of the most influential home furnishing enterprises in mainland China, we have always been committed, with a view to truly understand and serve the demands from consumers, to providing consumers with a reliable circulation platform which may integrate sufficient home improvement and furnishing industry brands, providing professional shopping guide service and in-depth experience service, assuring the quality and eco-friendly attributes of products circulated on the platform, and offering reliable distribution, installation and after-sale services. Meanwhile, we gradually expanded the application of the internet-related products and services in home improvement and furnishing business on the basis of our physical shopping malls network, including one-stop high-end home decoration service, imported and designing product service, construction and design service provided to cooperative parties and other services, so as to address diversified demands of consumers in an integrated and close-loop manner and enhance the integrated O2O experience of consumers. All these measures are adopted to make our omni-channel circulation platform the most valuable one in the home improvement and furnishing industry. We will continue to promote cross-boundary integration, online and offline integration, as well as synergy between various scopes, unification of domestic and foreign trading, and construct a new retail landscape through integration and synergy.

## Chairman's Statement

Nowadays, the world has entered into an Internet era, and the degree of Internet adoption determines the long-term competitiveness of an enterprise or institution, and the home improvement and furnishing industry is of no exception. We are implementing a new retail strategy, aiming to realize accurate matching between upstream and downstream industries, enhance the Group's long-term competitiveness and accelerate the second growth curve of the Company by virtue of internet, big data, cloud computing and other information technologies continuously pushing forward targeted marketing, smart shopping mall construction, informatized construction and further upgrading and reconstruction of optimization of management flow, transformation of financial functions, system research and development, information application and other aspects.

In 2020, we will continue promoting brand upgrading, creating a social media matrix, realizing branding rejuvenation, building and strengthening the brand image of "Home Service Expert and Platform" through in-depth promotion and operation. Meanwhile, under the enabling of Alibaba, we will be upgraded from a one-stop home shopping mall to an online and offline all-fields super-traffic shopping mall in the home furnishing industry, which can benefit the industry, shopping malls, tenants, manufacturers and cross-industries to establish industrial word of mouth, and create commercial value.

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

Facing the reforms happening in the market, the management of the Company led us to bravely conduct reforms and innovations, which proactively advanced development of the Company. With the joint diligent efforts of all Red Star Macalline staff, we managed to achieve excellent results in our operation. I would like to take this opportunity to express my sincere gratitude, on behalf of the Board, to all our staff for their hard work and all our shareholders and stakeholders for giving us trust and confidence. In the coming year, we will always aim to develop to meet the increasing demand from customers for happy lives, and all Red Star Macalline staff and I will be motivated by such increasing demand to be not afraid of challenges, to forge ahead, to repay the Country, the society and the industry with hard work and diligence, to improve ourselves, as well as promote our national living quality and spread the culture of furnishing, and to gain more returns for our shareholders.

**CHE Jianxing**

*Chairman*

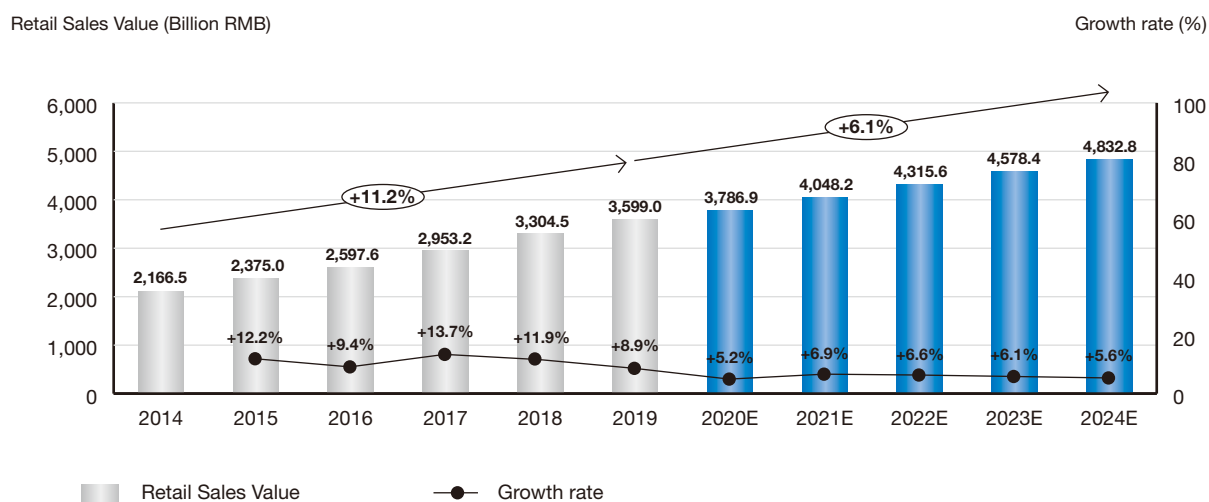
17 April 2020

# Management Discussion and Analysis

## INDUSTRY OVERVIEW

In 2019, given the complicated situation of obviously rising risks and challenges at home and abroad, all districts and departments, according to the decisions and arrangements of the Party Central Committee and the State Council, followed the general principle of making progress while maintaining stability, adhered to the new development idea and promoted high-quality development; continued to pursue supply-side structural reform as its main task, strove to deepen reforms and expand opening-up, and continued to conduct the three critical battles; worked holistically to maintain stable growth, advance reform, make structural adjustments, improve living standards, guard against risks and maintain stability; made solid progress to ensure stable employment, a stable financial sector, stable foreign trade, stable foreign investment, stable investment and stable expectation on works, which led to overall economic stability with steady progress, new level of development, further improved quality of development, constantly improved living standards, prosperity and development of various social causes, improved overall ecological and environmental quality, expected progress in major indicators of the “13th Five-Year” Plan and new major progress in building of a moderately prosperous society in all respects.

According to the statistics from the National Bureau of Statistics of the People’s Republic of China, in 2019, the GDP of China grew by 6.1% compared to the comparable price in the same time last year, while the national disposable income per capita increased by 8.9% on a year-on-year basis, with an actual growth rate of 5.8% after deducting price factors. During the same period, the accumulative value of retail sales of social consumer goods increased by 8.0%, while the accumulative value of retail sales of the furniture category and construction and decoration material categories increased by 3.9%, comparing with the same time last year. According to the statistics of Frost & Sullivan, in 2019, the retail sales amount in the home improvement and furnishing retail market increased to RMB3,599 billion, increased by 8.9% on a year-on-year basis. The CAGR in the coming five years is expected to be 6.1%.



Source: Frost & Sullivan

According to the statistics of Frost & Sullivan, in 2019, regarding retail sales volume, the Group had a 15.5% market share in the chain home improvement and furnishing shopping mall sector and a 6.3% market share in the whole home improvement and furnishing mall sector (including chain and non-chain), owning the largest relevant market share in China’s home improvement and furnishing retail industry.

## INDUSTRY REVIEW (CONTINUED)

The continuous promotion of urbanization process and the increase of citizens' income levels provide favorable conditions for the continuing development of social consumer goods market; meanwhile, the domestic demand for home improvement and furnishing increased; the second interior decoration and the consumption upgrade for home appliances also bring room for continuous development in the industry.

## 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, the Company operated 87 Portfolio Shopping Malls and 250 Managed Shopping Malls, and operated 12 home furnishing shopping malls through strategic cooperation<sup>(1)</sup>. In addition, the Company opened 44 franchised home improvement material projects by way of franchising<sup>(2)</sup>, including a total of 428 home improvement material stores/industry streets<sup>(3)</sup>. Our Portfolio Shopping Malls and Managed Shopping Malls spread over 212 cities in 29 provinces, municipalities and autonomous regions in China, with a total operating area of 20,986,950 sq.m. Through the two-pronged business model of Portfolio Shopping Malls and Managed Shopping Malls, we occupied properties in prime locations of Tier I and Tier II Cities, accumulated extensive experience in operating shopping malls, constantly strengthened the brand value, and set a relatively high barrier to entry for other companies.

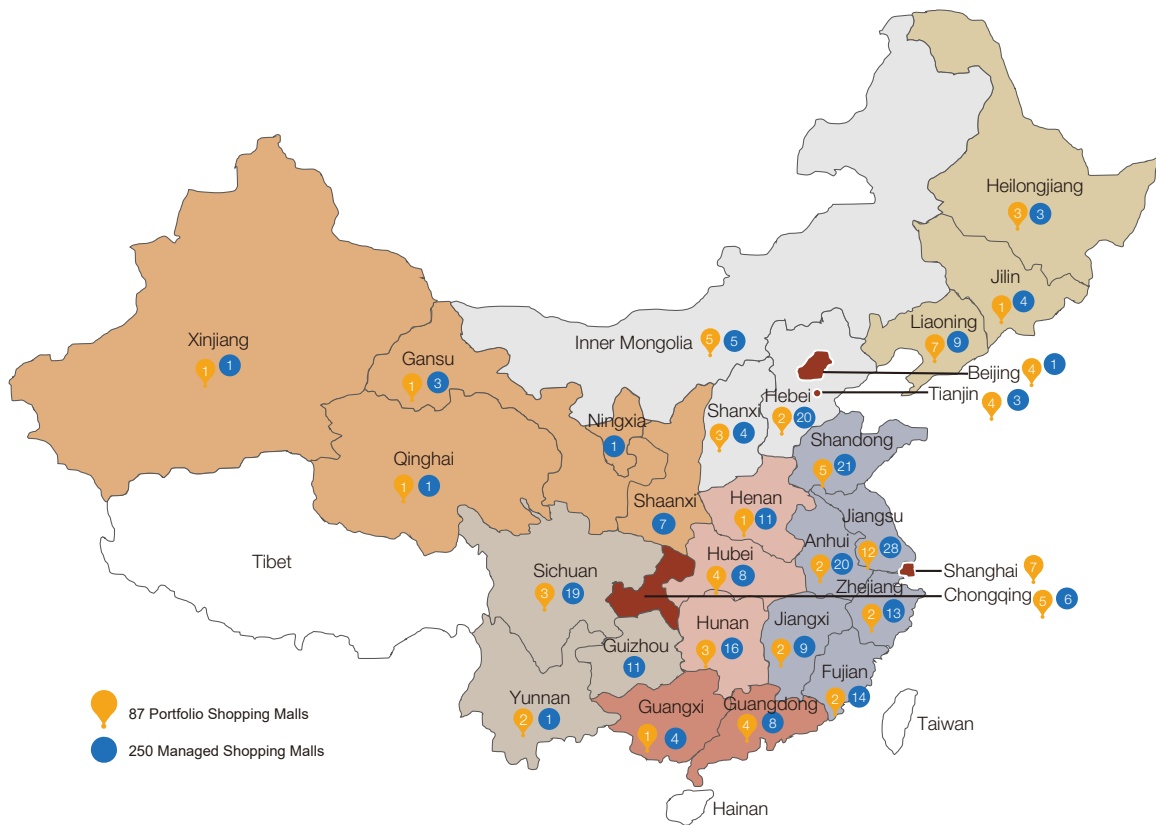
Notes:

- (1) During the Reporting Period, the Company acquired 46.5% of equity interests in Shandong Inzone Green Home Co., Ltd. (山東銀座家居有限公司), and became one of its largest shareholders ranked *pari passu* with Shandong Commercial Group Co., Ltd. (山東省商業集團有限公司). As at 31 December 2019, Shandong Inzone Green Home Co., Ltd. and its controlling subsidiaries operated 12 home furnishing shopping malls in total in the PRC. Strategic cooperative operation shopping malls mean the home furnishing shopping malls which, based on strategic objectives considered by the Company, are jointly invested, jointly held and jointly operated by the Company and its partners.
- (2) Franchised home improvement material projects represent the home improvement material stores and home improvement material industry streets operated by the Group by way of franchising. For such franchised home improvement material projects, the Group will not participate in the daily operation and management after their commencement of projects.
- (3) For home improvement material stores/industry streets, the Group regards those with independent market logos as home improvement material stores/industry streets for the purpose of operation and management convenience after taking into full account the physical form of the managed property and the types of products sold.

## BUSINESS REVIEW (CONTINUED)

### 1. Business Development and Deployment: Steady Development of Shopping Malls and Strategic Deployment with a Nationwide Coverage (Continued)

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



## 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 <sup>(1)</sup> (Municipality/ Administrative Region)	Portfolio Shopping Malls		Managed Shopping Malls	
		Number of shopping malls	Sub-total of Operating Area (sq. m.)	Number of shopping malls	Sub-total of Operating Area (sq. m.)
	Beijing	4	341,852	1	112,757
	Shanghai	7	903,540	—	—
	Tianjin	4	455,563	3	175,490
	Chongqing	5	383,321	6	205,859
	Northeast China	11	1,147,088	16	772,922
	North China (excluding Beijing, Tianjin)	10	564,920	29	1,604,884
	East China (excluding Shanghai)	25	2,211,340	105	6,030,080
	Central China	8	808,883	35	1,681,350
	South China	5	235,283	12	616,266
	Western China	8	685,053	43	2,050,498
	<b>Total</b>	<b>87</b>	<b>7,736,844</b>	<b>250</b>	<b>13,250,106</b>

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 seven large regions and four municipalities (excluding Hong Kong, Macau and Taiwan regions), among which, Northeast China includes Heilongjiang Province, Jilin Province, Liaoning Province; North China (excluding Beijing and Tianjin) includes Shanxi Province, Hebei Province, Inner Mongolia Autonomous Region; East China (excluding Shanghai) includes Shandong Province, Jiangsu Province, Zhejiang Province, Anhui Province, Jiangxi Province, Fujian Province; Central China includes Hunan Province, Hubei Province, Henan Province; South China includes Hainan Province, Guangdong Province, Guangxi Zhuang Autonomous Region; Northwest China includes Shaanxi Province, Gansu Province, Qinghai Province, Ningxia Hui Autonomous Region, Xinjiang Uygur Autonomous Region, Yunnan Province, Sichuan Province, Guizhou Province, Tibet Autonomous Region; four municipalities are Beijing, Shanghai, Tianjin and Chongqing, respectively.

## 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 strategically locate our Portfolio Shopping Malls in prime locations in Tier I and Tier II Cities, especially in prime regions in municipalities. As at the end of the Reporting Period, we operated 87 Portfolio Shopping Malls covering a total operating area of 7,736,844 sq.m., with an average occupancy rate of 93.4%<sup>(1)</sup>. Among these Portfolio Shopping Malls, 20 Portfolio Shopping Malls, representing 23.0% 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 2,084,277 sq.m., representing 26.9% of the total operating area of the Portfolio Shopping Malls. The same mall growth of mature shopping malls<sup>(2)</sup> during the Reporting Period was 6.1%. Such growth was mainly due to the aggregated contribution from the increase in effective unit income from operation and the operating area of mature Portfolio Shopping Malls during the Reporting Period.

During the Reporting Period, we opened six new Portfolio Shopping Malls. In addition, three Managed Shopping Malls were converted into Portfolio Shopping Malls. As at the end of the Reporting Period, we had 33 pipeline Portfolio Shopping Malls. We will continue to focus on the prime locations of Tier I and Tier II Cities to strategically expand our Portfolio Shopping Malls network in the future.

In addition, with a reputable brand name in the home improvement and furnishing industry and extensive experience in shopping mall development, strength in tenant sourcing and operational management, we continued to rapidly develop Managed Shopping Malls in Tier III Cities and other cities. We also established a strict internal screening and reviewing mechanism to ensure steady and rapid development of our Managed Shopping Malls. As at the end of the Reporting Period, we had 250 Managed Shopping Malls in operation covering a total operating area of 13,250,106 sq.m., with an average occupancy rate of 93.5%<sup>(3)</sup>. Among these Managed Shopping Malls, 134 Managed Shopping Malls, representing 53.6% of the total number of Managed Shopping Malls, were located at eastern China and northern China (excluding Shanghai, Beijing and Tianjin). The operating area of the aforesaid Managed Shopping Malls was 7,634,964 sq.m., representing 57.6% of the total operating area of Managed Shopping Malls. During the Reporting Period, we opened 35 new Managed Shopping Malls and closed 10 Managed Shopping Malls. In addition, three Managed Shopping Malls were converted into Portfolio Shopping Malls.

As at the end of the Reporting Period, among the pipeline Managed Shopping Malls, we have obtained land use rights/land parcels for 359 contractual projects. Along with steady social and economic development of the country, further progress on urbanization strategy, and stable growth in disposable income per capita, we will focus on increasing the rate of expansion of our Managed Shopping Malls business throughout China.

Notes:

- (1) 3 shopping malls were not included for the purpose of calculating the occupancy rate due to adjustments in business planning.
- (2) "Same mall growth of mature shopping malls" is the growth in operating income during the Reporting Period compared with the same period in the prior year for all Portfolio Shopping Malls (including associates and joint ventures) that were in operation for at least three financial years and were still in operation as at the end of the Reporting Period.
- (3) 6 shopping malls were not included for the purpose of calculating the occupancy rate due to adjustments in business planning, and another one currently closed shopping mall was not included for the purpose of calculating the occupancy rate.



## BUSINESS REVIEW (CONTINUED)

### 2. Business Management: Continuous Improvement of Shopping Mall Operation and Management

#### 2.1 Tenant sourcing management

***(1) Continuously optimize the layout of brands and categories in shopping malls and promote the upgrade of home furnishing shopping malls consumption***

In the face of the market consumption grading situation and market competition trend, we continued to increase efforts to introduce mainstream brands and categories suitable for consumer demands and to optimize the layout of the categories of merchandise in shopping malls by building home life experience pavilions. We also continued to increase customized categories' coverage in line with the trend of home furnishing and decoration market to build high-end customized experience centers; we continued to explore and promote the entry of design products, and increased the introduction of design furniture; we expanded the range of the door and window category, and built "door and window boutique centers" (門窗精品館) and "door and window living centers" (門窗生活館) at different levels in China to lead the upgrade and development of categories. At the same time, in response to the diversified trend of household appliance channel layout, we built electric appliance living centers (電器生活館) (with intelligent home experience zones) using the scenario experience as entrance, vigorously expanded the electric appliance category and introduced new brands to achieve economies of scale. As of the end of the Reporting Period, the operating area of designing brands increased by 56% year on year, the operating area of home decoration design centers increased by 23% year on year, the operating area of the door and window category increased by 36% year on year, and the operating area of the intelligent electric appliance category increased by 21% year on year. Meanwhile, we also continued to expand the introduction of leading high-quality categories and brands. As of the end of the Reporting Period, the operating area of imported brands increased by 26% year on year, and the operating area of soft home interior furnishing brands increased by 15% year on year. In addition, we expanded the "Home Decoration Experience Centers" to various shopping malls in China. We leveraged home decoration and design to attract customer traffic and emphasized the full-link consumption of customers to integrate the upstream and downstream industry chains, strengthen the cooperation among factories, dealers and designers and enhance resources integration and service abilities.

## BUSINESS REVIEW (CONTINUED)

### 2. Business Management: Continuous Improvement of Shopping Mall Operation and Management (Continued)

#### 2.1 Tenant sourcing management (continued)

- (2) *Constantly improve the standards of our refined rental management and leverage the IMP (Intelligent Marketing Platform) to increase the sales volume of tenants, thereby achieving sustainable growth of rental income*

Based on continuous upgrade and optimization of the rental pricing analysis model of existing shopping malls, the Group put forward the management idea of “narrowing the price gap between storeys” to boost the optimization of categories through the accurate connection between the Group and the marketing and development centers in various provinces. By virtue of comprehensive booth classification and visualized pricing analysis based on Longyi Big Data System, we guided the daily pricing and adjustment of the renewal prices of shopping malls, and greatly mitigated the situations where the quality and the price of the booths are negatively related, promoting the continuous healthy growth of our overall rental.

We leveraged the innovative marketing model of IMP (Intelligent Marketing Platform) to bundle our interests and share resources with dealers and brands, and doubled the sales volume of the brands and categories through three newly developed major marketing projects, namely Super City Shopping, Super Category Festival and Super Promotion for Top Brands, which significantly enhanced the loyalty of tenants to the brand of Red Star Macalline and increased the rental income.

- (3) *Constantly strengthen the management of brand resources and dealer resources to improve the ability to serve brands and dealers*

In the management of categories and brand resources, we continued to optimize brand classification, integrated key categories, constantly developed our high-quality brands in-depth, expanded and optimized the database for brand resources. In-depth research was conducted on the consumption trends, market share, competitive situations, top brands, etc., of different categories and the results of the research were taken into consideration to provide value-added services to the brands. We provided preferential support thereto by taking measures including building of theme malls, giving suggestions on product innovation and expanding business channels. During the Reporting Period, we established the large customer service system, and optimized the visualization of the data related to large customers, accurate connection with channel promotion and other functions. Meanwhile, we launched and opened step-by-step a service platform for brands and customers to communicate online and set up exclusive service accounts to improve the efficiency of service for and cooperation with major customers.

## BUSINESS REVIEW (CONTINUED)

### 2. Business Management: Continuous Improvement of Shopping Mall Operation and Management (Continued)

#### 2.1 Tenant sourcing management (continued)

**(3) *Constantly strengthen the management of brand resources and dealer resources to improve the ability to serve brands and dealers (continued)***

Regarding the service terminal for dealers, we launched the full data platform for dealers on the Longyi System, and strengthened the system's investigation on the information of key dealers in various cities to enable data scraping, further enhancing the ability to serve dealers. We provided support in dealer resources for key categories, brands and enterprises based on the accurate business matching between high-quality dealers and brand owners. For the high-quality dealers, we offered a service system with more dimensions, including support for regular operations, training enhancement and information pushing, to effectively cultivate and strengthen the loyalty of dealers and lay a foundation for the expansion of future businesses. In addition, we cultivated dealer echelons by organizing Elite Lectures, TOP Home Club, Banquet for TOP 1000 Dealers and other activities to support dealer development.

**(4) *Cater to the trend of consumption upgrade, step up efforts in introducing global brands and continue to build international pavilions***

During the Reporting Period, the Company continued to step up our efforts in the introduction of global brands, and promoted the realization of "one store to see the world, one center for more styles" (一店看世界·一館多風格) in certain shopping malls. In addition to the international pavilions established in Tier I and Tier II key cities, we also penetrated into potential markets such as Taizhou, Jiangyin, Yantai and other Tier III and Tier IV cities with strong consumption capacity, and promoted the entry of international brands. Meanwhile, we constantly expanded the database of dealers for imported brands through extensive promotion of B2B brand connection conferences in domestic and overseas markets, based on which we conducted precise analysis and selection, in order to cultivate a professional dealer team to help the Company occupy the high-end consumption market of imported home furnishing. As of the end of the Reporting Period, the number of our international brands reached 4,843.

**(5) *Gather global outstanding brands, reserve business attraction and integrate business resources through holding exhibitions***

During the Reporting Period, the exhibited imported home furnishing brands we invited occupied an area of about 900 m<sup>2</sup> at the China International Import Expo. We worked with China Foreign Trade Guangzhou Exhibition General Corporation and CTME to hold four exhibitions in two cities — China International Furniture Fair (Shanghai), China Building Decoration Fair (Shanghai), China International Furniture Fair (Guangzhou) and China Building Decoration Fair (Guangzhou), and built such top-class pavilions as Design Pavilion and such special exhibition halls as Concept Exhibition Hall for Modern Home Furnishing Trends. We also supported the holding of 27 brand activities and effectively achieved the linkage among the exhibitors, which empowered shopping malls with integrated brand resources.

## BUSINESS REVIEW (CONTINUED)

### 2. Business Management: Continuous Improvement of Shopping Mall Operation and Management (Continued)

#### 2.2 Operational management

- (1) We have comprehensively and deeply carried out the “Word of Mouth Advertising” project, and put forward unified high standards and strict requirements for the operation and management of shopping malls in terms of environmental friendliness, service, credit system, consumer satisfaction and other aspects to further improve the quality of the Word of Mouth Advertising.

In terms of environmental friendliness, we further optimized our random check modes, and conducted frequent tests on key categories and brands. During the Reporting Period, we completed 10,889 batches of normalized tests on shopping malls all over China, and passed the sampling tests conducted by third party testing institutions on 384 batches of mystery shoppers of 25 categories. Meanwhile, during the Reporting Period, to improve the quality risk management of shopping malls, we organized comprehensive training and authentication for all members of the professional quality risk control teams of shopping malls all over China and 5 centralized professional training sessions with factories. In addition, adhering to the corporate mission to be responsible for home environmental protection of every family, we strengthened consumers’ awareness of the philosophy of “green environmental protection”. During the Reporting Period, we publicized “Green Environmental Protection • Healthy Home”, with annual audiences of live broadcast held by web celebrities and KOLs (Key Opinion Leaders) exceeding 77 million, hits of official accounts, microblogs and Tik Tok exceeding 11 million and pageviews of articles released on Wechat KOLs exceeding 2 million. We continued to implement the “Green Experience Center” program designed to provide consumers with systematic home decoration guidance, so that consumers will have an intuitive understanding about the decoration procedures, how to identify the merits and demerits of products correctly and decoration inspection tips, so as to convey the green consumption concept to consumers, and thus promote the sales of green home furnishing brands. As of the end of the Reporting Period, the program has been adopted by 44 shopping malls nationwide. In addition, at the China Building Decoration Fair held in March 2019, a number of expert leaders from the China Quality Certification Center, the Environment Resources Division of the National Development and Reform Commission (國家發改委環資司), the Energy Conservation Division of the National Government Offices Administration (國家機關事務管理局節能司), the Energy Foundation, the Energy Efficiency Center of the China National Institute of Standardization (中國標準化研究院能效中心), the China Energy Conservation Service Industry Committee (中國節能服務產業委員會) and Gree Electric Appliances visited the Red Star Macalline Green Environmental Protection Exhibition Hall and jointly launched the “Retail Refrigeration Energy Efficiency Improvement Initiative” (零售業製冷能效提升倡議) with Red Star Macalline.

## BUSINESS REVIEW (CONTINUED)

### 2. Business Management: Continuous Improvement of Shopping Mall Operation and Management (Continued)

#### 2.2 Operational management (continued)

##### (1) (continued)

In terms of services, in 2019, we upgraded the “home care service” to “home maintenance service”, upgrading from only providing basic maintenance services to providing professional maintenance and repair services. We have integrated a national leading maintenance and technical team, as well as well-known large-scale brand factories, and added 54 service items in total with high professional requirements for tile repair, leather furniture repair, and wood furniture touch up. In April 2019, we organized 275 shopping malls nationwide and more than 40,000 brand tenants to hold the “Service to home: Home maintenance service month” event. The service activity covered 160 cities all over China, and had provided a total of 122,620 families with professional services, which were well received by customers. At the same time, this June, we launched the “M beauty to home” branding service. “M beauty to home” is the professional home maintenance service platform of Red Star Macalline. Based on the sophisticated industry experience of Red Star Macalline and the in-depth development in the field of home environmental protection, it provides consumers with on-site service experiences to solve the problems of home maintenance such as high-end maintenance and repair with professional home maintenance technology, and delivers the concept of healthy home to more people. As of the end of the Reporting Period, the “M beauty to Home” brand has covered 103 shopping malls in 75 cities across the country. In addition, we introduced online staff service and intelligent robot service to accelerate customer service responses, and added such online booking channels as WeChat and “service to home • maintenance and replacement” instead of merely relying on phone communication to provide services 24 hours a day, seven days a week, which improved consumer satisfaction.

In terms of credit system, we continued to upgrade our tenants credit classification and evaluation system, comprehensively considered customer evaluation, sales index, delivery and installation satisfaction and other key indicators, promoted the upgrade of new tenant credit management visual design, and enhanced consumer recognition and awareness. Meanwhile, Red Star Macalline, as the market credit sub-platform of Shanghai Commercial Credit Public Service Platform (上海市商務誠信公眾服務平台) and based on the Shanghai credit construction pilot project, actively participated in the government-led Yangtze River Delta credit integration construction, and comprehensively promoted tenants credit management system in home furnishing shopping malls in the Yangtze River Delta area. In May 2019, we were invited to share the experience of “tenants credit construction and Yangtze River Delta area credit integration” (商戶信用建設及長三角信用一體化) at the 2019 Commercial Credit Promotion Conference hosted by the Shanghai Municipal Commission of Commerce; and was invited by the Ministry of Commerce of PRC to participate in the “National Social Credit Standards Technical Committee Second Commercial Credit Subcommittee” (全國社會信用標準技術委員會第二屆商業信用分技術委員會), and was elected as a member. In September 2019, we undertook the mobilization meeting for the “2019 Shanghai Good Faith Prospering Commerce Publicity Month” activity cum the site meeting for promoting credit management of tenants in the Yangtze River Delta area hosted by the Shanghai Municipal Commission of Commerce, involving about 150 representatives from relevant commissioned bureaus of municipal governments, competent commerce authorities at various districts, various industry associations and key enterprises.

## BUSINESS REVIEW (CONTINUED)

### 2. Business Management: Continuous Improvement of Shopping Mall Operation and Management (Continued)

#### 2.2 Operational management (continued)

##### (1) (continued)

In terms of consumer feedback, we continued to conduct effective evaluations on sales, after-sales, online and offline channels and other multi-dimensional service experience, delivery and installation, product quality, price, shopping mall environment, etc., to explore consumers' real thoughts and provide targeted improvement solutions, to achieve increases in consumer satisfaction year after year. As of the end of the Reporting Period, consumer satisfaction in shopping malls increased to 93.2%. Meanwhile, to further enhance consumer satisfaction, we launched the "Red Star Macalline Brand Reputation" activity in more than 300 shopping malls across the country in 2019. By combining consumer evaluation featuring "net promoter score + satisfaction" and professional evaluation featuring "mystery guests + joint inspection + line inspection", we developed basic standards for evaluating reputation, which promoted self-driven shopping mall services, upgraded customer experience and improved service efficiency.

In terms of pricing, based on the Management Regulations for Price-clearly marked Exhibition Room of Red Star Macalline (《紅星美凱龍明碼實價展廳管理規定》) developed jointly with the National Development and Reform Commission, we continued to devote ourselves to guiding factories and dealers to make reasonable pricing. At the same time, we interacted actively with local pricing bureaus in respect of price management, and established a pilot station for price supervision and complaint. As of the end of the Reporting Period, we have provided reasonable pricing guidance in all Red Star Macalline shopping malls across the country.

As of the end of the Reporting Period, we have successfully promoted the "Word of Mouth Advertising" project in all Red Star Macalline shopping malls across the country.

## BUSINESS REVIEW (CONTINUED)

### 2. Business Management: Continuous Improvement of Shopping Mall Operation and Management (Continued)

#### 2.2 Operational management (continued)

*(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 appraisal and initiated an omni-directional quality management system for pre-sales, sales and after-sales, to ensure healthy living of each consumer. Meanwhile, we continued to follow the principle of “inspection at the place of origin and tracking in the whole process” to continuously improve scientism and professionalism of the “Leading Green” Certification, and to continuously optimize and set appraisal standards that better reflect and lead the industry development. During the Reporting Period, we continued to optimize and upgrade our green environmental management system, enhanced the access threshold and leading threshold, and established a leading green big data. As of the end of the Reporting Period, a total of 700 brands across the country were certified as home furnishing green environmental brands.

*(3) Improve operational management efficiency of shopping malls by means of digital space management*

We consolidated the information of space and operation of shopping malls and converted complicated data into user-friendly charts by using digital space management, and we systematically managed the key performance indicators (KPI) of our malls including occupation of booths, rental rates, occupancy rates and collection rates of the shopping malls with our visualized space management platform, which improved the overall operational management efficiency of our malls. During the Reporting Period, based on the original digital space management system, we added new functions to support the operation of tenants, that is, we have developed the brand early warning and risk control reports, issue tracking mechanism and customer care mechanism for different types of shopping malls, thereby rapidly improving shopping malls’ ability to serve customers and their satisfaction.

## BUSINESS REVIEW (CONTINUED)

### 2. Business Management: Continuous Improvement of Shopping Mall Operation and Management (Continued)

#### 2.3 Marketing management

##### (1) Marketing management

We continued to iterate the IMP (Intelligent Marketing Platform), the global home furnishing intelligent marketing platform, and upgraded Red Star Macalline from a one-stop home furnishing shopping mall to an online and offline all-fields super-traffic shopping mall in the home furnishing industry. Directing the traffic by various channels, we helped tenants build private domain traffic pools, and achieved full-link, full-scenario, and full-cycle in-depth operations for every home decoration user from introduction, interaction, arrival at the store, conversion, and repurchase to joint purchase.

Able to direct all-fields traffic and operate in private domains, the upgraded super-traffic shopping mall was built on the latest nine functional modules of Jindowin digital marketing tool (product of Red Star Macalline global home furnishing IMP), including god pitcher's (神投手) DMP (Data Management Platform), qunduoduo (群多多), live broadcast online (在線直播), super cube (超級魔方), marketing treasure box (營銷百寶箱), group talent (團達人), qianke radar (潛客雷達), super shopping guide (超級導購) and cloud BOSS (雲BOSS).

We directed all-fields traffic in a targeted manner via god pitcher's DMP. The current deeply integrated online traffic portals include Alibaba, Baidu and Toutiao, which forms an all-fields marketing network covering e-commerce, social intercourse and information. We have also customized more than 2,000 Red Star Macalline exclusive home furnishing industry user labels jointly with Alibaba. Leveraging accurate user portraits based on big data and user labels, we can help tenants acquire traffic from all fields at low cost in a targeted manner to reduce the communication cost and achieve consumption conversion. In 2019, DMP helped reduce customer acquisition costs of 15 consecutive big promotions of Red Star Macalline. By capitalizing on DMP instead of previous media advertising, customer acquisition costs were reduced by 92% on a cumulative basis and sales conversion increased by 12 times.

Leveraging both community marketing and national marketing as well as taking advantage of the latest edge tool live-broadcasting marketing, we formed the online marketing pattern uniting "community marketing, national marketing and live-broadcasting marketing", operated private domain traffic in a targeted manner, fully tapped users' full life-cycle value and created traffic by making use of our full-cycle, full-link and full-scenario interactive capability.



## BUSINESS REVIEW (CONTINUED)

### 2. Business Management: Continuous Improvement of Shopping Mall Operation and Management (Continued)

#### 2.3 Marketing management (continued)

##### (1) Marketing management (continued)

Capitalizing on qunduoduo, high-frequency interaction, efficient content and quick response and collection of user feedback, community marketing has come to the forefront of the private domain traffic of Red Star Macalline. Currently, we had more than 3,000 targeted communities, covering more than 600,000 owners, and 1,012 star housekeepers nationwide, and offered dedicated community operations and one-to-one customer services through precise matching, blazing the trail for community operations in the home furnishing industry.

As our national marketing network has gathered shopping mall guides, home decoration designers, home decoration KOL and other group talents who have a lot of intended user resources, it is able to make shopping malls, tenants and brands accessible to and interact with traffic with finer granularity and has become a channel for transmission, conversion and realization of traffic. At present, with more than 380,000 group talents, we had the largest private domain traffic pool in the home furnishing industry. In 2019, national marketing group talents brought 22.66 million interactive users, 2.3 million group purchasers with coupons and more than RMB26 billion sales volume for nine big promotions of Red Star Macalline.

Live-broadcasting marketing which is able to achieve traffic guiding and conversion by the shortest link has also become an edge tool for our private domain traffic operations. At present, through live broadcasting on Taobao, Tik Tok, Kuaishou, Kandian, Douyu, Huya, Huajiao, Sohu, Fang.com and other live-broadcasting platforms across the whole network, we have cultivated and recruited 2,587 star anchors, and the figure keeps increasing.

Under the empowerment of the IMP platform, we have upgraded our business cooperation model with tenants from a single offline joint marketing model to a new home joint marketing model featuring online interaction and traffic guiding and offline experience and transactions. We integrated online traffic resources from various channels, had accurately access to potential users in private and public domains, and accurately predicted user needs, eventually leading to explosive traffic conversion in offline shopping malls. As of the end of the Reporting Period, we conducted more than 5,000 online and offline joint marketing activities. The revenue from factories' joint marketing increased by 37% year-on-year, and the revenue from tenants' joint marketing increased by 104% year-on-year.

As of the end of the Reporting Period, the IMP has been launched in nearly 400 shopping malls in 200 cities nationwide, which further extended the applicable area of data, and meanwhile, 408 leading brands falling within 15 major categories nationwide have developed marketing partnership with us.

## BUSINESS REVIEW (CONTINUED)

### 2. Business Management: Continuous Improvement of Shopping Mall Operation and Management (Continued)

#### 2.3 Marketing management (continued)

##### (2) Brand management

We continued to focus on propagating the brand positioning of “Selecting Global Top-notch Design Products” and built a high-end brand image setting a trend in global home furnishing industry through continuous innovation and extensive development in respect of visual communication, content marketing, IP cooperation and cross-sector marketing.

We continued to expand the influence of the “Luban Top-notch Design Products Festival” and “Home Loving Day”.

At the Luban Top-notch Design Products Festival, we restored the modern version of a national treasure-class famous painting in the Palace Museum, Han Xizai Evening Banquet 《韓熙載夜宴圖》, in cooperation with domestic top photographer and poet Sun Jun to show the top-class home scenes of China’s contemporary middle class by focusing on the theme of “Feast for the life with the top products of the era” (以時代尖貨·為生活設宴). This program has won a lot of prizes including “Longxi Award” and “Plum Blossom Prize”, securing a high reputation for the brand and highlighting the beauty and value of top-notch design products of Red Star Macalline design.

Over the past decade, the “Home Loving Day” program has been committed to promoting the philosophy of “loving home” based on the constantly deepened theme from arousing people’s awareness of loving home to discussing about how family members get along with each other. In celebration of the 10th anniversary of “Home Loving Day”, in 2019, we released a heart-warming micro-movie titled “Do You Hear Me” (你·聽見了沒) adapted from a real story to remind users of the unusual love hidden in the voices that we are accustomed to, which has not only struck a responsive chord in users but also enhanced the emotional connotation and brand value of our own brand.

We placed advertising blockbusters themed on global top-notch design for home furnishing as jointly promoted by the world’s top IP matrix, and implanted marketing advertisements in hit variety shows and TV series to further enhance brand recognition.

We released advertisements for global top-notch design brands for home furnishing in airport lounge bridges of various cities including Shanghai, Chengdu, Shenyang and Kunming. We made a stunning appearance at the New York Fashion Week China Day exclusively named by us, showing the world the fashionable design concept of the Chinese leading home furnishing brand. We cooperated with Walt Disney Pictures, the top entertainment IP, for the first time and formally became “one of the three major strategic partners of Disney in Greater China Region” to expand our coverage and enhance our brand influence and status.

## BUSINESS REVIEW (CONTINUED)

### 2. Business Management: Continuous Improvement of Shopping Mall Operation and Management (Continued)

#### 2.3 Marketing management (continued)

##### (2) Brand management (continued)

We implanted our brand concept, home furnishing experience and native advertisements in the popular variety show “Real Actor” (演技派), creating a benchmark case for marketing home furnishing brand in variety shows. We successfully created the first cross-industry design home improvement transformation reality show “Yeaning Home” (嚮往的星居) in China in cooperation with Beijing Satellite TV, and became the exclusive partner of the global home industry in the hit show “We All Have to Be Good” (我們都要好好的), interpreting the brand concept of “Selecting Global Top-notch Design Products” both online and offline.

In 2019, we continued to host the 2nd M+ China Top Interior Design Award, which attracted 12,587 designer participants from 193 cities nationwide. We continued to cooperate with Dunhuang, the world cultural heritage, to carry out public welfare projects, promote the completion of the “Yulin Caves No. 44 Cave of Dunhuang Caves” (敦煌石窟之榆林44窟), and started the “Bingling Cave” (炳靈石窟) public space reconstruction project in 2019, using design to inherit the Chinese aesthetics, protect the cultural confidence, and explore a better contemporary lifestyle in China.

Focusing on the mission of “Improving Home Furnishing Taste of Chinese”, we improved terminal visuals through furniture arts, and upgraded the overall image of malls around the country by introducing a supportive reward and punishment system and establishing a sound internal and external scoring system to continuously enhance our brand recognition over our rivals and provide consumers with unique shopping experiences in home furnishing malls.

During the Reporting Period, our Red Star Macalline brand was awarded “2019 Influential Brand in China Furnishing Industry” by Tencent Jiaju (騰訊家居), the “Most Brand Value of A-share Listed Companies Award” by Gelonghui (格隆匯), “Brand of the Year” by International Finance News (國際金融報), “Investment Value Brand Award” by Leju Finance and Sina Jiaju (新浪家居) and other awards.

## BUSINESS REVIEW (CONTINUED)

### 2. Business Management: Continuous Improvement of Shopping Mall Operation and Management (Continued)

#### 2.4 Property management

**(1) *Strictly manage and control the safety risks in our shopping malls with preventive control at the forefront, complemented by emergency plans through our staff and technology***

During the Reporting Period, we focused on the source of risks and treated preventive management and control as a significant task. We continued to improve the risk profile, and the management and control of security risks of the shopping malls was assigned to dedicated responsible persons; strengthened the staff's education for hazard prevention by conducting military trainings and professional trainings for all basic level employees and management personnel at all levels to ensure effective execution; standardized maintenance and inspection of facilities and equipment such as fire protection and power supply to ensure the prevention capability through our technology; further upgraded the firefighting and surveillance equipment and others and used the intelligent alarm equipment such as unmanned fire detectors to conduct remote monitoring of high-risk places such as the fire control room, catering areas and renovation sites of shopping malls; at the same time, used intelligent information tools such as patrol inspection APP for daily patrol inspections, which effectively enhanced the efficiency and quality of patrol inspection. In addition, we comprehensively improved our emergency and practical ability by effectively combining closed military training, daily military training and safety work with military discipline, and carrying out thematic safety activities on a monthly basis, which substantially improved the practical ability and the mental outlook of our firefighting team; 21 subjects of emergency drills have been implemented effectively in all of our shopping malls across the country, making emergency drills as a normal practice. During the Reporting Period, we continued to maintain "zero accident" with respect to fire, personal injuries and fatalities and key facilities and equipment throughout the year at all shopping malls in the country, effectively managed and controlled safety risks and continuously upgraded safety standards of shopping malls.

## BUSINESS REVIEW (CONTINUED)

### 2. Business Management: Continuous Improvement of Shopping Mall Operation and Management (Continued)

#### 2.4 Property management (continued)

(2) *Constantly improve the environment of our shopping malls to enhance the experience of our tenants and customers*

1) *Accomplish the maintenance and upgrading of the environment of shopping malls to create a better one*

During the Reporting Period, we further improved our environmental quality and customers' experiences. In terms of environmental quality, we standardized the tools, materials and processes for maintenance of facilities and equipment through setting a unified maintenance manual; established a maintenance manager system, and specially-assigned persons are responsible for the evaluation and acceptance of equipment maintenance in each shopping mall from their prefectures, thus ensuring the stable and efficient operation of facilities and equipment; coordinated and standardized the property service projects and enhanced the service capabilities of the shopping malls through the special work of service month; uniformly regulated the qualifications and environmental protection requirements of the materials for self-use and service providers, and ensured the high quality and green and environmental protection of the shopping mall environment from the source. In terms of customers' experiences, we provided parking lot shading, in-vehicle cooling, special weather shelter services to proactively solve customers' problems; assigned special personnel to monitor and govern the air quality of underground garages to alleviate tail gas pollution and improve customer comfort level; controlled the color temperature and illumination of the shopping mall lighting with standardization to ensure the lighting is bright and comfortable; required green and eco-friendly decoration materials in the shopping malls to ensure that customers could experience fresh and healthy air; introduced professional technology and used the disinfection and deodorization technology certified by the World Health Organization to disinfect and purify the bathroom and other areas, which can provide customers with a green, eco-friendly and healthy shopping environment.

2) *Pursue new technologies and processes to ensure industry-leading standard*

The testing in the shopping malls of parking management platform developed by the Company has been completed, which has improved customers' parking experience. We also further improved the technical standards and specifications for air-conditioning water treatment, actively responded to the call for the national prevention and control of air pollution and carried out upgrading and reconstruction of oil-burning gas-fired boilers, and reduced nitrogen oxide emissions. We complied with the social development trend of green and environmental protection, implemented the requirements for waste classification treatment, and laid a solid foundation for building green and eco-friendly shopping malls.

## BUSINESS REVIEW (CONTINUED)

### 2. Business Management: Continuous Improvement of Shopping Mall Operation and Management (Continued)

#### 2.4 Property management (continued)

(2) *Constantly improve the environment of our shopping malls to enhance the experience of our tenants and customers (continued)*

3) *Project renovation*

The implementation of property project renovation was oriented to the promotion of the actual function, environmental quality and safety level of the shopping malls. During the Reporting Period, the Company carried out project renovation for 125 shopping malls, including air-conditioning low-nitrogen burner upgrades, new elevators, underground parking lot upgrades and iterative upgrades of the exterior walls, which effectively improved the quality and safety level of the shopping malls.

### 3. Expansionary Business: Robust Development

During the Reporting Period, the development of our expansionary businesses flourished. With the strategic orientation on the “omni-channel platform service provider for pan-home improvement and the furnishing industry” and by upholding the core concept of “home”, we continued to carry out upstream and downstream cross-border business extensions and to build up a community of shared business future for pan-home improvement and furnishing industry. During the Reporting Period, our online and offline integration platform provided consumers with industry chain services for pan-home improvement and furnishing consumption ranging from design, home renovation, to purchasing 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 improvement and furnishing consumption

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

During the Reporting Period, we continued to realize our strategic goal of offering “One-Stop High-end Home Decoration”, and provided consumers with one-stop solutions for design, home decoration, goods and services.

## BUSINESS REVIEW (CONTINUED)

### 3. Expansionary Business: Robust Development (Continued)

#### 3.1 Internet-based pan-home improvement and furnishing consumption (continued)

In respect of design, we kept providing end consumers with value-added services through M+ top interior design competition, Star Design platform and cloud design software, which at the same time directed traffic to the malls accurately. In March 2019, we successfully held the 2nd M+ China Top Design Award, which attracted 12,587 designers from 193 cities nationwide to attend the competition as of the end of the Reporting Period. As a link between designers and the integrated online and offline platform, the “Star Design” platform had a total of 58,000 high-end designers by the end of the Reporting Period, who created 84,000 excellent design cases. Meanwhile, as a platform for designers to negotiate with customers and supporting shopping mall activities, M+ Design Creator Space has been settled in 12 shopping malls across the country, greatly improved the operating efficiency of the shopping malls and drove sales in the malls. As of the end of the Reporting Period, the offline transaction amount driven by designers’ operation amounted to RMB1,488 million. In addition, the Company independently developed a cloud design software for intelligent home decoration design. Given the long-term concern of consumers that they are unable to find the right furniture that matches the design scheme, the cloud design software puts products in the mall into the design scheme, realizing “what you see is what you get”. The cloud design software has been launched on a trial basis in the market since April 2019. As of the end of the Reporting Period, 347 brands have reached a cooperation agreement with cloud design software, which is expected to drive a sales volume of RMB546 million in the mall.

In respect of commodity retailing, during the Reporting Period, the Company signed a strategic cooperation agreement with Alibaba, the proposer and advocator of “new retail”, aiming at introducing Alibaba’s advanced business philosophy and technical support in the new retail sector to the integrated online and offline platform, to further promote the Company’s pan-home improvement and furnishing consumption industry chain services. Based on the new retail system developed by the Company, during the Reporting Period we completed digital switching and the concatenation of various rules in 24 stores in 6 cities, ensuring that we are in the same frequency as Alibaba. At the same time, leveraging the traffic and channel operation capabilities of Alibaba’s Tmall, we directed online traffic to offline malls, helped our tenants increase operating efficiency, strengthened brand owners’ recognition of new retail and new tools, and further increased tenant loyalty. As of 29 February 2020, the “Tongcheng Stations” bearing Alibaba’s new retail concept were established in 13 cities accumulatively, covering 29 shopping malls and 639 brands, and 5,337 live broadcasts were completed. In addition, during the Reporting Period, a total of 29,013 tenants have signed up for our internet new retail platform based on our self-developed new retail system, realizing the connection between 117 offline Red Star Macalline shopping malls in 67 cities with goods and services on online platforms. At the same time, we rolled out discount coupons and held various discount and promotion activities on the internet new retail platform, stimulating customers’ consumption and shopping demands through those discount and promotion activities, and realizing the traffic guiding from online platform to offline shopping malls, which in turn increased the sales of our tenants. During the Reporting Period, the sales volume and sales amount of offline stores realized through the discount coupons on online platforms amounted to 377,000 orders and RMB8.711 billion, respectively.

## BUSINESS REVIEW (CONTINUED)

### 3. Expansionary Business: Robust Development (Continued)

#### 3.1 Internet-based pan-home improvement and furnishing consumption (continued)

In terms of home decoration, in order to serve more customer groups and provide better shopping experiences, we have established the Red Star Macalline Home Decoration Industry Business Division. Adhering to the concept of “Macalline • Space Aesthetics”, the Home Decoration Industry Business Division is committed to improving the shopping experiences, providing consumers with whole package services covering decorative design, engineering construction and R&D, main furniture and soft accessories, smart home furnishing and residential equipment for villas, houses, hotel apartments, delicately decorated apartments, commercial and office space, etc., to drive the sales in the shopping malls comprehensively. The Group set up Betterhome (家倍得) that provides customized smart home solutions for the middle class, Macalline Space that provides original whole package design services for the private sector, WELL+ that provides white-collar class with aesthetics featuring youth and personality, and brands such as Macalline Aesthetics, ATG & MACALLINE LIFE SPACE, and Zhenyang Decoration, which provide high-end customized solutions for the social elites. At the same time, it established a New Better Home (新美居) Business Center for businesses such as Red Star Whole Package Decoration Exposition (紅星整裝匯), Red Star Fully Furnished Apartment (星居拎包入住), and Red Star Warehouse (紅星倉). As of the end of the Reporting Period, we had 121 self-operated home decoration stores nationwide, which were located in our shopping malls in cities including Beijing, Tianjin, Shanghai, Chongqing, Nanjing, Suzhou, Shenyang, Chengdu, Zhengzhou, Hefei and Shijiazhuang, created synergy with businesses of home decoration malls, by which a unique business mode of customer and supply-chain sharing was created to effectively reduce customer acquisition costs of home decoration and shopping malls, increase re-purchase rate and prices of customer orders, and improve consumers’ one-stop shopping experience and the sales efficiency of merchants. In addition to making full use of the advantages of shopping mall resources, the Home Decoration Industry Group also fully utilized the talent pool resource of more than 20,000 designers, and built its own professionally trained labor system with systemic assessment, and integrated the online home improvement design platform resources according to business development and application scenarios to further enrich the online design content display and home improvement service tool experience, and help to develop offline business.



## BUSINESS REVIEW (CONTINUED)

### 3. Expansionary Business: Robust Development (Continued)

#### 3.2 Comprehensive logistics service with system platform as the center to realize end-to-end logistics distribution by integrating industry resources.

In our terminal service system of home decoration and furnishing industry, the logistics distribution connects directly to consumers, and the quality of logistics services will to some extent affect the word of mouth of our brands. To provide professional distribution and installation services to our tenants and consumers to facilitate the “Last Mile” distribution, installation and after-sales services, and to improve customer satisfaction and loyalty to the brands of our tenants as well as the brand of “Red Star Macalline”, we have set up logistics service centers in 26 cities to provide one-stop professional shopping services for customers from purchase to professional product distribution and installation. As of the end of the Reporting Period, the storage area of our logistics service business has exceeded 100,000 sq.m., and we have commenced operations with more than 450 brands.

Based on our in-depth understanding of the problems and needs in the home furnishing industry, in addition to the original local distribution for consumers of offline shopping malls, our “Xinghe Zhaipei” extends our service chain up to the factory and down to aftersales service for customers, providing a full range of services from factory’s production line to customers’ house by virtue of supply chain integration and meeting logistic needs for online, offline, business-oriented and customer-oriented scenarios. In addition, being one of the most powerful system platforms in the field of home furnishing logistics at present, it helped realize system function upgrade.

During the Reporting Period, our “Xinghe Zhaipei” passed the inspection by the Ministry of Commerce of PRC and was accepted as a “modern home furnishing supply-chain pilot enterprise”, and obtained special research and development fund support of home furnishing supply-chain pilot by the Ministry of Commerce and the Ministry of Finance.

## BUSINESS REVIEW (CONTINUED)

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

During the Reporting Period, the information technology center, adhering to the work belief of being upright and doing the right thing and sticking to the Group's objective of making further progress in construction of information infrastructure and gradually promoting digitalization and intelligentization, kept the original intention and mission in mind, vigorously promoted the construction of information infrastructure in the Group's headquarters and shopping malls across the country, and continuously energized business development through financial intelligence and data intelligence, so as to secure the goal achievement and rapid development of the Group.

During the Reporting Period, we provided 51 information-backed projects for the business departments of the Group, 42 of which went live after demand discovery, analysis and confirmation were made and design and implementation plans were completed. For human resources training, we ensured accurate calculation of salary and social security contribution in the entire Group throughout the year, made corresponding systematic adjustments in response to national and company policies and empowered the Group's training management through our Xingchuang College (星創學院); for business expansion, we removed the barrier between business and financial systems, increased the coverage of online businesses, and adopted a more flexible system structure to match the rapid development and adjustments of our businesses; for property management, we established a smart parking central office to promote unified property management in the Group in respect of personnel, finance and data; for investment promotion management, we provided business-based visual map management tools, built a digital platform that supports spatial decision-making, and provided systematic tools for the positioning of our VIP cooperation brands; for operation management, we developed a mystery guest feedback system to effectively feedback to us the real opinions of end customers, providing data support for enhancing the reputation of our malls; for functional management, we realized effective combination of key business processes and information management through the establishment of such back-office functional management systems such as seal management system and archives management system.

At the same time, the financial sector launched more than 10 projects in 2019 to help Red Star Macalline transform from managed finance to strategic finance. Among them, the Allinpay decentralized cashier system passed the acceptance check, linking up the automatic reconciliation, rebates, accounts and funds deduction of the Allinpay pipeline, laying the solid foundation for the cashier settlement automation in all shopping malls of Red Star; we launched the program for automatic deduction of VAT on employee's business trip, timely responded to the adjustment in national policies, and used systems to automatically calculate the amount of deduction, taxes and generated deduction statements, to avoid manual errors in the deduction process, reasonably reduce tax amount, and avoid tax risks; we exercised control over detailed budget for planning to make the planning budget controllable, so we realized the "prior control" of planning expenses, and improved the efficiency of statistics, review and control; we achieved partnership with Alibaba's "Miaoling POS" and payment system, realized the integration of Alibaba's user resources, and promoted more accurate and effective marketing activities for members of home shopping malls.

## BUSINESS REVIEW (CONTINUED)

### 4. Upgrading and Restructuring of Information Construction to Support the Development of Internet Platform (Continued)

With respect to data center building, we further consolidated the “three vertical and three horizontal” structure of the data center by focusing on the data center, the big member system and the smart engine, strengthened and improved the unified management of Group data, improved the visualization ability of Red Star Data Center, and provided more real-time and intuitive data analysis for all line workers of the Group through mobile billboards, big BOSS screens and other visual tools. We further improved the member portrait and optimized the algorithm model to provide data support for intelligent shopping malls, digital marketing and personalized recommendation. Meanwhile, we provided more powerful data support for business decision-making by integrating data mining into business operation, and writing activity evaluation, product analysis, trend analysis and other analysis reports, and transmitted the data thinking and data application to front-line business staff through the Data Centre Hall to ensure that they could read, understand and use data.

### 5. Highly Efficient Human Resources Management Policies: Supporting Efficient Business Growth

During the Reporting Period, focusing on our “thirteen-character values” and closely in line with our corporate strategies, our human resources policies promoted the implementation of strategic adjustments to the integration of the Company’s operation and development, rapidly completed the supporting work for organizations and personnel, 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 performance management, talent development, business support, human resources operation and employee relations.

In the promotion of corporate values, the Human Resources Center actively implemented the “thirteen-character values” of Red Star Macalline, focusing on vision and mission, promoting good organizational ethics, and strengthening the promotion of corporate values. Values are the root of Red Star’s corporate culture, and all Red Star employees have to undergo detailed value assessments. Values represent the words and behaviors of the Red Star people. Through the value assessments, we promote the dialogue, communication and consensus between us and our employees, and ultimately promote individual growth. As the core figures of culture inheritance of Red Star, managers should teach and also set an example by their deeds.

### BUSINESS REVIEW (CONTINUED)

#### 5. Highly Efficient Human Resources Management Policies: Supporting Efficient Business Growth (Continued)

In terms of management of overall performance, we continuously upgraded and iterated the performance management of shopping malls; on the basis of strengthening the systematic personal performance management of the shopping malls, in 2019, we made every effort to push forward the “External Marketing Piece-Work Assessment” work of the shopping mall, pushed more than 290 shopping malls to work out the plans for external marketing piece-work assessment, and helped them set up a young, dynamic and attractive team for external marketing; we took the initiative to create more incremental sales for the tenants to enhance their business confidence, improve the service reputation, and help the operation of shopping malls through the development of diversified channels such as development of community real estates, showroom/community store building, cooperation with designers and companies in different industries, alteration to second-hand apartment, etc.; on the other hand, the Group developed the SOP Operation Manual for External Marketing Personnel, which summarized the process and methods of the work of external marketing personnel in multiple channels such as community development, cooperation with designers and companies in different industries, and set out management norms to help external marketing personnel to learn, master the method and get to work quickly. Meanwhile, we periodically integrated the practical experience of various shopping malls and formed excellent cases with high reproducibility to be sent to each unit for application; in 2019, we got a total of 114 performance cases and selected 32 outstanding cases with focus on the three dimensions of business channel operation, external personnel management and provincial center overall management, for reference by each unit in their piece-work assessment from the perspective of personnel, business and management, and for shopping malls to clarify their directions, match their actual demand based on the right reference, quickly promote the implementation and continuously generate benefits.

In terms of talent development, we established an agile talent supply chain system, and based on the Company’s strategic development needs, accelerated the training and introduction of 157 persons in charge of the shopping malls and 1,194 persons in other key positions above the manager level through the key talent review, talent evaluation, talent review and talent training to effectively support the opening and preparation of more than 70 shopping malls, which effectively supported the Company’s business development and organizational reform. We have introduced 259 excellent university graduates via the “Star Motivation” program, thus continuously cultivating a youthful culture in the Company. We have enhanced employer brand recognition and nurtured young talent for the industry by further innovative cooperation with schools and enterprises and supporting activities such as college and university design competitions, showroom building, and “career planning carnival” named by us.

## BUSINESS REVIEW (CONTINUED)

### 5. Highly Efficient Human Resources Management Policies: Supporting Efficient Business Growth (Continued)

In terms of business support, we recruited more than 3,000 employees for business expansion and business development of the Company during the Reporting Period. On the basis of providing professional human resources support for existing business units and management teams, we also set up core management teams for several new business units of the Group, and established the organizational system, assessment mechanism and incentive mechanism suitable for business development to promote the rapid development of new business.

In terms of personnel operation and employee relations, on the one hand, we did well basic personnel work to ensure the legal compliance of the Group's human resources work, and there was no labor dispute throughout the year; on the other hand, we actively cooperated with the labor union to carry out a number of theme activities to create a good corporate atmosphere and enhance employees' sense of belonging.

During the Reporting Period, we have successfully created an image of an employer widely recognized by the industry and have successfully demonstrated it through various channels. We have been granted eight authoritative employer brand awards, including "Favorite Company of Employees", "China Role Model Employer", "Pluralistic and Extraordinary Employer of the Year", "Pioneer Employer of the Year", "Best Workplace in Asia", "Best Human Resources Team in Greater China", 2019 "China Bole" — Valuable Employer of the Year, and "Outstanding Human Resources Management Team".

We had a total of 27,113 employees as of the end of the Reporting Period.

### 6. The Establishment of Home Furnishing Shopping Malls Brand Portfolio

In terms of establishing a brand portfolio, in addition to the core brand "Red Star Macalline", the Company also invested in new brands paralleling 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 by the Company to broaden our consumer base and further increase our market share. Moreover, since 2016, the Company has provided commercial consultation services in the stage of development and planning written consultation reports for operational properties to operational property owners other than Portfolio and Managed Shopping Malls. The Company may grant such property owners the authorization to use the "Xingyijia" (星藝佳) brand in the way agreed to by the Company. In addition, since the Company obtained the concession right of "Jisheng Wellborn", a high-end home improvement and furnishing retail brand, for a term of thirty years in 2014, the Company has the right to use the licensed trademarks in our Portfolio Shopping Malls and Managed Shopping Malls and in the business operation course related to 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, the core brand "Red Star Macalline" of the Company retains its leading position in terms of the number of shopping malls and revenue.

## FINANCIAL REVIEW

The key financial performance indicators of the Company can generally be categorized into operating revenue, net profit attributable to owners of the Company and net profit attributable to owners of the Company after deducting non-recurring profit and loss. These indicators provide a measurement of our performance against the key drivers of the Company. For details of the financial performance indicators, please refer to “Revenue” and “Net profit attributable to owners of the Company, net profit attributable to owners of the Company after deducting non-recurring profit and loss and earnings per share” on pages 37 to 38 and page 42, respectively.

### 1. Revenue

During the Reporting Period, the Group’s revenue amounted to RMB16,469.2 million, representing an increase of 15.7% from RMB14,239.8 million in 2018, primarily due to the stable development of the relevant business in our Owned/Leased Portfolio Shopping Malls and Managed Shopping Malls and the significant increase in our construction and design business. During the Reporting Period, the increase of 8.8% in rental and related income of our Owned/Leased Portfolio Shopping Malls was mainly due to the steady growth of mature shopping malls and the revenue contribution of newly opened shopping malls. The increase in revenue of 12.6% from our Managed Shopping Malls during the Reporting Period was the result of increased revenue from the Group’s business expansion to provide commercial consultation and tenant sourcing services to property owners on the one hand and, on the other hand, the year-on-year increase in the number of newly opened Managed Shopping Malls, which brought an increase in the related management revenue progressively. During the Reporting Period, the increase in revenue from our construction and design business was mainly because the Group has proactively undertaken businesses of construction in shopping malls from owners of external commercial properties.

The following table sets forth our revenue by segments:

	For the year ended 31 December			
	2019 (Audited)		2018 (Audited)	
	Amount	%	Amount	%
Owned/Leased Portfolio Shopping Malls	<b>7,798,760,658.12</b>	<b>47.2</b>	7,167,976,016.22	50.3
Managed Shopping Malls	<b>4,702,248,186.58</b>	<b>28.6</b>	4,176,778,594.26	29.3
Construction and design	<b>2,250,505,124.04</b>	<b>13.7</b>	1,479,553,020.36	10.4
Sales of merchandise and related services	<b>568,999,157.09</b>	<b>3.5</b>	466,289,187.59	3.3
Others	<b>1,148,724,663.09</b>	<b>7.0</b>	949,195,682.01	6.7
<b>Total</b>	<b>16,469,237,788.92</b>	<b>100.0</b>	14,239,792,500.44	100.0

## FINANCIAL REVIEW (CONTINUED)

### 1. Revenue (Continued)

- Owned/Leased Portfolio Shopping Malls: Income rose from RMB7,168.0 million in 2018 to RMB7,798.8 million in 2019, representing an increase of 8.8%, mainly due to the steady increase of mature shopping malls and the revenue from newly opened shopping malls. As at the end of 2019, the number of Portfolio Shopping Malls opened by the Group was seven more than at the end of 2018; moreover, operating efficiency was improved through adjusting the layout of the opened shopping malls, and the total operating area was increased by 817,851 sq.m. At the same time, we adopted centralized management and scale effect to create a marketing synergy for all shopping malls, and offered tenants promotions and other value-added services, enhanced the operation and management level of the malls, to ensure that rental and related income could be increased when an already opened mall renewed its agreements with tenants. In 2019, the average operating income of real unit<sup>(Note 1)</sup> of Portfolio Shopping Malls of the Group was RMB97.9 sq.m. per month, which fell slightly compared with RMB106.1 sq.m. per month in 2018, mainly due to the combined results of closure of the Xiangmihu Shopping Mall and the low unit price of newly opened shopping malls which are still in a rent climbing period during this year. The same mall growth of mature shopping malls during the Reporting Period was 6.1%. Such growth was mainly due to the aggregated contribution from the increase in unit income from operation and the increase in operating area of mature Portfolio Shopping Malls during the Reporting Period.

*Note 1:* The average operating income of real unit area is calculated by dividing the rental and related income (during Reporting Period) of Portfolio Shopping Malls (including associates and joint ventures) that were in operation as at the end of the Reporting Period by the arithmetic average of the operating area of such shopping malls at the beginning and the end of the Reporting Period and further by the number of months of the relevant period. (The rental and related income calculated and used in this year only retains recurring income, and the average operating income of real unit of 2018 is restated and adjusted accordingly).

- Managed Shopping Malls: Revenue increased from RMB4,176.8 million in 2018 to RMB4,702.2 million in 2019, representing an increase of 12.6%. This was the result of increased revenue from the Group's business expansion during the Reporting Period, providing commercial consultation and tenant sourcing services to property owners on one hand, and on the other hand, a year-on-year increase in the number of newly opened Managed Shopping Malls, which brought a substantial increase in related management revenue.
- Construction and design: during the Reporting Period, the Group recorded a total revenue of RMB2,250.5 million from construction and design, representing an increase of RMB771.0 million as compared to the corresponding period, mainly attributable to the Group's continuous industrial extension. Leveraging advantages of its rich experiences, the Group proactively accept businesses of construction in shopping malls from owners of external commercial properties.
- Sales of merchandise and related services: during the Reporting Period, the Group recorded a total revenue of RMB569.0 million from sales of merchandise and related services, representing an increase of RMB102.7 million as compared to the corresponding period, mainly attributable to the increase in size of the home decoration business and sales revenue from imported home-living products.
- Others: during the Reporting Period, other revenue was RMB1,148.7 million, representing an increase of RMB199.5 million as compared to the corresponding period, the changes were mainly due to the increase in the revenue from emerging businesses.

## FINANCIAL REVIEW (CONTINUED)

### 2. Cost of Sales

The cost of sales of the Group mainly included staff salary that were directly related to the operation of Owned/Leased Portfolio Shopping Malls, rental expense of Leased Portfolio Shopping Malls and other expenses, the relevant staff salary and operating cost of Managed Shopping Malls and the cost of construction that occurred in the provision of construction services to owners of commercial properties and other cost. The cost of sales of the Group increased from RMB4,813.7 million in 2018 to RMB5,735.6 million in 2019, representing an increase of 19.2%, mainly due to the expansion of the shopping mall management business network and the size of construction business of the Company.

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

	2019 (Audited)		2018 (Audited)	
	Amount	%	Amount	%
Owned/Leased Portfolio Shopping Malls	<b>1,654,802,504.45</b>	<b>28.9</b>	1,607,276,015.02	33.4
Managed Shopping Malls	<b>1,624,820,375.85</b>	<b>28.3</b>	1,655,852,601.31	34.4
Construction and design	<b>1,459,522,282.78</b>	<b>25.4</b>	995,054,981.41	20.7
Sales of merchandise and related services	<b>440,190,913.00</b>	<b>7.7</b>	309,325,890.09	6.4
Others	<b>556,274,935.42</b>	<b>9.7</b>	246,190,333.24	5.1
<b>Total</b>	<b>5,735,611,011.50</b>	<b>100.0</b>	4,813,699,821.07	100.0

- Owned/Leased Portfolio Shopping Malls: the cost of sales increased by 3.0% from RMB1,607.3 million in 2018 to RMB1,654.8 million in 2019, mainly due to the slight increase in cost as a result of the increase of Portfolio Shopping Malls.
- Managed Shopping Malls: during the Reporting Period, the cost of sales of the Managed Shopping Malls was RMB1,624.8 million, decreased slightly from RMB1,655.9 million in 2018, mainly due to the effective control of labor and management costs.
- Construction and design: the cost of sales in 2019 was RMB1,459.5 million, representing an increase of RMB464.5 million compared with that in 2018, mainly due to the cost increased accordingly as a result of the size of business grew at a relatively fast speed during the Reporting Period.
- Sales of merchandise and related services: mainly because the cost increased accordingly due to the increase of home decoration business and the business of purchase and sale of imported furniture.
- Other costs: mainly due to the adjustment of internet online business and the increase of the platform operating cost.



## FINANCIAL REVIEW (CONTINUED)

### 3. Gross Profit and Gross Profit Margin

During the Reporting Period, the Group's gross profit was RMB10,733.6 million, representing an increase of 13.9% from RMB9,426.1 million in 2018; the Group's integrated gross profit margin was 65.2%, representing a decrease of 1.0 percentage point from 66.2% in 2018, primarily due to the fact that the gross profit margins of both Owned/Leased Portfolio Shopping Malls and Managed Shopping Malls have increased, while the significant increase in the revenue from construction and design and others, and the change in revenue structure resulted in a decrease in comprehensive gross profit margin during the Reporting Period.

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

	For the year ended 31 December	
	2019 (Audited)	2018 (Audited)
Owned/Leased Portfolio Shopping Malls	78.8%	77.6%
Managed Shopping Malls	65.4%	60.4%
Construction and design	35.1%	32.7%
Sales of merchandise and related services	22.6%	33.7%
Others	51.6%	74.1%
<b>Total</b>	<b>65.2%</b>	<b>66.2%</b>

- Owned/Leased Portfolio Shopping Malls: Gross profit increased from RMB5,560.7 million in 2018 to RMB6,144.0 million in 2019, representing an increase of 10.5%; gross profit margin in 2019 was 78.8%, representing an increase of 1.2 percentage point from 2018.
- Managed Shopping Malls: Gross profit increased from RMB2,520.9 million in 2018 to RMB3,077.4 million in 2019, representing an increase of 22.1%; gross profit margin increased from 60.4% in 2018 to 65.4% in 2019, mainly due to the effective control of the labor and management costs related to the management business and the increased revenue from the management business while kept lower costs.

### 4. Distribution and Selling Expenses

During the Reporting Period, the Group's distribution and selling expenses amounted to RMB2,290.9 million (accounting for 13.9% of revenue), representing an increase of 34.7% from RMB1,700.3 million (accounting for 11.9% of revenue) in 2018, which was primarily due to the increase in advertising and marketing fees resulting from brand publicity activities of the Group and promoting and marketing activities for newly-opened shopping malls.

## FINANCIAL REVIEW (CONTINUED)

### 5. General and Administrative Expenses

During the Reporting Period, the Group's general and administrative expenses amounted to RMB1,751.9 million (accounting for 10.6% of the revenue), representing an increase of 17.5% from RMB1,491.0 million (accounting for 10.5% of the revenue) in 2018, which was primarily due to the increases in the staff remuneration and welfare, and office and administrative expenses arising from the increase in the number of staff for expansionary business, the enhancement in staff remuneration standards, and the newly-added internet application platform team, in order to develop an omni-channel consumption platform in the pan-home improvement and furnishing industry in accordance with our strategic layout.

### 6. Financial Expenses

During the Reporting Period, the Group's financial expenses were mainly comprised of interest expenses, interest income and exchange gains and losses, etc.. Financial expenses increased from RMB1,533.2 million in 2018 to RMB2,260.1 million in 2019, representing an increase of 47.4%.

Interest expenses were comprised of interest of bank and other borrowings, interest of financial lease and bond interests, etc.. Interest expenses increased from RMB1,873.8 million in 2018 to RMB2,677.3 million in 2019, representing an increase of 42.9%. This was primarily due to the increase in the amount of interest-bearing liabilities as a result of the increase in bank loans, the issuance of domestic corporate bonds and commercial mortgage-backed securities during the Reporting Period in order to meet the operation and development needs of the Group, and the increase of overall interest rates in the market.

### 7. Impairment Losses of Credit

According to the requirements of the New Standards for Financial Instruments, impairment losses of credit mainly includes impairment losses of accounts receivable, impairment losses of other receivables and other expected impairment losses of credit. In 2019, the Group made provision for impairment losses of credit of RMB297.9 million, among which provision for impairment losses of accounts receivable was RMB157.5 million and provision for impairment losses of other receivables was RMB62.3 million, mainly due to the provision for impairment after reviewing the expected credit loss of related receivables and other receivables on the basis of prudent standards.

### 8. Investment Income

The investment income of the Group mainly includes long-term equity investments income calculated by equity method, as well as investment income incurred from acquisition or disposal of subsidiaries and other investments.

The investment income in 2019 was RMB786.4 million, among which investment income incurred from new subsidiaries established by acquisition of joint ventures and associates or from disposal of subsidiaries was RMB275.5 million; investment income calculated and recognized by equity method was RMB137.7 million; and investment income incurred from transferring investments in joint ventures and associates to other equity instrument investments was 251.9 million.

## FINANCIAL REVIEW (CONTINUED)

### 9. Treasury Policies and Objectives

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

### 10. Income Tax Expenses

During the Reporting Period, the income tax expenses of the Group amounted to RMB1,516.8 million, representing an increase of 15.4% from RMB1,313.9 million in 2018, which was mainly due to the tax clearance differences in respect of prior years of RMB366.0 million in 2018.

### 11. Net Profit Attributable to Owners of the Company, Net Profit Attributable to Owners of the Company after Deducting Non-recurring Profit or Loss and Earnings per Share

During the Reporting Period, net profit attributable to owners of the Company amounted to RMB4,479.7 million, which remained stable as compared with RMB4,477.4 million in 2018; the net profit attributable to owners of the Company after deducting non-recurring profit or loss amounted to RMB2,613.6 million, representing an increase of 1.85% from RMB2,566.2 million in 2018. The above performance was primarily due to a comprehensive result of the Group's steady business growth, continually providing customers with high value-added quality services through extension of the industry chain, sustainable growth of revenue and gross profit, and increase in expenditures required for business expansion.

	For the year ended 31 December		Increase/ Decrease
	2019 (Audited)	2018 (Audited)	
Net profit attributable to owners of the Company	<b>4,479,681,652.61</b>	4,477,411,242.46	0.05%
Net profit margin attributable to owners of the Company	<b>27.2%</b>	31.4%	-4.2 ppts
Net profit attributable to owners of the Company after deducting non-recurring profit or loss	<b>2,613,622,255.31</b>	2,566,153,840.44	1.85%
Net profit margin attributable to owners of the Company after deducting non-recurring profit or loss	<b>15.9%</b>	18.0%	-2.1 ppts

During the Reporting Period, the Group's earnings per share was RMB1.26, as compared to RMB1.20 in the same period of 2018.

## FINANCIAL REVIEW (CONTINUED)

### 12. Accounts Receivable

As at the end of the Reporting Period, the book value of accounts receivable of the Group amounted to RMB1,805.7 million (including the book balance of accounts receivable of RMB2,974.7 million and the bad debt allowance of RMB1,169.0 million), representing an increase of RMB117.8 million from RMB1,687.9 million as at the end of 2018, which was primarily due to the increase in income resulting in the increase of related accounts receivable during the Reporting Period.

### 13. Other receivables

As at the end of the Reporting Period, the book value of other receivables of the Group was RMB710.0 million, representing a decrease of RMB1,221.7 million from RMB1,931.7 million as at the end of 2018, which was mainly due to the decrease in sales proceeds collected on behalf of the tenants, and reclassification of project-related borrowings to other current assets during the Reporting Period.

### 14. Other Equity Instrument Investments

As at the end of the Reporting Period, the book value of other equity instrument investments of the Group was RMB3,999.2 million, which was mainly because the Group invested in the equity of upstream and downstream enterprises in the household industry and home furnishing product manufacturing related to artificial intelligence, for strategic purposes, and planned to hold such equity investments for a long time.

### 15. Investment Properties and Gain on Fair Value Changes

As at the end of the Reporting Period, the book value of the Group's investment properties amounted to RMB85,107.0 million, representing an increase of 8.4% from RMB78,533.0 million as at the end of 2018. During the Reporting Period, the investment properties of the Group realized a gain on fair value changes of RMB1,600.7 million. The above growth was mainly due to the increase in rent and related income level of our Portfolio Shopping Malls, advancement in construction progress of investment properties under development and the purchase of new properties during the Reporting Period.

## FINANCIAL REVIEW (CONTINUED)

### 16. Capital Expenditure

During the Reporting Period, the Group's capital expenditure amounted to RMB4,320.3 million (2018: RMB3,438.1 million), which mainly includes purchase expenditure of investment properties and construction development expenditure. The expenditure in this year increased by 25.7% as compared with 2018, mainly because the Group actively expanded the coverage of main businesses and the acquired premium shopping malls properties during the Reporting Period increased.

### 17. Cash and Bank Balances and Cash Flow

As at the end of the Reporting Period, the cash and bank balances of the Group amounted to RMB7,229.2 million (of which, the balance of cash and cash equivalents amounted to RMB6,776.1 million), representing a decrease of RMB1,298.4 million from RMB8,527.6 million (of which, the balance of cash and cash equivalents amounted to RMB7,614.5 million) as at the end of 2018.

	For the year ended 31 December	
	2019 (Audited)	2018 (Audited)
Net cash flow from operating activities	4,093,981,030.60	5,857,930,704.35
Net cash flow from investment activities	(4,082,774,044.60)	(10,994,440,295.78)
Net cash flow from financing activities	(849,680,902.47)	2,475,297,944.71
Impact of exchange rate changes on cash and cash equivalents	80,048.26	6,405,135.96
Net increase/(decrease) in cash and cash equivalents	(838,393,868.21)	(2,654,806,510.76)

### FINANCIAL REVIEW (CONTINUED)

#### 17. Cash and Bank Balances and Cash Flow (Continued)

During the Reporting Period, the Group's net cash inflow from operating activities amounted to RMB4,094.0 million, representing a decrease of RMB1,763.9 million as compared with the net inflow of RMB5,857.9 million during the same period in 2018. It was primarily due to the adjustment of the settlement method of the Group for sales proceeds collected and paid on behalf of the tenants of the shopping malls during the Reporting Period, in which collection and payment on behalf of tenants during the Reporting Period was recorded as a net outflow, which in turn resulted in a decrease in net cash flow from operating activities as compared to 2018.

During the Reporting Period, the Group's net cash outflow from investment activities amounted to RMB4,082.8 million, representing a decrease of RMB6,911.6 million as compared with the net outflow of RMB10,994.4 million during the same period in 2018. It was primarily due to the increased acquisitions of strategic assets and increased investments in upstream and downstream enterprises in the home industry chain in 2018, while the screening level for targeted investments was further improved and the cash paid for various investments decreased during the Reporting Period.

During the Reporting Period, the Group's net cash outflow from financing activities amounted to RMB849.7 million, representing a decrease of RMB3,325.0 million as compared with net inflow of RMB2,475.3 million during the same period in 2018. The main change was the fund of approximately RMB3,050.0 million raised by the Company's issuance of A shares in 2018.

## FINANCIAL REVIEW (CONTINUED)

### 18. Debt Profile and Debt Ratio

As of the end of the Reporting Period, the total amount of debt of the Group was RMB41,201.2 million, of which banks and other borrowings were RMB22,714.7 million, bonds payable were RMB9,750.2 million and commercial mortgage-backed securities payables were RMB8,317.6 million.

The following table sets out our profile debt:

	As at 31 December 2019 (Audited) (RMB'000)	As at 31 December 2018 (Audited) (RMB'000)
<b>Bank and other borrowings</b>		
Secured	22,340,153	21,056,618
Unsecured	374,569	754,000
<b>Total</b>	<b>22,714,722</b>	<b>21,810,618</b>
Fixed-rate borrowings	5,257,494	4,683,610
Floating-rate borrowings	17,457,228	17,127,008
<b>Total</b>	<b>22,714,722</b>	<b>21,810,618</b>
<b>The borrowings are repayable</b>		
Within one year or on demand	6,795,095	7,504,256
More than one year, but not exceeding two years	3,398,639	2,767,248
More than two years, but not exceeding five years	5,961,543	6,015,593
More than five years	6,559,444	5,523,522
<b>Total</b>	<b>22,714,722</b>	<b>21,810,618</b>
<b>Actual interest rate range</b>		
Fixed-rate borrowings	4.28–7.0	4.28–7.36
Floating-rate borrowings	2.78–5.96	4.35–6.8

## FINANCIAL REVIEW (CONTINUED)

### 18. Debt Profile and Debt Ratio (Continued)

Name of bonds	Par value	Issue date	Maturity	As at 31 December 2019 (Unaudited) (RMB'000)	As at 31 December 2018 (Audited) (RMB'000)
Public offering of Corporate Bonds of 2018 of Red Star Macalline Group Corporation Ltd. (First tranche)	RMB3,000 million	2018	3 years	2,989,771	2,978,214
5-year US\$-denominated bonds of Hong Kong Red Star Macalline in 2017	USD300 million	2017	5 years	2,069,727	2,028,378
7-year Corporate Bonds of 2016 of Red Star Macalline Group Corporation Ltd. (First tranche)	RMB1,500 million	2016	7 years	1,491,578	1,486,703
First tranche of the medium-term notes of 2018 of Red Star Macalline Group Corporation Ltd.	RMB500 million	2018	3 years	496,731	495,098
Corporate Bonds of 2015 of Red Star Macalline Group Corporation Ltd. (First tranche)	RMB5,000 million	2015	5 years	168,002	168,002
First tranche of the medium-term notes of 2019 of Red Star Macalline Group Corporation Ltd.	RMB500 million	2019	3 years	498,226	—
Public offering of Corporate Bonds of 2019 of Red Star Macalline Group Corporation Ltd. (First tranche) (type 2)	RMB2,000 million	2019	4 years	1,989,378	—
5-year Corporate Bonds of Red Star Macalline Group Corporation Ltd. (Second tranche)	RMB1,500 million	2016	5 years	46,800	1,496,574
<b>Total</b>				<b>9,750,213</b>	<b>8,652,969</b>

	As at 31 December 2019 (Audited) (RMB'000)	As at 31 December 2018 (Audited) (RMB'000)
<b>Commercial mortgage-backed securities payables</b>		
Securities due in 2020	2,570,499	2,368,173
Securities due in 2021	2,381,039	2,481,250
Securities due in 2022	3,366,070	—
<b>Total</b>	<b>8,317,607</b>	<b>4,849,423</b>



## FINANCIAL REVIEW (CONTINUED)

### 18. Debt Profile and Debt Ratio (Continued)

Among the total debts of the Group, the portion repayable within one year or on demand amounted to RMB12,537.1 million, the portion repayable over one year but less than two years amounted to RMB9,818.2 million, the portion repayable over two years but less than five years amounted to RMB11,939.4 million and the portion repayable over five years amounted to RMB6,906.5 million. The Group will promptly repay the above borrowings at maturity.

The following table sets out our major debt ratios:

	As at 31 December 2019 (Audited)	As at 31 December 2018 (Audited)
Asset-liability ratio <sup>(1)</sup>	59.9%	59.1%
Net gearing ratio <sup>(2)</sup>	69.4%	62.3%

	For the year ended 31 December	
	2019 (Audited)	2018 (Audited)
Interest expenses coverage ratio <sup>(3)</sup>	2.58	3.20

Notes:

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

### 19. Collateralized and Pledged Assets

As at the end of the Reporting Period, the Group had collateralized/pledged investment properties, fixed assets and construction in progress with a total book value of RMB71,493.4 million, other equity instrument investments and restricted cash and bank balances with a total book balance of RMB707.0 million for obtaining loans, the balance of such loans is RMB30,211.1 million; the Group holds restricted cash and bank balances with a balance of RMB266.4 million for deposit reserve placed with the central bank, hedging operations, etc..

### 20. Contingent Liabilities

There is no contingent liability at the end of the Reporting Period.

## FINANCIAL REVIEW (CONTINUED)

### 21. Financial resources

In the future, the main sources of capital of the Group will be from cash generated from our operating activities, bank borrowings, issuance of bonds and share capital contributions from shareholders. To ensure that the capital of the Group is effectively utilized, the Group will continue to regularly monitor its liquidity needs, comply with its financing agreements and maintain sufficient cash reserves and appropriate credit limits so as to meet its liquidity demand.

### 22. Material Acquisitions and Disposals

There was no significant acquisition and disposal during the Reporting Period.

### 23. Capital Commitment

As at the end of the Reporting Period, the amount of capital expenditure in respect of the acquisition and development of investment properties which the Group has contracted for but not recognized in the financial statements was RMB2,095.0 million. In addition, the Group has entered into agreements with its partners, pursuant to which the Group's commitment to contributing funds for development of investment properties jointly with the partners amounted to RMB647.7 million.

### 24. Future Plans for Major Investments

Our future major investments of the Group are primarily capital expenditures in respect of acquisition and construction of investment properties (including through acquisition of subsidiaries). We expect to capitalize on secular growth trends in the home improvement and furnishing industry by strategically opening new shopping malls in selected cities in China with attractive market attributes. As at the end of the Reporting Period, the amount of which the Group has contracted for but not provided in the financial statements was RMB2,095.0 million. In addition, the Group has entered into agreements with its partners, pursuant to which the Group's commitment to contributing funds for development of investment properties jointly with the partners amounted to RMB647.7 million. Such agreements are disclosed in Note XI.1 Significant Commitments of the Consolidated Financial Statements on page 466. This is one of our strategies, and we expect to strengthen our market leadership through strategic expansion of our shopping mall network and brand portfolio.

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

## FINANCIAL REVIEW (CONTINUED)

### 25. 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 USD-denominated notes, HKD short-term borrowings and certain deposits denominated in other currencies. To manage these additional foreign exchange risk exposures, the management of the Group has actively adopted relevant risk control measures, including selecting appropriate forward contracts and currency swaps and other foreign debt hedging instruments, enhancing internal control awareness and strategies, increasing discussion with international banks and closely monitoring and anticipating trends of foreign exchange market, in order to be prepared to hedge our risk in a timely manner. 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.

### 26. Human Resources

As of the end of the Reporting Period, the Group had 27,113 employees (31 December 2018: 24,339 employees). The Group signs labor contracts with employees according to the Labor Law of the People's Republic of China and the relevant regulations in the employees' locations. The Group will determine the employees' basic wage and bonus level according to the employees' performance, work experience and the market wage standard, and shall pay social insurance and housing provident fund for the employees. In 2019, the Group paid a total of RMB3,651.2 million for salary expenditure (2018: RMB3,461.7 million). Meanwhile, the Group also kept investing resources to provide various education and training opportunities for its employees, aiming to standardize the management work and improve the operation performance, and continuously improved the knowledge and technical competence as well as the practicing business of the employees.

### 27. Events after the Reporting Period

#### 1. Results of the Issuance of the 2020 First Tranche of Mid-term Notes

According to the "Resolution on the General Mandate for the Issue of Domestic Debt Financing Instruments and Relevant Authorization" considered and passed at the 2018 first extraordinary general meeting convened by the Company, on 25 April 2018, the general meeting of the Company authorized the board of directors and its authorized persons to make decisions on financing in due course and to conduct domestic issuance of debt financing instruments, including but not limited to mid-term notes, corporate bonds, and other debt financing instruments recognized by domestic regulators, with a total amount of not exceeding RMB15 billion. The Company has filed an application to the National Association of Financial Market Institutional Investors ("NAFMII") for the registration of issuance of mid-term Commercial Papers. For detailed information, please refer to the Announcement on Proposed Issuance of 2018 First Tranche of Mid-term Notes by Red Star Macalline Group Corporation Ltd. (Announcement Code: 2018-052) disclosed by the Company on the official website of the Shanghai Stock Exchange and via designated media.

## FINANCIAL REVIEW (CONTINUED)

### 27. Events after the Reporting Period (Continued)

#### 1. Results of the Issuance of the 2020 First Tranche of Mid-term Notes (continued)

On 12 September 2018, the Company received the Notice for Acceptance of Registration (Zhong Shi Xie Zhu [2018] No. MTN506) issued by the NAFMII, expressing its consent for the registration of the issuance of mid-term notes of the Company, with a registration amount of RMB5 billion. The registration amount will be valid for two years from the date of the Notice for Acceptance of Registration issued by the NAFMII.

On 22 May 2019, in order to better play the role of non-financial corporate debt financing instruments on the Company's overall capital use, after re-evaluating its debt financing instrument structure, the Company applied to the NAFMII for the reduction of the registration amount of the mid-term notes under the aforementioned Notice for Acceptance of Registration (Zhong Shi Xie Zhu [2018] No. MTN506).

On 6 June 2019, the Company received the Letter in Relation to the Reduction of Registered Amount of Mid-Term Notes of Red Star Macalline Group Corporation Ltd. (Zhong Shi Xie Han [2019] No. 567) issued by the NAFMII approving the reduction of RMB3 billion from the registration amount of the mid-term notes of the Company under the aforementioned Notice for Acceptance of Registration (Zhong Shi Xie Zhu [2018] No. MTN506). The remaining valid registration amount under the Notice for Acceptance of Registration (Zhong Shi Xie Zhu [2018] No. MTN506) is RMB2 billion after the reduction of RMB3 billion from the original registration amount of RMB5 billion.

From 16 January 2020 to 17 January 2020, the issuance of the 2020 first tranche of mid-term notes of the Company was completed with amount in total of RMB500 million with an interest rate of 5.70%. For details, please refer to the announcement of the Company dated 21 January 2020 as disclosed on the designated media in China and the announcement dated 20 January 2020 as disclosed on the website of the Hong Kong Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)). For documents relating to the issuance of the mid-term notes of the Company, please refer to the website of Chinamoney ([www.chinamoney.com.cn](http://www.chinamoney.com.cn)) and the website of Shanghai Clearing House ([www.shclearing.com](http://www.shclearing.com)).

#### 2. The Exemption of Tenants in Portfolio Shopping Malls from One-month Rent and Management Fee

On 29 January 2020, the Company received a proposal from Mr. CHE Jianxing, the Chairman, to convene an extraordinary meeting of the Board to consider the resolution on the matters in relation to the exemption of relevant qualified tenants in Portfolio Shopping Malls from one-month rent and management fee.

## FINANCIAL REVIEW (CONTINUED)

### 27. Events after the Reporting Period (Continued)

#### 2. The Exemption of Tenants in Portfolio Shopping Malls from One-month Rent and Management Fee (continued)

In order to undertake the social responsibilities actively and support the development of tenants, the relevant qualified tenants in the relevant Portfolio Shopping Malls will be exempted from the rent and the management fee for a month of the year 2020 by the Company to facilitate their smooth operation under the novel coronavirus pneumonia epidemic. For details, please refer to the announcement of the Company dated 3 February 2020 as disclosed on the designated media in China and the announcement dated 2 February 2020 as disclosed on the website of the Hong Kong Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)).

#### 3. Share Option Incentive Scheme

For the purpose of further improving the corporate governance structure of the Company, establishing and enhancing the long-term incentive and constraint mechanism of the Company, attracting and retaining talents, fully mobilizing the proactiveness and creativities of the core cadres of the Company, effectively promoting the cohesiveness of the core team and the core competitiveness of the enterprise, effectively aligning the interests of Shareholders, the Company and the core team, enabling all parties to focus on the long-term development of the Company, and ensuring the achievements of the development strategies and operation objectives of the Company, the Company issued RMB-denominated ordinary shares (A shares) of the Company to the participants directly (the "Incentive Scheme") on the premise of fully protecting the interests of shareholders and on the principle of income equivalent to contribution. The number of share options proposed to be granted to the participants under the Incentive Scheme is 30.85 million, representing approximately 0.87% of the total issued share capital of 3,550 million shares of the Company as at the date of announcement of the draft Incentive Scheme (i.e. 23 February 2020), among which, the first grant of share options consists of 27.765 million, representing approximately 0.78% of the total issued share capital of 3,550 million shares of the Company as at the date of announcement of the draft Incentive Scheme and 90.00% of the total number of share options under the Incentive Scheme; the reserved share options consist of 3.085 million, representing approximately 0.09% of the total issued share capital of 3,550 million shares of the Company as at the date of announcement of the draft Incentive Scheme and 10.00% of the total number of share options under the Incentive Scheme. The Incentive Scheme has been approved by shareholders at the 2020 first extraordinary general meeting, the A shareholders' class meeting and the H shareholders' class meeting held on 21 April 2020. For details, please refer to the announcement of the Company dated 24 February 2020 as disclosed on the designated media in China and the announcement and the circular of the Company dated 23 February 2020 and 26 March 2020, respectively, as disclosed on the website of the Hong Kong Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)).

## FINANCIAL REVIEW (CONTINUED)

### 27. Events after the Reporting Period (Continued)

#### 4. Announcement on Results of Public Issuance of the First Tranche of 2020 Corporate Bonds

As approved by the China Securities Regulatory Commission (Zheng Jian Xu Ke [2019] No. 628), the Company was granted the permission to publicly issue corporate bonds with the total nominal value of up to RMB4 billion to qualified investors, and such corporate bonds shall be issued in installments.

According to the Announcement on Public Issuance of the First Tranche of 2020 Corporate Bonds of Red Star Macalline Group Corporation Ltd., the issuance size of the first tranche of publicly issued 2020 corporate bonds of Red Star Macalline Group Corporation Ltd. (the “Bonds”) was up to RMB500 million (inclusive). The issuance was made by adopting a form of book-building for qualified investors through offline, with an issuance price of RMB100 per piece.

The Bonds have a maturity of three years and were attached with the Issuer’s option to adjust the coupon rate and the bondholders’ put option at the end of the second year.

The issuance of the Bonds was completed on 10 March 2020, the actual issuance size was RMB500 million, with a coupon rate of 4.95%.

## RISK FACTORS

There is no significant change in risk factors faced by the Company for current year as compared with that for the previous year, and the specific risk factors are as follows:

### 1. Risks Caused by Slackened Macro-Economy and Cyclical Fluctuation of Real Estate Industry

The recent years have witnessed China’s persistent slackened macroeconomic growth trend. In 2019, China’s GDP showed 6.1% year-on-year growth. The slowdown in macro-economic growth may slow down the expected urbanization in China, and pose adverse effect to the improvement of residents’ disposable income and standard of living. Meanwhile, the real estate industry, as the core industry subject to continuous regulation of China, is closely related to the country’s macroeconomic development with the manifestation of the strong cyclical characteristics. The adverse changes caused by slower growth of the macro-economy and cyclical volatility of the real estate industry may weaken the demand for the home improvement and furnishing retail industry, and thus posing certain negative impact on the Company’s operating performance.

## RISK FACTORS (CONTINUED)

### 1. Risks Caused by Slackened Macro-Economy and Cyclical Fluctuation of Real Estate Industry (Continued)

According to the data of Frost & Sullivan, the sales amount achieved in China's home improvement and furnishing industry in 2019 was RMB5.4 trillion, representing an increase of 9.3% on a year-on-year basis. The Company will actively seize favorable opportunities of the rapid development in the home improvement and furnishing industry and increase the market share by the fast and steady expansion of the shopping mall network; while improving economies of scale and operational efficiency and strengthening the sustained stability of profitability, so as to better cope with and withstand the risks associated with macroeconomic and industry volatility.

### 2. Risks Associated with Talent Shortage and Loss

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

We have set up different personnel training and reserve plans for the fresh graduates, excellent employees and supervisory employees, and have continued to contribute resources to provide various types of education and training opportunities so as to enhance their knowledge and technical level as well as the ability of practicing business. Meanwhile, the Company has been strengthening information construction so as to improve the efficiency of business, and thus providing guarantee for the building of our pool of talent required for business expansion.

### 3. Risks Associated with Expanding Business Development

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

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

### OUTLOOK AND PROSPECTS

We have persistently adhered to the mission of “building a warm and harmonious homeland and enhancing consumption and lifestyle”. In 2020 and thereafter, we will continue to follow the operation and management model of “market-oriented management and shopping mall management”, provide better and more professional services for consumers, consolidate our market leadership and strengthen the brand image of “Home Furnishing Expert” of “Red Star Macalline” in the consumers’ mind to build the most pioneering and professional “omni-channel platform provider in the home improvement and furnishing industry”.

Our future development plans are as follows:

**1. To Continue the Implementation of the Two-Pronged Business Model of Portfolio Shopping Malls and Managed Shopping Malls and Strengthen the Market Leadership through Strategic Expansion of Shopping Mall Network and Brand Portfolio**

In terms of shopping mall network construction, the Company will fully ride the tide of the thriving trend shown in the industry arising from the acceleration of urbanization, improvement in living standards and the increased population mobility, and continue to selectively expand our network of home furnishing malls in cities with attractiveness. We will further strengthen the market leading position in Tier I and II Cities through self-operation mode, and continue to selectively open new home shopping malls in the core cities; at the same time, by relying on the sound brand reputation, mature shopping mall development, tenant sourcing and operation and management capabilities in the home improvement and furnishing industry, the Company will quickly penetrate into the Tier III Cities and other cities through the asset-light managed business model, so as to further expand the operation coverage of companies in the country, and thus accelerate market penetration.

**2. To Strengthen the Brand Image of “Omni-channel Service Provider for the Pan-Home Improvement and Furnishing Industry” by Deeply Promoting the Business Transformation and Making a Breakthrough in Full-cycle Services of Home Furnishing Consumption**

In 2020, we will give full play to the value mining capabilities of the traffic, and expand our business lines to design, home decoration and other links in addition to home furnishing consumption based on the needs of consumers throughout the life cycle. As regards home furnishing business and home design, in order to meet the personalized needs of mid- and high-end customers, we will expand our business to front-end design and end-user services based on the existing Internet retail and Internet home furnishing business, and with the strategic goal of “one-stop service for high-end home improvement” in practice, provide consumers with one-stop solutions for design, home improvement, goods and services. Furthermore, we will launch Mshejiyun (美凱龍設計雲), a panoramic platform we create to offer cloud design and furnishing procurement services. In addition, we will continue to promote brand upgrading, create a social media matrix, realize branding rejuvenation, and build and strengthen the brand image of “omni-channel service provider for the pan-home improvement and furnishing industry” by, on the one hand, opening up the new traffic entrance to empower distributors comprehensively, and on the other hand, meticulously well operating the existing customer resources with active transformation.



## OUTLOOK AND PROSPECTS (CONTINUED)

### **3. To Establish a Comprehensive Service System, Striving to Become a New Retail Benchmark in the Home Improvement and Furnishing Industry**

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

### **4. To Deeply Work Together with Alibaba to Expand the Layout of the New Retail Sector**

We will deeply work together with Alibaba to carry out multi-level cooperation in terms of capital, business and talents. Both parties will carry out all-round in-depth cooperation in the fields of new retail store construction, e-commerce platform building, logistics, warehouse, distribution and installation service provider system, consumer finance, complex business, payment system as well as information sharing, etc.. Such cooperation will start a new round of upgrading and restructuring of the business model, enhance the long-term competitiveness of the enterprise, and embrace the new development opportunities.

### **5. To Actively Make Innovations and Attach Importance to the Application of Capital Market and Financial Instruments**

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

### **6. To Continuously Improve Corporate Governance of the Company, Standardized Operation, and Fulfill our Social Responsibility**

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

# Directors, Supervisors and Senior Management

## EXECUTIVE DIRECTORS

**Mr. CHE Jianxing**, aged 53, the founder of our Group. Mr. CHE started his career in furniture manufacturing in the late '80s. He established Changzhou Red Star Furniture Store (常州市紅星傢俱城) in December 1990 and served as its general manager from 1990 to 1994; he founded Red Star Furniture Group Co., Ltd. in June 1994 and served as its chairman of the board of directors and general manager from 1994 to 2007; he has served as the Chairman, an executive Director, the chief executive officer and the general manager of the Company since June 2007. Mr. CHE is Ms. CHEN Shuhong's husband and Ms. CHE Jianfang's brother. Mr. CHE is a member of the executive committee of All-China Federation of Industry & Commerce, the vice president of Shanghai Federation of Industry and Commerce and a standing member of the thirteen session of the Political Consultative Conference Shanghai Committee (上海市政協第十三屆委員會). Mr. CHE was awarded the "Working Model of Jiangsu Province" by Jiangsu Provincial People's Government in April 2006, the "National Excellent Private Enterprise Owner Caring for Employees (全國關愛員工優秀民營企業家)" by All-China Federation of Industry & Commerce and All-China Federation of Trade Union in June 2007, the "Most Respectful Entrepreneur of Jiangsu Province over the 30 Years of Opening and Reform (改革開放30年江蘇省最受尊敬企業家)" in 2008, the "Changzhou Outstanding Entrepreneur" by the Changzhou government in January 2012, the "Shanghai Top 10 Outstanding Persons of Commerce (上海商業十大傑出人物)" by Shanghai Commercial Association in October 2012, the "Glory Star of Shanghai (上海市光彩之星)" by Shanghai Federation of Industry and Commerce in June 2013, the "Shanghai Outstanding Star (上海傑出之星)" by the Shanghai government, Shanghai Federation of Industry and Commerce and Shanghai Outstanding Enterprise Promotion Association (上海光彩事業促進會) in February 2014, the "Leader of the Third Session of Industry and Commerce of Shanghai (第三屆上海市工商業領軍人物)" by Shanghai Commercial Association and Shanghai Enterprise Association (上海市企業聯合會) in March 2018, the "Outstanding Individual in the Work of Unionization of Shanghai (上海市統一戰線工作先進個人)" by Shanghai Unionization Department (上海市統戰部) in December 2018 and the "Excellent Entrepreneur of Shanghai (上海市優秀企業家)" by Shanghai Enterprise Association in February 2019.

**Mr. GUO Binghe**, aged 46, joined the Company in June 2007 and has been a vice general manager of the Company since October 2011. Since December 2013, he has been the secretary to the Board, and has also been serving as vice chairman since November 2018. He is primarily responsible for legal compliance, corporate governance, internal control, investor relations and information disclosure of the Company and providing support and assistance to the Board in the performance of its duties. Prior to joining the Company, Mr. GUO worked in the investment banking division of Shenyn & Wanguo Securities Co., Ltd. (申銀萬國證券股份有限公司) from July 2001 to March 2004. He then worked in Skyone Securities Co., Ltd. (天一證券有限公司) from March 2004 to October 2005. From 2006 to 2007, Mr. GUO served as assistant chief financial officer of Red Star Furniture Group.

Mr. GUO completed his studies in English education at Anhui Education College (安徽教育學院) (now known as Hefei Normal University (合肥師範學院)) in July 1998, and obtained a master's degree in economics from Fudan University (復旦大學) in July 2001 and a degree of executive master of business administration from Cheung Kong Graduate School of Business (長江商學院).

## Directors, Supervisors and Senior Management

**Ms. CHE Jianfang**, aged 51, joined our Company in June 2007 and has been an executive Director and a vice general manager of our Company since then. Ms. CHE is primarily responsible for merchandising management of our Company. Prior to joining our Company, Ms. CHE worked as the general manager at the Changzhou Red Star Furniture General Factory (常州市紅星傢俱總廠) from 1990 to 1993, mainly responsible for general operation of the business. She served as the general manager responsible for national investment operation at Red Star Furniture Group from 1994 to 2007. Ms. CHE is Mr. XU Guofeng's wife and Mr. CHE Jianxing's sister. Ms. CHE completed the "Senior Executive Program for China" jointly organized by China Europe International Business School (中歐國際工商學院) ("CEIBS"), Harvard Business School and the School of Economics and Management of Tsinghua University (清華大學經濟管理學院) in December 2007. She also completed the China CEO Program jointly organized by Cheung Kong Graduate School of Business (長江商學院), Columbia Business School, the International Institute for Management Development and London Business School in July 2011. Ms. CHE has completed the executive master of business administration program in PBC School of Finance, Tsinghua University in April 2018. Currently, Ms. CHE serves as the vice-chairman of Shanghai Entrepreneur Association (上海市企業家聯合會), vice chairman of the Federation of Industry and Commerce of Pudong New Area (浦東新區工商聯) and executive director of the enterprise committee of Shanghai Committee of the China National Democratic Construction Association (中國民主建國會上海委員會) and vice president of the fourth council of Shanghai Outstanding Enterprise Promotion Association (上海市光彩事業促進會), and has always been committed to social welfare undertakings. She further established Red Star Bright Fund (紅星光彩基金).

**Mr. JIANG Xiaozhong**, aged 50, joined our Company in June 2007 and has been an executive Director and a vice general manager of our Company since December 2012. Mr. JIANG is primarily responsible for business development and operation of our Group. Prior to joining our Company, from June 1994 to June 2007, Mr. JIANG served in various positions at Red Star Furniture Group, including as secretary of the communist party branch committee, secretary of the communist party committee and as vice president, primarily responsible for business operation, administration and communist party committee related work. Mr. JIANG completed a three-year correspondence course for cadre in administrative management at the Communist Party School of Jiangsu Province (江蘇省委黨校) in July 1992. He completed his studies in the executive master of business administration program at Cheung Kong Graduate School of Business (長江商學院) in September 2011.

## NON-EXECUTIVE DIRECTORS

**Ms. CHEN Shuhong**, aged 47, joined our Company in June 2007 and has been a non-executive Director since then. Ms. CHEN is primarily responsible for overseeing our Company's management and strategic development. Prior to joining our Company, Ms. CHEN worked at the Changzhou Red Star Furniture General Factory (常州市紅星傢俱總廠) from July 1992 to December 1993, and was mainly responsible for finance and accounting-related work. She then served as a manager of Changzhou Home Furnishing Wholesale Center (常州建材傢俱批發中心) from January 1994 to June 1999. Ms. CHEN served as the chief financial officer of Red Star Furniture Group from June 1999 to June 2007. Ms. CHEN is Mr. CHE Jianxing's wife. Ms. CHEN obtained a college degree for adult higher education in accounting from Jiangsu Polytechnic University (江蘇工業學院) (now known as Changzhou University (常州大學)) in 2003. She graduated with an executive master of business administration degree from the executive master of business administration program of The Hong Kong University of Science and Technology (香港科技大學) in June 2012.

## Directors, Supervisors and Senior Management

**Mr. XU Guofeng**, aged 53, joined our Company in June 2007 and has been a non-executive Director of our Company since November 2014. Mr. XU is primarily responsible for overseeing our Company's management and strategic development. Prior to joining our Company, Mr. XU served as a factory manager at the Changzhou Red Star Furniture General Factory (常州市紅星傢俱總廠) from 1991 to 1994, where he was mainly responsible for production and business operation. He then served as a vice president of Red Star Furniture Group from 1994 to 2007, where he was mainly responsible for managing construction-related work and participating in the decision making for significant events. Mr. XU is Ms. CHE Jianfang's husband. Mr. XU completed an adult higher education course in economic management at Changzhou Institute of Technology (常州工學院) in August 2002. Mr. XU completed a correspondence course in business administration at Beijing Business Management Correspondence College (北京經濟管理函授學院) in July 2004. He also completed the executive master of business administration program at Cheung Kong Graduate School of Business (長江商學院) in September 2011.

**Mr. XU Hong**, aged 46, joined Alibaba Group Holding Limited (listed on the New York Stock Exchange, stock code: BABA) in July 2018, where he currently serves as a vice president and a special assistant to CEO. From August 1996 to June 2018, he worked at PricewaterhouseCoopers Zhong Tian LLP and was promoted to a partner in July 2007. He has concurrently served as a non-executive director of Lianhua Supermarket Holdings Co., Ltd. (listed on the Hong Kong Stock Exchange, stock code: 980) since August 2018, a director of DSM Grup Danışmanlık İletişim Ve Satış Ticaret Anonim şirketi since August 2018, a director of C2 Capital Partners GP Limited since February 2019, a non-independent director of Suning.com Group Co., Ltd. (listed on the Shenzhen Stock Exchange, stock code: 2024) since May 2019, a non-executive director of Alibaba Health Information Technology Limited (listed on the Hong Kong Stock Exchange, stock code: 241) since June 2019, and a non-independent director of Meinian Onehealth Healthcare Holdings Co., Ltd. (美年大健康產業控股股份有限公司) (listed on the Shenzhen Stock Exchange, stock code: 2044) since December 2019.

From September 1991 to July 1996, Mr. XU studied at the Department of Physics of Fudan University and obtained a bachelor degree of science, and is a certified public accountant in the PRC.

**Mr. JING Jie**, aged 45, joined Alibaba Group Holding Limited (listed on the New York Stock Exchange, stock code: BABA) in June 2015 and successively was responsible for Tmall Marketing, Strategic Partnership Development of Alibaba Group, Tmall FMCG and has served as president of Tmall since December 2017. Mr. JING currently serves as a vice president of Alibaba Group and an assistant to CEO and has been a member of the Executive Committee of Five New Sectors (「五新」執行委員會) of Alibaba Group since July 2017. From July 1998 to August 2012, he worked at P&G (Guangzhou) Ltd. and was promoted to a vice president of Brand Operations in Greater China Region since 2009. From September 2012 to June 2015, Mr. JING served as the general manager of Brand Management and the general manager of Convenience Foods Management at COFCO Food Sales & Distribution Co., Ltd., and was in charge of the e-commerce business of China Foods.

From September 1991 to July 1995, Mr. JING studied at the Department of Computer Science and Technology of Nanjing University and obtained a bachelor degree of science, and obtained a master degree of engineering in July 1998.

### INDEPENDENT NON-EXECUTIVE DIRECTORS

**Mr. LEE Kwan Hung, Eddie**, aged 54, has been appointed as our independent non-executive Director since February 2015. He is primarily responsible for participating in the decision making for our Company's significant events and advising on issues relating to the nomination of our Directors and senior management. From December 1992 to April 1994, Mr. LEE worked in the Listing Division of the Hong Kong Stock Exchange, where he served as a manager and later a senior manager, and was a partner of Woo Kwan Lee & Lo from April 2001 to February 2011. Mr. LEE is currently a consultant at Howse Williams law firm. He has been an independent non-executive director of several companies listed on the Hong Kong Stock Exchange, including Embry Holdings Limited (安莉芳控股有限公司) (stock code: 1388) since November 2006, NetDragon Websoft Inc. (網龍網絡控股有限公司) (stock code: 777) since June 2008, Newton Resources Ltd. (新礦資源有限公司) (stock code: 1231) since December 2010, Tenfu (Cayman) Holdings Company Limited (天福(開曼)控股有限公司) (stock code: 6868) since August 2011, China BlueChemical Ltd. (中海石油化學股份有限公司) (stock code: 3983) since June 2012, Landsea Green Properties Co., Ltd. (朗詩綠色地產有限公司) (stock code: 106) since July 2013, Glory Sun Financial Group Limited (stock code: 1282) since November 2015, FSE Services Group Limited (stock code: 331) since November 2015, and Ten Pao Group Holdings Limited (天寶集團控股有限公司) (stock code: 1979) since November 2015.

Mr. LEE obtained his Bachelor of Laws (Honours) degree and Postgraduate Certificate in Laws from the University of Hong Kong in 1988 and 1989, respectively. He was admitted as a solicitor in Hong Kong in 1991 and in the United Kingdom in 1997.

**Mr. QIAN Shizheng**, aged 67, joined our Company in April 2016 and has been appointed as our independent non-executive Director since then. He is primarily responsible for participating in the decision making for our Company's significant events and advising on issues relating to corporate governance, audit and the remuneration and assessment of our Directors and senior management. Mr. QIAN has over 30 years of experience in the theory and practice of finance and accounting. Mr. QIAN served as the Deputy Dean of the Department of Accounting at Shanghai Fudan University from August 1983 to December 1997. During the period from January 1998 to June 2012, he served as the executive director and later the vice president of Shanghai Industrial Holdings Limited (上海實業控股有限公司), a company listed on the Hong Kong Stock Exchange (stock code: 363), and concurrently served as the vice chairman of Haitong Securities Co., Ltd. (海通證券股份有限公司), a company listed on both the Shanghai Stock Exchange (stock code: 600837) and the Hong Kong Stock Exchange (stock code: 6837) as well as an independent director at Shanghai Chengtong Holding Co., Ltd. (上海城投控股股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 600649). Mr. QIAN returned to Shanghai Fudan University (上海復旦大學) in July 2012 and is now a professor at the School of Management of Shanghai Fudan University. Mr. QIAN is concurrently acting as an independent director at Shanghai Lujiazui Finance and Trade Zone Development Co., Ltd. (上海陸家嘴金融貿易區開發股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 600663), Spring Airlines Co., Ltd. (春秋航空股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 601021), Asia Cuanon Technology Co., Ltd. (亞士創能科技股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 603378), Hanhua Financial Holding Co., Ltd. (瀚華金控股份有限公司), a company listed on the Hong Kong Stock Exchange (stock code: 3903), Jingrui Holdings Limited (景瑞控股有限公司), a company listed on the Hong Kong Stock Exchange (stock code: 1862), Lonking Holdings Limited (中國龍工控股有限公司), a company listed on the Hong Kong Stock Exchange (stock code: 3339).

## Directors, Supervisors and Senior Management

Mr. QIAN obtained his bachelor's degree in economics from the Accounting Department at Shanghai University of Finance and Economics in July 1983 and obtained his master's degree in economics and PhD in management from Shanghai Fudan University in January 1993 and July 2001, respectively.

**Mr. WANG Xiao**, aged 45, has been the partner of IDG Capital and responsible for the merger and acquisition business since December 2015. During April 2000 and March 2001, he served as manager in the head office of Bank of China. During March 2001 and March 2011, he served as senior manager in the Shanghai Stock Exchange. From March 2011 to April 2015, he served as an investigator of the CSRC. From April 2015 to December 2015, he served as a vice general manager of Shanghai Lujiazui International Financial Assets Commodity Exchange Co., Ltd. (上海陸家嘴國際金融資產交易市場股份有限公司) and a member of the executive committee of Ping An Insurance (Group) Company of China, Ltd. (中國平安保險(集團)股份有限公司) (listed on the Stock Exchange of Hong Kong, stock code: 2318 and listed on the Shanghai Stock Exchange, stock code: 601318). He also served as an independent director of Zhejiang Wanfeng Auto Wheel Co., Ltd. (listed on the Shenzhen Stock Exchange, stock code: 002085) since May 2016 and an independent director of Long Yuan Construction Group Co, Ltd. (listed on the Shanghai Stock Exchange, stock code: 600491) since March 2017. Mr. WANG is a professor (part-time) of the China Insurance Actuarial Research Institute (中國保險精算研究院) of Central University of Finance and Economics (中央財經大學) and is also a columnist of Caixin.com. Mr. WANG is a certified public accountant of the PRC and a CFA charterholder.

Mr. WANG studied at and obtained a master's degree in accounting from the Central University of Finance and Economics (中央財經大學) from September 1997 to April 2000, a master's degree in finance from the London Business School from September 2007 to June 2008. He obtained his PhD degree in management from Shanghai Fudan University (上海復旦大學) from September 2004 to June 2009.

**Ms. ZHAO Chongyi**, aged 45, has been the China regional chairman of Grand Parc Du Puy Du Fou since September 2013, director and senior deputy executive president of Puy Du Fou Asia Limited (Hong Kong) since July 2018, Asia regional partner and deputy president of Barnes International (France) since July 2016, and director and president of Barnes Asia Limited (Hong Kong) from March 2018 to present, and as director of Chinaccessory Manufactory Co. Limited (Hong Kong) since October 2007. Ms. ZHAO served as the general brand manager of Chateau Medicis (France) from October 2003 to September 2007.

Ms. ZHAO obtained a master's degree in business administration in the Open University of Hong Kong from September 2001 to June 2003. Ms. ZHAO received executive education from The John F. Kennedy School of Government at Harvard University from August 2014 to December 2014 and from The Cheung Kong Graduate School of Business (長江商學院) from June 2017 to June 2018.

# Directors, Supervisors and Senior Management

## SUPERVISORS

**Mr. PAN Ning**, aged 53, has been the chairman of the Supervisory Committee of the Company since February 2012. He was previously a vice general manager of the Company from June 2007 to December 2011, mainly responsible for overseeing the audit and evaluating investment decisions of the Company. Prior to joining the Company, Mr. PAN worked as an officer at the Changzhou branch of the People's Bank of China, the Changzhou branch of Industrial and Commercial Bank of China and Changzhou Commercial Bank from November 1983 to March 2002. Mr. PAN served as a vice president of Red Star Furniture Group from 2002 to 2007, mainly responsible for corporate finance work.

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

**Ms. CHAO Yanping**, aged 49, has been the employee representative Supervisor of the Company since December 2010. Ms. CHAO has been serving as a general manager of the Company's first development center since June 2007, mainly responsible for overseeing business development and operations of the Company. Prior to joining the Company, Ms. CHAO worked as the general manager of Shanghai region in Red Star Furniture Group from 2002 to 2007, mainly responsible for investment and development projects.

**Mr. ZHENG Hongtao**, aged 53, joined our Company in January 2016 and has been an independent Supervisor. He has been engaging in teaching and research work at Beijing National Accounting Institute (北京國家會計學院) as a director of corporate governance and risk control center. Mr. ZHENG was a teacher at Guangdong Zhongkai Technology and Economics College (廣東仲愷技術經濟學院) from July 1995 to December 1996. From January 1997 to October 1997, Mr. ZHENG was a researcher at the Rural Economics Research Center of the Ministry of Agriculture (農業部農村經濟研究中心). From October 1997 to September 1998, Mr. ZHENG served as an investment project manager at the investment banking division of Everbright Securities Company Limited (光大證券股份有限公司) (which was subsequently listed on both the Hong Kong Stock Exchange (stock code: 6178) and the Shanghai Stock Exchange (stock code: 601788)). Mr. ZHENG is currently an independent director of SUFA Technology Industry Co., Ltd., (中核蘇閩科技實業股份有限公司) a company listed on the Shenzhen Stock Exchange (stock code: 000777), CNNC, Beijing Tianli Mobile Service Integration, Inc., (北京無線天利移動信息技術股份有限公司) a company listed on the Shenzhen Stock Exchange (stock code: 300399), Venustech Group Co., Ltd. (啟明星辰信息技術集團股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 002439), and CNFC Overseas Fisheries Co., Ltd. (中水集團遠洋股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 000798) since 2012, 2014 and 2017 respectively. Mr. ZHENG was an independent director of Tangshan Jidong Cement Co., Ltd. (唐山冀東水泥股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 000401) and Hengxin Mobile Business Co., Ltd. (恒信移動商務股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 300081) during the three years prior to the date of this annual report. In February 2010, Mr. ZHENG was named as a professor by the Ministry of Finance of the People's Republic of China.

## Directors, Supervisors and Senior Management

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

**Mr. CHEN Gang**, aged 43, joined our Company in January 2016 and has been an independent Supervisor of our Company.

Mr. CHEN served as the senior manager and business director of the headquarters of investment banking of Huatai United Securities Co., Ltd. (華泰聯合證券有限責任公司), formerly known as United Securities Co., Ltd. (聯合證券有限責任公司) and the general manager of its investment banking (4) division of Shanghai from July 2001 to August 2006. From August 2006 to February 2007, he served as an assistant general manager of the headquarters of mergers and acquisitions financing department and the person in charge of the Shanghai branch of China Securities. From February 2007 to January 2010, he served as the vice general manager and the executive general manager of the headquarters of investment banking of Zhongtai Securities Co., Ltd. (中泰證券股份有限公司), formerly known as Qilu Securities Co., Ltd. (齊魯證券有限公司). From February 2010 to December 2016, he acted as assistant to the president and general manager of the headquarters of investment banking and vice general manager of the investment division of Zhongshan Securities Co., Ltd. From January 2017 to September 2018, he served as the vice-president of Lian Chu Securities Co., Ltd. (聯儲證券有限責任公司) and the general manager of the investment banking division. He has been a partner of Shanghai Lanjue Investment Management Co., Ltd. (上海藍爵投資管理有限公司) since October 2018.

Mr. CHEN graduated from Beijing University of Posts and Telecommunications (北京郵電大學) with a major in English for Science and technology and a bachelor's degree in engineering in July 1998. Mr. CHEN completed the finance courses (including insurance courses) of the Economics College in Fudan University and obtained a master's degree in economics in July 2001, completed the world economy courses of the Economics College in Fudan University and obtained a doctoral degree in economics in July 2009, and engaged in post-doctoral research on politics in the International Relationships and Public Affairs College in Fudan University and graduated in July 2012. Mr. CHEN concurrently served as the independent director of Shanghai KingYee Information Technology Co., Ltd. (上海京頤科技股份有限公司), the independent director of Etone Information Technology (Shanghai) Corporation Limited (奕通信息科技(上海)股份有限公司, listed on the National Equities Exchange and Quotations (stock code: 835762)), the vice director of the securities research institute of the Fudan University, the director of Art Finance Institution of Asian Humanity and Nature Research (Macao) (亞洲人文與自然研究院(澳門)藝術品金融研究所), and the deputy director of the Shanghai Financial Committee of China National Democratic Construction Association (中國民主建國會上海金融工作委員會). Mr. CHEN was accredited as a Chinese Certified Public Accountant by Shanghai Institute of Certified Public Accountants (上海註冊會計師協會) in November 2004, and was certified as Senior Certified Public Accountant (the 3rd batch) by The Chinese Institute of Certified Public Accountants in March 2018. In September 2009, Mr. CHEN was accredited by Jiangsu Office of Personnel (江蘇省人事廳) as a senior economist. Mr. CHEN was listed in the first batch of sponsors in the Chinese securities market in 2004, and was certified as an international registered auditor by The Association of International Accountants in 2017; and Mr. CHEN acquired the qualification for APMI management accountant (senior member) in September 2018.



### SENIOR MANAGEMENT

**Mr. LIU Yuanjin**, aged 65, joined our Company in June 2007 and has been a vice general manager of our Company. He is primarily responsible for the business development and operations of our Company. Prior to joining our Company, Mr. LIU worked at Changzhou Juqian Street Primary School (常州市局前街小學) from September 1971 to January 1977. Mr. LIU was a member and a deputy secretary of the communist youth league committee of Tianning District, Changzhou City from January 1977 to September 1981. From July 1985 to August 1997, Mr. LIU worked in the government of Tianning District, Changzhou City, where he served as head of the industry department, head of the planning economy department and the deputy district chief. From August 1997 to December 2003, Mr. LIU served as deputy head and deputy secretary of the central management committee and a member of the party committee of the Changzhou National High Technology Development Zone (常州市國家高新技術開發區), and concurrently served as the deputy district chief and deputy secretary of the communist party committee of Xinbei District, Changzhou City. Mr. LIU served as a vice president of Red Star Furniture Group from 2004 to 2007, mainly responsible for project development. Mr. LIU completed his studies in engineering management at Tianjin University (天津大學) in July 1985. He completed the “Senior Executive Program for China” jointly organized by CEIBS, Harvard Business School and the School of Economics and Management of Tsinghua University (清華大學經濟管理學院) in December 2007. He completed the EMBA course of Cheung Kong Graduate School of Business (長江商學院) in 2014. Mr. LIU also completed his CEO course of China Europe International Business School in 2017. He is currently studying his CEO course at Cheung Kong Graduate School of Business.

**Mr. XI Shichang**, aged 45, joined our Company in July 2010 and has been the chief financial officer of our Company since December 2010. He is primarily responsible for overseeing corporate finance and financial management of our Company. Prior to joining our Company, from October 1999 to December 2002, Mr. XI worked at Shanghai Zhong Yong Xin Accounting Firm (上海中永信會計師事務所). From January 2003 to July 2010, Mr. XI worked at Deloitte Touche Tohmatsu CPA Limited. Mr. XI graduated with a bachelor’s degree in finance from Shanghai University of Finance and Economics (上海財經大學) in July 1995 and a master of business administration degree from the executive master of business administration program at CEIBS in October 2013. Mr. XI has been a Certified Public Accountant (non-practicing member) accredited by The Chinese Institute of Certified Public Accountants and a member of the Institute of Public Accountants, Australia since June 2011.

**Mr. LI Jianhong**, aged 46, joined our Company in February 2013 and has been a vice general manager of our Company since March 2013. He is primarily responsible for the investment and financing of our Company. Prior to joining our Company, Mr. LI worked as the head of the finance department of Xiamen Customs in the 1990s. Mr. LI joined Man Wah Holdings Ltd. (敏華控股有限公司), a company listed on the Hong Kong Stock Exchange (Stock Code: 01999) in September 2000 and served as its executive director and chief operating officer from April 2005 to October 2011.

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

## Directors, Supervisors and Senior Management

**Mr. ZHANG Xian**, aged 41, joined our Company in June 2007 and has been a vice general manager of our Company since March 2015. Mr. ZHANG has held several positions successively since joining our Company, including being responsible for the general operation of shopping malls and management of the pre-paid card, building materials collection and logistics businesses of our Company. Mr. ZHANG was the vice general manager of the fourth operating center, the vice general manager of Shandong and Northeast regions, and the general manager of Southern area of Jiangsu Province from June 2007 to December 2010, and the assistant president and the general manager of operation and promotion center from December 2010 to January 2015. Prior to joining our Company, Mr. ZHANG held several positions in Red Star Furniture Group, including the head of its human resources department and the director of its president office from January 1999 to January 2005, and the vice general manager of its fourth operation center, the vice general manager of Shandong and Northeast regions, and the general manager of the Southern area of Jiangsu Province from January 2005 to June 2007.

Mr. ZHANG graduated with a master's degree in business administration from Guangxi Normal University (廣西師範大學) in June 2013. Mr. ZHANG was awarded the honorable title of "Shanghai Youth May 4th Medal" in April 2016.

# Report of Directors

The Board of Directors of the Company is pleased to present this annual report together with the audited Consolidated Financial Statements of the Group for the end of the Reporting Period.

## CORPORATE INFORMATION, GLOBAL OFFERING AND A-SHARE LISTING

The Company was incorporated in the PRC on 6 January 2011 as a sino-foreign joint stock company with limited liability. The Company's H Shares were listed on the Main Board of the Hong Kong Stock Exchange (stock code: 1528) on 26 June 2015. The A Shares of the Company were listed and commenced trading on the Shanghai Stock Exchange (stock code: 601828) on 17 January 2018.

## PRINCIPAL ACTIVITIES

The Group operates as a leading home improvement and furnishing shopping mall operator in China principally engaged in the operation of Owned/Leased Portfolio Shopping Malls, Managed Shopping Malls, construction and design, sales of merchandise and related services businesses. The principal activities of the Group are as follows:

- i. Owned/Leased Portfolio Shopping Malls including leasing floor areas to the tenants and providing comprehensive and continuous operation and management support to them;
- ii. Managed Shopping Malls including providing initiation, consultation and management services to the Group's partners and the construction contractors to develop and manage the shopping malls under the Group's own brand;
- iii. Construction and design including providing building installation and decorating services in shopping malls, which are held by owners of Managed Shopping Malls and owners of external commercial properties; and
- iv. Sales of merchandise and related services including retail sales of home furnishing merchandise and providing related decorating services.

Please refer to Notes VII.1 to the Consolidated Financial Statements on page 347 for details of the principal activities of the principal subsidiaries of the Group. There were no significant changes in the nature of the Group's principal activities during the Reporting Period.

## SUMMARY OF FINANCIAL INFORMATION AND OPERATING RESULTS

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

## BUSINESS REVIEW

A review of the business of the Group during the year and a discussion on the Group's future business development are provided in the section headed "Chairman's Statement" on page 7 as well as the section headed "Management Discussion and Analysis" on page 11. Description of possible risks that the Group may be facing can be found in the section headed "Management Discussion and Analysis" on page 54. Also, the risk management objectives and policies of the Group can be found in the section headed "Corporate Governance Report" on page 106. Particulars of important events affecting the Group that have occurred since the end of the financial year ended 31 December 2019 are provided in Note XII to the Consolidated Financial Statements on page 466 and the section headed "Management Discussion and Analysis" on page 50. An analysis of the Group's performance during the year using financial key performance indicators is provided in the section headed "Management Discussion and Analysis" on page 42.

## ENVIRONMENTAL POLICIES AND PERFORMANCE

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

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

We have taken and will continue to take specific measures to ensure our compliance with applicable environmental laws and regulations, including (i) strictly selecting construction contractors and supervising the process of construction; (ii) applying for review by the relevant government authorities in a timely manner after the project is completed; and (iii) actively adopting environmentally friendly equipment and designs. We also undertake voluntary environmental protection actions and make energy conservation and emission reduction our top considerations when designing our property projects. In 2019, we incurred environmental compliance costs of approximately RMB126.06 million for newly opened shopping malls. We expect the annual costs of compliance going forward to be substantially similar, assuming that there will not be any material changes in environmental protection laws and regulations.

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

The Board has overall responsibility for our environmental, social and governance (“ESG”) strategy and reporting. The Board is responsible for evaluating and determining our ESG-related risks, and ensuring that appropriate and effective ESG risk management and internal control systems are in place. A confirmation regarding effectiveness of these systems has been provided to the Board for the year ended 31 December 2019. A separate ESG report complying with the disclosure requirements under Appendix 27 to the Listing Rules will be published by the Group separately, in any event no later than three months after the publication of this annual report.

### COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

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

As far as the Board is aware, the Group has complied with the relevant laws and regulations that have a significant impact on the Group in all material respects. The Group has adopted the Model Code.

### DIVIDEND POLICY

The Articles of Association states that the Company may distribute dividends in cash or shares. The profit distribution of the Company should focus on the reasonable return for shareholders, and the profit distribution policy should maintain its continuity and stability; unless under special circumstances, the Company should distribute dividends mainly in cash if it records profit in the year and the accumulated undistributed profits are positive. The total profit distributed in cash for each year should not be less than 20% of the net profit that is available to distribute to shareholders of the Company.

The profit distribution policy of the Company is in compliance with the Articles of Association as well as the approval procedures. The policy, which has been reviewed by independent non-executive Directors, fully protects the legitimate rights and interests of medium and small investors and has clear standards on dividend distributions and dividend distribution ratio. The conditions and procedures of the adjustments and modification on the profit distribution policy are in compliance with relevant requirements and transparent.

### RELATIONS WITH EMPLOYEES, SUPPLIERS AND CUSTOMERS

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

### KEY RISKS AND UNCERTAINTIES

For details of the Group's key risks and uncertain factors for the end of the Reporting Period, please refer to page 54 in the section headed "Management Discussion and Analysis".

### BANK LOANS AND OTHER BORROWINGS

Please refer to Note V.26, 33 and 35 to the Consolidated Financial Statements on page 291 for details of bank loans and other borrowings of the Group as of the end of the Reporting Period.

### BONDS/DEBT INSTRUMENTS

On 12 September 2018, the Company received the Notice for Acceptance of Registration (Zhong Shi Xie Zhu [2018] No. MTN506) issued by the National Association of Financial Market Institutional Investors (the "NAFMII"), expressing its consent for the registration of the mid-term notes of the Company, with a registration amount of RMB5 billion. The registration amount will be valid for two years from the date of the Notice for Acceptance of Registration issued by the NAFMII. From 23 January 2019 to 24 January 2019, the issuance of the 2019 first tranche of mid-term notes of the Company was completed, with an actual amount of RMB500 million in total and an interest rate of 5.75%. The mid-term notes were issued on the national interbank bond market. For details, please refer to the announcement of the Company dated 25 January 2019. The mid-term notes were still outstanding on 31 December 2019.

On 22 May 2019, in order to better play the role of non-financial corporate debt financing instruments on the Company's overall capital use, after re-evaluating its debt financing instrument structure, the Company applied to the NAFMII for the reduction of the registration amount of the mid-term notes under the aforementioned Notice for Acceptance of Registration (Zhong Shi Xie Zhu [2018] No. MTN506).

On 6 June 2019, the Company received the Letter in Relation to the Reduction of Registered Amount of Mid-Term Notes of Red Star Macalline Group Corporation Ltd. (Zhong Shi Xie Han [2019] No. 567) issued by the NAFMII approving the reduction of RMB3 billion from the registration amount of the mid-term notes of the Company under the aforementioned Notice for Acceptance of Registration (Zhong Shi Xie Zhu [2018] No. MTN506). The remaining valid registration amount under the Notice for Acceptance of Registration (Zhong Shi Xie Zhu [2018] No. MTN506) is RMB2 billion after the reduction of RMB3 billion from the original registration amount of RMB5 billion. From 16 January 2020 to 17 January 2020, the issuance of the 2020 first tranche of mid-term notes of the Company was completed with an actual amount in total of RMB500 million with an interest rate of 5.70%. The mid-term notes were issued on the national interbank bond market. For details, please refer to the announcement of the Company dated 20 January 2020.

## Report of Directors

On 4 April 2019, the Company received the Reply on Approval of Public Issuance of Corporate Bonds by Red Star Macalline Group Corporation Ltd. to Qualified Investors (《關於核准紅星美凱龍家居集團股份有限公司向合格投資者公開發行公司債券的批覆》) (the “Approval”) (Zheng Jian Xu Ke [2019] No. 628) issued by the China Securities Regulatory Commission (the “CSRC”), pursuant to which, the Company was approved to issue its corporate bonds to qualified investors with a total amount no more than RMB4 billion. The issuance of the Company’s corporate bonds will be carried out in tranches. The issuance of the first tranche will be completed within 12 months commencing from the date of approval by the CSRC while the remaining corporate bonds will be completed within 24 months commencing from the date of approval by the CSRC. The Approval is valid for 24 months commencing from the date on which the Approval was issued by the CSRC. On 10 June 2019, the Company completed the issuance of the first tranche of corporate bonds in 2019, with an issue size of RMB2 billion at a coupon rate of 5.35%. The corporate bonds were listed on the Shanghai Stock Exchange. For further details, please refer to the announcements of the Company dated 28 February 2019, 11 April 2019, 6 June 2019 and 11 June 2019. The corporate bonds were outstanding as at 31 December 2019.

Please refer to Note V.36 to the Consolidated Financial Statements on page 300 for details of bonds and other debt instruments of the Group for the end of the Reporting Period.

The Group issued commercial mortgage backed securities during the Reporting Period, please refer to Note V.34 and 40 to the Consolidated Financial Statements on page 298 for details of commercial mortgage backed securities.

## CONTINGENT LIABILITIES

There are no contingent liabilities at the end of the Reporting Period.

## INVESTMENT PROPERTIES

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

No.	Property	Existing use	Market value in existing state as at the end of the Reporting Period RMB'000
1.	Shanghai Zhenbei Phase II Mall No. 1058 Zhenbei Road Shanghai The PRC	Shopping Mall	4,516,000
2.	Shanghai Pudong Hunan Mall No. 518 Linyu Road Pudong New Area Shanghai The PRC	Shopping Mall	4,198,000
3.	Nanjing Kazimen Mall No. 29 Kazimen Street Qinhuai District Nanjing City Jiangsu Province The PRC	Shopping Mall	3,479,000
4.	Zhengzhou Shangdu Mall No. 1 Shangdu Road Zhengdong New District Zhengzhou City Henan Province The PRC	Shopping Mall	3,391,000



## Report of Directors

No.	Property	Existing use	Market value in existing state as at the end of the Reporting Period RMB'000
5.	Shanghai Wenshui Mall No. 1555 Wenshui Road Baoshan District Shanghai The PRC	Shopping Mall	3,373,000
6.	Beijing East Fourth-Ring Mall No. 193 East Fourth-Ring Middle Road Chaoyang District Beijing The PRC	Shopping Mall	2,901,000
7.	Shenyang Tiexi Mall No. 35 Bei Er East Road Tiexi District Shenyang City Liaoning Province The PRC	Shopping Mall	2,824,000
8.	Shanghai Pudong Jinqiao Mall No. 100 Jinzang Road Pudong New Area Shanghai The PRC	Shopping Mall	2,402,000
9.	Beijing West Fourth-Ring Mall No. 113 West Fourth Ring Road Fengtai District Beijing The PRC	Shopping Mall	2,401,000

No.	Property	Existing use	Market value in existing state as at the end of the Reporting Period RMB'000
10.	Chengdu Jiannan Avenue Mall Intersection of Jiannan Avenue and Section 3, Muhua Road Tianfu New District, Chengdu City Sichuan Province The PRC	Shopping Mall	2,016,000

## PROPERTY, PLANT AND EQUIPMENT

Please refer to Note V.15 to the Consolidated Financial Statements on page 267 for details of movements in the property, plant and equipment of the Group for the end of the Reporting Period.

## DISTRIBUTABLE RESERVES

The distributable reserves of the Company as at the end of the Reporting Period amounted to RMB6,023.8 million.

Please refer to the statement of changes in equity on page 154 and the Company's balance sheet on page 151 for the change in reserves of the Company and information about the statement of financial position of the Company for the end of the Reporting Period.

## MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARY, ASSOCIATES AND JOINT VENTURES

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

## FINAL DIVIDEND AND TAXATION RELIEF

The Board resolved to propose to the Shareholders in the forthcoming annual general meeting on Thursday, 18 June 2020 for the distribution of a final dividend of RMB0.253 per share for the year ended 31 December 2019 payable to the Shareholders whose names are listed in the registers of members of the Company on Friday, 3 July 2020. The Board has also proposed the issuance of one share per 10 shares by way of conversion of capital reserve. The proposal for the distribution of the final dividend above is subject to the consideration and approval of the Shareholders at the AGM and Class Meetings, as well as the grant of a listing of and permission to deal in new H shares (in respect of the capitalization issue) on the Hong Kong Stock Exchange.

## Report of Directors

Pursuant to the PRC Individual Income Tax Law (《中華人民共和國個人所得稅法》), the Implementation Regulations of the PRC Individual Income Tax Law (《中華人民共和國個人所得稅法實施條例》), other laws and regulations and relevant regulatory documents promulgated by the State Administration of Taxation of the PRC, the Company shall, as a withholding agent, withhold and pay individual income tax at the rate of 10% for the individual holders of H Shares in respect of the dividend for 2019 to be distributed to them. The individual holders of H Shares may be entitled to certain tax preferential treatments pursuant to the tax treaties between the PRC and the countries (regions) in which the individual holders of H Shares are domiciled and the tax arrangements between mainland China, Hong Kong or Macau.

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

For investors of the Shanghai Stock Exchange investing in the H Shares of the Company, the Company will distribute the cash dividend for 2019 to the Shanghai Branch of China Securities Depository and Clearing Corporation Limited which, as the nominee of the investors of H Shares of Southbound Trading, will then distribute the cash dividends to the relevant investors of H Shares of Southbound Trading through its depository and clearing system. Pursuant to the Notice on the Tax Policies Related to the Pilot Program of the Shanghai-Hong Kong Stock Connect (Caishui [2014] No. 81) (《關於滬港股票市場交易互聯互通機制試點有關稅收政策的通知》), for domestic individual investors, the Company shall withhold and pay individual income tax at the rate of 20% on behalf of the investors. For domestic securities investment funds, the tax payable shall be the same as that for individual investors. The Company will not withhold and pay the income tax of dividends for domestic enterprise investors which shall report and pay the relevant tax themselves. The record date and the date of distribution of cash dividends and other arrangements for the investors of Southbound Trading will be the same as those for the holders of H Shares of the Company.

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

## RETIREMENT BENEFITS

Please refer to Note V.30 to the Consolidated Financial Statements on page 293 for details of retirement benefits of the Group for the end of the Reporting Period.

## FINANCIAL SUMMARY

The Group's financial summary for the last five financial years is set out on page 635 of this annual report. This summary does not form part of the Consolidated Financial Statements.

## MAJOR SUPPLIERS AND CUSTOMERS

Purchases from the largest supplier of the Group for the end of the Reporting Period represented approximately 1.40% of the Group's total purchases. The total purchases attributable to the five largest suppliers of the Group accounted for approximately 4.92% of the total purchases of the Group for the end of the Reporting Period.

Sales to the largest third party customer for the end of the Reporting Period represented approximately 3.03% of the Group's total revenue. The total sales attributable to the five largest third party customers of the Group accounted for approximately 7.94% of the Group's total revenue for the end of the Reporting Period.

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

## CHARITABLE DONATIONS

The donations by the Group for the end of the Reporting Period amounted to approximately RMB5.76 million.

## CONNECTED AND CONTINUING CONNECTED TRANSACTIONS

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

Save as disclosed in this annual report, during the Reporting Period, the Company had no connected transactions or continuing connected transactions which are required to be disclosed in accordance with the provisions under Chapter 14A of the Listing Rules in relation to the disclosure of connected transactions and continuing connected transactions.

### Continuing Connected Transactions

#### (i) Changzhou RSHFC Lease Agreement

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

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

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

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

For each of the years ended 31 December 2017, 2018 and 2019, Changzhou Macalline paid annual rental and service fees of RMB16.4 million, RMB16.2 million and RMB16.6 million, respectively, to Changzhou RSHFC pursuant to the Changzhou RSHFC Lease Agreement. The existing annual caps for the Changzhou Lease under the Changzhou Lease RSHFC Lease Agreement expired as of 31 December 2017, the Board approved to set the new annual caps for the Changzhou RSHFC Lease for the remaining term of the Changzhou RSHFC Lease Agreement on 20 November 2017. Based on the pricing mechanism as described above, the annual caps for the lease for each of the years ending 31 December 2018, 2019, 2020 and three months ending 31 March 2021 are RMB19.0 million, RMB19.5 million, RMB20.0 million and RMB5.0 million, respectively. For further details, please refer to the announcement of the Company dated 20 November 2017.

For the Reporting Period, the rental and service fees paid and payable by Changzhou Macalline pursuant to the Changzhou RSHFC Lease Agreement amounted to RMB16.6 million.

**(ii) Contract Management Agreements with Xuzhou RSHFC, Xuzhou RSHFP, Yangzhou RSHFP, Jining Hongrui and Shaanxi Hongrui**

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

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

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

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

For each of the years ended 31 December 2017, 2018 and 2019, the Company received management fees in the total amount of RMB12.3 million, RMB13.1 million and RMB16.1 million under the five contract management agreements with the Associated Business Partners. Each of the contract management agreements is for a term ranging from seven to ten years commencing from its respective signing date, while the contract management agreement with Xuzhou RSHFC and Xuzhou RSHFP was for a term ending on 31 December 2019. On 25 November 2019, the Company entered into a new contract management agreement with Xuzhou RSHFC and Xuzhou RSHFP for a fixed term of three years. As the Group will continue carrying out the transactions contemplated thereunder in its ordinary and usual course of business, the Board proposed to set the new annual caps for the contract management agreement with Xuzhou RSHFC and Xuzhou RSHFP which in turn also lead to changes to the overall annual caps for the

contract management transactions for the years ending 31 December 2019, 2020 and 2021. The annual caps for the management fees for each of the years ending 31 December 2019, 2020 and 2021 is expected to be RMB17.4 million, RMB16.42 million and RMB9.16 million, respectively. For further details, please refer to the announcement of the Company dated 25 November 2019.

For the Reporting Period, the management fees received and receivable by the Company pursuant to these agreements and these supplemental agreements amounted to RMB16.1 million.

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

### **(iii) Design Services Framework Agreement of RSM Holding**

On 1 April 2019, Shanghai Dingsheng Construction Management and Design Company Limited (上海鼎勝建築工程管理設計有限公司) ("Shanghai Dingsheng"), an indirect wholly-owned subsidiary of the Company entered into the design services framework agreement with RSM Holding effective from 1 April 2019, pursuant to which, Shanghai Dingsheng provided engineering design services to RSM Holding or its subsidiaries for a consideration of not more than RMB95,000,000 and a term of one year which expired on 31 March 2020. The engineering design services provided by Shanghai Dingsheng included all design consultation services for projects such as civil engineering design and secondary design.

RSM Holding is held as to 92% by Mr. CHE Jianxing, chairman, chief executive officer and an executive Director of the Company. Shanghai Dingsheng is an indirect wholly-owned subsidiary of the Company. As a result, RSM Holding is a connected person of the Company and the transactions under the design services framework agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

By virtue of the engineering design services provided by Shanghai Dingsheng, the Directors believe that the Group will be able to ensure that the design work necessitated by the commercial buildings managed by RSM Holding and its subsidiaries are of satisfactory quality. The Directors also consider that entering into the design services framework agreement allows the Group to better manage the quality of the relevant commercial buildings and lays a solid foundation for the long-term development of such commercial buildings. For further details, please refer to the announcement of the Company dated 1 April 2019.

During the Reporting Period, according to the design services framework agreement, the amount of engineering design services paid and payable by RSM Holding was RMB9,934,320.77.

The independent non-executive Directors, after taking into consideration of factors such as market environment, transaction amounts, corporate governance, have confirmed that the abovementioned continuing connected transactions and connected transactions for the year ended 31 December 2019 were entered into by the Group: (i) in the ordinary and usual course of its business; (ii) on normal commercial terms; and (iii) in accordance with the relevant agreements governing them and on terms that were fair and reasonable and in the interests of the Company and the Shareholders as a whole.

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

The auditor of the Company has issued its unqualified letter containing its findings and conclusions in respect of the abovementioned continuing connected transactions in accordance with Rule 14A.56 of the Listing Rules, confirming that (i) nothing has come to their attention that causes the auditor to believe that the abovementioned continuing connected transactions have not been approved by the Board of Directors, (ii) for transactions involving the provision of goods or services by the Group, nothing has come to their attention that causes the auditor to believe that the transactions were not, in all material respects, in accordance with the pricing policies of the Group, (iii) nothing has come to their attention that causes the auditor to believe that the transactions were not entered into, in all material respects, in accordance with the terms of the relevant agreements governing such transactions; and (iv) with respect to the aggregate amount of each of the transactions, nothing has come to their attention that causes the auditor to believe that the amounts have exceeded the related annual caps for the year ended 31 December 2019. A copy of the auditor's letter has been provided by the auditor to the Hong Kong Stock Exchange.



## Connected Transactions

### (i) Lease Agreement of Shanghai Xinhua Cheng Cheng

On 23 April 2019, Shanghai Hongxin Oukai Home Furnishing Company Limited (上海虹欣歐凱家居有限公司) (“Shanghai Hongxin Oukai”), a direct subsidiary of the Company, entered into the lease agreement with Shanghai Xinhua Cheng Cheng Asset Management Co., Ltd. (上海新華成城資產管理有限公司) (“Shanghai Xinhua Cheng Cheng”) in connection with the leasing of the partial underground parking garage at Floor B1, Building 1, No. 1388, Wuzhong Road, Minhang District, Shanghai, which became effective from 1 May 2019. According to the agreement, Shanghai Xinhua Cheng Cheng rented the partial underground parking garage at Floor B1, Building 1, No. 1388, Wuzhong Road, Minhang District, Shanghai from Shanghai Hongxin Oukai for a rental of RMB20 million as the parking garage for the commercial properties it held, with a term of one year. Shanghai Xinhua Cheng Cheng has a right of first refusal to renew the Lease upon its expiry on the same terms.

The controlling shareholder of the Company is RSM Holding, and RSED, a subsidiary of RSM Holding, indirectly holds 60% equity interest of Shanghai Xinhua Cheng Cheng. As a result, Shanghai Xinhua Cheng Cheng is a connected person of the Company. The Lease constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

The Directors believe that the mall on Wuzhong Road, held by Shanghai Hongxin Oukai, is located in one of the densely populated core business circles in Shanghai and as the Red Star Macalline Grand Mall, it is a large-scale high-end home furniture shopping mall with the main business of imported high-end home furniture brand. The shopping mall held by Shanghai Xinhua Cheng Cheng is adjacent to the mall on Wuzhong Road, with high footfall and garage use frequency. The transaction will increase the rate of garage usage and footfall in the home furniture shopping mall and further improve market share and influence in the business circle, which will help the Company further consolidate its leading position in the Shanghai market and will be beneficial to its long-term development.

The Directors (including the independent non-executive Directors) believe that the terms of the lease agreement are on normal commercial terms that are fair and reasonable, and the transactions contemplated thereunder are entered into in the ordinary and usual course of business of the Group and are in the interest of the Company and its shareholders as a whole. For further details, please refer to the announcement of the Company dated 23 April 2019.

### (ii) Disposal of Wholly-owned Subsidiary to Shanghai Aegean Outlets

On 8 August 2019, the Company entered into an equity and creditor’s rights acquisition agreement with Shanghai Aegean Outlets to sell its wholly-owned subsidiary Anhui Tenghui Investment Group Hefei Company Limited\* (安徽騰輝投資集團合肥有限公司) (“Project Company”). Accordingly, Shanghai Aegean Outlets agreed to acquire and the Company agreed to sell its 100% equity interests in the Project Company and transfer its creditor’s rights in the Project Company.

According to the equity and creditor's rights acquisition agreement, the aggregate consideration of the relevant transaction is RMB571,959,884.71 (in which, the amount of interest until the date when the principal of the creditor's rights is paid off shall be subject to the amount on the actual payment date). The Consideration of the transaction consists of RMB1 for the acquisition of 100% equity interests in the Project Company and Shanghai Aegean Outlets will make payment of RMB563,065,052.30 by instalment in respect of the principal amount for the creditor's rights transfer and interest of RMB8,894,831.41 (the amount of interest is provisionally estimated on the basis of the latest date of the installment payment as set out in the equity and creditor's rights acquisition agreement, and is subject to the amount on the actual payment date) in respect of the installment payment arrangement to the Company.

As Shanghai Aegean Outlets is a wholly-owned subsidiary of RSM Holding, a controlling shareholder of the Company, Shanghai Aegean Outlets is a connected person of the Company and the transaction between Shanghai Aegean Outlets and the Company constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

After the completion of the disposal under the transaction, it could effectively improve the overall operation and the financial condition of the Company. The Company makes efforts to strengthen the business integration, optimize the asset structure, focus on quality assets and constantly improve its profitability, which are in line with the long-term development plan. The net proceeds of the transaction, after deducting relevant expenses, would be approximately RMB571,619,188.91, and the Company intends to apply the net proceeds as general working capital.

The Directors (including the independent non-executive Directors of the Company) take the view that the terms of the transaction are fair and reasonable, and the transaction is conducted on normal commercial terms, in the ordinary and usual course of business of the Group, and is in the interests of the Company and its Shareholders as a whole. For further details, please refer to the announcement of the Company dated 8 August 2019.

### **(iii) Sub-contract Agreement of Xishuangbanna Yunnan Investment Construction**

On 28 August 2019, Jiangsu Sunan Construction, a wholly-owned subsidiary of the Company, received a notification of award from Xishuangbanna Yunnan Investment Construction in respect of the construction project in International "Dai" Hot Spring Health Resort in Gasa ("Tourist Town Gasa Tourist Town Project"), which confirmed that Jiangsu Sunan Construction was the bid winner in respect of the Gasa Tourist Town Project. A sub-contract Agreement was entered into between Jiangsu Sunan Construction and Xishuangbanna Yunnan Investment Construction accordingly on 15 September 2019, which provided building and renovation services for Xishuangbanna Yunnan Investment Construction.

The project location under sub-contract agreement is Gasa Town, Jinghong City, Prefecture of Xishuangbanna, and the scope of decoration engineering is the International "Dai" Hot Spring Health Resort in Gasa Tourist Town — Phase I of A Zone of Project Phase II with 500 mu (畝). The construction period is 386 calendar days, commencing from 15 September 2019 (subject to the commencement order). The project price is RMB123,595,230.28 (tax inclusive), in which the consideration without tax is RMB113,390,119.52.

## Report of Directors

RSM Holding, a controlling shareholder of the Company, and its subsidiary, RSED, indirectly holds 50% equity interests in Xishuangbanna Yunnan Investment Construction. Therefore, Xishuangbanna Yunnan Investment Construction is a connected person of the Company. The sub-contract agreement constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

The Directors believe that after Gasa Tourist Town Project is officially contracted and successfully implemented, it will be beneficial for Jiangsu Sunan Construction to further expand its scale of operation and improve its business undertaking capacity. The transaction will have a positive impact on the current and future performance and is conducive to improving the sustainable profitability of the Company.

The Directors (including the independent non-executive Directors of the Company) take the view that the terms of the transaction are fair and reasonable, and the transaction is conducted on normal commercial terms, in the ordinary and usual course of business of the Group, and is in the interests of the Company and its Shareholders as a whole. For further details, please refer to the announcement of the Company dated 28 August 2019.

## SHARE CAPITAL

Please refer to Note V.41 to the Consolidated Financial Statements on page 309 for details of movements in the Company's total issued shares for the end of the Reporting Period.

## EQUITY-LINKED AGREEMENT

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

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

The Group did not purchase, sell or redeem any listed securities of the Company during the Reporting Period.

## 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 Group has utilized 99.8% of the net proceeds in total for fund-raising investment projects as required. The Board resolved on 31 July 2015 and 16 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 16 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 2 years.

Analysis of utilized/intended use of net proceeds from the Global Offering as of 31 December 2019 is as follows:

Utilized/Intended use	Planned use (RMB million)	Actual use of proceeds for the year ended	Unutilized net proceeds for the year ended
		31 December 2019 (RMB million)	31 December 2019 (RMB million)
Development of Portfolio Shopping Mall projects	1,928.5	<b>1,928.5</b>	—
Refinancing of existing debt	1,208.8	<b>1,208.8</b>	—
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	<b>2,424.8</b>	<b>11.2</b>

## USE OF PROCEEDS FROM A SHARE OFFERING

A shares of the Company were listed and traded on the Shanghai Stock Exchange on 17 January 2018 (Stock Code: 601828) at the issue price of RMB10.23 per share with an issuance size of 315,000,000 shares. The total proceeds raised from this offering was RMB3,222,450,000.00, and the net proceeds raised (after deducting the issuing expenses of A shares of RMB172,442,150.37) was RMB3,050,007,849.63 ("A Shares Offering Proceeds"). The net amount raised per subscribed share is RMB9.68 per share, and the closing price per share on the date of listing was RMB14.42. For details, please refer to the announcements of the Company dated 2 January 2018, 16 January 2018, 7 February 2018 and 7 September 2018. As of the end of the Reporting Period, the Group has utilized approximately 86.45% of the net proceeds in total for fund-raising investment projects and replenishing working capital as required.

Analysis of the use of proceeds from issuance of A share as of 31 December 2019 is as follows:

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

Proposed investment projects		Total investment planned (RMB'000)	Accumulated investment amount as of the end of Reporting Period (RMB'000)	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 <sup>(1)</sup>	669,084	666,733	Fully invested
	Changsha Jinxia Shopping Mall Project	190,000	107,719	Expected to be invested by December 2020
	Xining Expo Shopping Mall Project <sup>(1)</sup>	110,000	107,786	Fully invested
Sub-total		1,750,000	1,663,154	
New intelligent home furnishing shopping mall		400,000	73,569	
Repayment of bank loans		400,000	400,000	
Supplement of liquidity		150,008	150,008	
Repayment of interest-bearing debts		350,000	350,000	
Total		3,050,008	2,636,731	

Note:

- (1) Urumqi Convention and Exhibition Mall and Xining Expo Shopping Mall have opened businesses during the Reporting Period. The Company would determine the actual usage of the remaining funds raised subject to the subsequent capital arrangements.

## BOARD OF DIRECTORS

The Directors of the Company during the Reporting Period are:

### Executive Directors

Mr. CHE Jianxing (*Chairman*)

Mr. GUO Binghe (*Vice Chairman*)

Ms. CHE Jianfang

Mr. JIANG Xiaozhong

### Non-executive Directors

Ms. CHEN Shuhong

Mr. XU Guofeng

Mr. Joseph Raymond GAGNON (resigned on 24 May 2019)

Mr. ZHANG Qiqi (resigned on 24 May 2019)

Mr. XU Hong (appointed on 16 October 2019)

Mr. JING Jie (appointed on 16 October 2019)

### Independent Non-executive Directors

Mr. QIAN Shizheng

Mr. LEE Kwan Hung, Eddie

Mr. WANG Xiao

Ms. ZHAO Chongyi

Each of our Directors were re-appointed and entered into a contract with the Company in December 2019. In accordance with Article 90 of the Articles of Association, the Directors shall be elected at general meetings for a term of three years, which is renewable upon re-election when it expires.

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

As at the end of the Reporting Period, the interests and short positions of our Directors, Supervisors and chief executive in the shares, underlying shares or debentures of the Company or any of our associated corporations (within the meaning of Part XV of the SFO), which were required (a) to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such

provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code, were as follows:

## SHARES AND UNDERLYING SHARES OF THE COMPANY AND ASSOCIATED CORPORATIONS

### (i) The Company

Name of Shareholders	Title	Class of Shares	Nature of interest	Number of underlying shares held	Approximate percentage in relevant class of Shares <sup>(1)</sup>	Approximate percentage in total Shares <sup>(1)</sup>
CHE Jianxing (車建興) <sup>(2)</sup>	Chairman, Chief Executive Officer and Executive Director	A Shares	Interest of controlled corporation	2,498,388,569 (Long position)	86.87%	70.38%
				355,000,000 (Short position)	12.34%	10.00%
			Beneficial owner	396,000 (Long position)	0.01%	0.01%
			Interest of spouse	44,200 (Long position)	0.00%	0.00%
GUO Binghe (郭丙合)	Executive Director	A Shares	Beneficial owner	59,800 (Long position)	0.00%	0.00%
CHE Jianfang (車建芳)	Executive Director	A Shares	Beneficial owner	112,200 (Long position)	0.00%	0.00%
JIANG Xiaozhong (蔣小忠)	Executive Director	A Shares	Beneficial owner	837,500 (Long position)	0.03%	0.02%
CHEN Shuhong (陳淑紅) <sup>(3)</sup>	Non-executive Director	A Shares	Interest of spouse	2,498,784,569 (Long position)	86.88%	70.39%
				355,000,000 (Short position)	12.34%	10.00%
			Beneficial owner	44,200 (Long position)	0.00%	0.00%
XU Guofeng (徐國峰) <sup>(4)</sup>	Non-executive Director	A Shares	Interest of spouse	112,200 (Long position)	0.00%	0.00%



# Report of Directors

*Notes:*

- (1) As of 31 December 2019, the Company had 3,550,000,000 issued Shares in total, comprised of 2,876,103,969 A Shares and 673,896,031 H Shares.
- (2) Mr. CHE Jianxing indirectly holds 70.38% of the issued Shares in total of the Company through his 92.00% direct interest in Red Star Macalline Holding Group Company Limited (紅星美凱龍控股集團有限公司) ("RSM Holding"), a limited liability company incorporated in the PRC, and is deemed to be interested in the 2,498,388,569 A Shares held by RSM Holding for the purpose of the SFO.
- (3) Ms. CHEN Shuhong is the spouse of Mr. CHE Jianxing. Under the SFO, Ms. CHEN Shuhong is deemed to be interested in the same number of Shares in which Mr. CHE Jianxing is interested.
- (4) Mr. XU Guofeng is the spouse of Ms. CHE Jianfang. Under the SFO, Mr. XU Guofeng is deemed to be interested in the same number of Shares in which Ms. CHE Jianfang is interested.

## (ii) Associated Corporation

Name of Director	Name of Associated Corporation	Nature of interest	Equity interest in the Associated Corporation	Approximate percentage in the Associated Corporation <sup>(1)</sup>
CHE Jianxing (車建興)	RSM Holding <sup>(1)</sup>	Beneficial interest	184,000,000 (Long position)	92%
CHE Jianfang (車建芳)	RSM Holding <sup>(1)</sup>	Beneficial interest	16,000,000 (Long position)	8%

*Note:*

- (1) RSM Holding is the investment holding company of the Company, which is held as to 92% by Mr. CHE Jianxing and as to 8% by Mr. CHE Jianxing's sister, Ms. CHE Jianfang and therefore an "associated corporation" of the Company within the meaning of Part XV of the SFO. As of 31 December 2019, RSM Holding held 2,498,388,569 A Shares of the Company which accounted for approximately 70.38% of the total issued Shares of the Company.

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

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

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

Name of Shareholders	Class of Shares	Capacity/nature of Interest	Number of Shares held	Approximate percentage in relevant class of Shares <sup>(1)</sup>	Approximate percentage in total share capital <sup>(1)</sup>
RSM Holding	A Shares	Beneficial owner	2,489,927,872 (Long position)	86.57%	70.14%
		Interest of controlled corporation	8,460,697 (Long position)	0.29%	0.24%
			355,000,000 (Short position)	12.34%	10.00%
Changzhou Meikai Information Technology Co., Ltd. (常州美開信息科技有限公司) <sup>(2)</sup>	A Shares	Beneficial owner	8,460,697 (Long position)	0.29%	0.24%
Alibaba Group Holding Limited <sup>(3)</sup>	A Shares	Interest of controlled corporation	355,000,000 (Long position)	12.34%	10.00%
	H Shares	Interest of controlled corporation	131,475,421 (Long position)	19.51%	3.70%
Taobao China Holding Limited <sup>(3)</sup>	A Shares	Interest of controlled corporation	355,000,000 (Long position)	12.34%	10.00%
	H Shares	Beneficial owner	65,737,711 (Long position)	9.75%	1.85%
Taobao Holding Limited <sup>(3)</sup>	A Shares	Interest of controlled corporation	355,000,000 (Long position)	12.34%	10.00%
	H Shares	Interest of controlled corporation	65,737,711 (Long position)	9.75%	1.85%
Zhejiang Tmall Technology Co., Ltd. (浙江天貓技術有限公司) <sup>(4)</sup>	A Shares	Interest of controlled corporation	355,000,000 (Long position)	12.34%	10.00%
Tao Bao (China) Software Co., Ltd. (淘寶(中國)軟件有限公司) <sup>(4)</sup>	A Shares	Interest of controlled corporation	355,000,000 (Long position)	12.34%	10.00%
Alibaba (China) Technology Co., Ltd. (阿里巴巴(中國)網絡技術有限公司) <sup>(4)</sup>	A Shares	Beneficial owner	355,000,000 (Long position)	12.34%	10.00%
	H Shares	Interest of controlled corporation	65,737,710 (Long position)	9.75%	1.85%
Alibaba Investment Limited <sup>(3)</sup>	H Shares	Interest of controlled corporation	65,737,710 (Long position)	9.75%	1.85%
New Retail Strategic Opportunities Fund GP, L.P. <sup>(3)</sup>	H Shares	Interest of controlled corporation	65,737,710 (Long position)	9.75%	1.85%
New Retail Strategic Opportunities Fund, L.P. <sup>(3)</sup>	H Shares	Interest of controlled corporation	65,737,710 (Long position)	9.75%	1.85%

# Report of Directors

Name of Shareholders	Class of Shares	Capacity/nature of Interest	Number of Shares held	Approximate percentage in relevant class of Shares <sup>(1)</sup>	Approximate percentage in total share capital <sup>(1)</sup>
New Retail Strategic Opportunities GP Limited <sup>(3)</sup>	H Shares	Interest of controlled corporation	65,737,710 (Long position)	9.75%	1.85%
New Retail Strategic Opportunities Investments 4 Limited <sup>(3)</sup>	H Shares	Beneficial owner	65,737,710 (Long position)	9.75%	1.85%
WONG Man Li <sup>(5)</sup>	H Shares	Interest of controlled corporation	47,904,600 (Long position)	7.11%	1.35%
Man Wah Investments Limited <sup>(5)</sup>	H Shares	Beneficial owner	47,904,600 (Long position)	7.11%	1.35%
HUI Wai Hing <sup>(5)</sup>	H Shares	Interest of the spouse	47,904,600 (Long position)	7.11%	1.35%
WONG Luen Hei <sup>(6)</sup>	H Shares	Interest of controlled corporation	60,442,281 (Long position)	8.97%	1.70%
UBS Trustees (B.V.I.) Limited <sup>(6)</sup>	H Shares	Interest of controlled corporation	60,442,281 (Long position)	8.97%	1.70%
New Fortune Star Limited <sup>(6)</sup>	H Shares	Interest of controlled corporation	60,442,281 (Long position)	8.97%	1.70%
Fuhui Capital Investment Limited <sup>(6)</sup>	H Shares	Interest of controlled corporation	60,442,281 (Long position)	8.97%	1.70%
China Lesso Group Holdings Limited <sup>(6)</sup>	H Shares	Interest of controlled corporation	60,442,281 (Long position)	8.97%	1.70%
UBS Group AG	H Shares	Interest of controlled corporation	23,587,462 (Long position) 13,848,830 (Short position)	5.56%	1.05%

## Notes:

- (1) As of 31 December 2019, the Company had 3,550,000,000 issued Shares in total, comprised of 2,876,103,969 A Shares and 673,896,031 H Shares.
- (2) Changzhou Meikai Information Technology Co., Ltd. is a wholly-owned subsidiary of RSM Holding.
- (3) New Retail Strategic Opportunities Investments 4 Limited is directly interested in the 65,737,710 H shares of the Company.

New Retail Strategic Opportunities Investments 4 Limited is directly 100% controlled by New Retail Strategic Opportunities Fund, L.P..

New Retail Strategic Opportunities Fund GP, L.P. is the general partner of New Retail Strategic Opportunities Fund, L.P. and New Retail Strategic Opportunities GP Limited is the general partner of New Retail Strategic Opportunities Fund GP, L.P..

New Retail Strategic Opportunities Fund GP, L.P. is directly 100% controlled by Alibaba Investment Limited, the limited partner of New Retail Strategic Opportunities Fund GP, L.P.. Meanwhile, New Retail Strategic Opportunities GP Limited is directly 100% controlled by Alibaba Investment Limited. Alibaba Investment Limited is directly 100% controlled by Alibaba Group Holding Limited. Therefore, Alibaba Group Holding Limited is deemed to be interested in the 65,737,710 H shares.

Taobao China Holding Limited is directly interested in the 65,737,711 H shares of the Company.

Taobao China Holding Limited is directly 100% controlled by Taobao Holding Limited. Taobao Holding Limited is directly 100% controlled by Alibaba Group Holding Limited. Therefore, Alibaba Group Holding Limited is deemed to be interested in the 65,737,711 H shares.

Alibaba Group Holding Limited is deemed to be interested in the 131,475,421 H shares.

- (4) On 14 May 2019, RSM Holding completed the 2019 Non-public Issuance of Exchangeable Corporate Bonds (First Tranche) (the “Exchangeable Bonds”), which had been fully subscribed by Alibaba (China) Technology Co., Ltd.. The Exchangeable Bonds are exchangeable into fully-paid A shares of the Company. Based on the initial conversion price of RMB12.28 per share upon the completion of issuance on 14 May 2019, the underlying shares of the Exchangeable Bonds were 355,000,000 A shares of the Company, which had still been held by RSM Holding as at 31 December 2019.

Alibaba (China) Technology Co., Ltd. was 57.59% and 35.75% controlled by Tao Bao (China) Software Co., Ltd. and Zhejiang Tmall Technology Co., Ltd. respectively. Therefore, Tao Bao (China) Software Co., Ltd. and Zhejiang Tmall Technology Co., Ltd. are deemed to be interested in the underlying A shares of the Exchangeable Bonds.

- (5) Man Wah Investments Limited is directly 80% controlled by Mr. WONG Man Li and Man Wah Investments Limited is directly interested in the 47,904,600 H Shares of the Company. Therefore, Mr. WONG Man Li is deemed to be interested in the 47,904,600 H shares through Man Wah Investments Limited.

Ms. HUI Wai Hing is the spouse of Mr. WONG Man Li. Under the SFO, Ms. HUI Wai Hing is deemed to be interested in the same number of shares in which Mr. WONG Man Li is or deemed to be interested.

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

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

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

## BIOGRAPHIES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

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

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

The re-election of each Director was approved by Shareholders at the 2019 third extraordinary general meeting of the Company held on 27 December 2019. Each of our Directors entered into a contract with the Company in December 2019. The principal particulars of these service contracts comprise:

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

## Report of Directors

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

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

Mr. PAN Ning and Ms. CHAO Yanping, the employee representative Supervisors as well as Mr. ZHENG Hongtao and Mr. CHEN Gang, the independent Supervisors, entered into service contracts with the Company in December 2019.

The principal particulars of these service contracts comprise:

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

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

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

## CONTRACTS OF SIGNIFICANCE WITH CONTROLLING SHAREHOLDERS

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

## MANAGEMENT CONTRACTS

For the year ended 31 December 2019, other than the service contracts of the Directors, the Company has not entered into any contract with any individual, firm or body corporate to manage the whole or any substantial part of any business of the Company during the reporting period.

## DIRECTORS' PERMITTED INDEMNITY PROVISION

At no time during the year ended 31 December 2019 and up to the date of this annual report, there was or is, any permitted indemnity provision being in force for the benefit of any of the Directors and Supervisors of the Company (whether made by the Company or otherwise) or of an associated company (if made by the Company). The Company has arranged appropriate directors' and senior officers' liability insurance coverage for the Directors and senior officers of the Group as of the end of the Reporting Period.

## DIRECTORS' AND CONTROLLING SHAREHOLDERS' INTERESTS IN COMPETING BUSINESS

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

### 1. Greenland Jinniu Shopping Mall

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

### 2. Property held by Changzhou RSHFC

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

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

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

## NON-COMPETITION UNDERTAKING

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

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

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

## DIRECTORS' AND SUPERVISORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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

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

Please refer to Notes XIII.3 and 4 to the Consolidated Financial Statements on page 474 for details of the emoluments of the Directors, Supervisors and senior management and the five highest paid individuals of the Company.

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

(RMB)	2019 (members of senior management)	2018 (members of senior management)
1–1,000,000	1	—
1,000,000–1,500,000	1	—
1,500,000–2,000,000	2	—
2,000,000–2,500,000	2	3
2,500,000–3,000,000	2	4
3,000,000–3,500,000	—	—
3,500,000–4,000,000	1	—
4,000,000–4,500,000	—	1

## REMUNERATION POLICY AND DIRECTORS' REMUNERATION

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



## Report of Directors

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

Our Directors receive compensation in the form of Directors' fees, salaries, housing allowances and other allowances, benefits in kind, the employer's contribution to the pension schemes and discretionary bonuses. Please refer to Note XIII.3 to the Consolidated Financial Statements on page 474 for details of the Directors' remuneration as at the end of the Reporting Period.

## CONFIRMATION OF INDEPENDENCE FROM THE INDEPENDENT NON-EXECUTIVE DIRECTORS

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

## MATERIAL LEGAL PROCEEDINGS

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

## COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

During the Reporting Period, except deviation from code provision A.2.1 of the Corporate Governance Code, the Company has complied with the provisions of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules, which sets out principles of good corporate governance in relation to, among other matters, the Directors, the chairman and chief executive officer, board composition, the appointment, re-election and removal of directors, their responsibilities and remuneration and communications with shareholders. Our Directors are satisfied that sufficient corporate governance measures have been put in place to manage conflicts of interest between our Group and the Controlling Shareholders and/or Directors to protect the interest of our minority shareholders. Please refer to the section headed "Corporate Governance Report" on page 106 for details.

## AUDITOR

The Board announced that on 24 April 2019, the Board resolved to appoint Ernst & Young Hua Ming LLP as the auditor of the Company for 2019 and BDO China Shu Lun Pan CPAs (LLP) as the internal control consultant of the Company for 2019, and they shall hold office until the appointment of the next session of the annual general meeting. The resolutions were approved by Shareholders at the 2018 annual general meeting. For details, please refer to the notice of annual general meeting dated 1 April 2019, the supplementary notice dated 23 April 2019, the poll results of the 2018 annual general meeting dated 16 May 2019 and the supplementary announcement to poll results of the 2018 annual general meeting dated 20 May 2019 of the Company.

The Consolidated Financial Statements have been audited by Ernst & Young Hua Ming LLP, the PRC auditor of the Company.

## AUDIT COMMITTEE

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

## PRE-EMPTIVE RIGHTS

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

## SUFFICIENCY OF PUBLIC FLOAT

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

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

## Report of Directors

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

### VOTING BY POLL

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

### CLOSURE OF REGISTERS OF MEMBERS

The Registers of Members will be closed from Monday, 15 June 2020 to Thursday, 18 June 2020, and from Sunday, 28 June 2020 to Friday, 3 July 2020, during which periods no transfer of shares will be registered. In order to qualify for attending and voting at the forthcoming AGM, unregistered holders of shares of the Company shall lodge share transfer documents with the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration before 4:30 p.m. on Friday, 12 June 2020. In order to qualify for the proposed final dividend (subject to the approval by the Shareholders at the forthcoming AGM), unregistered holders of shares of the Company shall lodge share transfer documents with Computershare Hong Kong Investor Services Limited at the above-mentioned address for registration before 4:30 p.m. on Friday, 26 June 2020.

## CHANGES IN INFORMATION OF DIRECTORS AND SUPERVISORS

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

Name	Position	Details of Change
Mr. Joseph Raymond GAGNON	Non-executive Director	Resigned as non-executive Director on 24 May 2019.
Mr. ZHANG Qiqi	Non-executive Director	Resigned as non-executive Director on 24 May 2019.
Ms. NG Ellen Hoi Ying	Supervisor	Resigned as supervisor on 24 May 2019.
Mr. XU Hong	Non-executive Director	Appointed as non-executive Director on 16 October 2019.
Mr. JING Jie	Non-executive Director	Appointed as non-executive Director on 16 October 2019.

## FUTURE DEVELOPMENT

Please refer to the section headed “Outlook and Prospects” on page 55 for future development of the Company.

## IMPORTANT EVENTS AFTER THE REPORTING PERIOD

### 1. Results of the Issuance of the 2020 First Tranche of Mid-term Notes

According to the Resolution on the General Mandate for the Issue of Domestic Debt Financing Instruments and Relevant Authorization considered and passed at the 2018 first extraordinary general meeting convened by the Company on 25 April 2018, the general meeting of the Company authorized the board of directors and its authorized persons to make decisions on financing in due course and to conduct domestic issuance of debt financing instruments, including but not limited to mid-term notes, corporate bonds, and other debt financing instruments recognized by domestic regulators, with a total amount of not exceeding RMB15 billion. The Company has filed an application to the National Association of Financial Market Institutional Investors (the “NAFMII”) for the registration of issuance of mid-term Commercial Papers. For detailed information, please refer to the Announcement on Proposed Issuance of 2018 First Tranche of Mid-term Notes by Red Star Macalline Group Corporation Ltd. (Announcement Code: 2018-052) disclosed by the Company on the official website of the Shanghai Stock Exchange and via designated media.

### IMPORTANT EVENTS AFTER THE REPORTING PERIOD (CONTINUED)

#### 1. Results of the Issuance of the 2020 First Tranche of Mid-term Notes (continued)

On 12 September 2018, the Company received the Notice for Acceptance of Registration (Zhong Shi Xie Zhu [2018] No. MTN506) issued by the NAFMII, expressing its consent for the registration of the issuance of mid-term notes of the Company, with a registration amount of RMB5 billion. The registration amount will be valid for two years from the date of the Notice for Acceptance of Registration issued by the NAFMII.

On 22 May 2019, in order to better play the role of non-financial corporate debt financing instruments on the Company's overall capital use, after re-evaluating its debt financing instrument structure, the Company applied to the NAFMII for the reduction of the registration amount of the mid-term notes under the aforementioned Notice for Acceptance of Registration (Zhong Shi Xie Zhu [2018] No. MTN506).

On 6 June 2019, the Company received the Letter in Relation to the Reduction of Registered Amount of Mid-Term Notes of Red Star Macalline Group Corporation Ltd. (Zhong Shi Xie Han [2019] No. 567) issued by the NAFMII approving the reduction of RMB3 billion from the registration amount of the mid-term notes of the Company under the aforementioned Notice for Acceptance of Registration (Zhong Shi Xie Zhu [2018] No. MTN506). The remaining valid registration amount under the Notice for Acceptance of Registration (Zhong Shi Xie Zhu [2018] No. MTN506) is RMB2 billion after the reduction of RMB3 billion from the original registration amount of RMB5 billion.

From 16 January 2020 to 17 January 2020, the issuance of the 2020 first tranche of mid-term notes of the Company was completed with an actual amount in total of RMB500 million with an interest rate of 5.70%. For details, please refer to the announcement of the Company dated 21 January 2020 as disclosed on the designated media in China and the announcement dated 20 January 2020 as disclosed on the website of the Hong Kong Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)). For documents relating to the issuance of the mid-term notes of the Company, please refer to the website of Chinamoney ([www.chinamoney.com.cn](http://www.chinamoney.com.cn)) and the website of Shanghai Clearing House ([www.shclearing.com](http://www.shclearing.com)).

#### 2. The Exemption of Tenants in Portfolio Shopping Malls from One-month Rent and Management Fee

On 29 January 2020, the Company received a proposal from Mr. CHE Jianxing, the Chairman, to convene an extraordinary meeting of the Board to consider the resolution on the matters in relation to the exemption of relevant qualified tenants in Portfolio Shopping Malls from one-month rent and management fee.

In order to undertake the social responsibilities actively and support the development of tenants, the relevant qualified tenants in the relevant Portfolio Shopping Malls will be exempted from the rent and the management fee for a month of the year 2020 by the Company to facilitate their smooth operation under the novel coronavirus pneumonia epidemic. For details, please refer to the announcement of the Company dated 3 February 2020 as disclosed on the designated media in China and the announcement dated 2 February 2020 as disclosed on the website of the Hong Kong Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)).

## IMPORTANT EVENTS AFTER THE REPORTING PERIOD (CONTINUED)

### 3. Share Option Incentive Scheme

For the purpose of further improving the corporate governance structure of the Company, establishing and enhancing the long-term incentive and constraint mechanism of the Company, attracting and retaining talents, fully mobilizing the proactiveness and creativities of the core cadres of the Company, effectively promoting the cohesiveness of the core team and the core competitiveness of the enterprise, effectively aligning the interests of Shareholders, the Company and the core team, enabling all parties to focus on the long-term development of the Company, and ensuring the achievements of the development strategies and operation objectives of the Company, the Company issued RMB-denominated ordinary shares (A shares) of the Company to the participants directly (the “Incentive Scheme”) on the premise of fully protecting the interests of shareholders and on the principle of income equivalent to contribution. The number of share options proposed to be granted to the participants under the Incentive Scheme is 30.85 million, representing approximately 0.87% of the total issued share capital of 3,550 million shares of the Company as at the date of announcement of the draft Incentive Scheme (i.e. 23 February 2020), among which, the first grant of share options consists of 27.765 million, representing approximately 0.78% of the total issued share capital of 3,550 million shares of the Company as at the date of announcement of the draft Incentive Scheme and 90.00% of the total number of share options under the Incentive Scheme; the reserved share options consist of 3.085 million, representing approximately 0.09% of the total issued share capital of 3,550 million shares of the Company as at the date of announcement of the draft Incentive Scheme and 10.00% of the total number of share options under the Incentive Scheme. The Incentive Scheme was approved by shareholders at the 2020 first extraordinary general meeting, the A shareholders’ class meeting and the H shareholders’ class meeting to be convened on 21 April 2020. For details, please refer to the announcement of the Company dated 24 February 2020 as disclosed on the designated media in China and the announcement and the circular of the Company dated 23 February 2020 and 26 March 2020, respectively, as disclosed on the website of the Hong Kong Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)).

### IMPORTANT EVENTS AFTER THE REPORTING PERIOD (CONTINUED)

#### 4. Announcement on Results of Public Issuance of the First Tranche of 2020 Corporate Bonds

As approved by the China Securities Regulatory Commission (Zheng Jian Xu Ke [2019] No. 628), the Company was granted the permission to publicly issue corporate bonds with the total nominal value of up to RMB4 billion to qualified investors, and such corporate bonds shall be issued in installments.

According to the Announcement on Public Issuance of the First Tranche of 2020 Corporate Bonds of Red Star Macalline Group Corporation Ltd., the issuance size of the first tranche of publicly issued 2020 corporate bonds of Red Star Macalline Group Corporation Ltd. (the “Bonds”) was up to RMB500 million (inclusive). The issuance was made by adopting a form of book-building for qualified investors through offline, with an issuance price of RMB100 per piece.

The Bonds have a maturity of three years and were attached with the Issuer’s option to adjust the coupon rate and the bondholders’ put option at the end of the second year.

The issuance of the Bonds was completed on 10 March 2020, and the actual issuance size was RMB500 million, with a coupon rate of 4.95%.

By Order of the Board

**CHE Jianxing**

*Chairman*

Shanghai, 17 April 2020

# Report of Supervisors

## I. MEETINGS OF THE SUPERVISORY COMMITTEE AND RELEVANT RESOLUTIONS

The Supervisory Committee of Red Star Macalline Group Corporation Ltd. (hereinafter referred to as the “Company”) convened a total of 9 meetings in 2019, and details of the relevant meetings and the resolutions are as follows:

- (1) The eighth extraordinary meeting of the third session of the Supervisory Committee was convened on 5 March 2019. The resolution in respect of the use of part of the idle A Share offering proceeds to replenish liquidity of funds temporarily was reviewed and passed.
- (2) The seventh meeting of the third session of the Supervisory Committee was convened on 27 March 2019. The work report of the Supervisory Committee of the Company for 2018, the final account report of the Company for 2018, the financial budget report of the Company for 2019, the financial statements of the Company for the year ended 31 December 2018, the annual report and annual results of the Company for the year ended 31 December 2018, the profit distribution plan of the Company for 2018, the corporate environment and social responsibility report of the Company for 2018, the exclusive report on the depository and actual use of funds raised by the Company in 2018, the remuneration of Supervisors of the Company for 2018, the resolution in respect of changes in accounting policies and the resolution in respect of the provision of asset impairment allowances for 2018 were reviewed and passed.
- (3) The ninth extraordinary meeting of the third session of the Supervisory Committee was convened on 28 March 2019. The resolution in respect of the second phase of the employee stock ownership plan of Red Star Macalline Group Corporation Ltd. (draft) and its summary, the resolution in respect of measures for management of the second phase of the employee stock ownership plan of Red Star Macalline Group Corporation Ltd. and the resolution in respect of authorization to the Board to handle matters in connection with the second phase of the employee stock ownership plan of the Company by the general meeting were reviewed and passed.
- (4) The tenth extraordinary meeting of the third session of the Supervisory Committee was convened on 23 April 2019. The resolution on the appointment of the auditor for the financial report of the Company and the internal control auditor for the year 2019 was reviewed and passed.
- (5) The eighth meeting of the third session of the Supervisory Committee was convened on 26 April 2019. The first quarterly report of the Company for 2019 was reviewed and passed.



- (6) The ninth meeting of the third session of the Supervisory Committee was convened on 26 August 2019. The interim financial statements of the Company as of 30 June 2019, the interim report and interim results as of 30 June 2019 and the exclusive report on the depositary and actual use of funds raised by the Company in the first half of 2019 were reviewed and passed.
- (7) The tenth meeting of the third session of the Supervisory Committee was convened on 29 October 2019. The third quarterly report of the Company for 2019 was reviewed and passed.
- (8) The eleventh extraordinary meeting of the third session of the Supervisory Committee was convened on 5 November 2019. The resolution in respect of the nomination of candidates for independent Supervisors of the fourth session of the Supervisory Committee of the Company was reviewed and passed.
- (9) The first extraordinary meeting of the fourth session of the Supervisory Committee was convened on 27 December 2019. The resolution in respect of the election of chairman of the fourth session of the Supervisory Committee of Red Star Macalline Group Corporation Ltd. was reviewed and passed.

## II. INDEPENDENT OPINION OF THE SUPERVISORY COMMITTEE REGARDING CERTAIN MATTER

- (1) Legal operations of the Company: during the year of 2019, members of the Supervisory Committee continued to supervise the Company's operations through attending Board meetings, reviewing reports on special projects, conducting onsite inspections and meetings with staff, conducting audits and specific surveys. With reference to various regulations, the Supervisory Committee was of the opinion that the decision-making process of the Company was lawful, the internal control of the Company was effective, and the Directors and the senior management of the Company had diligently carried out their duties, and there was no behavior in violation of the laws, regulations, the Articles of Association, nor had they prejudiced the Company's and Shareholders' interests. The Supervisory Committee had reviewed the Company's internal control report from Ernst & Young Hua Ming LLP for the year 2019, and was of the view that the report reflected the actual situation of the Company's corporate governance and internal control, that the audit opinions were objective, and agreed to publish the relevant report.
- (2) Financial monitoring of the Company: during the Reporting Period, the Supervisory Committee diligently performed its duty of reviewing the Company's financial situation, including monitoring the Company's operations and its risks and providing audited opinions to each periodic report. The Supervisory Committee was of the opinion that the Company's financial report reflected a true and fair view on the Company's financial position and operating results.
- (3) Use of Proceeds:

## Use of Proceeds from the Listing of H Shares

The net proceeds from the global offering amounted to RMB5,573.30 million, used for the development of 9 Portfolio Shopping Malls, investment or acquisition of other home improvement and furnishing retailers and other market participants, refinancing of our existing indebtedness, development of our O2O business and information technology systems, working capital and other general corporate purposes. The Board resolved on 31 July 2015 and 16 January 2018 to change the intended use of part of the net proceeds from the Global Offering. For details, please refer to the announcements of the Company dated 31 July 2015 and 16 January 2018. As of the end of the Reporting Period, the Company cumulatively used 99.8% of the net proceeds in the abovementioned fund-raising investment projects.

## Use of Proceeds from the Listing of A Shares

The A Shares of the Company (stock code: 601828) were listed and commenced trading on the Shanghai Stock Exchange on 17 January 2018. The Company issued 315,000,000 A Shares at the issue price of RMB10.23 per share. The total proceeds raised from this issuance amounted to RMB3,222.45 million, and the net proceeds raised, after deducting the cost of the A Share offering of RMB172.4422 million, amounted to RMB3,050.0078 million (the "A Share Offering Proceeds"). The resolution on the change in part of the A Share fund-raising investment project was considered and approved at the thirty-fifth extraordinary meeting of the third session of the Board and the fourth extraordinary meeting of the third session of the Supervisory Committee on 7 September 2018, and was considered and approved at the second extraordinary general meeting of the Company convened on 28 November 2018.

As of the end of the Reporting Period, the Company cumulatively used 86.45% of the A Share Offering Proceeds in the abovementioned fund-raising investment projects.

- (4) Stock incentive plan: during the Reporting Period, the Company had no stock incentive plan.
- (5) Major asset acquisitions and disposals: during the Reporting Period, the Company did not conduct any major asset acquisitions and disposals.
- (6) Connected and continuing connected transactions:

During the Reporting Period, the Supervisory Committee paid close attention to the continuing connected transactions of the Company for the year.

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

## The Supervisory Committee of Red Star Macalline Group Corporation Ltd.

17 April 2020

# Corporate Governance Report

The Group is committed to high-standard corporate governance so as to protect the interests and legal rights of the Shareholders and to promote the Company's value and accountability. H Shares of the Company were listed on the main board of the Hong Kong Stock Exchange on 26 June 2015, and A Shares of the Company were listed on the Shanghai Stock Exchange on 17 January 2018.

The Company has adopted the following corporate governance principles and practices:

## COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

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

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

Mr. CHE Jianxing is the Chairman and chief executive officer of the Company. In view of Mr. CHE's experience, personal profile and his roles in our Group as mentioned above, and that Mr. CHE has performed the role of chief executive officer and the general manager of the Group since June 2007, the Board considers it beneficial to the business prospects 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) any decision to be made by our Board requires approval by at least a majority of our Directors and that the Board comprises four independent non-executive Directors out of the 12 Directors, which is in compliance with the Listing Rules requirement of one-third, and we believe that there are 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 acts for the benefit and in the best interests of the Company and will make decisions for the Group accordingly; and (iii) the balance of power and authority is ensured by the operations of the Board, which comprises of experienced and high caliber individuals who meet regularly to discuss issues affecting the operations of the Company. Moreover, the overall strategic and other key business, financial and operational policies of the Group are made collectively after thorough discussion at both Board and senior management levels.

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

## COMPLIANCE WITH THE MODEL CODE

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

## BOARD OF DIRECTORS

### Board Composition

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

Name	Positions	Date of Re-appointment or Appointment
Mr. CHE Jianxing <sup>(1)</sup>	Chairman and Executive Director	30 December 2019
Mr. GUO Binghe	Vice Chairman and Executive Director	30 December 2019
Ms. CHE Jianfang	Executive Director	30 December 2019
Mr. JIANG Xiaozhong	Executive Director	30 December 2019
Ms. CHEN Shuhong	Non-executive Director	30 December 2019
Mr. XU Guofeng <sup>(2)</sup>	Non-executive Director	30 December 2019
Mr. JING Jie <sup>(3)</sup>	Non-executive Director	30 December 2019
Mr. XU Hong <sup>(3)</sup>	Non-executive Director	30 December 2019
Mr. QIAN Shizheng	Independent non-executive Director	30 December 2019
Mr. LEE Kwan Hung, Eddie	Independent non-executive Director	30 December 2019
Mr. WANG Xiao	Independent non-executive Director	30 December 2019
Ms. ZHAO Chongyi	Independent non-executive Director	30 December 2019

*Notes:*

- (1) Mr. CHE Jianxing is the husband of Ms. CHEN Shuhong and the brother of Ms. CHE Jianfang.
- (2) Mr. XU Guofeng is the husband of Ms. CHE Jianfang.
- (3) Mr. JING Jie and Mr. XU Hong were appointed as new Directors on 16 October 2019, and re-appointed as non-executive Directors on 30 December 2019.

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

# Corporate Governance Report

During the Reporting Period, the Board complied with the requirements of appointing at least three independent non-executive Directors (among whom at least one independent non-executive Director holds the appropriate professional qualifications or accounting or relevant financial management knowledge) set out in Rules 3.10(1) and 3.10(2) of the Listing Rules at any time.

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

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

## Board Diversity

The Company regards increasing diversity at the Board level as an essential element in supporting the attainment of its strategic objectives and its sustainable development. The Board of Directors will consider setting quantifiable objectives for the implementation of the diversity policy for the Board and reviewing them from time to time, in order to ensure that the objectives are feasible and that progress is being made towards such objectives. In designing the Board's composition, the Company considers the Board's diversity from a number of aspects, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service, so as to ensure a moderate balance of the Board members in skills, experience and diversity of views, which will in turn help them to provide the necessary conditions to support the Board in implementing its business strategies and to maintain the effective operation of the Board. All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board. At present, the Nomination Committee considers that the Board members are fully diversified, and the Board has not set any quantifiable objectives. The Nomination Committee will continue to monitor the implementation of the Board diversity policy and will regularly review the Board diversity policy to ensure its continued effectiveness.

## Board Meeting

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

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

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

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

### **Appointment, Re-election and Re-appointment of Directors**

In accordance with the provisions set out in the Articles of Association, the Directors shall be elected by the general meeting of Shareholders and shall serve three-year terms. Upon expiration of the term, the Directors may be re-elected and re-appointed. Each independent non-executive Director shall be subject to retirement by rotation once every two sessions.

### **Nomination Policy**

The Company has implemented a set of effective procedures for the appointment of new Directors. The Nomination Committee and Remuneration and Evaluation Committee have priority to discuss nomination of the new Directors and shall submit proposals to the Board. New directors shall be elected by the general meeting of Shareholders.

This set of procedures aims to ensure that the skills and experience of the Board are evenly distributed to support them to provide the Company with different views and perspectives, to ensure the consistency of the Board and to ensure that the Board of Directors is under appropriate leadership.

In assessing candidates for Directors, the Nomination Committee will assess the suitability of the proposed personnel and their potential contributions to the Board in all aspects, including but not limited to the following:

- Reputation for integrity
- Guarantee for available time and related benefits
- Diversity in all aspects, including but not limited to gender, age (18 years old or older), cultural and educational background, race, professional experience, skills, knowledge and length of service

The Company will consider adopting the nomination policy for Directors, which sets out the selection criteria and procedures as well as the considerations related to the nomination and appointment of Directors in the succession plan of the Board.

The Nomination Committee reviews at least annually the structure, size and composition (including the skills, knowledge and experience) of the Board and, where appropriate, makes recommendations on changes to the Board to complement the Company's corporate strategy. The Company aims to maintain an appropriate balance of diverse perspectives within the Board that are relevant to the Company's business growth.

# Corporate Governance Report

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

## Directors' Training

### Introductory and Continuous Professional Development

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

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

Name of Directors	Training Description
CHE Jianxing	A, B
GUO Binghe	A, B
CHE Jianfang	A, B
JIANG Xiaozhong	A, B
CHEN Shuhong	A, B
XU Guofeng	A, B
JING Jie (appointed as non-executive Director with effect from 16 October 2019)	A, B
XU Hong (appointed as non-executive Director with effect from 16 October 2019)	A, B
QIAN Shizheng	A, B
LEE Kwan Hung, Eddie	A, B
WANG Xiao	A, B
ZHAO Chongyi	A, B

#### Notes:

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

## Duties Performed by the Board and Management

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

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

## CORPORATE GOVERNANCE FUNCTION

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

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

## DIRECTORS' LIABILITY INSURANCE

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

## BOARD COMMITTEES

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



## AUDIT COMMITTEE

We have established an Audit Committee with written terms of reference in compliance with Rule 3.21 of the Listing Rules and Code Provision C.3 and Code Provision D.3 of the Corporate Governance Code. The Audit Committee consists of three independent non-executive Directors as at the end of the Reporting Period, namely Mr. QIAN Shizheng, Mr. LEE Kwan Hung, Eddie and Mr. WANG Xiao. Mr. QIAN Shizheng, who holds the appropriate professional qualifications as required under Rules 3.10(2) and 3.21 of the Listing Rules, serves as the chairman of the Audit Committee. The primary duties of the Audit Committee include, but are not limited to, the following:

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

As at the end of the Reporting Period, the Audit Committee has performed its duties with due prudence in accordance with the requirements of the Company Law, the Articles of Association, the Terms of Reference of the Audit Committee of the Board of the Company and the relevant laws and regulations. The Audit Committee convened 5 meetings, details of which are set out below:

Name of Meeting	Date of Meetings	Contents of Meeting	Attendance at the Meeting
Audit Committee	27 March 2019	<ol style="list-style-type: none"> <li>(1) The internal control auditor's reports to the Audit Committee in respect of the audit matters for the internal control report of the Company for the year 2018;</li> <li>(2) The internal control evaluation report of the Company for the year 2018;</li> <li>(3) The auditor's reports to the Audit Committee in respect of the audit matters for the annual financial report of the Company for the year 2018;</li> <li>(4) The financial statements of the Company for the year ended 31 December 2018;</li> <li>(5) The annual report and annual results of the Company for the year ended 31 December 2018;</li> <li>(6) The profit distribution program of the Company for the year 2018;</li> <li>(7) The Company's special report on the deposit and actual use of the funds raised in the year of 2018;</li> <li>(8) The resolution concerning the provision for assets impairment of the Company for the year 2018;</li> <li>(9) The resolution concerning the expected ordinary related party transactions of the Company for the year 2019;</li> <li>(10) The report on the performance of duties of the Audit Committee of the Board of the Company for the year 2018;</li> <li>(11) The summary of internal audit works for the year 2018 and working plan for the year 2019 of the Company;</li> </ol>	Mr. QIAN Shizheng, Mr. LEE Kwan Hung, Eddie and Mr. WANG Xiao attended the meeting

# Corporate Governance Report

Name of Meeting	Date of Meetings	Contents of Meeting	Attendance at the Meeting
		(12) The report on corporate environmental and social responsibility of the Company for the year 2018;	
		(13) The corporate governance report of the Company as of 31 December 2018.	
	23 April 2019	(1) The resolution concerning the appointment of auditor for the financial report and the internal control auditor of the Company for the year 2019.	Mr. QIAN Shizheng, Mr. LEE Kwan Hung, Eddie and Mr. WANG Xiao attended the meeting
	26 April 2019	(1) The 2019 first quarterly report of the Company.	Mr. QIAN Shizheng, Mr. LEE Kwan Hung, Eddie and Mr. WANG Xiao attended the meeting
	26 August 2019	(1) The financial statements of the Company for the half year ended 30 June 2019;	Mr. QIAN Shizheng, Mr. LEE Kwan Hung, Eddie and Mr. WANG Xiao attended the meeting
		(2) The interim report and interim results of the Company for the half year ended 30 June 2019; and	
		(3) The Company's special report on the deposit and actual use of the funds raised in the first half year of 2019.	
	29 October 2019	(1) The 2019 third quarterly report of the Company.	Mr. QIAN Shizheng, Mr. LEE Kwan Hung, Eddie and Mr. WANG Xiao attended the meeting

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

## REMUNERATION AND EVALUATION COMMITTEE

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

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

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

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

# Corporate Governance Report

As at the end of the Reporting Period, the Remuneration and Evaluation Committee has performed its duties with due prudence in accordance with the requirements of the Company Law, the Articles of Association, the Terms of Reference of the Remuneration and Evaluation Committee of the Board and the relevant laws and regulations. The Remuneration and Evaluation Committee convened 3 meetings, details of which are set out below:

Name of Meeting	Date of Meetings	Contents of Meeting	Attendance at the Meeting
Remuneration and Evaluation Committee	27 March 2019	<p>(1) The resolution concerning the remuneration of Directors and senior management of the Company for the year 2018;</p> <p>(2) The establishment and implementation of an evaluation system and incentive system for senior management for the year 2018.</p>	Mr. CHE Jianxing, Mr. QIAN Shizheng and Mr. WANG Xiao attended the meeting
	19 July 2019	(1) The resolution concerning the consideration and approval for the remuneration of additional non-executive Directors of the third session of the Board.	Mr. CHE Jianxing, Mr. QIAN Shizheng and Mr. WANG Xiao attended the meeting
	5 November 2019	<p>(1) The resolution concerning the consideration and approval for the remuneration of Mr. CHE Jianxing, the candidate of the Director of the fourth session of the Board;</p> <p>(2) The resolution concerning the consideration and approval for the remuneration of Ms. CHE Jianfang, the candidate of the Director of the fourth session of the Board;</p> <p>(3) The resolution concerning the consideration and approval for the remuneration of Ms. CHEN Shuhong, the candidate of the Director of the fourth session of the Board;</p>	Mr. CHE Jianxing, Mr. QIAN Shizheng and Mr. WANG Xiao attended the meeting

Name of Meeting	Date of Meetings	Contents of Meeting	Attendance at the Meeting
		(4) The resolution concerning the consideration and approval for the remuneration of Mr. XU Guofeng, the candidate of the Director of the fourth session of the Board;	
		(5) The resolution concerning the consideration and approval for the remuneration of Mr. JIANG Xiaozhong, the candidate of the Director of the fourth session of the Board;	
		(6) The resolution concerning the consideration and approval for the remuneration of Mr. GUO Binghe, the candidate of the Director of the fourth session of the Board;	
		(7) The resolution concerning the consideration and approval for the remuneration of Mr. XU Hong, the candidate of the Director of the fourth session of the Board;	
		(8) The resolution concerning the consideration and approval for the remuneration of Mr. JING Jie, the candidate of the Director of the fourth session of the Board;	
		(9) The resolution concerning the consideration and approval for the remuneration of Mr. LEE Kwan Hung, Eddie, the candidate of the Independent non-executive Director of the fourth session of the Board;	
		(10) The resolution concerning the consideration and approval for the remuneration of Mr. QIAN Shizheng, the candidate of the Independent non-executive Director of the fourth session of the Board;	
		(11) The resolution concerning the consideration and approval for the remuneration of Mr. WANG Xiao, the candidate of the Independent non-executive Director of the fourth session of the Board;	
		(12) The resolution concerning the consideration and approval for the remuneration of Ms. ZHAO Chongyi, the candidate of the Independent non-executive Director of the fourth session of the Board.	

## NOMINATION COMMITTEE

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

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

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

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

Name of Meeting	Date of Meetings	Contents of Meeting	Attendance at the Meeting
Nomination Committee	19 July 2019	(1) The resolution concerning the additional appointment of Mr. JING Jie as non-executive Director of the third session of the Board of the Company;	Mr. CHE Jianxing, Mr. LEE Kwan Hung, Eddie and Ms. ZHAO Chongyi attended the meeting
		(2) The resolution concerning the additional appointment of Mr. XU Hong as non-executive Director of the third session of the Board of the Company.	

## Corporate Governance Report

Name of Meeting	Date of Meetings	Contents of Meeting	Attendance at the Meeting
	5 November 2019	<p>(1) In relation to the proposal of nominating Mr. CHE Jianxing as the candidate of Director of the fourth session of the Board;</p> <p>(2) In relation to the proposal of nominating Ms. CHE Jianfang as the candidate of Director of the fourth session of the Board;</p> <p>(3) In relation to the proposal of nominating Ms. CHEN Shuhong as the candidate of Director of the fourth session of the Board;</p> <p>(4) In relation to the proposal of nominating Mr. XU Guofeng as the candidate of Director of the fourth session of the Board;</p> <p>(5) In relation to the proposal of nominating Mr. JIANG Xiaozhong as the candidate of Director of the fourth session of the Board;</p> <p>(6) In relation to the proposal of nominating Mr. GUO Binghe as the candidate of Director of the fourth session of the Board;</p>	Mr. CHE Jianxing, Mr. LEE Kwan Hung, Eddie and Ms. ZHAO Chongyi attended the meeting



# Corporate Governance Report

Name of Meeting	Date of Meetings	Contents of Meeting	Attendance at the Meeting
		(7) In relation to the proposal of nominating Mr. XU Hong as the candidate of Director of the fourth session of the Board;	
		(8) In relation to the proposal of nominating Mr. JING Jie as the candidate of Director of the fourth session of the Board;	
		(9) In relation to the proposal of nominating Mr. LEE Kwan Hung, Eddie (李均雄), the candidate of the Independent non-executive Director of the fourth session of the Board;	
		(10) In relation to the proposal of nominating Mr. QIAN Shizheng, the candidate of the Independent non-executive Director of the fourth session of the Board;	
		(11) In relation to the proposal of nominating Mr. WANG Xiao, the candidate of the Independent non-executive Director of the fourth session of the Board;	
		(12) In relation to the proposal of nominating Ms. ZHAO Chongyi, the candidate of the Independent non-executive Director of the fourth session of the Board.	

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## STRATEGY AND INVESTMENT COMMITTEE

We have established a Strategy and Investment Committee with written terms of reference. As at the end of the Reporting Period, the Strategy and Investment Committee consists of five Directors, including three executive Directors, one non-executive Director and one independent non-executive Director: namely Mr. CHE Jianxing, Mr. GUO Binghe, Mr. JIANG Xiaozhong, Mr. XU Hong and Ms. ZHAO Chongyi. Mr. CHE Jianxing serves as the chairman of the Strategy and Investment Committee.

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

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

During the Reporting Period, the Strategy and Investment Committee did not convene any meetings.

## ATTENDANCE RECORD OF MEETINGS

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

Director's Name	Number of attending/ convening Board meetings	Number of attending/ convening Audit Committee meetings	Number of attending/ convening Remuneration and Evaluation Committee meetings	Number of attending/ convening Nomination Committee meetings	Number of attending/ convening Strategy and Investment Committee meetings	Number of attending/ convening general meeting of Shareholders
CHE Jianxing	24/24	—	3/3	2/2	—	4/4
GUO Binghe	24/24	—	—	—	—	4/4
CHE Jianfang	24/24	—	—	—	—	4/4
JIANG Xiaozhong	24/24	—	—	—	—	4/4
CHEN Shuhong	24/24	—	—	—	—	4/4
XU Guofeng	24/24	—	—	—	—	4/4
Joseph Raymond GAGNON <sup>(1)</sup>	9/24	—	—	—	—	2/4
ZHANG Qiqi <sup>(1)</sup>	9/24	—	—	—	—	2/4
QIAN Shizheng	24/24	5/5	3/3	—	—	4/4
LEE Kwan Hung, Eddie	24/24	5/5	—	2/2	—	4/4
WANG Xiao	24/24	5/5	3/3	—	—	4/4
ZHAO Chongyi	24/24	—	—	2/2	—	4/4
JING Jie <sup>(2)</sup>	5/24	—	—	—	—	2/4
XU Hong <sup>(2)</sup>	5/24	—	—	—	—	2/4

**Notes:**

- (1) On 24 May 2019, Mr. Joseph Raymond GAGNON and Mr. ZHANG Qiqi resigned as non-executive Directors. On the same day, Mr. ZHANG Qiqi resigned as a member of the Strategy and Investment Committee. 9 Board meetings and 2 general meetings were attended before each of their resignation.
- (2) Mr. XU Hong and Mr. JING Jie were appointed as non-executive Directors on 16 October 2019. On the same day, Mr. XU Hong appointed as a member of the Strategy and Investment Committee. 5 Board meetings and 2 general meetings were attended after each of their appointment.

### **DIRECTORS' FINANCIAL STATEMENTS REPORTING RESPONSIBILITY**

The Directors are fully aware of their responsibility of preparing the Consolidated Financial Statements of the Company for the year ended 31 December 2019 so as to provide a true and fair view of the situation of the Company and the Group as well as the results and cash flows of the Group.

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

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

Statement of the Directors' reporting responsibilities of Consolidated Financial Statements of the Company made by auditors of the Company is recorded in Independent Auditor's Report on pages 139 of this annual report.

### **RISK MANAGEMENT AND INTERNAL CONTROL**

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

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

### **RISK MANAGEMENT AND INTERNAL CONTROL ORGANISATIONAL SYSTEM**

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

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

### CARRYING OUT RISK MANAGEMENT WORK

In order to better cope with the changing market environment and ensure the realization of the Company's business objectives, in 2019 the Company implemented a comprehensive risk management system at the company-wide level. The system is designed to manage various potential risks to which the Company is exposed in the course of operation through procedures and measures of risk identification, risk assessment, risk response, risk reporting and monitoring. The Company has systematically established a database for risks based on the status quo of our current business and management, with a view to achieving comprehensive identification of and response to risks.

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

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

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

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

### OPERATION OF INTERNAL CONTROL MECHANISM

The management of the Company has set up the Internal Control Management Committee, which leads the Internal Control Compliance Department in the overall planning, design and guidance in relation to the building of the risk management and internal control management system of the Company. In 2019, the Internal Control Compliance Department played a leading role in the establishment of the internal control evaluation working group, which carried out self-evaluation of internal control and assessment of the effectiveness of the design and implementation of internal control for the Company's main business and matters. For all deficiencies in internal control as identified in the assessment, the management of the Company has developed feasible rectification plans and promoted the implementation of such rectification. The Internal Control Compliance Department has followed up on such areas subject to rectification, and continued to monitor the progress and the overall effectiveness of the rectification of deficiencies, thus achieving the organized operation of overall internal control.

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

The Board has reviewed risk management and internal control work carried out in 2019. There has been no significant risk control failure, and no significant risk control weakness has been identified within the Company. The management processes including financial report, inside information handling and disclosure of the Company are in strict compliance with the Listing Rules. The Board has reviewed the risk management and internal control work conducted by the Company during the Reporting Period and considers the risk management and internal control system effective and sufficient within the Group.

## AUDITOR'S REMUNERATION

Statement of the Company's external auditor related to the reporting responsibilities of consolidated financial statements is recorded in the Independent Auditor's Report on pages 139 of this annual report. Remuneration of the Company's external auditor Ernst & Young Hua Ming LLP (the "Ernst & Young Hua Ming") paid/payable for the year ended 31 December 2019 was RMB10.5 million. Remuneration of the Company's external internal control consultant, BDO China Shu Lun Pan Certified Public Accountants LLP, paid/payable for the year ended 31 December 2019 was RMB0.8 million.

## APPOINTMENT OF EXTERNAL AUDITOR AND INTERNAL CONTROL CONSULTANT

On 24 April 2019, the Board announced that, the Board resolved to appoint Ernst & Young Hua Ming as the auditor of the Company for the year 2019 and resolved to appoint BDO China Shu Lun Pan Certified Public Accountants LLP as the internal control consultant of the Company for the year 2019 with a term until the conclusion of the next annual general meeting. This appointment has been approved by the 2018 annual general meeting. For further details, please refer to the Company's circular dated on 23 April 2019 and announcement dated 16 May 2019.

## COMPANY SECRETARY

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

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

For the year ended 31 December 2019, Mr. GUO and Ms. LEUNG have already completed professional training of no less than 15 hours in accordance with Rule 3.29 of the Listing Rules, respectively.



## COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS

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

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

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

## SHAREHOLDERS' RIGHTS

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

### Extraordinary Shareholders' Meeting Convening and Proposal

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

1. Shareholders who separately or jointly hold more than 10% of the Shares may request the Board to convene an extraordinary Shareholders' meeting or Shareholders' class meeting by signing a written requirement or several copies with the same format and to illustrate the subject of the meetings. The Board shall convene an extraordinary Shareholders' meeting or Shareholders' class meeting as soon as possible upon the receipt of the aforesaid written request. The Shareholders shall calculate the aforesaid number of shareholdings as of the date of the submission of the written requirement.

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

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

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

### **Queries Made to Board of Directors**

The Shareholders may send queries for attention of the Board to [ir@chinaredstar.com](mailto:ir@chinaredstar.com) by e-mail.

### **Articles of Association**

For the year ended 31 December 2019, there had been various alternations to the Articles of Association. The existing Articles of Association are published on the websites of the Hong Kong Stock Exchange and the Company respectively. For further details, please refer to Company's announcements dated 21 July 2019 and 5 December 2019 respectively, and circulars dated 8 August 2019 and 9 December 2019.

# Social Responsibility Report

## INTRODUCTION

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

## RESPONSIBILITY TO THE INDUSTRY

As a leading brand in the home furnishing circulation industry, Red Star Macalline always pays attention to the innovation and development of the home improvement and furnishing industry, and optimizes the new home furnishing retail system based on the three themes of “smart retail, aesthetic design, and environmental protection”. We adhere to the “service first” business philosophy and are committed to improving customer satisfaction and loyalty. We apply Internet, big data, artificial intelligence and other technologies to the development of home furnishing retail, bringing a new smart retail model of online traffic driving+ offline experience and transaction to the home furnishing industry, and use the cloud software for design to promote the “digital intelligence” upgrade of new home furnishing retail. We promote the aesthetic concept of home furnishing by launching the M+ design series activities, supporting home furnishing transformation projects and participating in various design exhibitions. We establish a fully closed-loop environmental protection management system for home furnishing to strictly monitor the environmental-friendliness of our products. We also insist on holding a series of environmental protection week activities, and promote the trend of environmental protection in the home improvement and furnishing industry by evaluating and selecting “Green Leading Brand”, holding “Brand Environmental Protection Acts”, “Laboratory Quest”, “Home Decoration Class” and “Green Exhibition” activities.

## RESPONSIBILITY TO OUR PARTNERS

Red Star Macalline is committed to a code of business conduct focusing on integrity and shared benefits with our suppliers. In terms of material and service procurement, we promulgated and continued to refine the “Management System for Procurement” to regulate certain aspects such as supplier admission standards, supplier verification requirements, supplier KPI assessment system, supplier elimination mechanism, etc., as well as implemented unified, standardized and centralized management of the material and service procurement business. In 2019, we have also established a supplier master data management platform (MDM). Supplier-related applications, approvals and supporting documents are reported via the platform to ensure the accuracy, consistency, and traceability of master data.

For tenants, we have prepared the “Merchandise Qualification Management Regulations”, which set out clear regulations in respect of the admission standards and compliance verification for brand tenants’ admission qualifications. We implemented the “Standards for Evaluation for Factory Quality Guarantee Capacity”, which sets out requirements for our brand partners in terms of company qualification, quality guarantee of resources, design and development of quality safety/environmental protection products, important environmental factors in the life cycle of products, etc..

## RESPONSIBILITY TO OUR CUSTOMERS

Upholding the belief that “Customers are the base of a corporation”, we are committed to offering customers efficient and high-quality services. In 2019, we have fully implemented three “star commitments” namely “ environmental protection”, “compensation in advance”, and “refund three times the price difference in the same city”, and launched 6 “heart services” including “unconditional return in 30 days”, “full responsibility for merchandise quality”, “installment payment”, “delivery and installation on time”, “free design consultation”, “home furnishing shopping guide consultant” in shopping malls across China. In addition, in order to implement the after-sales service system, we created professional home furnishing maintenance services to build our own service brand “M Beauty to Home”. In 2019, we carried out three large-scale themed activities, namely the “Service Month, Brand Month, and Thanksgiving Season” activities, in more than 250 malls in about 160 cities across China.

For customer complaints, we have prepared a series of customer complaint handling standards, including the “Implementation Rules for Handling and Management of Customer Complaints” and “Regulations and Standard Procedure of Customer Complaint Handling and Services”, to clearly explain the procedure and skills of complaint handling and the duties and responsibilities of all departments. At the same time, we have in-depth cooperation with government platforms. As of 2019, we have established consumer rights contact points in cooperation with local market supervision bureaus in 224 shopping malls nationwide. In addition, we have set up more than 500 senior customer complaint consultant positions in the company’s headquarters, regional offices and shopping malls, and conducted regular trainings to guarantee the professionalism of customer complaint handling personnel and ensure that customers’ problems are properly resolved.

## RESPONSIBILITY TO OUR STAFF

Following an open and fair employment principle, Red Star Macalline offers equal opportunities to our employees and values the diversity of its workforce. We oppose any form of discrimination and protect our staff from any racial, religious and gender discrimination.

We offer a competitive remuneration package and constantly improve our promotion system. Meanwhile, we provide a harmonious and open working environment and respect our employees. Our management school has developed an applet called the “Star Creation Academy” and offered multi-dimensional and systematic training programs such as the offline core talent training program to improve the capabilities of our employees, aiming to realize the vision of mutual happiness and growth of the Company and our employees. In 2019, we won eight distinguished awards for employers and brands, i.e. “Staff’s Favorite Chain Enterprise in China (中國連鎖業員工最喜愛僱主)”, “Asia Best Workplace (Mainland China) (亞洲最佳職場 (中國大陸區))”, “China’s Employer Excellence — A Model in Organizational Innovation (中國典範僱主 — 組織創新典範)”, “An Employer of Extraordinary Diversity (多元非凡僱主)”, “Best HR Team in Greater China (大中華區最佳人力資源團隊)”, “China’s Pioneer HR Employer (中國人力資源先鋒僱主)”, “China BOLE Employer with Best Value of the Year (中國好伯樂年度價值僱主)”, and “China BOLE Outstanding HR Management Team (中國好伯樂傑出人力資源管理團隊)”.

## Social Responsibility Report

In addition, Red Star Macalline is devoted to building a safe, healthy and comfortable working and living environment for its staff. We help our employees manage their health by organizing staff medical examinations, setting up the Red Star medical green channels, and upgrading the membership cards of our trade union. We organized various cultural and sports activities such as hobby courses and parent-child interactive activities, aiming to create a balance between work and leisure time of our staff. We offered subsidized houses, set up supporting funds, mommy hut and organized networking activities for single employees to improve the life quality of our staff. In 2019, we staged an event known as “One-day Donation” under the name of the Red Star True Love Fund, and organized public fundraising events in the shopping malls across China for the first time in order to improve the fund, and to establish a comprehensive staff support system as well as a long-term mechanism for helping and caring for the employees in need.

## RESPONSIBILITY TO ENVIRONMENT AND SOCIAL PUBLIC

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

In the pursuit of self-growth and service quality improvement, Red Star Macalline builds close relations with communities, shares its development achievements with the society, and never forgets to perform its social responsibilities. As a leader in the home furnishing industry, we actively take part in public welfare undertakings to create employment opportunities for young people, pay attention to help children grow up healthily, improve the livelihood of residents, uphold Chinese traditional culture and facilitate the development of education. In 2019, we invested approximately RMB5.76 million in aspects such as supporting start-up businesses, employment, education, culture, and livelihood improvement, etc..

## THE MAIN AWARDS OF RED STAR MACALLINE IN PERFORMING SOCIAL RESPONSIBILITY IN 2019

The 14th People's CSR Award — Green Development Award granted by People.cn (人民網第十四屆人民企業社會責任獎綠色發展獎)

The Ninth Top 10 Units in China for After-sales Service jointly granted by China General Chamber of Commerce and China Foundation of Consumer Protection (中國商業聯合會、中國保護消費者基金會聯合頒發第九屆全國售後服務行業十佳單位)

A Standing Executive Director of the Enterprise Anti-Fraud Alliance (企業反舞弊聯盟的常務理事單位)

An Advanced Anti-fraud Corporation for 2015–2018 (2015–2018年度企業反舞弊先進單位)

2019 China Social Responsibility Contribution Enterprise Award granted by the International Financial News under People's Daily (人民日報社《國際金融報》2019年度中國社會責任貢獻企業獎)

Staff's Favorite Chain Enterprise in China (中國連鎖業員工最喜愛僱主)

Asia Best Workplace (Mainland China) (亞洲最佳職場 (中國大陸區))

China's Employer Excellence — A Model in Organizational Innovation (中國典範僱主 — 組織創新典範)

An Employer of Extraordinary Diversity (多元非凡僱主)

Best HR Team in Greater China (大中華區最佳人力資源團隊)

China's Pioneer HR Employer (中國人力資源先鋒僱主)

China BOLE Employer with Best Value of the Year (中國好伯樂年度價值僱主)

China BOLE Outstanding HR Management Team (中國好伯樂傑出人力資源管理團隊)

# Auditor's Report

TO THE SHAREHOLDERS OF RED STAR MACALLINE GROUP CORPORATION LTD.,

## 1. OPINION

We have audited the financial statements of Red Star Macalline Group Corporation Ltd., which comprise the consolidated and the company's balance sheets as at 31 December 2019, the consolidated and the company's income statements, the consolidated and the company's statements of changes in shareholders' equity and the consolidated and the company's cash flow statements for the year then ended, and notes to the financial statements.

In our opinion, the accompanying financial statements of the Company are prepared in all material respects in accordance with Accounting Standards for Business Enterprises ("ASBEs") and fairly present the consolidated and the Company's financial position as at 31 December 2019, and the consolidated and the Company's financial performance and cash flows for 2019.

## 2. BASIS FOR OPINION

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

## 3. KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

### 3. KEY AUDIT MATTERS (CONTINUED)

Key audit matter:	How our audit addressed the key audit matter:
<p><b>Measurement of investment properties at fair value</b></p> <p>As at 31 December 2019, the Group's investment properties at fair value were RMB85,107 million, accounting for about 70% of the Group's total book assets. Investment properties of the Group are subsequently measured using a fair value model.</p> <p>Due to the facts that the amount of investment properties is significant, and the assessment of the fair value of investment properties involves significant estimates, assumptions and judgments of the management, including estimated rental income, discount rate, vacancy rate, the economic environment in the region where the investment properties were located and the analysis of future trend etc., the uncertainty was relatively high. Therefore, we considered the measurement of investment properties at fair value as a key audit matter.</p> <p>For disclosure on the matter in the notes to the financial statements, please refer to Note III – 12. Investment Property, Note III – 33. Significant Accounting Judgments and Estimates, Note V – 15. Investment Property and Note V – 54. Gain on Fair Value Changes.</p>	<p>We performed the following audit procedures:</p> <ol style="list-style-type: none"> <li>(1) Evaluating the objectivity, independence and professional competence of third-party appraisers engaged by the management;</li> <li>(2) Taking samples and inviting internal evaluation experts to assist us in evaluating the valuation methods, key estimates and assumptions such as discount rate, vacancy rate, etc., adopted by appraisers; testing the rationality of relevant key estimates and assumptions by examining historical information and public market data;</li> <li>(3) Reviewing the adequacy of disclosures related to the investment properties at fair value in the financial statements.</li> </ol>



## 3. KEY AUDIT MATTERS (CONTINUED)

Key audit matter:	How our audit addressed the key audit matter:
<p><b>The recognition of revenue from the brand consulting and management service for the early stage of the project (“Revenue for the Early Stage of the Project”) and construction revenue</b></p> <p>In 2019, revenue from the brand consulting and management business for the early stage of the project and construction revenue recognized by the Group were RMB1,310 million and RMB2,251 million, respectively. The Group recognized the above two revenues based on the progress of project performance and the progress of construction, respectively.</p> <p>The amount of revenue from the brand consulting and management service for the early stage of the project was relatively large, and the splitting of contract performance obligations, the allocation of transaction considerations, and the progress of project performance all involved major estimates and judgments of the management. The Group recognized the performance obligations included in the contract for revenue from the brand consulting and management service for the early stage of the project, and recognized the revenue based on the progress of the performance.</p> <p>In addition, the amount of construction and design revenue is relatively large too, the total budget cost of projects, and the progress of project performance all involved major estimates and judgments of the management. Therefore, we considered the recognition of the above two incomes as key audit matters.</p> <p>For disclosure on the matter in the notes to the financial statements, please refer to Note III — 23. Revenue from contracts with customers, Note III — 33. Significant Accounting Judgments and Estimates, Note V — 46. Revenue and Cost.</p>	<p>We performed the following audit procedures:</p> <ol style="list-style-type: none"> <li>(1) Reviewing the rationality of the revenue recognition method adopted by management for revenue for the early stage of the project and construction revenue and testing some key controls related to the processes of revenue for the early stage of the project and construction revenue;</li> <li>(2) Examining the services and engineering agreements and other materials signed by the Group and understanding the relevant terms and services;</li> <li>(3) Reviewing management’s performance obligation to identify and determine revenue for the early stage of the project and construction revenue, and examining the rationality of the basis and method of transaction consideration allocation;</li> <li>(4) Obtaining the evidence based on which the management evaluates the progress of the project performance, and analyzing and testing the budget cost, contract amount and progress of the project performance;</li> <li>(5) Reviewing the adequacy of disclosure on revenue for the early stage of the project and construction revenue this year in the financial statements.</li> </ol>

### 3. KEY AUDIT MATTERS (CONTINUED)

#### Key audit matter:

#### How our audit addressed the key audit matter:

#### Estimation of impairment allowance of accounts receivable, contract assets and other financial assets measured at amortized cost

As at 31 December 2019, the original values of accounts receivable, other receivables, other current assets-entrusted loans and borrowings, financial lease receivables, factoring receivables, long-term receivables, non-current assets due within one year, non-current assets-entrusted loans and borrowings, and contract assets were RMB2,975 million, RMB966 million, RMB1,010 million, RMB805 million, RMB561 million, RMB1,233 and RMB1,112 million, respectively. The balance of impairment allowance was RMB1,169 million, RMB256 million, RMB92 million, RMB5 million, RMB6 million, RMB12 million, and RMB73 million respectively.

According to the requirements of Accounting Standards for Business Enterprises No. 22 — Recognition and Measurement of Financial Instruments, when assessing the impairment allowance for receivables and contract assets, the Group made a judgment based on its expected credit losses.

The management divided the receivables and contract assets into different credit risk characteristic combination categories based on the composition of receivables and contract assets and the different types of customer returns and credit in recent years. In terms of each credit risk characteristic combination category, the management estimated the expected credit loss rate of receivables and contract assets based on the actual loss rate of receivables and contract assets with similar credit risk characteristics in previous years and combined with prospective consideration. Different proportion of impairment allowance shall be made for different levels of risk, and impairment allowance shall be made accordingly.

The division of different credit risk characteristics combination categories for receivables, the expected credit loss rate and the estimation of forward-looking adjustments all involved major judgments and estimates of management, and there were great uncertainties in estimation. Moreover, the setting of various parameters needs to be based on the statistics and analysis of more complicated historical data. Therefore, we identified this matter as a key audit matter.

We performed the following audit procedures:

- (1) Understanding the policies of the Group's impairment allowance for receivables and contract assets and the method adopted by the management for assessing the amount of impairment, and testing internal controls related to the processes of impairment of receivables and contract asset;
- (2) Reviewing and evaluating the rationality of the "expected credit loss model" used by the management to estimate the impairment allowance for receivables and contract assets, as well as the adequacy of impairment allowance; assessing key assumptions and parameters used for estimating expected credit loss, including the rationality of the selection of forward-looking coefficients based on industry conditions;
- (3) Discussing with management to evaluate receivables and contract assets with defaults and indication of impairment. Examining relevant supporting evidence, including post collection, evaluation of customer's credit history, operating conditions and loan repayment ability, etc., and judging the rationality of management's impairment allowance of the Group;
- (4) Reviewing the adequacy of management's disclosure of impairment allowance of receivables and contract assets.

## 3. KEY AUDIT MATTERS (CONTINUED)

### Key audit matter:

### How our audit addressed the key audit matter:

#### **Estimation of impairment allowance of accounts receivable, contract assets and other financial assets measured at amortized cost (continued)**

For disclosure on the matter in the notes to the financial statements, please refer to Note III – 9. Financial Instruments, Note III – 24. Contract Assets and Contract Liabilities, Note V – 3. Accounts Receivable, Note V – 6. Other Receivables, Note V – 8. Contract Assets, Note V – 9. Non-current assets due within one year, Note V – 10. Other current assets, Note V – 11. Long-term Receivables, Note V – 24. Other non-current assets, Note V – 25. Impairment Allowance of Assets, Note V – 55. Impairment Loss of Credit.

## 4. OTHER INFORMATION

The management of the Company is responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon.

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

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

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

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

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

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

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

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

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

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

- (1) Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- (2) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control.

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

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

- (3) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- (4) Conclude on the appropriateness of the management's use of going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required by CSAs to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- (5) Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- (6) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

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

**Ernst & Young Hua Ming LLP**

**Chinese Certified Public Accountants: LIANG Hongbin**  
**(The engagement partner)**

**Chinese Certified Public Accountants: WANG Huida**

**Beijing, China**

**17 April 2020**

# Consolidated Balance Sheet

As at 31 December 2019

RMB

Assets	Note V	31 December 2019	31 December 2018
<b>Current Assets</b>			
Cash and bank balances	1	7,229,239,369.35	8,527,607,964.92
Financial assets held for trading	2	233,385,470.05	236,256,219.87
Derivative financial assets	67	31,751,504.22	—
Accounts receivable	3	1,805,663,937.18	1,687,918,584.76
Receivables financing	4	41,040,000.00	55,000,000.00
Prepayments	5	340,717,638.07	319,437,303.71
Other receivables	6	710,012,095.26	1,931,724,519.36
Inventories	7	330,978,528.99	251,352,502.91
Contract assets	8	1,039,368,953.49	807,109,773.17
Non-current assets due within one year	9	555,066,245.64	319,250,999.36
Other current assets	10	1,637,221,709.44	1,582,934,842.98
<b>Total Current Assets</b>		<b>13,954,445,451.69</b>	<b>15,718,592,711.04</b>
<b>Non-current Assets</b>			
Long-term receivables	11	800,494,682.51	1,795,159,925.01
Long-term equity investments	12	3,654,279,035.20	3,026,101,128.50
Other equity instrument investment	13	3,999,157,825.44	3,302,748,467.57
Other non-current financial assets	14	368,774,540.60	324,850,000.00
Investment properties	15	85,107,000,000.00	78,533,000,000.00
Fixed assets	16	897,496,154.61	192,418,042.50
Construction in progress	17	2,329,221,258.37	84,866,598.69
Right-of-use assets	18	3,087,184,216.82	—
Intangible assets	19	449,262,332.89	460,830,931.51
Development expenditure	20	34,245,602.45	—
Goodwill	21	97,597,047.85	16,592,357.41
Long-term prepaid expenses	22	489,797,913.40	400,731,940.53
Deferred tax assets	23	1,174,578,160.89	822,269,149.42
Other non-current assets	24	5,850,884,335.94	6,182,556,566.38
<b>Total non-current assets</b>		<b>108,339,973,106.97</b>	<b>95,142,125,107.52</b>
<b>Total assets</b>		<b>122,294,418,558.66</b>	<b>110,860,717,818.56</b>

The attached notes below to the financial statements are the constituent part of this financial statement

# Consolidated Balance Sheet

As at 31 December 2019

RMB

Liabilities and equity	Note V	31 December 2019	31 December 2018
<b>Current liabilities</b>			
Short-term loans	26	3,387,894,541.95	5,166,655,101.70
Accounts payable	27	1,476,370,855.07	970,116,980.34
Advance from customers	28	1,159,059,013.47	1,249,019,601.25
Contract liabilities	29	2,221,835,457.96	2,601,978,507.73
Payroll payable	30	830,362,911.55	913,986,023.52
Taxes payable	31	739,393,813.25	607,676,739.98
Other payables	32	7,799,973,358.09	8,496,897,574.07
Non-current liabilities due within one year	33	9,804,740,633.43	4,145,791,830.22
Other current liabilities	34	348,314,909.66	1,161,684,557.80
<b>Total current liabilities</b>		<b>27,767,945,494.43</b>	25,313,806,916.61
<b>Non-current liabilities</b>			
Long-term loans	35	15,919,626,315.76	14,306,362,773.00
Bonds payable	36	6,592,440,970.73	7,156,394,519.96
Lease liabilities	37	3,321,817,733.91	—
Long-term payables	38	634,392,235.62	1,385,921,007.85
Deferred income	39	225,902,560.47	212,456,044.43
Deferred tax liabilities	23	11,989,277,103.64	11,008,662,811.23
Other non-current liabilities	40	6,858,165,749.37	6,181,288,065.26
<b>Total non-current liabilities</b>		<b>45,541,622,669.50</b>	40,251,085,221.73
<b>Total liabilities</b>		<b>73,309,568,163.93</b>	65,564,892,138.34

The attached notes below to the financial statements are the constituent part of this financial statement



# Consolidated Balance Sheet

As at 31 December 2019

RMB

Liabilities and equity	Note V	31 December 2019	31 December 2018
<b>Equity</b>			
Share capital	41	3,550,000,000.00	3,550,000,000.00
Capital reserve	42	4,239,976,571.04	4,490,018,895.43
Other comprehensive income	43	1,483,127,041.17	1,227,776,839.27
Surplus reserve	44	1,954,818,567.23	1,816,847,121.56
Retained earnings	45	34,486,715,762.57	30,629,417,859.13
<b>Total equity attributable to shareholders of the Company</b>		<b>45,714,637,942.01</b>	41,714,060,715.39
Non-controlling interests		3,270,212,452.72	3,581,764,964.83
<b>Total equity</b>		<b>48,984,850,394.73</b>	45,295,825,680.22
<b>Total liabilities and equity</b>		<b>122,294,418,558.66</b>	110,860,717,818.56

This financial statement is signed by the following persons:

Legal representative:

Person in charge of accounting:

Person in charge  
of the accounting department:

CHE Jianxing

XI Shichang

CAI Weichun

*The attached notes below to the financial statements are the constituent part of this financial statement*

# Consolidated Income Statement

For the year of 2019

RMB

	Note V	2019	2018
<b>Revenue</b>	46	<b>16,469,237,788.92</b>	14,239,792,500.44
Less: Cost of sales	46	<b>5,735,611,011.50</b>	4,813,699,821.07
Taxes and surcharges	47	<b>429,040,601.76</b>	387,369,974.23
Distribution and selling expenses	48	<b>2,290,930,826.31</b>	1,700,337,297.30
General and administrative expenses	49	<b>1,751,866,715.59</b>	1,490,961,410.80
Research and development expenses	50	<b>38,206,412.50</b>	43,165,869.51
Financial expenses	51	<b>2,260,079,805.40</b>	1,533,151,372.35
Including: Interest expenses		<b>2,411,290,093.44</b>	1,670,758,123.43
Interest income		<b>195,395,541.15</b>	301,034,720.66
Add: Other income	52	<b>104,900,495.94</b>	111,159,889.42
Investment income	53	<b>786,438,650.13</b>	229,672,928.92
Including: Investment income from associates and joint ventures		<b>137,729,826.00</b>	183,468,563.89
Gain on fair value changes	54	<b>1,632,073,263.93</b>	1,767,009,613.56
Impairment loss of credit (losses are presented with parentheses)	55	<b>(297,862,062.06)</b>	(247,494,708.99)
Gain/(loss) from disposal of assets	56	<b>8,101,725.36</b>	(656,552.23)
<b>Operating profit</b>		<b>6,197,154,489.16</b>	6,130,797,925.86
Add: Non-operating income	57	<b>46,074,966.28</b>	38,512,766.67
Less: Non-operating expenses	58	<b>40,151,435.89</b>	149,990,961.12
<b>Total profit</b>		<b>6,203,078,019.55</b>	6,019,319,731.41
Less: income tax expenses	61	<b>1,516,836,338.46</b>	1,313,872,428.30
<b>Net profit</b>		<b>4,686,241,681.09</b>	4,705,447,303.11
According to the classification of ownership			
Net profit attributable to owners of the Company		<b>4,479,681,652.61</b>	4,477,411,242.46
Non-controlling interests		<b>206,560,028.48</b>	228,036,060.65

The attached notes below to the financial statements are the constituent part of this financial statement

# Consolidated Income Statement

For the year of 2019

RMB

	Note V	2019	2018
<b>Other comprehensive income/(loss)(after tax)</b>		<b>1,004,835,312.35</b>	(350,053,843.84)
Other comprehensive (loss)/income (after tax) attributable to owners of the Company	43	<b>940,241,172.07</b>	(284,856,658.06)
Other comprehensive income that will not be reclassified to profit or loss			
Changes in fair value of other equity instrument investments		<b>964,367,163.82</b>	(284,856,658.06)
Other comprehensive income that will be reclassified to profit or loss			
Fair value hedge reserve			
(Effective part of fair value hedging)		<b>(24,125,991.75)</b>	—
Other comprehensive (loss)/income (after tax) attributable to non-controlling interests		<b>64,594,140.28</b>	(65,197,185.78)
<b>Total comprehensive income</b>		<b>5,691,076,993.44</b>	4,355,393,459.27
Include:			
Total comprehensive income attributable to owners of the Company		<b>5,419,922,824.68</b>	4,192,554,584.40
Total comprehensive income attributable to non-controlling interests		<b>271,154,168.76</b>	162,838,874.87
<b>Earnings per share</b>	62		
Basic earnings per share		<b>1.26</b>	1.2
Diluted earnings per share		<b>N/A</b>	N/A

The attached notes below to the financial statements are the constituent part of this financial statement

# Consolidated Statement of Changes in Equity

For the year of 2019

RMB

2019	Attributable to shareholders of the Company							Non-controlling interest	Total equity
	Share capital	Capital reserve	Other comprehensive income	Surplus reserve	Retained earnings	Sub-total			
I. Prior year's closing balance	3,550,000,000.00	4,490,018,895.43	1,227,776,839.27	1,816,847,121.56	30,629,417,859.13	41,714,060,715.39	3,581,764,964.83	45,295,825,680.22	
Add: Changes in accounting policies	-	-	-	-	(210,803,273.67)	(210,803,273.67)	(71,814,770.55)	(282,618,044.22)	
II. Opening balance in the current year	3,550,000,000.00	4,490,018,895.43	1,227,776,839.27	1,816,847,121.56	30,418,614,585.46	41,503,257,441.72	3,509,950,194.28	45,013,207,636.00	
III. Changes in the current year									
(I) Total comprehensive income	-	-	940,241,172.07	-	4,479,681,652.61	5,419,922,824.68	271,154,168.76	5,691,076,993.44	
(II) Shareholders' contributions and reduction in capital									
1. Minority shareholders' reduction in capital	-	-	-	-	-	-	(301,289,332.69)	(301,289,332.69)	
2. Non-controlling interest arising from acquisition of subsidiaries	-	-	-	-	-	-	63,117,256.62	63,117,256.62	
3. Acquisition of non-controlling interest	-	(262,824,513.14)	-	-	-	(262,824,513.14)	(49,482,128.63)	(312,306,641.77)	
4. Disposal of subsidiaries	-	-	-	-	-	-	(233,509.49)	(233,509.49)	
5. Amount of share payment included in equity	-	12,782,188.75	-	-	-	12,782,188.75	-	12,782,188.75	
(III) Profit distribution									
1. Surplus reserve	-	-	-	137,971,445.67	(137,971,445.67)	-	-	-	
2. Distributions to shareholders	-	-	-	-	(958,500,000.00)	(958,500,000.00)	(223,004,196.13)	(1,181,504,196.13)	
(IV) Internal transfer of equity shareholders' equity									
Other comprehensive income converted to retained earnings	-	-	(684,890,970.17)	-	684,890,970.17	-	-	-	
IV. Balance at the end of the year	3,550,000,000.00	4,239,976,571.04	1,483,127,041.17	1,954,818,567.23	34,486,715,762.57	45,714,637,942.01	3,270,212,452.72	48,984,850,394.73	

The attached notes below to the financial statements are the constituent part of this financial statement

# Consolidated Statement of Changes in Equity

For the year of 2019

RMB

2018	Attributable to shareholders of the Company							Non-controlling interest	Total equity
	Share capital	Capital reserve	Other comprehensive income	Surplus reserve	Retained earnings	Sub-total			
<b>I. Prior year's closing balance</b>	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 in accounting policies	—	—	114,069,393.88	—	(812,868,228.22)	(698,798,834.34)	(370,344.50)	(699,169,178.84)	
<b>II. Opening balance in the current year</b>	3,623,917,038.00	5,362,115,385.55	1,677,035,026.98	1,623,080,808.19	27,441,824,852.55	39,727,973,111.27	3,504,831,094.00	43,232,804,205.27	
<b>III. Changes in the current year</b>									
(I) Total comprehensive income	—	—	(284,856,658.06)	—	4,477,411,242.46	4,192,554,584.40	162,838,874.87	4,355,393,459.27	
(II) Shareholders' contributions and reduction in capital									
1. Issue of ordinary shares	315,000,000.00	2,735,007,849.63	—	—	—	3,050,007,849.63	—	3,050,007,849.63	
2. Repurchase ordinary stock	(388,917,038.00)	(3,523,954,372.77)	—	—	—	(3,912,871,410.77)	—	(3,912,871,410.77)	
3. Minority shareholders' contribution in capital	—	—	—	—	—	—	19,166,120.00	19,166,120.00	
4. Non-controlling interest arising from acquisition of subsidiaries	—	—	—	—	—	—	437,296,034.81	437,296,034.81	
5. Acquisition of non-controlling interest	—	(260,600,875.59)	—	—	—	(260,600,875.59)	(402,601,473.77)	(663,202,349.36)	
6. Others	—	177,450,908.61	—	—	—	177,450,908.61	—	177,450,908.61	
(III) Profit distribution									
1. Surplus reserve	—	—	—	193,766,313.37	(193,766,313.37)	—	—	—	
2. Distributions to shareholders	—	—	—	—	(1,260,453,452.16)	(1,260,453,452.16)	(139,765,685.08)	(1,400,219,137.24)	
(IV) Internal transfer of equity shareholders' equity									
1. Other comprehensive income converted to retained earnings	—	—	(164,401,529.65)	—	164,401,529.65	—	—	—	
<b>IV. Balance at the end of the year</b>	3,550,000,000.00	4,490,018,895.43	1,227,776,839.27	1,816,847,121.56	30,629,417,859.13	41,714,060,715.39	3,581,764,964.83	45,295,825,680.22	

The attached notes below to the financial statements are the constituent part of this financial statement

# Consolidated Cash Flow Statement

For the year of 2019

RMB

	Note V	2019	2018
<b>I. Cash Flows from Operating Activities</b>			
Cash received from the sales of goods and rendering of services		<b>15,976,483,700.60</b>	14,498,199,921.83
Other cash received relating to operating activities	63	<b>513,089,771.81</b>	764,903,311.65
<b>Sub-total of cash inflow from operating activities</b>		<b>16,489,573,472.41</b>	15,263,103,233.48
Cash payments for goods purchased and services received		<b>2,438,524,528.45</b>	1,987,335,825.85
Cash payments to and on behalf of employees		<b>3,734,852,012.21</b>	3,435,545,648.33
Payments of various types of taxes		<b>2,141,155,342.25</b>	1,893,001,161.21
Other cash payments relating to operating activities	63	<b>4,081,060,558.90</b>	2,089,289,893.74
<b>Sub-total of cash outflow from operating activities</b>		<b>12,395,592,441.81</b>	9,405,172,529.13
<b>Net cash flows from operating activities</b>	64	<b>4,093,981,030.60</b>	5,857,930,704.35
<b>II. Cash Flows from Investing Activities:</b>			
Cash received from disposal of investments		<b>1,262,890,808.25</b>	573,017,162.74
Cash received from investment income		<b>158,223,578.75</b>	74,654,075.41
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		<b>11,336,105.62</b>	3,150,598.29
Net cash paid for disposal of subsidiaries and other business units	64	<b>1,603,859.25</b>	4,995,395.61
Other cash received relating to investing activities	63	<b>3,174,566,366.76</b>	1,017,764,828.95
<b>Sub-total of cash inflow from investing activities</b>		<b>4,608,620,718.63</b>	1,673,582,061.00
Cash paid to purchase and construct fixed assets, intangible assets and other long-term assets		<b>4,320,280,659.00</b>	3,745,208,194.37
Cash paid for investments		<b>1,015,105,552.64</b>	2,167,569,379.01
Net cash paid for acquisition of subsidiaries and other business units	64	<b>840,465,673.12</b>	1,973,006,777.83
Other cash paid relating to investing activities	63	<b>2,515,542,878.47</b>	4,782,238,005.57
<b>Sub-total of cash outflow from investing activities</b>		<b>8,691,394,763.23</b>	12,668,022,356.78
<b>Net cash flow from investing activities</b>		<b>(4,082,774,044.60)</b>	(10,994,440,295.78)

The attached notes below to the financial statements are the constituent part of this financial statement

# Consolidated Cash Flow Statement

For the year of 2019

RMB

	Note V	2019	2018
<b>III. Cash Flows from Financing Activities:</b>			
Cash receipts from capital contributions		<b>58,362,500.00</b>	3,066,829,969.63
Including: Cash receipts from capital contributions from minority shareholders of subsidiaries		<b>58,362,500.00</b>	16,822,120.00
Cash received from borrowings		<b>16,788,107,694.57</b>	20,881,775,944.52
Other cash received relating to financing activities	63	<b>250,234,500.54</b>	—
<b>Sub-total of cash inflow from financing activities</b>		<b>17,096,704,695.11</b>	23,948,605,914.15
Cash repayments of borrowings		<b>12,597,171,256.78</b>	14,188,692,838.44
Cash payments for distribution of dividends or profits or settlement of interest expenses		<b>3,400,640,301.94</b>	2,956,063,636.01
Including: Payments for distribution of dividends or profits to minority shareholders of subsidiaries		<b>146,789,832.60</b>	110,477,105.82
Other cash paid relating to financing activities	63	<b>1,948,574,038.86</b>	4,328,551,494.99
<b>Sub-total of cash outflow from financing activities</b>		<b>17,946,385,597.58</b>	21,473,307,969.44
<b>Net cash flow (used in)/ from financing activities</b>		<b>(849,680,902.47)</b>	2,475,297,944.71
<b>IV. Effect of Exchange Rate Changes on Cash and     Cash Equivalents</b>		<b>80,048.26</b>	6,405,135.96
<b>V. Net Increase in Cash and Cash Equivalents</b>		<b>(838,393,868.21)</b>	(2,654,806,510.76)
Add: Opening balance of cash and cash equivalents		<b>7,614,487,228.69</b>	10,269,293,739.45
<b>VI. Closing Balance of Cash and Cash Equivalents</b>	64	<b>6,776,093,360.48</b>	7,614,487,228.69

The attached notes below to the financial statements are the constituent part of this financial statement

# Company's Balance Sheet

As at 31 December 2019

RMB

Assets	Note XIV	31 December 2019	31 December 2018
<b>Current Assets</b>			
Cash and bank balances		1,502,580,503.54	1,643,966,701.80
Accounts receivable	1	374,306,184.09	576,962,054.82
Prepayments		14,042,379.45	14,161,010.39
Other receivables	2	27,799,335,169.97	25,266,149,844.00
Inventories		3,491,408.88	7,486,585.89
Contract assets		169,943,462.92	240,397,879.00
Non-current assets due within one year		59,571,919.34	—
Other current assets		92,655,842.80	3,400,403.86
<b>Total current assets</b>		<b>30,015,926,870.99</b>	<b>27,752,524,479.76</b>
<b>Non-current assets</b>			
Long-term receivables		603,405,420.76	1,133,376,387.24
Long-term equity investments	3	18,193,185,632.84	14,066,375,112.16
Other equity instrument investment		1,776,972,212.84	1,409,651,852.03
Other non-current financial assets		20,100,000.00	13,100,000.00
Fixed assets		28,606,895.74	28,455,482.64
Construction in progress		35,442,008.00	29,946,397.23
Intangible assets		384,703,190.10	395,609,045.26
Long-term prepaid expenses		14,533,500.89	19,428,231.72
Deferred tax assets		509,709,532.68	533,442,706.25
Other non-current assets		2,367,454,507.25	3,120,839,869.00
<b>Total non-current assets</b>		<b>23,934,112,901.10</b>	<b>20,750,225,083.53</b>
<b>Total assets</b>		<b>53,950,039,772.09</b>	<b>48,502,749,563.29</b>

The attached notes below to the financial statements are the constituent part of this financial statement



# Company's Balance Sheet

As at 31 December 2019

RMB

Liabilities and equity	31 December 2019	31 December 2018
<b>Current liabilities</b>		
Short-term loans	4,237,377,875.28	4,703,848,593.82
Notes payable	—	100,000,000.00
Accounts payable	221,760,282.01	135,577,036.32
Advance from customers	54,101,614.24	53,618,770.24
Contract liabilities	618,427,748.99	561,777,664.68
Payroll payable	231,968,635.96	266,382,823.07
Taxes payable	121,007,223.65	177,745,952.69
Other payables	18,679,067,797.62	15,170,837,940.36
Non-current liabilities due within one year	4,162,825,656.09	2,003,206,896.50
Other current liabilities	13,933,962.28	1,033,706,659.88
<b>Total current liabilities</b>	<b>28,340,470,796.12</b>	<b>24,206,702,337.56</b>
<b>Non-current liabilities</b>		
Long-term loans	3,569,253,000.00	3,306,397,000.00
Bonds payable	4,522,713,663.49	5,128,016,872.12
Long-term payables	75,165,757.56	46,681,901.29
Deferred income	4,047,017.30	—
Other non-current liabilities	568,578,630.13	629,422,237.44
<b>Total non-current liabilities</b>	<b>8,739,758,068.48</b>	<b>9,110,518,010.85</b>
<b>Total liabilities</b>	<b>37,080,228,864.60</b>	<b>33,317,220,348.41</b>
<b>Equity</b>		
Share capital	3,550,000,000.00	3,550,000,000.00
Capital reserve	5,163,201,262.03	5,150,419,073.28
Surplus reserve	1,775,000,000.00	1,637,028,554.33
Other comprehensive income	357,819,908.70	79,624,963.06
Retained earnings	6,023,789,736.76	4,768,456,624.21
<b>Total equity</b>	<b>16,869,810,907.49</b>	<b>15,185,529,214.88</b>
<b>Total liabilities and equity</b>	<b>53,950,039,772.09</b>	<b>48,502,749,563.29</b>

The attached notes below to the financial statements are the constituent part of this financial statement

# Company's Income Statement

For the period from 1 January to 31 December 2019

RMB

	Note XIV	2019	2018
<b>Revenue</b>	4	<b>1,944,484,730.12</b>	1,947,065,747.87
Less: Cost of sales	4	<b>375,459,858.64</b>	357,146,747.26
Taxes and surcharges		<b>10,513,868.88</b>	11,043,446.92
Distribution and selling expenses		<b>512,257,603.02</b>	350,189,771.28
General and administrative expenses		<b>720,933,268.35</b>	578,707,303.14
Financial expenses		<b>869,433,879.40</b>	442,774,399.11
Including: Interest expenses		<b>1,603,894,050.00</b>	1,032,188,175.97
Interest income		<b>917,499,114.58</b>	783,627,779.82
Add: Other income		<b>21,393,032.25</b>	52,655,584.52
Investment income	5	<b>3,101,818,926.58</b>	1,947,876,867.90
Including: Investment income from associates and joint ventures		<b>75,297,069.94</b>	103,733,130.56
Impairment loss of credit (losses are presented with parentheses)		<b>(245,975,270.03)</b>	(149,872,621.48)
Gain/(loss) from disposal of assets		<b>2,849,584.11</b>	(434,257.20)
<b>Operating profit</b>		<b>2,335,972,524.74</b>	2,057,429,653.90
Add: Non-operating income		<b>4,745,529.94</b>	13,400,601.44
Less: Non-operating expenses		<b>7,114,888.41</b>	124,347,521.92
<b>Total profit</b>		<b>2,333,603,166.27</b>	1,946,482,733.42
Less: income tax expenses		<b>(18,201,391.95)</b>	8,819,599.72
<b>Net profit</b>		<b>2,351,804,558.22</b>	1,937,663,133.70
<b>Other comprehensive income/(loss)(after tax)</b>		<b>278,194,945.64</b>	28,349,732.07
Other comprehensive income that will not be reclassified to profit or loss			
Changes in fair value of other equity instrument investments		<b>278,194,945.64</b>	28,349,732.07
<b>Total comprehensive income</b>		<b>2,629,999,503.86</b>	1,966,012,865.77

The attached notes below to the financial statements are the constituent part of this financial statement

# Company's Statement of Changes in Equity

For the year of 2019

RMB

2019	Share capital	Capital reserve	Other comprehensive income	Surplus reserve	Retained earnings	Total equity
<b>I. Opening balance in the current year</b>	3,550,000,000.00	5,150,419,073.28	79,624,963.06	1,637,028,554.33	4,768,456,624.21	15,185,529,214.88
<b>II. Changes in the current year</b>						
(I) Total comprehensive income	—	—	278,194,945.64	—	2,351,804,558.22	2,629,999,503.86
(II) Shareholders' contributions and reduction in capital						
1. Amount of share payment included in equity	—	12,782,188.75	—	—	—	12,782,188.75
(III) Profit distribution						
1. Surplus reserve	—	—	—	137,971,445.67	(137,971,445.67)	—
2. Distributions to shareholders	—	—	—	—	(958,500,000.00)	(958,500,000.00)
<b>III. Balance at the end of the year</b>	3,550,000,000.00	5,163,201,262.03	357,819,908.70	1,775,000,000.00	6,023,789,736.76	16,869,810,907.49

The attached notes below to the financial statements are the constituent part of this financial statement

# Company's Statement of Changes in Equity

For the year of 2019

RMB

2018	Share capital	Capital reserve	Other comprehensive income	Surplus reserve	Retained earnings	Total equity
<b>I. Prior year's closing balance</b>	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
Changes in accounting policies	—	—	51,275,230.99	—	(185,591,079.64)	(134,315,848.65)
<b>II. Opening balance in the current year</b>	3,623,917,038.00	5,784,981,095.88	51,275,230.99	1,443,262,240.96	4,285,013,256.04	15,188,448,861.87
<b>III. Changes in the current year</b>						
(I) Total comprehensive income	—	—	28,349,732.07	—	1,937,663,133.70	1,966,012,865.77
(II) Shareholders' contributions and reduction in capital						
1. Ordinary shares from owners' contributions	315,000,000.00	2,735,007,849.63	—	—	—	3,050,007,849.63
2. Repurchase ordinary stock	(388,917,038.00)	(3,523,954,372.77)	—	—	—	(3,912,871,410.77)
3. Others	—	154,384,500.54	—	—	—	154,384,500.54
(III) Profit distribution						
1. Surplus reserve	—	—	—	193,766,313.37	(193,766,313.37)	—
2. Distributions to shareholders	—	—	—	—	(1,260,453,452.16)	(1,260,453,452.16)
<b>IV. Balance at the end of the year</b>	3,550,000,000.00	5,150,419,073.28	79,624,963.06	1,637,028,554.33	4,768,456,624.21	15,185,529,214.88

The attached notes below to the financial statements are the constituent part of this financial statement

# Company's Cash Flow Statement

For the year of 2019

RMB

	2019	2018
<b>I. Cash Flows from Operating Activities</b>		
Cash received from the sales of goods and rendering of services	1,961,285,493.03	1,994,453,963.37
Other cash received relating to operating activities	40,240,989.63	85,520,351.90
<b>Sub-total of cash inflow from operating activities</b>	<b>2,001,526,482.66</b>	<b>2,079,974,315.27</b>
Cash payments for goods purchased and services received	65,317,579.12	64,322,233.73
Cash payments to and on behalf of employees	787,762,194.50	608,469,109.50
Payments of various types of taxes	212,746,217.36	260,024,960.51
Other cash payments relating to operating activities	713,892,070.26	680,767,101.55
<b>Sub-total of cash outflow from operating activities</b>	<b>1,779,718,061.24</b>	<b>1,613,583,405.29</b>
<b>Net cash flows from operating activities</b>	<b>221,808,421.42</b>	<b>466,390,909.98</b>
<b>II. Cash Flows from Investing Activities:</b>		
Cash received from disposal of investments	1,281,390,000.00	5,000,000.00
Cash received from investment income	1,299,886,867.85	2,314,239,542.06
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	91,100.00	40,078.16
Net cash paid for disposal of subsidiaries and other business units	47,074,601.00	—
Other cash received relating to investing activities	18,358,142,154.50	15,056,720,958.49
<b>Sub-total of cash inflow from investing activities</b>	<b>20,986,584,723.35</b>	<b>17,376,000,578.71</b>
Cash paid to purchase and construct fixed assets, intangible assets and other long-term assets	247,304,021.45	122,852,907.68
Cash paid for investments	2,669,896,602.02	5,192,543,281.72
Net cash paid for acquisition of subsidiaries and other business units	933,459,443.50	—
Other cash paid relating to investing activities	21,081,219,645.67	22,690,870,591.50
<b>Sub-total of cash outflow from investing activities</b>	<b>24,931,879,712.64</b>	<b>28,006,266,780.90</b>
<b>Net cash flow used in investing activities</b>	<b>(3,945,294,989.29)</b>	<b>(10,630,266,202.19)</b>

The attached notes below to the financial statements are the constituent part of this financial statement

# Company's Cash Flow Statement

For the year of 2019

RMB

	2019	2018
<b>III. Cash Flows from Financing Activities:</b>		
Cash receipts from capital contributions	—	3,050,007,849.63
Cash received from borrowings	<b>9,723,157,439.22</b>	12,790,263,836.04
Other cash received relating to financing activities	<b>23,205,930,050.19</b>	41,627,428,220.72
<b>Sub-total of cash inflow from financing activities</b>	<b>32,929,087,489.41</b>	57,467,699,906.39
Cash repayments of borrowings	<b>9,592,326,870.00</b>	7,868,923,959.57
Cash payments for distribution of dividends or profits or settlement of interest expenses	<b>1,811,379,802.36</b>	1,934,964,087.17
Other cash paid relating to financing activities	<b>17,571,835,558.68</b>	38,205,597,771.38
<b>Sub-total of cash outflow from financing activities</b>	<b>28,975,542,231.04</b>	48,009,485,818.12
<b>Net cash flow from financing activities</b>	<b>3,953,545,258.37</b>	9,458,214,088.27
<b>IV. Effect of Exchange Rate Changes on Cash and Cash Equivalents</b>	<b>555,111.24</b>	(248,871.70)
<b>V. Net Increase/(decrease) in Cash and Cash Equivalents</b>	<b>230,613,801.74</b>	(705,910,075.64)
Add: Opening balance of cash and cash equivalents	<b>1,263,966,701.80</b>	1,969,876,777.44
<b>VI. Closing Balance of Cash and Cash Equivalents</b>	<b>1,494,580,503.54</b>	1,263,966,701.80

The attached notes below to the financial statements are the constituent part of this financial statement

# Notes to the Financial Statements

For the year 2019 (RMB)

## I. GENERAL INFORMATION OF THE COMPANY

Red Star Macalline Group Corporation Ltd. (formerly known as Shanghai Red Star Macalline Home Furnishing Company Limited\*\* (上海紅星美凱龍家居飾品有限公司) and Shanghai Red Star Macalline Enterprise Management Company Limited\*\* (上海紅星美凱龍企業管理有限公司), hereinafter referred to as “the Company”) is a limited liability company jointly established by Red Star Macalline Holding Group Company Limited\*\* (紅星美凱龍控股集團有限公司) (Used name: Shanghai Red Star Macalline Investment Company Limited\*\* (上海紅星美凱龍投資有限公司)) and Red Star Furniture Group Co., Ltd.\*\* (紅星傢俱集團有限公司) 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 Co., Ltd. transferred all the 90% equity held by it to Red Star Macalline Holding Group Company Limited, and completed the business registration for such change on 16 November 2007, after which, Red Star Macalline Holding Group Company Limited 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). Tianjin Red Star Macalline Home Decoration Co., Ltd. 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 and other businesses. According to the resolution passed at the general meeting of Tianjin Red Star Macalline Home Decoration Co., Ltd. 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 Macalline Home Decoration Co., Ltd. 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 Macalline Home Decoration Co., Ltd. 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 Macalline Home Decoration Co., Ltd. amounted to RMB51,880,674.00. The Company had paid its equity to the shareholders of Tianjin Red Star Macalline Home Decoration Co., Ltd. as the merger consideration upon the absorption and merger of Tianjin Red Star Macalline Home Decoration Co., Ltd., after which, the registered capital and paid-in capital of the Company amounted to RMB196,458,987.00.

## I. GENERAL INFORMATION OF THE COMPANY (CONTINUED)

According to the resolution 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), WHWH Group Company Limited, Beijing Yaxiang Xingtai Investment Company Limited, Tianjin Jinkai Equity Investment Fund Partnership (Limited Partnership), Lianyungang Fairbay Infrastructure Construction Company Limited, Mianyang Science and Technology Park Industry Fund (Limited Partnership), Beijing Bainian Decheng Entrepreneur Investment Center (Limited Partnership), Shanghai Yinping Investment Management Company Limited, Shanghai Junyi Investment Consultancy Company Limited, Shanghai Ping'an Pharmacy Company Limited and Nantong Qianjun Construction Material Company Limited. 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 resolution 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, Shanghai Xingkai Business Administration Company Limited and Shanghai Hongmei Investment Management Company Limited. After such capital increase, the registered capital and paid-in capital of the Company both 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 meeting, and the provisions of the sponsor agreement and Articles of Association of the Company, the Company was converted into a foreign-invested joint stock limited company in accordance with laws and changed its name to Red Star Macalline Group Corporation Ltd. (紅星美凱龍家居集團股份有限公司). The Company converted RMB3,000,000,000.00 out of the audited net assets of RMB3,260,932,367.04 of Shanghai Red Star Macalline Enterprise Management Company Limited as at 30 June 2010 at a conversion rate of 1:1 into a registered capital of RMB3,000,000,000.00, divided into 3,000,000,000 shares in total with a par value of RMB1 each, and paid the registered capital of RMB3,000,000,000.00, representing 100% of the Company's registered capital. The Company completed the business registration in respect of such change on 6 January 2011.

According to the resolution at the second extraordinary general meeting of the Company in 2015, the Articles of Association as amended and the approval of Shanghai Municipal Commission of Commerce (Hu Shang Wai Zi Pi [2015] No. 398), the Company applied to increase its registered capital by RMB80,329,038.00 by way of capital contribution from Candlewood Investment SRL and Springwood Investment SRL of RMB60,917,952.00 and RMB19,411,086.00, respectively. After such capital increase, the registered capital and paid-in capital of the Company amounted to RMB3,080,329,038.00. In the meanwhile, Beijing Ruibang Beite Entrepreneur Investment Center (Limited Partnership), WHWH Group Company Limited, Beijing Yaxiang Xingtai Investment Company Limited, Tianjin Jinkai Equity Investment Fund Partnership (Limited Partnership), Lianyungang Fairbay Infrastructure Construction Company Limited, Mianyang Science and Technology Park Industry Fund (Limited Partnership), Beijing Bainian Decheng Entrepreneur Investment



# Notes to the Financial Statements

For the year 2019 (RMB)

## I. GENERAL INFORMATION OF THE COMPANY (CONTINUED)

Center (Limited Partnership), Shanghai Yinping Investment Management Company Limited, Shanghai Junyi Investment Consultancy Company Limited and Nantong Qianjun Construction Material Company Limited, all being the original shareholders of the Company, transferred their shares in the Company to Red Star Macalline Holding Group Company Limited, the controlling shareholder of the Company. The Company completed the business registration in respect of such change on 6 February 2015.

Pursuant to the proposal of the Board, as approved at the fourth extraordinary general meeting of the Company in 2015, and as permitted by China Securities Regulatory Commission on 8 May 2015 via the Approval on the Issuance of Foreign Preference Shares by Red Star Macalline Group Corporation Ltd. (Zheng Jian Xu Ke [2015] No. 822), the Company publicly issued no more than 1,180,792,000 overseas-listed foreign shares (H Shares) to overseas investors and became listed on the Main Board of Hong Kong Stock Exchange. As of 26 June 2015, the Company completed the issuance of 543,588,000 overseas-listed foreign shares (H Shares) with a par value of RMB1.00 per share to overseas investors at a price of HK\$13.28 per share. After such issuance, the paid-in capital (share capital) of the Company amounted to RMB3,623,917,038.00, representing 3,623,917,038 ordinary shares of RMB1.00 per share, including 2,561,103,969 domestic shares with restrictive conditions for sale and 1,062,813,069 overseas-listed foreign shares (H Shares) with no restrictive conditions for sale. On 26 June 2015, such overseas-listed foreign shares (H Shares) publicly issued were listed and traded on the Hong Kong Stock Exchange. The Company completed the business registration in respect of such change on 7 September 2015.

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

As considered and approved at the 2017 Annual General Meeting, A Share Shareholders' Class Meeting and H Share Shareholders' Class Meeting, the Company repurchased 388,917,038 overseas-listed foreign shares (H shares) at an offer price of HK\$11.78 per share by way of conditional voluntary cash offer. The Company has completed the offer and cancelled such H shares in July 2018, after which the paid-in capital (share capital) of the Company amounted to RMB3,550,000,000.00. The Company completed the business registration in respect of such change on 29 September 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 the home furnishing business stores with design planning and management services, wholesale of furniture, building materials (steel exclusive) and decoration materials, and relevant supporting services, exhibition and display services.

The parent company and ultimate parent company of the Group is Red Star Macalline Holding Group Company Limited incorporated in Shanghai, the People’s Republic of China, and our actual controller is Che Jianxing.

These financial statements have been approved by the Board of the Company by resolutions on 17 April 2020. Pursuant to the Articles of Association of the Company, these financial statements will be proposed to the general meeting for consideration and approval.

The consolidation scope of these consolidated financial statements shall be determined on the basis of control. Refer to Note VI for the change of scope for the year.

## II. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The financial statements are prepared in accordance with Accounting Standards for Business Enterprises — Basic Standards issued by the Ministry of Finance and the specific accounting standards, application guide, interpretation and other relevant provisions promulgated and revised thereafter (the “Accounting Standards for Business Enterprises”).

As of 31 December 2019, the Group’s current liabilities in aggregate exceeded its current assets in aggregate with an amount of RMB13.814billion. The management of the Group had assessed its ongoing operation for the 12 months starting from 1 January 2020, and after taking into account unutilized bank facilities as at 31 December 2019, expected net cash inflows from operating activities and financing arrangements, and the Group believes that the liquidity risk arising from the fact that its current assets is less than its current liabilities as at 31 December 2019 that the Group is exposed to falls within the range of control, and thus has no material effect on the ongoing operation and financial statements of the Group. Therefore, these financial statements have been prepared on a going concern basis.

When preparing the financial statements, except for certain financial instruments and investment properties, the financial statements have been carried at historical cost basis. If the assets are impaired, corresponding provisions for impairment shall be made according to relevant provisions.

# Notes to the Financial Statements

For the year 2019 (RMB)

## III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

The Group formulated specific accounting policies and accounting estimates according to the characteristics of its actual production and operation, which is mainly embodied in the bad debt allowance of receivables, the recognition and measurement of revenue and investment properties.

### 1. Declaration Following ASBE (Accounting Standards for Business Enterprises)

The financial statements have been prepared in accordance with ASBE, and presented truly and completely the Company's and the Group's financial position as at 31 December 2019, and the operating results and cash flows for 2019.

### 2. Accounting Period

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

### 3. Functional Currency

The Group adopts Renminbi ("RMB") as its functional currency and to prepare its financial statements. Unless otherwise stated, the financial statements are all presented in RMB.

The subsidiaries, Joint ventures, Associates of the Group determine their functional currencies according to the main economic environment where they operate and convert to RMB when preparing financial statements.

### 4. Business Combination

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

#### **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. In a business combination under common control, the party which obtains control of other combining enterprise(s) on the combination date is the merging party, the other combining enterprise(s) is (are) the merged party. The combination date refers to the date on which the merging party actually obtains control of the merged parties.

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

#### 4. Business Combination (Continued)

##### **Business combinations involving enterprises under common control (continued)**

Assets and liabilities that are obtained in a business combination involving enterprises under common control, including goodwill arising from the acquisition of the merging party by the ultimate controller, shall be accounted for on the basis of the carrying amounts on the financial statements of the ultimate controller at the combination date. The difference between the carrying amount of the net assets obtained and the carrying amount of the consideration paid for the combination (or the aggregate face value of shares issued) 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.

##### **Business combinations involving enterprises not under common control**

A business combination not involving enterprises under common control is a business combination in which all of the combining enterprises are not ultimately controlled by the same party or parties before and after the combination. In a business combination not under common control, the party which obtains control of other combining enterprise(s) on the acquisition date is the acquirer, the other combining enterprise(s) is (are) the acquiree(s). The acquisition date refers to the date on which the acquirer actually obtains control of the acquiree.

The acquiree's identifiable assets, liabilities and contingent liabilities acquired in the business combination involving entities not under common control are measured at fair value at the acquisition date.

The excess of the fair value of the sum of the combination consideration paid (or the fair value of equities securities issued) and equity interests in the acquiree held prior to the acquisition date over the fair value of the acquiree's identifiable net assets acquired in combination, measured at fair value, was recognized as goodwill, which is subsequently measured at cost less cumulative impairment losses. In case the fair value of the sum of the combination consideration paid (or the fair value of equities securities issued) and equity interests in the acquiree held prior to the acquisition date is less than the fair value of the acquiree's identifiable net assets acquired in combination, a review of the measurement of the fair values of the various identifiable assets, liabilities and contingent liabilities, the consideration paid for the combination of the acquiree (or the fair value of equity securities issued) and the equity interests in the acquiree held prior to the acquisition date is conducted. If the review indicates that the fair value of the sum of the combination consideration paid (or the fair value of equities securities issued) and equity interests in the acquiree held prior to the acquisition date is indeed less than the fair value of the acquiree's identifiable net assets acquired in combination, the difference is recognized in current profit or loss.

# Notes to the Financial Statements

For the year 2019 (RMB)

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

### 4. Business Combination (Continued)

#### **Business combinations involving enterprises not under common control (continued)**

For the business combination involving enterprises not under common control is achieved in stages, the long-term equity investments of the acquiree held prior to the acquisition date is remeasured at the fair value on the acquisition date, and the difference between the fair value and the carrying amount is recognised in profit or loss for the current period. For the other comprehensive income generated under the equity method from the long-term equity investments of the acquiree held prior to the acquisition date, the same accounting treatment of which the investee directly disposes of the related assets or liabilities should be used. Movement of other shareholders' equity (excluding net profit or loss, other comprehensive income and profit distribution) shall be transferred to profit or loss for the current period to which the acquisition date belongs. For other equity instrument investments of the acquiree held prior to the acquisition date, the movement of the fair value of equity instrument investment is transferred to retained earnings before the acquisition date.

### 5. Consolidated Financial Statement

The consolidation scope of the consolidated financial statements is determined on the basis of control, including the financial statement of the Company and all of its subsidiaries, which represent the entities controlled by the Company (contain enterprises, a divisible portion of the invested enterprises and structured entities controlled by the Company).

In preparation of consolidated financial statements, the subsidiaries use the same accounting period and accounting policies as those the Company. All intra-group assets, liabilities, interests, income, expenses and cash flow are eliminated in full on consolidation.

Where the amount of losses of a subsidiary attributable to the minority shareholders in the current period exceeds their share of the opening balance of owner's equity of the subsidiary, the excess shall be allocated against minority interests.

For a subsidiary acquired through a business combination involving enterprises not under common control, the operating results and cash flows of the acquiree shall be included in the consolidated financial statement from the date on which the Group gains control till the Group ceases the control of it. While preparing the consolidated financial statements, the acquirer shall adjust the subsidiary's financial statements, on the basis of the fair values of the identifiable assets, liabilities and contingent liabilities recognized on the acquisition date.

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

### 5. Consolidated Financial Statement (Continued)

For subsidiaries acquired through business combinations involving entities under common control, the operating results and cash flows of the acquiree shall be included in the consolidated financial statements from the beginning of the period in which the combination occurs. While preparing the comparative consolidated financial statements, adjustments are made to related items in the financial statements for the prior period as if the reporting entity established through combination has been existing since the ultimate controller begins to exercise control.

The Group's control over an investee is re-assessed if change in relevant facts and situations causes changes in one or more of the control substances.

Where there is no loss of control, the change in minority interests is accounted for as equity transaction.

### 6. Classification of Joint Arrangements and Joint Ventures

There are two types of joint arrangements — joint operations and joint ventures. 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.

### 7. Cash and Cash Equivalent

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

### 8. Translation of Transactions and Financial Statements Denominated in Foreign Currencies

The Group translates the amount of foreign currency transactions occurred into its functional currency.

Foreign currency transactions are recorded, on initial recognition, in the functional currency, by applying the foreign currency amount the spot exchange rate prevailing on the transaction dates. At the balance sheet date, foreign currency monetary items are translated using the spot exchange rate prevailing on the balance sheet date. All the resulting differences on settlement and monetary item translation are taken to profit or loss in the current period, except for those relating to foreign currency borrowings specifically for construction and acquisition of

# Notes to the Financial Statements

For the year 2019 (RMB)

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

### 8. Translation of Transactions and Financial Statements Denominated in Foreign Currencies (Continued)

qualifying assets, which are capitalised in accordance with the principle of capitalisation of borrowing costs. Non-monetary foreign currency items measured at historical cost shall still be translated at the spot exchange rate prevailing on the transaction date, and the amount denominated in the functional currency is not changed. Non-monetary foreign currency items measured at fair value are translated at the spot exchange rate prevailing at the date on which the fair values are determined. The difference thus resulted are recognised in profit or loss for the current period or as other comprehensive income based on the nature of the non-monetary items.

Foreign currency cash flows and cash flows of overseas subsidiaries are translated using the spot exchange rate at the date when the cash flows occur. The effect of exchange rate changes on cash is separately presented as an adjustment item in the cash flow statement.

### 9. Financial Instrument

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

#### Recognition and derecognition of financial instruments

A financial asset or financial liability is recognized when the Group becomes a party to the contractual provisions of the instrument.

The Group derecognizes a financial asset (or part of a financial asset, or part of a group of similar financial assets), i.e. writes off the financial asset from the account and balance sheet, when the following conditions are met:

- (1) the rights to receive cash flows from the financial asset expire;
- (2) the Group has transferred its rights to receive cash flows from the financial asset, or has assumed an obligation to pay them in full without material delay to a third party under a “pass-through” arrangement; and either (a) has transferred substantially all the risks and rewards of ownership of the financial asset, or (b) has neither transferred nor retained substantially all the risks and rewards of ownership of the financial asset, but has not retained control of the financial asset.

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

#### 9. Financial Instrument (Continued)

##### **Recognition and derecognition of financial instruments (continued)**

If the underlying obligation of a financial liability has been discharged or cancelled or has expired, the financial liability is derecognized. If an existing financial liability is replaced by the same creditor with a new financial liability that has substantially different terms, or if the terms of an existing financial liability are substantially revised, such replacement or revision is accounted for as the derecognition of the original liability and the recognition of a new liability, and the resulting difference is recognized in profit or loss for the current period.

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis. Regular way purchases or sales of financial assets refer to that the financial assets are delivered to or by the Group under the terms of a contract within a period as specified by law or general practice. The trade date is the date on which the Group undertakes to buy or sell a financial asset.

##### **Classification and measurement of financial assets**

On initial recognition, the Group's financial assets are classified based on the business model of the Group's financial asset management and the characteristics of the financial assets' contractual cash flows: financial assets at fair value through profit or loss, financial assets measured at amortized cost and financial assets at fair value through other comprehensive income. Only if the Group changes its business model for managing financial assets, all affected related financial assets can be reclassified.

Financial assets are initially recognized at fair value. However, if the initial recognition of accounts receivable or notes receivable arising from sale of goods or provision of services does not include significant financing components or does not consider financing components not exceeding one year, it shall be recognized as the transaction price.

For the financial assets at fair value through profit or loss, related transaction expenses are directly charged to profit or loss for the current period; for other financial assets, related transaction expenses are included in the initial recognized amount.



# Notes to the Financial Statements

For the year 2019 (RMB)

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

### 9. Financial Instrument (Continued)

#### **Classification and measurement of financial assets (continued)**

The subsequent measurement of a financial asset is determined by its category:

#### ***Debt instrument investment measured at amortized cost***

A financial asset shall be measured at amortized cost if both of the following conditions are met: the financial asset is held within a business model whose objective is to collect contractual cash flows; and 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. The interest income from such financial asset is recognized using the effective interest method, and gains or losses arising from its derecognition, revision or impairment is recognized in profit or loss for the current period.

#### ***Debt instrument investment at fair value through other comprehensive income***

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 by the Group 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 outstanding amount of principal. The interest income from such financial asset is recognized using the effective interest method. The change in fair value of such financial asset shall be recognized in other comprehensive income, except for interest income, impairment losses and exchange differences recognized in profit or loss for the current period. 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 for the current period.

#### ***Equity instrument investment at fair value through other comprehensive income***

The Group irrevocably opts to assign some of the investments in non-tradable equity instruments to financial assets at fair value through other comprehensive income, and only recognizes relevant dividend incomes (excluding dividend incomes taken back clearly as part of investment cost) in profit or loss for the current period, while subsequent changes in fair value is recognized as other comprehensive income, without needing to withdraw impairment allowance. When the financial assets are derecognized, the cumulative gains or losses previously recognized in other comprehensive income are reclassified from other comprehensive income to retained earnings.

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

#### 9. Financial Instrument (Continued)

##### **Classification and measurement of financial assets (continued)**

##### ***Financial assets at fair value through profit or loss***

The financial assets other than those measured at amortized cost and at fair value through other comprehensive income are classified as financial assets at fair value through profit or loss. For such financial assets, fair value is used for subsequent measurement, except those related to hedge accounting, all changes in fair value are recognized in profit or loss for the current period.

Neither a certain financial asset designated as the financial asset at fair value through profit or loss by an enterprise at the time of initial recognition can be reclassified as other financial assets nor can other financial assets be redesignated as financial assets at fair value through profit or loss after initial recognition.

Based on the above condition, such financial assets designated by the Group mainly include derivatives, stocks and funds purchased from the secondary market for the purpose of earning price spread.

##### **Classification and measurement of financial liabilities**

The Group's financial liabilities are, on initial recognition, classified as other financial liabilities. For other financial liabilities, transaction expenses are included in the initial recognized amount.

The subsequent measurement of financial liability is determined by its category:

##### ***Other financial liabilities***

Such financial liabilities are measured at amortized cost by using the effective interest method.

##### **Impairment of financial instrument**

On the basis of expected credit losses, the Group performs the impairment treatment on financial assets measured at amortized cost, debt instrument investments measured at fair value through other comprehensive income, lease receivables, and contract assets and recognizes the loss provision.

For receivables and contract assets that do not contain significant financing components, the Group uses a simplified measurement method to measure loss provision based on the amount of expected credit losses for the entire duration of the life.

# Notes to the Financial Statements

For the year 2019 (RMB)

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

### 9. Financial Instrument (Continued)

#### **Impairment of financial instrument (continued)**

For lease receivables, the Group uses a simplified measurement method to measure loss provision based on the amount of expected credit losses for the entire duration of the life.

For financial assets other than those measured by the aforesaid simplified measurement method, the Group assesses whether its credit risk has increased significantly since the initial recognition on each balance sheet date. If the credit risk has not increased significantly since the initial recognition (at the first phase), the Group measures the loss provision based on the amount of expected credit loss over the next 12 months and calculates the interest income based on the book balance and effective interest rate; if the credit risk has increased significantly but the financial assets have not yet been credit-impaired since the initial recognition (at the second phase), the Group measures the loss provision based on the amount of expected credit losses for the entire duration of the life and calculates the interest income based on the book balance and effective interest rate; if the financial assets have been credit-impaired since the initial recognition (at the third phase), the Group measures the loss provision based on the amount of expected credit losses for the entire duration of the life and calculates the interest income based on the amortized cost and effective interest rate. For financial instruments that have lower credit risk on the balance sheet date, the Group assumes that its credit risk has not increased significantly since the initial recognition.

Expected credit losses of financial instruments are assessed on an individual basis and group basis by the Group. The Group assesses expected credit losses of financial instruments including accounts receivable, other receivables, contract assets and long-term receivables based on grouping by age and in light of credit risk characteristics of different customers.

Refer to Note VIII. 3 for disclosures including the Group's criteria for judging the significant increase of credit risk, definition of credit-impaired assets and assumption of expected credit loss measurement.

When the Group no longer reasonably expects to be able to fully or partially recover the contractual cash flows of financial assets, the Group directly writes down the book balance of the financial assets.

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

#### 9. Financial Instrument (Continued)

##### **Elimination of financial instruments**

The net amount after eliminating financial assets and financial liabilities is presented in the balance sheet if the following conditions are satisfied: A lawful right exists for eliminating recognized amounts, and such lawful right is currently enforceable; it is planned that the financial assets and financial liabilities are to be netted against each other, or that they are to be realized and settled simultaneously.

##### **Derivative financial instruments**

The Group uses derivative financial instruments such as foreign exchange forward contracts to hedge exchange rate risk. Derivative financial instruments are initially measured at the fair value of the day when the derivative transaction contract is signed, and subsequently measured at their fair value. Derivative financial instruments with a positive fair value are recognized as an asset, and those with a negative fair value are recognized as a liability.

Except for hedging accounting, gains or losses arising from changes in fair value of derivative instruments are directly included in the current profit and loss.

##### **Transfer of financial assets**

If the Group transfers substantially all the risks and rewards of ownership of the financial asset to the transferee, it derecognizes the financial asset; if the Group retains substantially all the risks and rewards of ownership of the financial asset, it does not derecognize the financial asset.

If the Group neither transfers nor retains substantially all the risks and rewards of ownership of a financial asset, it is accounted for as follows: if the Group has not retained control of the financial asset, it derecognizes the financial asset and recognizes any resulting assets or liabilities; if the Group has retained 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.

For continuing involvement by providing financial guarantee in respect of the transferred financial assets, the assets arising from such involvement is recognized as the lower of the book value of the financial assets and the amount of the financial guarantee. Amount of financial guarantee refers to the maximum amount to be repayable on demand among the considerations received.

# Notes to the Financial Statements

For the year 2019 (RMB)

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

### 10. Inventory

Inventories mainly include goods in inventory and low-value consumables, etc..

Inventories are initially measured at cost. Cost of inventories comprises costs of purchase and other cost. When the inventories are delivered, the actual costs of the delivered inventories are determined by using the method of moving weighted average. Low-price easily-worn materials are amortized by the one-time writing-off method.

The inventory system is a perpetual inventory system.

On the balance sheet date, the inventories shall be calculated by the lower of cost and net realized value. When the cost is higher than the net realizable value, inventory impairment allowance shall be provided and the inventories shall be included in current profit and loss. In case the factors impacting the previous providing of the inventory impairment allowance are eliminated, making the net realizable value of the inventory be higher than its book value, the write-down amount should be recovered from the amount of inventory impairment allowance previously provided and the corresponding amount shall be reversed to current profit and loss.

The net realizable value represents the amount derived by deducting the potential cost, estimated sale cost and relative taxes to the completion date from the estimated selling price of the inventory in daily activities. When providing the inventory impairment allowance, the finished products shall be provided by categories.

### 11. Long-term Equity Investments

Long-term equity investments include equity investments in subsidiaries, joint ventures and associates.

A long-term equity investment is initially recorded at its initial investment cost on acquisition. For a long-term equity investment acquired under business combination involving entities under common control, the initial investment cost is the share of the book value of the owner's equity of the party being combined on the date of business combination in the consolidated financial statements of the ultimate controller. The difference between the initial investment cost and the book value of the consideration for combination is adjusted to capital reserve (or charged against retained earnings if there is any shortfall). Other comprehensive income held prior to the date of business combination is accounted for on the same basis as where the assets or liabilities are directly disposed of by the investee in disposal of such assets or liabilities. Shareholders' equity recognized as a result of changes in other shareholders' equity of the investee other than net profit or loss, other comprehensive income and profit appropriation is taken to profit or loss for the current period upon disposal of such investment. In particular, those which remain as long-term equity investments upon disposal are carried forward in proportion, and those which are converted to financial instruments upon disposal are carried forward in full. For a long-term equity investment

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

#### 11. Long-term Equity Investments (Continued)

acquired through a business combination involving entities not under common control, the initial investment cost is the cost of business combination (Business combination involving entities not under common control which is achieved after multiple transactions, the initial investment cost is the sum of book value of equity investments of the acquiree held prior to the date of acquisition and the addition to investment cost on the date of acquisition). Cost of business combination includes the sum of fair values of the assets given, liabilities incurred or assumed, and equity securities issued by the acquirer. Other comprehensive income recognized on equity method held prior to the date of acquisition is accounted for on the same basis as where the assets or liabilities are directly disposed of by the investee in disposal of such assets or liabilities. Shareholders' equity recognized as a result of changes in other shareholders' equity of the investee other than net profit or loss, other comprehensive income and profit appropriation is taken to profit or loss for the current period upon the disposal of such investment. In particular, those which remain as long-term equity investments upon disposal are carried forward in proportion, and those which are converted to financial instruments upon disposal are carried forward in full. Accumulated fair value change of equity investments held prior to the date of acquisition being taken to other comprehensive income as financial instruments is taken to retained earnings in full under cost method. For long-term equity investment acquired by means other than business combination, initial investment cost is determined as follows: for a long-term equity investment acquired by paying cash, the initial investment cost is the actual purchase price paid and those costs, taxes and other necessary expenditures directly attributable to the acquisition of the long-term equity investment; for a long-term equity investment acquired by the issue of equity securities, the initial investment cost is the fair value of the equity securities issued; for a long-term equity investment acquired by the swap of non-monetary assets, initial investment cost is determined based on Accounting Standard for Business Enterprises No. 7 — Swap of Non-monetary Assets.

For a long-term equity investment where the Company can exercise control over the investee, the Company uses the cost method in the Company's separate financial statements. Control refers to the power over an investee, and exposure, or rights, to variable returns from its involvement with the investee, and the ability to use its power over the investee to affect the amount of the investor's returns.

Under the cost method, the long-term equity investment is measured at its initial investment cost. For addition or recovery of investments, the cost of long-term equity investments is adjusted accordingly. Cash dividend or profit declared to be distributed by an investee is recognized as profit or loss for the current period.

The equity method is adopted for a long-term equity investment when the Group holds joint control, or exercises significant influence on the investee. Joint control refers to the contractually-agreed shared control over an arrangement and related activities under such arrangement shall be decided on with 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 rather than to control or jointly control with other parties over the formulation of those policies.

# Notes to the Financial Statements

For the year 2019 (RMB)

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

### 11. Long-term Equity Investments (Continued)

Under the equity method, where the initial investment cost of a long-term equity investment is more than the share of the fair value of the investee's identifiable net assets when the investment is made, the cost is included in the initial investment cost of the long-term equity investment. Where the initial investment cost is less than the share of the fair value of the investee's identifiable net assets when the investment is made, the difference is recognized in profit or loss for the current period and the cost of the long-term equity investment is adjusted accordingly.

Under the equity method, the Group recognizes its share in the net profit or loss and other comprehensive income made by the investee as investment income or losses and other comprehensive income after the acquisition of the long-term equity investment, and adjusts the book value of the long-term equity investment accordingly. When recognizing the Group's share in the net profit or loss of the investee, the Group recognizes the net profit of the investee after making appropriate adjustments based on the fair values of the identifiable assets of the investee when the investment is acquired and in accordance with the Group's accounting policies and periods, after eliminating the portion of the profits or losses, arising from internal transactions with its joint ventures and associates, attributable to the investor according to its share ratio (but losses arising from internal transactions that belong to impairment losses on assets should be recognized in full), save for business formed by assets invested or disposed. The book value of the long-term equity investment is reduced accordingly based on the Group's share of profit or cash dividends declared to be distributed by the investee. The Group's share in net loss of the investee is recognized to the extent that the book value of the long-term equity investment and other long-term equity substantively forming net investments of the investee are written down to zero, except that the Group has incurred obligations to assume additional losses. The Group adjusts the book value of the long-term equity investment for other changes in shareholders' equity of the investee (other than net profit or loss, other comprehensive income and profit appropriation of the investee) and includes the corresponding adjustments in the shareholders' equity.

On disposal of the long-term equity investment, the difference between book value and consideration actually received is recognized in profit or loss for the current period. For long-term equity investments under equity method, when the use of the equity method is discontinued, other comprehensive income previously accounted for under the equity method shall be accounted for on the same basis as where the relevant assets or liabilities are disposed of directly by the investee. Shareholders' equity recognized as a result of changes in other shareholders' equity (other than the net profit or loss, other comprehensive income and profit appropriation of the investee) shall be taken in full to the profit or loss for the current period. If the equity method remains in use, other comprehensive income previously accounted for under the equity method shall be accounted for on the same basis as where the relevant assets or liabilities are disposed of directly by the investee and taken to the profit or loss for the current period in proportion. Shareholders' equity recognized as a result of changes in shareholders' equity (other than the net profit or loss, other comprehensive income and profit appropriation of the investee) shall be taken to the profit or loss for the current period on a pro-rata basis.

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

### 12. Investment Property

Investment property is any property held for rental earnings or capital appreciation or both. It includes buildings being leased out, construction in progress going to be leased out, etc..

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 in and relevant costs can be measured reliably, otherwise recognized in profit or loss for the period of their occurrence.

There exists an active property trading market at the place 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 manner. As such, the Group subsequently measures investment properties by adopting the fair value model and adjusts its carrying value based on investment properties' fair value in balance sheet date with the gap between fair value and original carrying 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 year 2019 (RMB)

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

### 13. Fixed Assets

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. Subsequent expenditures incurred for the fixed asset are included in the cost of the fixed asset when meets the above confirming conditions, finally the carrying amount of the replaced part is derecognized; otherwise the expenditures are recognized in profit or loss in the period in which they are incurred.

Fixed assets initially measured at cost. The cost of a purchased fixed asset consists of the acquisition price, relevant taxes, and other directly attributable expenditure for bringing the asset to its working condition for its intended use.

A fixed asset is depreciated using the straight-line method. The useful life, net of estimated residual value rate and annual depreciation rate of each category of fixed assets are as follows:

	Useful life	Net of estimated residual value rate	Annual depreciation rate
Buildings and construction	20 years	5%	4.75%
Dedicated equipment	10 years	5%	9.5%
Electronic equipment, appliances and furniture	3–5 years	5%	19.00–31.67%
Transportation equipment	5 years	5%	19.00%

Others:

If a fixed asset is upon disposal or no 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 net of estimated residual value of a fixed asset and the depreciation method applied at least once at each year-end, and adjusts when necessary.

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

### 14. Construction in Progress

Construction in progress is recognized at its actual costs. The actual costs include various necessary construction expenditures during the construction period, borrowing costs capitalized before it is ready for intended use and other relevant costs.

Construction in progress is transferred to a fixed asset when it is ready for intended use.

### 15. Borrowing Costs

Borrowing costs are interests and other related cost arising from Group's borrowing, including borrowing interests, amortization of discounts or premiums, ancillary expenses and exchange differences arising from foreign currency lending etc..

Borrowing costs directly attributable to the acquisition, construction or production of qualifying asset are capitalized, and other borrowing costs are recognized in profit or loss for the period. Qualifying assets are fixed assets, investment property and inventory that necessarily take a substantial period of time to get ready for its intended use or sale.

Borrowing costs may be capitalised only when:

- (1) Expenditures for such asset are incurred;
- (2) Borrowing costs are incurred;
- (3) The acquisition, construction or production activities which are necessary to prepare the asset for its intended use or sale have started.

Capitalization of borrowing costs ceases when the qualifying asset being acquired, constructed or produced becomes ready for its intended use or sale. Borrowing costs incurred subsequently are recognized in current profit and loss.

# Notes to the Financial Statements

For the year 2019 (RMB)

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

### 15. Borrowing Costs (Continued)

During the period of capitalisation, the amount of capitalised interests in each accounting period is determined by the following methods:

- (1) For dedicated borrowings, the amount of capitalised interests is the interest expenses actually incurred in the current period less the interest income earned on temporary deposits or investment income.
- (2) For general borrowings utilised, the amount of capitalised interests is the weighted average asset expenditures of the excess of accumulative asset expenditure over the dedicated borrowings multiplying the weighted average interest rate of the general borrowings utilised.

Where the acquisition and construction or production of a qualified asset is interrupted abnormally and the interruption period lasts for more than 3 consecutive months, other than those necessary to prepare the asset for its intended use or sale, the capitalization of the borrowing costs shall be suspended. Borrowing costs incurred during the interruption period are recognised as cost in profit or loss for the current period, until those acquisition or construction is resumed.

### 16. Right-of-use assets (Applicable starting from January 1, 2019)

The Group's right-of-use assets mainly include buildings and constructions, machines and equipment.

On the commencement date of the lease term, the Group recognizes its right to use the leased asset during the lease period as right-of-use assets, including: the initial measured amount of lease liabilities; lease payments paid at or before the commencement date of lease term less any incentives already received (if there is a lease incentive); the initial direct costs incurred by the lessee; an estimate of costs to be incurred by the lessee in dismantling and removing the lease assets, restoring the site on which they are located or restoring the leased assets to the condition required by the terms and conditions of the lease. The Group subsequently uses the straight line method to depreciate the right-of-use assets. If it is reasonable to determine the ownership of the leased asset can be obtained when the lease term expires, the Group will depreciate over the remaining useful life of the leased assets. If it cannot be reasonably determined that the ownership of the leased asset can be obtained at the end of the lease period, the Group depreciates during the shorter period between the lease term and the remaining useful life of the lease assets.

When the Group re-measures lease liabilities according to the present value of the changed lease payment and adjusts the book value of the right-of-use asset accordingly, if the book value of the right-of-use asset has been reduced to zero while lease liabilities still needs to be further reduced, the Group accounts for the remaining amount in the current profit and loss.

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

#### 17. Intangible Assets

Intangible assets may be recognized initially measured at cost only when economic benefits relating to it are likely to flow into the Group as well as its cost can be measured reliably. However, for intangible assets acquired from business combination not under common control, if their fair value can be measured reliably, they are recognized separately as intangible assets and measured at fair value.

The useful life of an intangible asset shall be determined based on the term in which it can generate economic benefits for the Group. An intangible asset is regarded as having an indefinite useful life when there is no foreseeable term in which it can generate economic benefits for the Group.

The useful life of each category of intangible assets is as follows:

	Useful life
Trademark use rights	30 years
Software	2–10 years
Others	3 years

An intangible asset with finite useful life is amortised over its useful life period by using the straight-line method. The useful life and amortization method of an intangible asset with finite useful life shall be reviewed at least once at each year-end, and adjusted when necessary.

The Group's expenditures for its internal research and development projects are classified into expenditures at on the research stage and expenditures on the development stage. Expenditures on the research stage are recognized in profit or loss in the current period when incurred. Expenditures on the development stage are to be capitalized if the Group can satisfy all of the following criteria simultaneously: the technical feasibility to complete the intangible asset so that it will be available for use or sale; the intention complete the intangible asset, and to use or sell it; how the intangible asset will generate economic benefits. Among other things, the Group can demonstrate 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; the availability of adequate technical, financial and other resources to complete the development of the intangible asset and the ability to use or sell it; the ability to measure reliably the expenditure attributable to the intangible asset during its development stage. Expenses on the development stage that do not meet the above conditions are recognized in the current period when incurred.

# Notes to the Financial Statements

For the year 2019 (RMB)

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

### 18. Impairment of Assets

The Group determines impairment of assets excluding inventory, contract assets, investment property measured at fair value model, deferred income taxes, and finance assets on below method:

The Group determines whether there is any indication that assets have suffered impairment losses at balance sheet date. If an impairment indication exists, the recoverable amount is estimated and impairment test is carrying out. The intangible assets with the goodwill and indefinite useful life arising from business combination should be performed impairment test at least once at the each year-end whether an impairment indication exists. As for intangible assets that have not been ready for intended use, an impairment test should be carried out each year.

The recoverable amount of an asset 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. 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 asset group is determined according to whether the main cash flows generated from the asset group are independent from those from other assets or asset group.

If such recoverable amount is less than its carrying amount, book value is reduced to its recoverable amount, the reduction amount is recognized in profit or loss for the current period and a provision for impairment losses of such assets has been prepared.

For the purpose of impairment testing of goodwill, the carrying value of goodwill arising from business combination is reasonably allocated to the related assets group since the purchasing date, those difficulty allocated to the related assets group will allocated to the related sets of assets groups. The related assets group or sets of assets groups are those expected to benefit from the synergies of the business combination and less than the reportable segment determined by the Group.

If there exists impairment indication for assets group or sets of assets groups related to goodwill when an impairment test carried out for the related assets group or sets of assets groups including goodwill, an impairment test should be carried out for assets group or sets of assets groups excluding goodwill to calculate the recoverable amount and recognize the corresponding impairment losses. An impairment test should be carried out for assets group or sets of assets groups including goodwill, comparing its book value and the recoverable amount, if the recoverable amount is less than the book value, the impairment losses amount is deducted and amortized to the book value of the goodwill of assets group or sets of assets groups firstly and then deducted the book value of other assets on a pro rata basis according to the proportion of the book value of other assets of assets group or sets of assets groups excluding goodwill.

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

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

#### 19. Long-term Prepaid Expenses

Long-term prepaid expenses are amortized using the straight-line method, and their amortized periods are as follow:

	Amortized periods
Improvement of fixed assets rented	3–10 years
Others	3–5 years

#### 20. Employee Remuneration

Employee remuneration is all kinds of reward or compensation for service rendered by employees or the termination of employment given by the Group. Employee remuneration includes short-term remuneration, post-employment benefit, termination benefits and other long-term employee benefits. Benefits the Group provided to employees' spouse, children, dependent, families of the deceased employees and other beneficiary also belong to employee remuneration.

##### Short-term remuneration

Actually occurred short-term employee remuneration is recognized as liabilities and charge to the profit or loss for the current period or in the costs of relevant assets in the accounting period in which employees provide services.

##### Post-employment benefits (Defined contribution plans)

Our employee participated in endowment insurance and unemployment insurance managed by local government and corresponding expenses are recognized in costs of related assets or profit or loss for the current period.

##### Termination Benefits

When the Group provides termination benefits to employees, employee remuneration liabilities are recognized for termination benefits, with a corresponding charge to the profit or loss for the period at the earlier of the following dates: 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 year 2019 (RMB)

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

### 21. Lease liabilities (Applicable Starting From 1 January 2019)

On the commencement date of the lease term, the Group recognized the present value of the lease payments that have not been paid as lease liabilities, except for short-term leases and low-value asset leases. In calculating the present value of the lease payments, the Group uses the interest rate of the lease as the discount rate; if the interest rate of the lease cannot be determined, the lessee's incremental borrowing rate is used as the discount rate. The Group calculates the interest expense of the lease liability for each period of the lease term based on the fixed periodic interest rate and recognises it in profit or loss for the current period, unless otherwise required to be included in relevant costs of assets. The variable lease payments that are not included in the measurement of the lease liabilities are recognised in profit or loss for the current period when incurred, unless otherwise required to be included in relevant costs of assets.

After the commencement date of the lease term, when the actual fixed payment amount changes, the expected amount of the guarantee residual value changes, the index or ratio used to determine the lease payment changes, or the assessment results or actual exercise of the purchase option, the renewal option or the termination option change, the Group re-measures the lease liability based on the present value of the changed lease payments.

### 22. Share-based payment

Share payment is divided into equity-settled share-based payment and cash-settled share-based payment. Equity-settled share-based payment refers to transactions in which the Group uses shares or other equity instruments as consideration for obtaining services.

Where equity-settled share-based payments are exchanged for employees to provide services, they are measured at the fair value of the equity instruments granted to employees. If the right is exercised immediately after the grant, it is included in the relevant cost or expense at fair value on the grant date, and the capital reserve is increased accordingly; if the right can be exercised only after the service within the waiting period is completed, on every balance sheet date during the waiting period, the Group makes the best estimate of the number of exercisable equity instruments based on the latest information such as changes in the number of employees with the right, and based on which, the Group includes the services acquired in the current period into the relevant costs or expenses according to the fair value at the grant date, meanwhile capital reserve is increased accordingly and fair value of equity instruments are determined using a binomial model.

During the period of meeting the service period conditions, the cost or expenses of equity-settled share-based payment shall be confirmed, and capital reserve shall be increased accordingly. Before the exercisable date, the cumulative amount recognized for equity-settled share-based payment on each balance sheet date reflects the portion of the waiting period that has expired and the Group's best estimate of the number of equity instruments with final exercisable rights.

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

#### 22. Share-based payment (Continued)

No cost or expense will be recognized for the share payment that ultimately fail to exercise due to failing to meet non-market conditions and/or service period conditions. If market conditions or non-exercisable rights conditions are stipulated in the share payment agreement, regardless of whether market conditions or non-exercisable rights conditions are met, as long as all other performance conditions and/or service period conditions are met, they are regarded as exercisable rights.

#### 23. Revenue from contracts with customers

The Group recognizes revenue when it performs the performance obligations in the contract, namely, when the customer obtains control over relevant goods or services. Control over the relevant goods and services refers to the ability to direct the use of, and obtain substantially all of the economic benefits from the provisions of the services.

##### **Revenue relating to Managed Shopping Malls**

##### ***Revenue from the brand consulting and management service 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 the Group are permitted by developers to use the brands that are intangible asset of its own, and from the provision of consultation, tenant sourcing and other services to partners of or project companies under the Managed Shopping Malls. The revenue arising there from is recognized by the Group in the period that the consulting and management services are provided in accordance with the progress of performance.

##### ***Revenue from annual brand consulting and management service 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 use 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 contracts. The revenue arising there from is recognized by the Group in the period that the management services are provided at the amount calculated and determined in accordance with charging methods agreed in the contract.



# Notes to the Financial Statements

For the year 2019 (RMB)

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

### 23. Revenue from contracts with customers (Continued)

#### **Revenue relating to Managed Shopping Malls (continued)**

##### ***Revenue from tenant sourcing commissions***

It refers to the revenue received by the Group arising from the provision of tenant sourcing and consultation services for Managed Shopping Malls. The revenue arising there from is recognized by the Group in the period that the tenant sourcing services are provided at the amount calculated and determined in accordance with charging methods agreed in the contract.

##### ***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, 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 contracts under the circumstance that relevant services have been provided, relevant Managed Shopping Malls has been constructed and reached operational status, and relevant service confirmation issued by the builder is obtained.

##### ***Revenue from commercial consultation fees***

It refers the revenue received by the Group from the provision of commercial consultation services in the stage of development planning or properties in operation other than Owned/Leased/JV/associate Portfolio Shopping Malls and Managed Shopping Malls. The revenue arising there from is recognized by the Group in the period that the commercial consultation services are provided at the amount agreed calculated and determined in accordance with charging methods agreed in the contracts.

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

#### 23. Revenue from contracts with customers (Continued)

##### Revenue relating to Managed Shopping Malls (continued)

###### *Revenue from construction and design service*

As customers can control assets in progress during the Group's performance, the Group takes the construction contracts between it and customers as the performance obligations fulfilled within a certain period and recognizes relevant revenue according to performance schedule, except that relevant performance schedule cannot be reasonably determined. The Group determines the performance schedule of the service it provides according to the costs occurred based on input method. Where the performance schedule cannot be reasonably determined and the costs incurred to the Group are expected to be recovered, the Group recognizes the revenue according to the amount of costs incurred until the performance schedule can be reasonably determined.

###### *Revenue from sales of goods and home decoration*

Revenue from sales of goods is the revenue which the Group's self-operated shopping malls obtained from sales of home decoration and furnishing products. Relevant revenue from sales of goods is recognized when the Group fulfilled the performance obligations under relevant contracts and customers obtained the right of control of relevant goods or services.

Revenue from home decoration 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 according to the performance progress during the period that the Group is providing relevant service.

##### Other revenues

###### *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 according to the performance schedule within the validity period of the agreement.

# Notes to the Financial Statements

For the year 2019 (RMB)

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

### 23. Revenue from contracts with customers (Continued)

#### **Other revenues (continued)**

#### ***Joint marketing income***

If 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 when the Group fulfilled the performance obligations under the relevant contracts and customers obtained the right of control of relevant goods or service.

### 24. Contract Assets and Contract Liabilities

The Group presents contract assets or contract liabilities in the balance sheet based on the relationship between the Group's fulfilment of performance obligations and customers' payment. The Group presents contract assets and contract liabilities under the same contract as net amount after they offset each other.

#### **Contract assets**

Contract assets refer to the right to receive considerations for goods or service already transferred to customers, and the right depends on other factors than the passage of time.

See Note III.9 for methods determining the expected credit loss of the Group's contract assets and relevant accounting methods.

#### **Contract liabilities**

In the event that the enterprises have received relevant amounts before transferring the promised goods, the Group presents the obligations for transfer of goods to customers for considerations received or receivable from customers as contract liabilities.

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

#### 25. Government Grants

Government grant is recognized when the Group can comply with the conditions attached to it and it can be received. If a government grant is in the form of a transfer of monetary asset, it is measured at the amount received or receivable. If a government grant is in the form of a transfer of non-monetary asset, it is measured at fair value; in the event that fair value is not reliably determinable, it is measured at a nominal amount.

Government grants for purchasing, building or forming long-term assets in other methods regulated in government documents are recognized as asset-related government grants. Judgments should be made based on the necessary basic conditions for obtaining the government grants when government documents are unclearly stated. Government grants with purchasing, building or forming long-term assets in other methods as basic conditions, are recognized as asset-related government grants, whereas the rest as income-related government grants.

Income-related government grants used to recover related costs or losses in the subsequent period are recognized as deferred income, and are taken into the current profit or loss or used to offset related costs of the period in which the related costs or losses are recognized; those used to recover related costs or losses incurred are directly recognized as the current gains/losses or used to offset related costs.

Asset-related government grants are used to offset the book value of related assets; or recognized as deferred income, and arbitrarily and systematically included in profit or loss within the useful life of the related assets (however, government grants measured at nominal amounts are directly recognized in profit or loss for the current period); if the related assets are sold, transferred, discarded as useless or damaged before the end of their useful life, the balance of the relevant deferred income that has not been allocated shall be carried into the profit or loss of the period when the assets are disposed of.

#### 26. Income Tax

Income tax comprises current and deferred tax. Income tax is recognized as income or an expense in profit or loss for the current period, or recognized directly in shareholders' equity if it arises from goodwill adjustment due to business combination or relates to a transaction or event which is recognized directly in shareholders' equity.

The Group measures a current income tax asset or liability arising from the current and prior period based on the amount of income tax expected to be paid by the Group or returned by tax authority calculated by related tax laws.

For temporary differences on the balance sheet date between the tax bases of assets and liabilities and their book value, and temporary differences between the book value and the tax bases of items, the tax bases of which can be determined for tax purposes, but which have not been recognized as assets and liabilities according to the tax laws, deferred income taxes are provided using the liability method.

# Notes to the Financial Statements

For the year 2019 (RMB)

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

### 26. Income Tax (Continued)

A deferred income tax liability is recognized for all taxable temporary differences, except:

- (1) where the taxable temporary differences arise from the initial recognition of goodwill, or the initial recognition of an asset or liability in a transaction which contains both of the following characteristics: the transaction is not a business combination; and at the time of the transaction, it affects neither accounting profit nor taxable income or deductible loss.
- (2) in respect of taxable temporary differences associated with investments in subsidiaries, jointly ventures and associates, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not be reversed in the foreseeable future.

A deferred income tax asset is recognized for deductible temporary differences, carry forward of deductible tax losses from prior years and tax credits, to the extent that it is probable that future taxable income will be available against which the deductible temporary differences, and deductible tax losses and tax credits can be utilized, except:

- (1) where the deductible temporary differences arise from a transaction that is not a business combination and, at the time of the transaction, neither the accounting profit nor taxable income or deductible loss is affected.
- (2) in respect of the deductible temporary differences associated with investments in subsidiaries, joint ventures and associates, a deferred income tax asset is only recognized to the extent that it is probable that the temporary differences will be reversed in the foreseeable future and taxable income will be available against which the deductible temporary differences can be utilized in the future.

At the balance sheet date, deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, according to the requirements of tax laws. The measurement of deferred income tax assets and deferred income tax liabilities reflects the tax consequences that would follow from the manner in which the Group expects at the balance sheet date, to recover the assets or settle the liabilities.

The book value of deferred income tax assets is reviewed at the balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable income will be available in future periods to allow the deferred income tax assets to be utilized. Unrecognized deferred income tax assets are reassessed at the balance sheet date and are recognized to the extent that it has become probable that sufficient taxable income will be available to allow all or part of the deferred income tax asset to be recovered.

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

#### 26. Income Tax (Continued)

Where all of the following conditions are satisfied, deferred income tax assets and deferred income tax liabilities are presented on a net basis after offsetting: With the legal rights of net settlement of current income tax assets and current income tax liabilities granted, and deferred income tax assets and deferred income tax liabilities are related to income tax to be paid by the same entity liable to pay tax to the same tax collection and management authority or related to different entities liable to pay tax, but the relevant entity liable to pay tax is intended to apply net settlement of current income tax assets and liabilities or, at the same time, acquire assets or repay debt whenever every significant deferred income tax assets and liabilities would be reversed in the future.

#### 27. Lease (Applicable starting from January 1 2019)

##### Identification of lease

On the commencement date of the contract, the Group assesses whether the contract is a lease or contains a lease. If one party under the contract transfers one or more of the rights to control the use of identified assets for a certain period of time in exchange for consideration, the contract shall be considered as a lease or containing lease. In order to determine whether the contract has transferred the right to control the use of the identified assets within a certain period of time, the Group assesses whether the customers in the contract are entitled to substantially all of the economic benefits arising from the use of the identified assets during the period of use and have the right to lead the use of identified assets during this period of use.

##### Identification of separate leases

Where the contract contains multiple separate leases, the Group will split the contract and separate the leases for accounting treatment. The right to use the identified asset constitutes a separate lease in the contract if the following conditions are met:

- (1) The lessee can profit from using the asset alone or in conjunction with other resources that are readily available;
- (2) The asset does not have a high degree of dependency or a high degree of association with other assets in the contract.

# Notes to the Financial Statements

For the year 2019 (RMB)

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

### 27. Lease (Applicable starting from January 1 2019) (Continued)

#### **Assessment of lease term**

The lease term is the non-cancellable period during which the Group has the right to use the lease asset. The Group has the option to renew the lease, that is, it has the right to choose to renew the lease of the asset, and if it is reasonable to determine that the option will be exercised, the lease term also includes the period covered by an option to renew the lease. The Group has the option to terminate the lease, that is, it has the right to choose to terminate the lease of the asset, but if it is reasonable to determine that the option will not be exercised, the lease term includes the period covered by the termination of the lease option. In the event of a major event or change within the Group's controllable range, and affecting whether the Group reasonably determines that the corresponding option will be exercised, the Group reassesses whether it is reasonable to determine to exercise the option to renew the lease, purchase option or terminate the lease option.

#### **As a lessee**

For the general accounting treatment of the Group as a lessee, please refer to Note III. 16 and Note III. 21.

#### **Lease modifications**

The lease modifications refer to change of lease scope, lease consideration, and lease term outside the original contract terms, including the increase or termination of the use rights of one or more leased assets, and the extension or shortening of the lease term stipulated in the contract.

If the lease modifications have met the following conditions simultaneously, the Group will account for the lease modifications as a separate lease:

- (1) The lease modifications expand the scope of the lease by adding the rights of use of one or more leased assets; and
- (2) the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability by discounting the revised lease payments using a revised discount rate at the effective date of the lease modification. When calculating the present value of the lease payments after the modification, revised discount rate is determined as the interest rate implicit in the lease for the remainder of the lease term, if that rate can be readily determined, or the lessee's incremental borrowing rate at the effective date of the modification, if the interest rate implicit in the lease cannot be readily determined.

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

#### 27. Lease (Applicable starting from January 1 2019) (Continued)

##### **As a lessee (continued)**

##### ***Lease modifications (continued)***

Regarding the impact of the above adjustment of lease liabilities, the Group distinguishes between the following circumstances for accounting treatment:

- (1) If the lease modifications result in a narrower lease scope or a shorter lease term, decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease. The lessee shall recognise in profit or loss any gain or loss relating to the partial or full termination of the lease.
- (2) Making a corresponding adjustment to the book value of right-of-use asset for all other lease modifications.

##### ***Short-term lease and low-value asset lease***

The Group recognises the lease which has a term of not more than 12 months and does not include the purchase option on the commencement date of the lease term as a short-term lease; the lease with a value of not more than RMB40,000 when the single leased asset is a new asset is recognised as a low-value asset lease. If the Group subleases or expects to sublease the leased assets, the original lease is not recognised as a low-value asset lease. The Group does not recognise the right-of-use assets and lease liabilities for short-term leases and low-value asset leases. During each period of the lease term, the related asset costs or profit or loss for the current period are included by using the straight-line method.

##### **As a lessor**

At the lease commencement date, leases that substantially transfer almost all the risks and rewards related to the ownership of leased assets are classified as finance leases. Otherwise, all other leases are classified as operating leases. When the Group is an intermediate lessor, the sublease is classified with reference to the right-of-use assets arising from the head lease.

##### ***As a financial leases lessor***

At the lease commencement date, the Group recognises financial leases as financial lease receivables and derecognises the underlying assets. When the financial lease receivables are initially measured, the Group shall account for the net lease investment as the value of the financial lease receivables. Net investment in the lease is the sum of present value of unguaranteed residual value and the lease payments receivable at the lease commencement date, discounted at the interest rate implicit in the lease.



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

### 27. Lease (Applicable starting from January 1 2019) (Continued)

#### **As a lessor (continued)**

#### ***As a financial leases lessor (continued)***

The Group calculates and recognises interest income in each period during the lease term, based on a constant periodic rate of interest. Variable lease payments received by the Group, and not included in the measurement of the net investment in the lease shall be included into profit or loss for the current period when actually incurred.

Where the Group is deemed as a lessor of a producer or dealer of financial leases, at the lease commencement date, the Group will recognize the lower of the fair value of the leased assets and the present value of lease payments discounted at market interest rate as the revenue, and carry forward the balance of the carrying amount of the lease assets after deduction of the present value of the unguaranteed residual value as the cost of sales. The costs incurred for obtaining the financial leases by the Group, will be included into profit or loss for the current period at the lease commencement date.

If the financial leases changes and meets the following conditions simultaneously, the Group will account for the change as a separate lease:

- (1) The modifications expand the scope of the lease by adding the rights of use of one or more leased assets; and
- (2) the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

Financial lease changes, which are not accounted as a separate lease, for the changed leases, the Group distinguishes between the following cases for accounting treatment:

- (1) where the changes of a lease come into effect on the lease commencement date, and this lease would be classified as an operating lease, the Group will account for the operating lease as a new lease from the effective date of the lease modifications. The carrying amount of the lease assets equals to the net investment in the lease before the effective date of the lease modifications; or
- (2) where the changes of a lease come into effect on the lease commencement date, and this lease would be classified as a financial lease, the Group will carry out the accounting treatments of Note III.16 in accordance with the requirements relating to the modified or renegotiated contract.

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

#### 27. Lease (Applicable starting from January 1 2019) (Continued)

##### **As a lessor (continued)**

##### ***As an operating leases lessor***

Rental income from operating leases is recognized in profit or loss for the current period on the straight-line basis over the lease terms. A variable lease payment that is not included in lease receipt is included in profit or loss for the current period when it actually occurs.

In case of modification of an operating lease changes, the Group shall treat it as a new lease from the effective date of the modification, and the amount of the advance receipt or receivable related to the lease before the modification shall be regarded as the collection amount of the new lease.

#### 28. Lease (Applicable to 2018)

A finance lease is a lease that transfers in substance all the risks and rewards incidental to ownership of an asset. An operating lease is a lease other than a finance lease.

##### ***As an operating leases lessee***

Lease payments under an operating lease are either included in the cost of the related asset or charged to profit or loss for the current period using straight line method in each period of the lease term. Contingent rents are charged to profit or loss in the period in which they actually arise.

##### ***As an operating leases lessor***

The rental income of operating leases is recognized as profit or loss for the current period using the straight-line method in each period of the lease period, or contingent rent is included in the current profit or loss when it actually occurs.

##### ***As a financial lease lessee***

For assets leased under finance, the lower of the fair value of the leased asset on the lease commencement date and the present value of the minimum lease payments is taken as the book value of the leased asset on the lease commencement day, and the minimum lease payment is taken as the book value of the long-term payable. The difference is taken as unrecognized financing cost which is allocated using the effective interest rate method in each period during the lease term. Contingent rent is included in the current profit and loss when it actually occurs.

Same policy is adopted to withdraw depreciation of the fixed assets leased by financing lease and self-owned fixed assets. If the ownership of the leased asset can be reasonably determined at the end of the lease term, depreciation is accrued over the useful life of the leased asset. If the ownership of the leased asset cannot be reasonably determined at the end of the lease term, depreciation is accrued over the shorter of the lease term and the useful life of the leased asset.

# Notes to the Financial Statements

For the year 2019 (RMB)

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

### 28. Lease (Applicable to 2018) (Continued)

#### *As a financial lease lessor*

For assets leased out by financing, the sum of the minimum lease receipt on the lease commencement day and the initial direct cost is taken as the book value of the financial lease receivable on the lease commencement day, and the unguaranteed residual value is recorded. The difference between the sum of the minimum lease receipt, the initial direct cost, unguaranteed residual value and the sum of its present value is regarded as unrealized financing income, which is recognized by effective interest rate method in each period during the lease term. Contingent rent is included in the current profit and loss when it actually occurs.

### 29. Hedge Accounting

For the purpose of the methods of hedge accounting, hedges of the Group are classified as:

- (1) Fair value hedges refer to the hedging against the risk of fair value change in respect of definite commitments which are not yet recognized (other than exchange rate risks) of assets or liabilities already recognized.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship, as well as related risk management objectives and strategies. The documentation included identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the Group assessed the hedging effectiveness. Hedge effectiveness is the extent to which the changes in fair value or cash flows of the hedging instruments can offset changes in the fair value or cash flow of hedged items caused by hedged risk. Such hedges are assessed on an ongoing basis as complying with the effectiveness requirements of a hedge as at the initial designated date and in subsequent periods.

If the hedging instrument expires or is sold, terminated or exercised (but the replacement or rollover of part of a hedging instruments are not treated as expired or terminated), or there is a change in risk management objective, which makes the hedging relationship no longer meet the risk management objective, or the hedging no longer meets other qualifying criteria for hedge accounting, the Group discontinued the application of hedge accounting.

Where the hedge relationship no longer satisfies the validity requirements due to the hedging ratio, and the objective of risk management designated for the hedge relationship does not change, the hedge relationship will be re-balanced by the Group.

For details of the Group's assessment method of hedging effectiveness, risk management strategy and how to apply the strategy to manage risks, please refer to Note V.67.

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

#### 29. Hedge Accounting (Continued)

Hedges which meet the strict criteria for hedge accounting are accounted for as follows:

##### **Fair value hedging**

Gains or losses arising from a hedging instrument are recognized in profit or loss for the current period. Gains or losses in respect of the hedged item attributable to hedged risk exposure are recognized in profit or loss for the current period and the book value of the hedged item not at fair value is adjusted at the same time.

For fair value hedging relating to debt instruments carried at amortized cost, the adjustments to the book value of the hedged items are amortized to profit or loss for the current period over the remaining term of the hedge using the effective interest rate method. Amortization at effective interest rate may begin upon the adjustment of the book value but no later than the time when the hedged item ceases to be adjusted for changes in its fair value attributable to the hedge risk. If the hedged item is derecognized, the unamortized fair value is recognized in profit or loss for the current period.

##### **Hedging cost**

The Group separates the intrinsic value and time value of options, and only specifies the change in the intrinsic value of options as hedging instruments; or the Group separates the forward and immediate elements of the forward contract, and only specifies the change in the value of immediate elements as a hedging instrument; or separates out the foreign exchange basis of financial instruments, and only specifies the financial instruments excluding the foreign exchange basis as hedging instruments. The Group includes the time value of options, the forward elements of forward contract, fair value changes on foreign exchange basis of financial instruments which is related to the hedged items into other comprehensive income. If nature of the hedged items is related to transactions, same accounting method as the amount of cash flow hedging reserve will be processed. If nature of the hedged items if related to time period, the above fair value changes will be amortized in a systematic and reasonable manner during the period in which the hedged items affects profit or loss or other comprehensive income, and transferred out from other comprehensive income, included in the current profit and loss.

#### 30. Repurchase of Shares

Consideration and transaction costs paid for the repurchase of the Company's own equity instruments are charged against shareholders' equity. The issuance (including refinancing), repurchase, sale or cancellation of its own equity instruments is treated as change in equity.

#### 31. Profit Distribution

The Company's cash dividends are recognized as liabilities upon approval by the shareholders' general meeting. Since the Board is authorized to approve the interim cash dividends under the Articles of Association of the Company, the interim cash dividends shall be recognized as liabilities upon approval by the Board.

# Notes to the Financial Statements

For the year 2019 (RMB)

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

### 32. Fair Value Measurement

The Group measures its investment properties, derivative financial instruments, receivables financing, equity instruments investment, other non-current financial assets and financial assets held for trading at fair value at each balance sheet date. 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. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal market (or the most advantageous market) must be accessible by the Group at the measurement date. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimizing the use of unobservable inputs only under the circumstances where such relevant observable inputs cannot be obtained or practicably obtained.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole: Level 1 — based on quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date; Level 2 — based on inputs other than inputs within Level 1 that are observable for the asset or liability, either directly or indirectly; Level 3 — based on input for the asset or liability that is not based on observable market data.

For assets and liabilities that are recognized in the financial statements at fair value on a recurring basis, the Group re-assess them at each balance sheet date to determine whether transfers have occurred between levels in the hierarchy.

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

#### 33. Significant Accounting Judgments and Estimates

The preparation of the financial statements requires the management to make judgments, estimates and assumptions that will affect the reported amounts and disclosure of revenue, expenses, assets and liabilities, and the disclosure of contingent liabilities at the balance sheet date. However, uncertainty about these estimates and assumptions could result in outcomes that could require a material adjustment to the book value of the assets or liabilities affected in the future.

##### **Judgments**

In the process of applying the Group's accounting policies, the management has made the following judgments which have significant effect on the amounts recognized in the financial statements:

##### ***Operating lease – in the case of the lessor***

The Group has entered into leasing contracts for its investment properties. The Group is of the opinion that, according to the terms of such leasing contracts, the Group has retained almost all material risks and rewards of the ownership of these properties, and thus they are regarded as operating lease.

##### ***Determination of single performance obligation and allocation of transaction prices to single performance obligation***

The Group's brand consulting and management service for the project covers three service commitments: (1) brand consulting and management service for the early stage of the project; (2) annual brand consulting and management service for the project; (3) tenant sourcing commissions. Customers are able to obtain benefits from the use of the three service commitments or the joint use of the three service commitments and other easily available resources, and the three service commitments can be separately distinguished from other service commitments, so each of the three service commitments constitutes a single performance obligation.

On the contract start date, the Group distributes the transaction prices to the above three service commitments so that the transaction price of the Group's single performance obligation can reflect the consideration amount that it is expected to receive due to the transfer of the service commitments to the customer. When the standalone selling price cannot be directly observed, the Group will comprehensively consider all relevant information that it can reasonably obtain, and reasonably estimate the standalone selling price by adopting the market adjustment method. Information considered includes market conditions, enterprise-specific factors, and customer-related information.

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

### 33. Significant Accounting Judgments and Estimates (Continued)

#### **Judgments (continued)**

##### ***Method for determining the performance schedule of construction contracts***

The Group determines the performance schedule of the brand consulting and management service and construction service contracts for the project in accordance with the input method. Specifically, the Group determines the performance schedule based on the percentage of cumulative actual construction costs in the estimated total costs. The cumulative actual costs include the direct and indirect costs incurred by the Group in transferring goods and services to customers. The Group believes that the price of the construction contract with the customer is determined on the basis of the construction cost, and the percentage of actual construction costs in the estimated total costs can accurately reflect the performance schedule of the construction service. Considering the long duration of the brand consulting and management service and construction service contracts for the project, it may span several accounting periods. In particular, the Group thinks that the price of construction service contract with the customer is determined on the basis of the construction cost, and the percentage of actual construction costs in the estimated total costs can accurately reflect the performance schedule of the construction service. The Group will review and revise the budget as the construction service contract advances and adjust revenue recognition accordingly.

##### ***Business mode***

The classification of financial assets at initial recognition depends on the business model of the Group's management of financial assets. In judging the business model, the Group takes into account the corporate evaluation and ways to report the performance of financial assets to key management personnel, risks affecting the performance of financial assets and their management style, and the manner in which relevant business management personnel are paid. In assessing whether the business model is based on the collection of contractual cash flows, the Group needs to analyse and judge the reasons, timing, frequency and value of the sale of financial assets before the maturity date.

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

#### 33. Significant Accounting Judgments and Estimates (Continued)

##### **Judgments (continued)**

##### ***Contractual cash flow characteristics***

The classification of financial assets at initial recognition depends on the contractual cash flow characteristics of the financial assets. When it is necessary to judge whether the contractual cash flow is only the payment of the principal and the interest based on the outstanding principal, including the assessment of the correction of the time value of money, it is necessary to judge whether there is a significant difference compared with the benchmark cash flow, and to judge whether the fair value of financial assets with prepayment characteristics is insignificant.

##### ***Division of investment properties and fixed assets***

The Group will exercise its discretion to classify investment properties and fixed assets. Investment property is any property held to rental earnings or capital appreciation or both. Fixed assets are mainly tangible assets that are held by the Group for use in the production or supply of goods or services, or for administrative purposes, and have useful lives of more than one accounting year. Therefore, in classifying investment properties and fixed assets, the Group will fully consider the management's intention, whether relevant lease agreements are concluded, and other factors.

##### ***Pending litigation***

The Group judges the amount and possibility of the current obligations arising from the pending litigation of the Group based on the progress of the case trial and the judgment and opinions of the lawyer on the outcome of the case. If the performance of the current obligation is not likely to cause economic benefits to flow out of the enterprise, or the amount of the current obligation cannot be measured reliably, the Group will disclose as a contingent liability; if the performance of the current obligation is likely to cause economic benefits to flow out of the enterprise, and if the amount of the current obligation can be measured reliably, the Group regards it as an estimated liability.



# Notes to the Financial Statements

For the year 2019 (RMB)

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

### 33. Significant Accounting Judgments and Estimates (Continued)

#### **Judgments (continued)**

##### ***Judgment of significant influence on invested company***

The Group is based on whether it has the power to participate in decision-making on the financial and operating policies of the invested enterprise, but cannot control or jointly control the formulation of these policies with other parties as a criterion for judging whether it has a significant impact on the invested enterprise. The Group recognizes equity investments that the Group has a significant impact on the investee as long-term equity investments.

##### ***Hedging validity judgment***

The Group believes that there is an economic relationship between the hedged item and the hedging instrument. This economic relationship causes the value of the hedged item and the hedged item to change in opposite directions due to the same hedged risk; among the changes in the value arising from the economic relationship between the hedged items and the hedging instrument, the impact of credit risk is not dominant; the hedge ratio of the hedging relationship is equal to the ratio of the actual number of hedged items to the actual number of hedging instruments that hedge it. The Group continuously evaluates the effectiveness of the hedging relationship in accordance with the hedging relationship on and after the hedging start date.

##### **Estimation uncertainty**

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that may cause a material adjustment to the book value of assets and liabilities within the future accounting periods, are discussed below.

##### ***Impairment of financial instruments and contract assets***

The Group uses the expected credit loss model to assess the impairment of financial instruments and contract assets. The application of the expected credit loss model requires significant judgments and estimations, and all reasonable and evidenced information, including forward-looking information, should be considered. In making such judgments and estimations, the Group infers the expected changes in the debtor's credit risk based on the historical repayment data in combination with economic policies, macroeconomic indicators, and industry risks. Different estimates may affect the provision for impairment losses. The provision for impairment losses may not be equal to the actual amount of future impairment losses.

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

#### 33. Significant Accounting Judgments and Estimates (Continued)

##### **Estimation uncertainty (continued)**

##### ***Fair value of unlisted equity investments***

The valuation of unlisted equity investments is the estimated future cash flows discounted on the basis of the current discount rate of other financial instruments with similar contractual terms and risk characteristics. This requires the Group to estimate future cash flows, credit risks, fluctuations and discount rates, so the valuation of unlisted equity investments is uncertain.

##### ***Investment property fair value measurement***

The Group adopts the fair value model with changes in fair value recognized in profit or loss for the current period for conducting follow-up measurement of its investment properties. The assessment of the fair value of investment properties requires the management to make reasonable estimates of such parameters as rental growth rate, rate of return during the lease term, rate of return beyond the lease term, and vacancy rate.

##### ***Impairment of non-current assets other than financial assets (other than goodwill)***

The Group assesses whether there are any indications of impairment for all non-current assets other than financial assets at the balance sheet date. For non-current assets other than financial assets, which are tested for impairment when there are indicators that the carrying amount may not be recoverable. Impairment exists when the carrying amount of an asset or asset group exceeds its recoverable amount, which is the higher of its fair value less disposal costs and the present value of the future cash flows. The calculation of the fair value less disposal costs is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When present value of future cash flows calculations are undertaken, the management must estimate the expected future cash flows from the asset or asset group and choose a suitable discount rate in order to calculate the present value of those cash flows. For details, please refer to Note V. 19.

# Notes to the Financial Statements

For the year 2019 (RMB)

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

### 33. Significant Accounting Judgments and Estimates (Continued)

#### **Estimation uncertainty (continued)**

##### ***Impairment of goodwill***

The Group carries out tests for impairment of goodwill on an annual basis, which entails estimation of the present value of future cash flows of the asset groups or asset portfolios to which goodwill is allocated. When estimating the present value of future cash flows, the Group needs to estimate the cash flows generated by the future asset groups or asset portfolios, and select the appropriate discount rate to determine the present value of future cash flows.

##### ***Deferred tax assets***

Deferred tax assets shall be recognised for all deductible losses not used to the extent that there is likely sufficient taxable income available for deduction of deductible losses. It requires the management to determine the value of the to-be-recognized deferred tax assets by using adequate discretion to estimate the time and amount of taxable income to be obtained in the future in combination with tax planning strategies.

##### ***Lessee's incremental borrowing rate***

For leases where the interest rate within the lease cannot be determined, the Group adopts the lessee's incremental borrowing rate as the discount rate to calculate the present value of the lease payments. When determining the incremental borrowing rate, the observable interest rate is used as reference basis according to the economic environment in which it operates. Based on this, the reference interest rate is adjusted to get applicable incremental borrowing rate according to its own situation, the underlying asset situation, lease term, the amount of the lease liability and other specific conditions of leasing business.

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

#### 34. Changes in Accounting Policies and Accounting Estimates

##### Changes in accounting policies

##### *New Lease Standards*

In 2018, the Ministry of Finance promulgated the revised Accounting Standard for Business Enterprises No. 21 — Leases (“New Lease Standards”). The New Lease Standards adopted the single model similar to that used for the current accounting treatment for finance lease and requires the lessee to recognize the right-of-use assets and lease liabilities for all leases other than short-term leases and low-value asset leases and recognize the depreciation and interest expenses, respectively. Since 1 January 2019, the Group has conducted accounting treatment in accordance with the newly revised lease standard. According to the transitional requirements, the information for the comparable period will not be adjusted and retained earnings at the beginning of 2019 will be retrospectively adjusted based on the difference between the New Lease Standards and the current lease standard on the first day of implementation:

- (1) As for the finance leases before the date of first implementation, the Group measures the right-of-use assets and lease liabilities according to the original book value of the finance lease assets and finance lease payable, respectively;
- (2) As for the operating leases before the date of first implementation, the Group measures the lease liabilities according to the present value of the remaining lease payment discounted at the incremental borrowing rate. Suppose the New Lease Standards is conducted on the beginning date of the lease term, the incremental borrowing rate of the Group as lessee on the date of first implementation is used as the discount rate to get the book value to determine lease liabilities and right-of-use assets is measured;
- (3) The Group carried out the impairment test on right-of-use assets according to Note III. 18 and conducted accounting treatments accordingly.

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

### 34. Changes in Accounting Policies and Accounting Estimates (Continued)

#### Changes in accounting policies (continued)

##### *New Lease Standards (continued)*

As for the operating leases under which the leased assets belong to low-value assets before the date of first implementation or the operating leases which will be completed within 12 months, the Group adopts simplified treatments without recognizing right-of-use assets and lease liabilities. In addition, the Group adopts the following simplified treatments for the operating leases before the date of first implementation:

- (1) When lease liabilities are measured, the same discount rate applies to leases with similar characteristics; the measurement of right-of-use assets does not include initial direct expenses;
- (2) When there is an option to continue or terminate the lease, the Group determines the lease term based on the actual exercise of the option and other latest conditions before the date of first implementation;
- (3) As for the lease changes before the date of first implementation, the Group conducts accounting treatments based on the final arrangement of lease changes.

For subleases classified as operating leases before the date of first implementation and survived after the date of first implementation, the Group, as sublessor, reevaluates and classifies these subleases on the date of first implementation based on the remaining contract period and the terms of the original leases and the subleases. As at December 31, 2019, there is no such situation that the Group classified it as an operating lease before the first implementation date and reclassified it as a financial lease after the first implementation date. Besides, the Group makes no adjustments to the leases under which it acts as sublessor.

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

#### 34. Changes in Accounting Policies and Accounting Estimates (Continued)

##### Changes in accounting policies (continued)

##### *New Lease Standards (continued)*

For the minimum lease payments that have not yet been paid for major operating leases disclosed in the 2018 financial statements, The adjustment process for the difference between the present value discounted at the incremental borrowing rate of the Group as the lessee on January 1, 2019 and the lease liabilities included in the balance sheet on January 1, 2019 is as follows:

Minimum lease payments for major operating leases as at December 31, 2018	7,706,509,000.00
Less: Lease payments with simplified processing	40,399,843.48
Included : short-term lease	
Leases with a remaining lease period of less than 12 months	40,399,843.48
Less: other adjustments	3,044,183,997.37
<hr/>	
Weighted average incremental borrowing rate	4.90%
Present value of operating lease payments as at January 1, 2019	3,231,269,997.49
Add: Finance lease payable as at December 31, 2018	423,732,402.64
Lease liabilities as at January 1, 2019	3,655,002,400.13
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Other adjustments are mainly due to the fact that certain lease contracts have been signed but the lease period has not yet begun.

# Notes to the Financial Statements

For the year 2019 (RMB)

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

### 34. Changes in Accounting Policies and Accounting Estimates (Continued)

#### Changes in accounting policies (continued)

#### *New Lease Standards (continued)*

The impact of implementing the New Lease Standards on the balance sheet items on 1 January 2019 is as follows:

#### Consolidated balance sheet

	As stated	Assuming that original standard was applied	Effects
Prepayments	222,992,571.61	319,437,303.71	(96,444,732.10)
Right-of-use assets	2,741,753,043.62	—	2,741,753,043.62
Deferred tax assets	910,813,737.17	822,269,149.42	88,544,587.75
Other payables	8,631,321,969.68	8,712,208,081.24	(80,886,111.56)
Non-current liabilities due within one year	4,472,817,562.34	3,948,619,684.75	524,197,877.59
Long-term payables	841,782,839.71	1,385,921,007.85	(544,138,168.14)
Lease liabilities	3,117,297,345.60	—	3,117,297,345.60
Retained earnings	30,418,614,585.46	30,629,417,859.13	(210,803,273.67)
Non-controlling interests	3,509,950,194.28	3,581,764,964.83	(71,814,770.55)

The implementation of the new lease standard has no impact on the company's balance sheet items on January 1, 2019.

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

#### 34. Changes in Accounting Policies and Accounting Estimates (Continued)

##### Changes in accounting policies (continued)

##### *New Lease Standards (continued)*

The impact of the implementation of the new leasing standards on the 2019 financial statements is as follows:

##### Consolidated balance sheet

	As stated	Assuming that original standard was applied	Effects
Prepayments	340,717,638.07	583,152,189.30	(242,434,551.23)
Right-of-use assets	3,087,184,216.82	—	3,087,184,216.82
Deferred tax assets	1,174,578,160.89	1,090,369,032.07	84,209,128.82
Other payables	7,799,973,358.09	7,924,811,763.51	(124,838,405.42)
Non-current liabilities due within one year	9,804,740,633.43	9,270,096,256.52	534,644,376.91
Long-term payables	7,799,973,358.09	8,341,812,701.88	(541,839,343.79)
Lease liabilities	3,321,817,733.91	—	3,321,817,733.91
Retained earnings	34,486,715,762.57	34,681,603,923.04	(194,888,160.47)
Non-controlling interests	3,270,212,452.72	3,336,149,859.45	(65,937,406.73)

##### Consolidated income statement

	As stated	Assuming that original standard was applied	Effects
Cost of sales	5,735,611,011.50	5,910,321,304.97	(174,710,293.47)
Financial expenses	2,260,079,805.40	2,111,497,447.89	148,582,357.51
income tax expenses	1,516,836,338.46	1,512,500,879.52	4,335,458.94



# Notes to the Financial Statements

For the year 2019 (RMB)

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

### 34. Changes in Accounting Policies and Accounting Estimates (Continued)

#### **Changes in accounting policies (continued)**

##### ***New Lease Standards (continued)***

Implementation of the New Lease Standards had no impact on 2019 financial statements of the Company.

In addition, since the date of first implementation, the Group has included the cash paid for the principal and interests of lease liabilities as cash outflow from financing activities in the cash flow statement, and continued to include the payments for short-term leases and leases of low-value assets that adopted simplified treatments, as well as variable lease payments not included in the measurement of lease liabilities as cash outflow from operating activities.

##### ***Changes in presentation of financial statements***

According to the requirements of the Notice on the Amendment and Issuance of Financial Statements Format of General Enterprises for 2019 (Cai Kuai [2019] No. 6), and the Notice on the Amendment and Issuance of Consolidated Financial Statements Format (2019 Edition) (Cai Kuai [2019] No. 16), in the balance sheet, the item “notes receivable and accounts receivable” shall be split into “notes receivable” and “accounts receivable”, the item “notes payables and accounts payable” shall be split into “notes payable” and “accounts payable”, notes measured at fair value through other comprehensive income previously included in the item “other current assets” are changed to be presented in the item “receivables financing” separately, “interest receivable” in item “other receivables” are changed to only reflect the interest of the relevant financial instruments which is due but not received at the balance sheet date (the interest of financial instruments calculated on the basis of the effective interest rate method should be included in the carrying amounts of corresponding financial instruments), “interest payable” in item “other payables” are changed to only reflect the interest of the relevant financial instruments which is due but not paid at the balance sheet date (the interest of financial instruments calculated on the basis of the effective interest rate method should be included in the carrying amounts of corresponding financial instruments); in the income statement, in addition to the revenue expenditures incurred during research and development, the item “research and development expenses” shall also include the amortization of intangible assets developed by the Group as previously presented in item “general and administrative expenses”. The Group has retrospectively adjusted the comparative amounts correspondingly. However, such changes in accounting policy did not have any impact on the Group’s net profits and total equity, or the Company’s net profits and total equity.

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

#### 34. Changes in Accounting Policies and Accounting Estimates (Continued)

##### Changes in accounting policies (continued)

##### *Changes in presentation of financial statements (continued)*

The main effects of the retroactive adjustments caused by the above accounting policy changes on the financial statements are as follows:

##### The Group

2019

	Before changes of accounting policies Book value as at the end of 2018	Changes of accounting policies		After changes of accounting policies Book value as at the beginning of 2019
		Effects of the New Lease Standards	Other effects of changes in presenting methods of financial statements	
Notes receivable and accounts receivable	1,687,918,584.76	—	(1,687,918,584.76)	—
accounts receivable	—	—	1,687,918,584.76	1,687,918,584.76
Receivables financing	—	—	55,000,000.00	55,000,000.00
Other receivables	1,936,025,518.72	—	(4,300,999.36)	1,931,724,519.36
Prepayments	319,437,303.71	(96,444,732.10)	—	222,992,571.61
Non-current assets due within one year	314,950,000.00	—	4,300,999.36	319,250,999.36
Other current assets	1,637,934,842.98	—	(55,000,000.00)	1,582,934,842.98
Right-of-use assets	—	2,741,753,043.62	—	2,741,753,043.62
Deferred tax assets	822,269,149.42	88,544,587.75	—	910,813,737.17
Short-term loans	5,148,516,740.00	—	18,138,361.70	5,166,655,101.70
Notes payable and accounts payable	970,116,980.34	—	(970,116,980.34)	—
Accounts payable	—	—	970,116,980.34	970,116,980.34
Other payables	8,712,208,081.24	(80,886,111.56)	(215,310,507.17)	8,416,011,462.51
Non-current liabilities due within one year	3,948,619,684.75	524,197,877.59	197,172,145.47	4,669,989,707.81
Long-term payables	1,385,921,007.85	(544,138,168.14)	—	841,782,839.71
Lease liabilities	—	3,117,297,345.60	—	3,117,297,345.60
Retained earnings	30,629,417,859.13	(210,803,273.67)	—	30,418,614,585.46
Non-controlling interests	3,581,764,964.83	(71,814,770.55)	—	3,509,950,194.28

# Notes to the Financial Statements

For the year 2019 (RMB)

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

### 34. Changes in Accounting Policies and Accounting Estimates (Continued)

Changes in accounting policies (continued)

*Changes in presentation of financial statements (continued)*

The Company

2019

	Before changes of accounting policies Book value as at the end of 2018	Changes of accounting policies		After changes of accounting policies
		Effects of the New Lease Standards	Other effects of changes in presenting methods of financial statements	Book value as at the beginning of 2019
Notes receivable and accounts receivable	576,962,054.82	—	(576,962,054.82)	—
accounts receivable	—	—	576,962,054.82	576,962,054.82
Short-term loans	4,687,756,740.00		16,091,853.82	4,703,848,593.82
Notes payable and accounts payable	235,577,036.32	—	(235,577,036.32)	—
Accounts payable	—	—	135,577,036.32	135,577,036.32
Notes payable	—	—	100,000,000.00	100,000,000.00
Other payables	15,303,562,969.89	—	(132,725,029.53)	15,170,837,940.36
Non-current liabilities due within one year	1,886,573,720.79	—	116,633,175.71	2,003,206,896.50

## IV. TAXATION

### 1. Major Categories of Tax and Tax Rate

Value-added tax (VAT)	<p>— Rental income: Before 1 April 2019, output VAT was calculated as per 5% (simple taxation conditions should be met) or 10% of the taxable income; after 1 April 2019, output VAT was calculated as per 5% (simple taxation conditions should be met) or 9% of the taxable income;</p> <p>Income from modern service industry (including entrusted management service and project management and consulting): output VAT is calculated as per 6% of the taxable income;</p> <p>Income from construction services: Before 1 April 2019, output VAT was calculated as per 3% (simple taxation conditions should be met) or 10% of the taxable income; after 1 April 2019, output VAT was calculated as per 9% of the taxable income;</p> <p>Revenue from sales of goods: Before 1 April 2019, output VAT was calculated as per 16% of the taxable income; after 1 April 2019, output VAT was calculated as per 13% of the taxable income;</p> <p>For the output VAT calculated above, the Group may pay VAT after deducting deductible input VAT for the current period apart from simple calculation and payment.</p> <p>Small-scale taxpayers should pay VAT as per 3% of the taxable income.</p>
Urban maintenance and construction tax	<p>— It is levied as per the turnover taxes actually paid: For city urban area, tax rate is 7%; for counties and towns, tax rate is 5%; for other areas, tax rate is 1%.</p>
Enterprise income tax	<p>— It is levied at 25% of the taxable income, except for the subsidiaries subject to tax preference.</p>
Property tax	<p>— For properties subject to price-based taxation, tax should be paid based on the residual value of the property approved by the tax authorities at a rate of 1.2%; for properties subject to taxation based on rental income, tax should be paid based on the rental income at a rate of 12%. Property tax is declared and paid by the Company and its subsidiaries on their own.</p>
Land use tax	<p>— Paid as actual tax rate.</p>
Stamp duty	<p>— Paid as actual tax rate.</p>

All the overseas subsidiaries of the Company (including Hong Kong Special Administrative Region of the PRC) should calculate and pay taxes as per the applicable categories of tax and tax rate required by local tax laws.

# Notes to the Financial Statements

For the year 2019 (RMB)

## IV. TAXATION (CONTINUED)

### 2. Tax Preference

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), 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 Living 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, and Red Star Macalline Chengdu Enterprise Management and Consultancy Company Limited under the Company are entitled to the enterprise income tax preference policy, and the above companies, were subject to a tax rate of 15% for the year upon approval by competent tax authorities as they met relevant conditions.

Red Star Xizhao Investment Company Limited, Red Star Macalline Home Furnishing Mall Management Company Limited, 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) under the Company are entitled to enterprise income tax preference policy and are subject to a tax rate of 15% for the year pursuant to Zangzhengfa [2014] No. 51 Notice Issued by the People's Government of the Tibet Autonomous Region Regarding the Publication of Implementation Rules of Enterprise Income Tax Policy of the Tibet Autonomous Region (《西藏自治區人民政府關於印發<西藏自治區企業所得稅政策實施辦法>的通知》).

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), 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) and Khorgos Hongju Corporate Management Co., Ltd. (霍爾果斯紅居企業管理有限公司) under the Company are temporarily exempted from enterprise income tax for the year pursuant to the Cai Shui [2011] No. 112 Notice on Corporate Income Tax Preferential Policy in the Kashi and Khorgos Special Economic Development Zones in Xinjiang (《關於新疆喀什霍爾果斯兩個特殊經濟開發區企業所得稅優惠政策的通知》) and Cai Shui [2016] No. 85 Notice on Improving Xinjiang Depressed Region and Encouraged Development Industries Enterprise Income Tax Incentives Directory (《關於完善新疆困難地區重點鼓勵發展產業企業所得稅優惠目錄的通知》).

## V. NOTES TO THE MAJOR ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

### 1. Cash and Bank Balances

	31 December 2019	31 December 2018
Cash on hand	10,745,522.74	46,557,254.36
Bank deposits	6,947,110,542.57	7,846,159,974.33
Other cash and bank balances	271,383,304.04	634,890,736.23
	<b>7,229,239,369.35</b>	8,527,607,964.92

As at 31 December 2019, the Group's cash and bank balances deposited overseas was RMB58,757,995.45 (31 December 2018: RMB26,563,789.57).

As at 31 December 2019, the Group's time deposits with maturity of more than three months amounted to RMB181,762,704.83 (31 December 2018: RMB278,230,000.00).

Interest income earned on current deposits is calculated by using the current deposit interest rate. The deposit periods for term time deposits vary from 7 days to 60 months depending on the cash requirements of the Group and earn interest at the respective deposit rates.

As at 31 December 2019, in the Group's other cash and bank, RMB5,000,000.00 is deposits for long-term borrowing (31 December 2018: RMB80,000,000.00 was used to obtain RMB76,000,000.00 long-term borrowing pledges from Huaxia Bank); RMB448,837.00 (31 December 2018: RMB209,000,000.00) was frozen by the Court, and such amount cannot be freely withdrawn; RMB164,245,962.21 (31 December 2017: RMB206,424,957.55) was deposit reserve placed with the People's Bank of China by Red Star Macalline Home Furnishing Group Finance Company Limited, a subsidiary of the Group; RMB10,141,501.53 (31 December 2018: 25,463,732.05) was deposited investment fund placed with securities households. RMB91,547,003.30 (31 December 2018: RMB114,002,046.63) was deposits.

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 year 2019 (RMB)

## V. NOTES TO THE MAJOR ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 2. Financial Assets Held for Trading

	31 December 2019	31 December 2018
Financial assets at fair value through profit or loss		
Equity instrument investments	108,027,022.00	184,031,019.87
Debt instrument investments	125,358,448.05	52,225,200.00
	<b>233,385,470.05</b>	236,256,219.87

### 3. Accounts Receivable

Aging analysis of the accounts receivable is as follows:

	31 December 2019	31 December 2018
Within 1 year	1,171,286,266.34	1,149,413,740.85
1 to 2 years	505,520,280.07	499,675,999.32
2 to 3 years	348,682,994.18	277,187,370.23
Over 3 years	949,161,913.33	912,389,825.09
	<b>2,974,651,453.92</b>	2,838,666,935.49
Less: Allowance for bad debts in relation to accounts receivable	1,168,987,516.74	1,150,748,350.73
	<b>1,805,663,937.18</b>	1,687,918,584.76

The movement of allowance for bad debts in relation to accounts receivable are as follows:

	Opening balance	Others (note 1)	Provision for the current year	Reversal for the current year	Written-off for the current year	Closing balance
2019	1,150,748,350.73	—	184,638,030.85	(27,119,499.36)	(139,279,365.48)	1,168,987,516.74
2018	766,752,183.69	219,371,855.87	183,246,374.86	(17,461,239.03)	(1,160,824.66)	1,150,748,350.73

Note 1: Refers to the impacted amount of allowance for bad debts at the beginning of 2018 under the implementation of the New Standards for Financial Instruments.

## V. NOTES TO THE MAJOR ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 3. Accounts Receivable (Continued)

	As at 31 December 2019			
	Book balance		Bad debt allowance	
	Amount	Percentage (%)	Amount	Proportion (%)
Accounts receivable for which bad debt allowance is provided individually	861,591,858.42	28.96	855,591,858.42	99.30
Accounts receivable for which bad debt allowance is provided by portfolio of credit risk characteristics	2,113,059,595.50	71.04	313,395,658.32	14.83
	<b>2,974,651,453.92</b>	<b>100.00</b>	<b>1,168,987,516.74</b>	<b>39.30</b>

	As at 31 December 2018			
	Book balance		Bad debt allowance	
	Amount	Percentage (%)	Amount	Proportion (%)
Accounts receivable for which bad debt allowance is provided individually	902,007,709.64	31.78	851,684,477.71	94.42
Accounts receivable for which bad debt allowance is provided by portfolio of credit risk characteristics	1,936,659,225.85	68.22	299,063,873.02	15.44
	<b>2,838,666,935.49</b>	<b>100.00</b>	<b>1,150,748,350.73</b>	<b>40.54</b>



# Notes to the Financial Statements

For the year 2019 (RMB)

## V. NOTES TO THE MAJOR ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 3. Accounts Receivable (Continued)

As at 31 December 2019, the top five amount of accounts receivable collected by debtors for which bad debt allowance is provided individually are as follows:

	Book balance	Bad debt allowance	Expected credit loss rate (%)	Reason for provision
Changzhou Wujin Construction Engineering Co., Ltd. (常州市武進建設工程有限公司)	55,000,000.00	55,000,000.00	100.00	Accounts receivable are expected to be unrecoverable
Jiangsu Construction Group Co., Ltd. (江蘇省建築工程集團有限公司)	31,000,000.00	28,000,000.00	90.32	Part of the accounts receivable are expected to be unrecoverable
Guangxi Shengli Decoration Engineering Co. Ltd. (廣西晟力裝飾工程有限公司)	24,000,000.00	24,000,000.00	100.00	Accounts receivable are expected to be unrecoverable
Guizhou Jinyuan Huafu Property Co., Ltd. (貴州金源華府置業有限公司)	23,000,000.00	23,000,000.00	100.00	Accounts receivable are expected to be unrecoverable
Xuanwei Xintiandi Real Estate Development Co., Ltd. (宣威市新天地房地產開發有限公司)	20,000,000.00	20,000,000.00	100.00	Accounts receivable are expected to be unrecoverable

## V. NOTES TO THE MAJOR ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 3. Accounts Receivable (Continued)

As at 31 December 2018, the top five amount of accounts receivable collected by debtors for which bad debt allowance is provided individually are as follows:

	Book balance	Bad debt allowance	Expected credit loss rate (%)	Reason for provision
Changzhou Wujin Construction Engineering Co., Ltd. (常州市武進建設工程有限公司)	55,000,000.00	55,000,000.00	100.00	Accounts receivable are expected to be unrecoverable
The Second Construction Group Corporation Limited of Yancheng Jiangsu (江蘇鹽城二建集團有限公司)	30,600,000.00	30,600,000.00	100.00	Accounts receivable are expected to be unrecoverable
Jiangsu Construction Group Co., Ltd. (江蘇省建築工程集團有限公司)	26,000,000.00	23,000,000.00	88.46	Part of the accounts receivable are expected to be unrecoverable
Guangxi Shengli Decoration Engineering Co. Ltd. (廣西晟力裝飾工程有限公司)	24,000,000.00	16,169,863.02	67.37	Part of the accounts receivable are expected to be unrecoverable
Guizhou Jinyuan Huafu Property Co., Ltd. (貴州金源華府置業有限公司)	23,000,000.00	23,000,000.00	100.00	Accounts receivable are expected to be unrecoverable

# Notes to the Financial Statements

For the year 2019 (RMB)

## V. NOTES TO THE MAJOR ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 3. Accounts Receivable (Continued)

Details of the accounts receivable for which bad debt is provided by the Group according to aging analysis are as follows:

	Book balance expected to incur credit loss	2019	
		Expected credit Loss rates (%)	Lifetime expected credit loss
Portfolio One: Brand consulting and management services for the early stage of project			
Within 1 year	374,080,000.00	8.96	33,517,568.00
1 to 2 years	374,020,000.00	13.99	52,325,398.00
2 to 3 years	218,970,218.09	19.57	42,852,471.68
3 to 4 years	141,490,000.00	26.83	37,961,767.00
4 to 5 years	37,050,000.00	53.11	19,677,255.00
5 to 6 years	41,540,000.00	69.67	28,940,918.00
Over 6 years	5,000,000.00	100.00	5,000,000.00
	<b>1,192,150,218.09</b>		<b>220,275,377.68</b>

	Book balance expected to incur credit loss	2019	
		Expected credit Loss rates (%)	Lifetime expected credit loss
Portfolio Two: Construction and design services			
Within 1 year	397,355,788.49	4.75	18,874,399.94
1 to 2 years	4,451,837.10	9.00	400,665.34
	<b>401,807,625.59</b>		<b>19,275,065.28</b>

## V. NOTES TO THE MAJOR ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 3. Accounts Receivable (Continued)

	Book balance expected to incur credit loss	2019	
		Expected credit Loss rates (%)	Lifetime expected credit loss
Portfolio Three: Other consulting services			
Within 1 year	123,742,911.25	13.76	17,027,024.59
1 to 2 years	21,018,243.75	22.44	4,716,493.90
2 to 3 years	35,681,598.63	32.65	11,650,041.95
Over 3 years	26,400,000.00	100.00	26,400,000.00
	<u>206,842,753.63</u>		<u>59,793,560.44</u>

	Book balance expected to incur credit loss	2019	
		Expected credit Loss rates (%)	Lifetime expected credit loss
Portfolio Four: Rental and related income			
Within 1 year	73,893,789.14	4.50	3,325,220.51
Over 1 years	5,087,858.73	4.50	228,953.64
	<u>78,981,647.87</u>		<u>3,554,174.15</u>

# Notes to the Financial Statements

For the year 2019 (RMB)

## V. NOTES TO THE MAJOR ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 3. Accounts Receivable (Continued)

	2019		
	Book balance expected to incur credit loss	Expected credit Loss rates (%)	Lifetime expected credit loss
Portfolio Five: Others			
Within 1 year	<b>154,549,638.74</b>	<b>4.50</b>	<b>6,954,733.75</b>
Over 1 years	<b>78,727,711.58</b>	<b>4.50</b>	<b>3,542,747.02</b>
	<b>233,277,350.32</b>		<b>10,497,480.77</b>
	2018		
	Book balance expected to incur credit loss	Expected credit Loss rates (%)	Lifetime expected credit loss
Portfolio One: Brand consulting and management services for the early stage of project			
Within 1 year	495,480,000.00	9.00	44,593,200.00
1 to 2 years	262,720,218.09	14.00	36,780,830.54
2 to 3 years	216,733,867.43	20.00	43,346,773.49
3 to 4 years	118,200,000.00	31.50	37,233,000.00
4 to 5 years	52,346,132.57	48.61	25,447,254.75
5 to 6 years	14,000,000.00	61.83	8,656,200.00
Over 6 years	15,500,000.00	100.00	15,500,000.00
	<b>1,174,980,218.09</b>		<b>211,557,258.78</b>

## V. NOTES TO THE MAJOR ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 3. Accounts Receivable (Continued)

	2018		
	Book balance expected to incur credit loss	Expected credit Loss rates (%)	Lifetime expected credit loss
Portfolio Two: Construction and design services			
Within 1 year	362,663,261.56	11.28	40,908,439.93
	<u>362,663,261.56</u>		<u>40,908,439.93</u>

	2018		
	Book balance expected to incur credit loss	Expected credit Loss rates (%)	Lifetime expected credit loss
Portfolio Three: Other consulting services			
Within 1 year	76,007,736.00	10.28	7,816,860.22
1 to 2 years	90,091,981.97	17.56	15,901,279.86
2 to 3 years	20,494,520.00	35.61	7,298,836.37
Over 3 years	6,306,000.00	100.00	6,306,000.00
	<u>192,900,237.97</u>		<u>37,322,976.45</u>

# Notes to the Financial Statements

For the year 2019 (RMB)

## V. NOTES TO THE MAJOR ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 3. Accounts Receivable (Continued)

	Book balance expected to incur credit loss	2018	
		Expected credit Loss rates (%)	Lifetime expected credit loss
Portfolio Four: Rental and related income			
Within 1 year	31,380,914.89	4.50	1,412,141.17
Over 1 years	415,346.02	4.50	18,690.57
	<u>31,796,260.91</u>		<u>1,430,831.74</u>

	Book balance expected to incur credit loss	2018	
		Expected credit Loss rates (%)	Lifetime expected credit loss
Portfolio Five: Others			
Within 1 year	156,381,828.40	4.50	7,037,182.28
Over 1 years	17,937,418.92	4.50	807,183.84
	<u>174,319,247.32</u>		<u>7,844,366.12</u>

Accounts receivable actually written off in 2019 are RMB139,279,365.48. The significant receivables actually written off include: the amount of other consulting services receivable from The Second Construction Group Corporation Limited of Yancheng Jiangsu (江蘇鹽城二建集團有限公司) is RMB30,600,000.00, which was written off after approval by the management because it cannot be recovered; the amount of other consulting services receivable from Jiangsu Jiangzhong Group Co., Ltd. is RMB15,000,000.00, which was written off after approval by the management because it cannot be recovered; the amount of Brand consulting and management services for the early stage of project receivable from Nanning Runjia Real Estate Development Co., Ltd. is RMB18,666,666.67, which was written off after approval by the management because it cannot be recovered. (2018: RMB1,160,824.66).

## V. NOTES TO THE MAJOR ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 3. Accounts Receivable (Continued)

As at 31 December 2019, the top five amount of accounts receivable are as follows:

	Closing balance	Proportion to total balance of accounts receivable (%)	Bad debt allowance Closing balance
Zhejiang Provincial Directly-Governed Construction Designing Institute (浙江省省直建築設計院)	87,137,140.30	2.93	4,139,014.16
Changzhou Red Star Plaza Business Management Co., Ltd. (常州紅星廣場商業管理有限公司)	77,610,354.40	2.61	3,686,491.83
Changzhou Wujin Construction Engineering Co., Ltd. (常州市武進建設工程有限公司)	55,000,000.00	1.85	55,000,000.00
Fengyang Zhongzhi Construction Development Co., Ltd. (鳳陽中置建設發展有限公司)	48,000,000.00	1.61	5,562,000.00
Chongqing Jinke Zhongjun Real Estate Development Co., Ltd. (重慶金科中俊房地產開發有限公司)	42,803,981.87	1.44	2,033,189.14



# Notes to the Financial Statements

For the year 2019 (RMB)

## V. NOTES TO THE MAJOR ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 4. Receivables financing

	2019	2018
Bank acceptance bill	41,040,000.00	55,000,000.00

The notes receivable that have been endorsed or discounted but have not yet expired on the balance sheet date are as follows:

	2019		2018	
	Terminated recognition	unterminated recognition	Terminated recognition	unterminated recognition
Bank acceptance bill	9,430,000.00	-	221,400,00.00	-
Commercial acceptance bill	3,543,807.93	-	-	-
	12,973,807.93	-	221,400,00.00	-

### 5. Prepayments

Aging analysis of prepayments is as follows:

	2019		2018	
	Book balance	Percentage (%)	Book balance	Percentage (%)
Within 1 year	319,453,894.61	93.76	299,291,002.73	93.69
1 to 2 years	17,090,684.39	5.02	16,412,724.42	5.14
2 to 3 years	1,978,363.17	0.58	1,208,750.77	0.38
Over 3 years	2,194,695.90	0.64	2,524,825.79	0.79
	340,717,638.07	100.00	319,437,303.71	100.00

## V. NOTES TO THE MAJOR ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 5. Prepayments (Continued)

As at 31 December 2019, none of the Group's significant prepayments aged more than one year.

As at 31 December 2019, top five prepayments are as follows:

	Closing balance	Percentage to the total amount of prepayments (%)
Industrial and Commercial Bank of China Limited (中國工商銀行股份有限公司)	10,600,000.00	3.11
Beijing Zhongzhan Weihong Investment Management Company (北京中展偉宏投資管理公司)	10,463,423.89	3.07
Schindler (China) Elevator Co., Ltd. (迅達(中國)電梯有限公司)	8,494,794.53	2.49
Otis Electromechanical Elevator Co., Ltd. (奧的斯機電電梯有限公司)	8,334,300.00	2.45
IPE S.R.L	8,066,615.68	2.37

### 6. Other Receivables

	2019	2018
Interests receivable	31,717,766.99	12,469,450.17
Dividends receivable	31,000,000.00	—
Other receivables	647,294,328.27	1,919,255,069.19
	<b>710,012,095.26</b>	<b>1,931,724,519.36</b>

# Notes to the Financial Statements

For the year 2019 (RMB)

## V. NOTES TO THE MAJOR ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 6. Other Receivables (Continued)

#### Interests receivable

	2019	2018
Interests receivable	31,717,766.99	12,469,450.17

#### Dividends receivable

	2019	2018
Chengdu Dongtai Mall Co., Ltd.	31,000,000.00	—

#### Other receivables

Aging analysis of other receivables is as follows:

	2019	2018
Within 1 year	396,969,716.30	1,572,614,277.94
1 to 2 years	156,957,329.59	262,905,952.51
2 to 3 years	55,646,762.91	46,751,118.81
Over 3 years	293,793,276.53	321,789,654.77
	903,367,085.33	2,204,061,004.03
Less: Bad debt allowance for other receivables	256,072,757.06	284,805,934.84
	647,294,328.27	1,919,255,069.19

## V. NOTES TO THE MAJOR ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 6. Other Receivables (Continued)

#### Other receivables (continued)

Other receivables classified by nature are as follows:

	2019	2018
Loan and advances	417,486,046.46	1,037,186,601.66
Sales proceeds collected and paid on behalf of the tenants	93,108,529.97	504,214,047.79
Deposits	58,350,162.76	161,820,517.67
Others	78,349,589.08	216,033,902.07
	<b>647,294,328.27</b>	<b>1,919,255,069.19</b>

The movement of bad debt provision for other receivables based on 12-month expected credit losses and the lifetime expected credit losses is as follows:

#### 2019

	Stage 1 Expected credit losses in the next 12 months	Stage 2 Lifetime expected credit losses	Stage 3 Credit-impaired financial assets (Lifetime expected credit losses)	Total
Opening balance				
Opening balance in current year	125,758,428.17	—	159,047,506.67	284,805,934.84
— Transfer to stage 2	—	—	—	—
— Transfer to stage 3	(8,000,000.00)	—	8,000,000.00	—
— Reverse to stage 2	—	—	—	—
— Reverse to stage 1	—	—	—	—
Provision during this year	53,974,117.30	—	10,000,000.00	63,974,117.30
Reversal during this year	—	—	(1,711,902.92)	(1,711,902.92)
Write-off during this year	(1,800,847.77)	—	(8,446,854.73)	(10,247,702.50)
Reclassification during this year (note)	(68,747,689.66)	—	(12,000,000.00)	(80,747,689.66)
Closing balance	101,184,008.04	—	154,888,749.02	256,072,757.06

Note: For the current year, borrowings were reclassified from other receivables to other current assets, of which the original value was RMB486,107,998.63 in total, and the corresponding expected credit losses of RMB80,747,689.66 was also reclassified to other current assets. Please refer to Note V.10.

# Notes to the Financial Statements

For the year 2019 (RMB)

## V. NOTES TO THE MAJOR ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 6. Other Receivables (Continued)

#### Other receivables (continued)

The movement of bad debt provision for other receivables based on 12-month expected credit losses and the lifetime expected credit losses is as follows (continued):

2018

	Stage 1 Expected credit losses in the next 12 months	Stage 2 Lifetime expected credit losses	Stage 3 Credit-impaired financial assets (Lifetime expected credit losses)	Total
Opening balance	80,569,627.85	—	128,414,631.31	208,984,259.16
Impact at the beginning of the year	(2,524,499.09)	—	—	(2,524,499.09)
Opening balance in current year				
— Transfer to stage 2	—	—	—	—
— Transfer to stage 3	(8,000,000.00)	—	8,000,000.00	—
— Reverse to stage 2	—	—	—	—
— Reverse to stage 1	—	—	—	—
Provision during this year	55,713,299.41	—	32,508,673.96	88,221,973.37
Reversal during this year	—	—	(9,875,798.60)	(9,875,798.60)
Closing balance	125,758,428.17	—	159,047,506.67	284,805,934.84

## V. NOTES TO THE MAJOR ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 6. Other Receivables (Continued)

#### Other receivables (continued)

#### 2019

Significant changes on book balance of other receivables that affected the change in bad debt allowance this year include: The decrease of RMB411,105,517.82 in sales proceeds collected on behalf of the tenants receivables and the reclassification of loans of RMB486,107,998.63 led to an overall decline in the book balance, and correspondingly led to decrease expected credit losses in the next 12 months; the details are as follows:

#### Original balance of 2019

	Stage 1 Expected credit losses in the next 12 months	Stage 2 Lifetime expected credit losses	Stage 3 Credit-impaired financial assets (Lifetime expected credit losses)	Total
Opening balance	2,027,455,487.35	—	176,605,516.68	2,204,061,004.03
Opening balance in current year				
— Transfer to stage 2	—	—	—	—
— Transfer to stage 3	(8,000,000.00)	—	8,000,000.00	—
— Reverse to stage 2	—	—	—	—
— Reverse to stage 1	—	—	—	—
Decrease during this year	(799,338,217.57)	—	(5,000,000.00)	(804,338,217.57)
Write-off during this year	(1,800,847.77)	—	(8,446,854.73)	(10,247,702.50)
Reclassification during this year	(474,107,998.63)	—	(12,000,000.00)	(486,107,998.63)
Closing balance	744,208,423.38	—	159,158,661.95	903,367,085.33

# Notes to the Financial Statements

For the year 2019 (RMB)

## V. NOTES TO THE MAJOR ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 6. Other Receivables (Continued)

#### Other receivables (continued)

#### Original balance of 2018

	Stage 1 Expected credit losses in the next 12 months	Stage 2 Lifetime expected credit losses	Stage 3 Credit-impaired financial assets (Lifetime expected credit losses)	Total
Opening balance	1,787,516,484.50	—	133,225,222.61	1,920,741,707.11
Opening balance in current year				
— Transfer to stage 2	—	—	—	—
— Transfer to stage 3	(8,000,000.00)	—	8,000,000.00	—
— Reverse to stage 2	—	—	—	—
— Reverse to stage 1	—	—	—	—
Increase during this year	247,939,002.85	—	35,380,294.07	283,319,296.92
Terminated recognition	—	—	—	—
Write-off during this year	—	—	—	—
Closing balance	2,027,455,487.35	—	176,605,516.68	2,204,061,004.03

In 2019, provision for bad debts amounted to RMB63,974,117.30 (2018: RMB88,221,973.37), recovery or transfer of bad debt provision amounted to RMB1,711,902.92 (2018: RMB9,875,798.60); write-off bad debt provision amounted to RMB10,247,702.50 (2018: nil).

## V. NOTES TO THE MAJOR ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 6. Other Receivables (Continued)

#### Other receivables (continued)

Top five entities with the largest amounts of other receivables as at 31 December 2019 are as follows:

	Closing balance	Proportion of the total amount to other receivables (%)	Nature	Aging	Closing balance of Bad debt allowance
Shanghai Mingyi Enterprise Development Co., Ltd. (上海名藝商業企業發 展有限公司)	131,600,000.50	14.57	Loan and advances	Over 5 years	6,580,000.03
Baoxiang Red Star Macalline (Xiamen) Global Home Plaza Co., Ltd. (寶象紅星美凱龍 (廈門)全球家居廣場 有限公司)	47,858,125.00	5.30	Loan and advances	Within 1 year	3,212,295.04
Liu Peng (劉鵬)	41,000,000.00	4.54	Loan and advances	Over 5 years	41,000,000.00
Anhui Tianhui Real Estate Co., Ltd. (安徽天徽置業有限公司)	30,000,000.00	3.32	Loan and advances	1 to 2 years	7,852,464.93
Ningbo Longkai Home Living Shopping Company Limited (寧波隆凱家居生活購 物有限公司)	25,045,635.85	2.77	Loan and advances	Over 5 years	25,045,635.85
	275,503,761.35	30.50			83,690,395.85



# Notes to the Financial Statements

For the year 2019 (RMB)

## V. NOTES TO THE MAJOR ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 6. Other Receivables (Continued)

#### Other receivables (continued)

As at 31 December 2018, the top five amounts of other receivables are as follow:

	Closing balance	Proportion of the total amount to other receivables (%)	Nature	Aging	Closing balance of Bad debt allowance
Handan Fengfengkuang District Royal Property Development Company Limited (邯鄲市峰峰礦區皇室房地產開發有限公司)	300,000,000.00	13.61	Loan and advances	Within 1 year	23,282,996.53
CHE Jianxing (車建興)	154,384,500.54	7.00	Shareholder	Within 1 year	—
Shanghai Mingyi Enterprise Development Co., Ltd. (上海名藝商業企業發展有限公司)	112,200,000.50	5.10	Loan and advances	Over 5 years	5,610,000.03
Chengdu Great-wall Industrial Group Limited (成都長城實業集團有限公司)	75,471,309.69	3.42	Loan and advances	Over 5 years	3,773,565.48
Huaihua Xingqi Real Estate Development Construction Co., Ltd. (懷化星旗房地產開發建設有限公司)	36,000,000.00	1.63	Loan and advances	2 to 3 years	1,855,219.98
	678,055,810.73	30.76			34,521,782.02

## V. NOTES TO THE MAJOR ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 7. Inventories

	2019			2018		
	Book balance	Impairment allowance	Book value	Book balance	Impairment allowance	Book value
Commodities in inventory	282,732,321.01	—	282,732,321.01	203,758,260.30	—	203,758,260.30
Low-value consumables	48,246,207.98	—	48,246,207.98	47,594,242.61	—	47,594,242.61
	<b>330,978,528.99</b>	<b>—</b>	<b>330,978,528.99</b>	251,352,502.91	—	251,352,502.91

As at the current year and the previous year, the Group has made no provision for inventory impairment.

### 8. Contract Assets

	2019			2018		
	Book balance	Impairment allowance	Book value	Book balance	Impairment allowance	Book value
Construction and design	436,148,818.58	(1,345,306.39)	434,803,512.19	244,753,296.98	(7,342,598.91)	237,410,698.07
the brand consulting and management service for the early stage of the project	676,113,269.93	(71,547,828.63)	604,565,441.30	610,648,142.87	(40,949,067.77)	569,699,075.10
	<b>1,112,262,088.51</b>	<b>(72,893,135.02)</b>	<b>1,039,368,953.49</b>	855,401,439.85	(48,291,666.68)	807,109,773.17

The amount and reason for the significant change in the book value of contract assets this year:

	Change amount	Change reason
Construction and design	197,392,814.12	New projects and the further progress of original projects
the brand consulting and management service for the early stage of the project	34,866,366.20	New projects and the further progress of original projects
	<b>232,259,180.32</b>	

# Notes to the Financial Statements

For the year 2019 (RMB)

## V. NOTES TO THE MAJOR ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 8. Contract Assets (Continued)

The Group provides construction and design services / the brand consulting and management service for the early stage of the project services to customers, and recognizes revenue within a period of time, to form contract assets. The contract asset formed an unconditional collection right at the time of settlement and was transferred to receivables.

Change in impairment allowance of contract asset is as follows:

	Opening balance	Others (note)	Provision for the current year	Reversal for the current year	Written-off for the current year	Closing balance
2019	48,291,666.68	—	45,726,468.34	—	(21,125,000.00)	72,893,135.02
2018	—	62,422,871.94	7,342,598.91	(21,473,804.17)	—	48,291,666.68

Note: Refers to the impacted amount of bad debt allowance at the beginning of 2018 under the implementation of the New Standards for Financial Instruments in 2018.

Significant changes in the book balance of contract asset that affected changes in impairment allowance during the year include: (1) New projects led to increase in book balance and correspondingly led to increase in expected credit losses throughout the duration; (2) Longer aging of contract asset causes expected credit losses increase.

Contract asset for which impairment allowance is made are as follows:

	2019			2018		
	Book balance expected to incur credit loss	Expected credit Loss rates (%)	Lifetime expected credit loss	Book balance expected to incur credit loss	Expected credit Loss rates (%)	Lifetime expected credit loss
Construction and design the brand consulting and management service for the early stage of the project	436,148,818.58	0.31	1,345,306.39	244,753,296.98	3.00	7,342,598.91
	676,113,269.93	10.58	71,547,828.63	610,648,142.87	6.71	40,949,067.77
	1,112,262,088.51	6.55	72,893,135.02	855,401,439.85	5.65	48,291,666.68

## V. NOTES TO THE MAJOR ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 9. Non-current Assets Due within One Year

	2019	2018
Entrusted loans	555,066,245.64	319,250,999.36

As at December 31, 2019, the top five amounts of other non-current assets due within one year are as follows:

	Closing balance	Proportion of non-current assets due within one year (%)	Expiry date
Shanxi Chongkang Real Estate Development Co., Ltd. (山西崇康房地產開發有限公司)	191,877,015.47	34.57	December, 2020
Zhoukou Railway Engineering Co., Ltd. (周口鐵路工程有限公司)	118,800,000.00	21.40	June, 2020
Shangqiu Hualian Real Estate Co., Ltd. (商丘華聯置業有限公司) (Note 1)	99,000,000.00	17.84	February, 2020
Anhui Tenghui Investment Group Co., Ltd. (安徽騰輝投資集團有限公司) (Note 2)	64,350,000.00	11.59	Overdue
Henan Zhongheng Construction Development Co., Ltd. (河南中亨建設開發有限公司)	47,074,500.00	8.48	August, 2020
	<b>521,101,515.47</b>	<b>93.88</b>	

Note 1: As at December 31, 2019, the borrowing principal of the Group to Shangqiu Hualian Real Estate Co., Ltd. was RMB100,000,000.00. As at the reporting date, the Group has recovered RMB80,000,000.00, and the management of the Group believes that the remaining amount will be recovered in 2020.

Note 2: As at December 31, 2019, the entrusted loan principal RMB64,350,000.00 of the Group to Anhui Tenghui Investment Group Co., Ltd. (hereinafter referred to as "Anhui Tenghui") has expired. The entrusted loan was pledged with 30% of Anhui Tenghui's shares. The Group has signed the "Commercial Housing Trading Framework Agreement" with Suzhou Huitong Shengzhou Real Estate Co., Ltd., a subsidiary of Anhui Tenghui, so the management of the Group believes that the entrusted loan is expected to be recovered.

# Notes to the Financial Statements

For the year 2019 (RMB)

## V. NOTES TO THE MAJOR ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 9. Non-current Assets Due within One Year (Continued)

The movement of impairment allowance for non-current assets due within one year is as follows:

	Opening balance	Provision for the current year	Reversal for the current year	Reclassify for the current year	Closing balance
2019	50,000.00	4,377,770.86	—	1,178,958.89	5,606,729.75
2018	—	50,000.00	—	—	50,000.00

The movement of bad debt provision for non-current assets due within one year based on 12-month expected credit losses and the lifetime expected credit losses is as follows:

#### 2019

	Stage 1 Expected credit losses in the next 12 months	Stage 2 Lifetime expected credit losses	Stage 3 Credit-impaired financial assets (Lifetime expected credit losses)	Total
Opening balance	50,000.00	—	—	50,000.00
Provision during this year	3,727,770.86	650,000.00	—	4,377,770.86
Reversal during this year	—	—	—	—
Reclassification during this year (note)	1,178,958.89	—	—	1,178,958.89
Closing balance	4,956,729.75	650,000.00	—	5,606,729.75

Note: Borrowings were reclassified from long-term receivables to non-current assets due within one year in this year.

## V. NOTES TO THE MAJOR ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 9. Non-current Assets Due within One Year (continued)

2018

	Stage 1 Expected credit losses in the next 12 months	Stage 2 Lifetime expected credit losses	Stage 3 Credit-impaired financial assets (Lifetime expected credit losses)	Total
Opening balance	—	—	—	—
Provision during this year	50,000.00	—	—	50,000.00
Reversal during this year	—	—	—	—
Closing balance	50,000.00	—	—	50,000.00

### 10. Other Current Assets

	2019	2018
Tax prepaid (Note 1)	719,119,392.12	466,767,976.32
Factoring receivables (Note 2)	209,145,833.34	530,660,200.00
Financial lease receivables (Note 3)	69,717,778.19	324,006,666.66
Entrusted loans	731,207,998.63	275,000,000.00
	<b>1,729,191,002.28</b>	1,596,434,842.98
Less: impairment allowance of other current assets	<b>91,969,292.84</b>	13,500,000.00
	<b>1,637,221,709.44</b>	1,582,934,842.98

Note 1: The Group's tax prepaid is mainly VAT to be deducted, which is expected to be deductible within the next year.

# Notes to the Financial Statements

For the year 2019 (RMB)

## V. NOTES TO THE MAJOR ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 10. Other Current Assets (continued)

Note 2: The Group established a commercial factoring company as approved by the Shanghai Municipal Commission of Commerce and it started to conduct commercial factoring business since 2018. In 2019, the factoring receivables of RMB206,145,833.34 of Shanghai Red Star Macalline Commercial Factoring Company Limited (hereinafter referred to as "Red Star Commercial Factoring"), a subsidiary of the Group from Chongqing Lifan Automobile Sales Co., Ltd. (hereinafter referred to as "Chongqing Lifan") was overdue. As agreed in the factoring contracts, the factoring payment with 50% of equity interests of Chongqing Runtian Real Estate Development Co., Ltd. as pledge has expired on April 1, 2019. In June 2019, Red Star Commercial Factoring submitted an application of arbitration to Shanghai International Economic and Trade Arbitration Commission to request Chongqing Lifan to repay the outstanding factoring fees and relevant liquidated damages. In December 2019, the Arbitration Court issued its findings that Chongqing Lifan shall pay the outstanding factoring fees, liquidated damages and counsel fees paid for realizing the creditor's rights. Meanwhile, in connection with the proceeds from the transfer of total equity interests of Chongqing Runtian Real Estate Development Co., Ltd. held by Chongqing Lifan, Red Star Commercial Factoring has the priority of compensation within the range of RMB250 million. Therefore, the management of the Group believes that such factoring receivables are expected to be recoverable.

Note 3: Financial lease receivables from financial lease business of the Group as at December 31, 2019 was RMB69,717,778.19 (2018: RMB324,006,666.66). The unrealized financial income in the above-mentioned financial lease receivables was RMB4,082,221.82 (31 December 2018: RMB21,525,700.00).

The movement of impairment allowance for other current assets is as follows:

	Opening balance	Others (note)	Provision for the current year	Reversal for the current year	Reclassify for the current year	Closing balance
2019	13,500,000.00	—	8,459,025.40	(10,737,422.22)	80,747,689.66	91,969,292.84
2018	600,000.00	1,100,000.00	11,800,000.00	—	—	13,500,000.00

Note: Refers to the impacted amount of bad debt allowance at the beginning of 2018 under the implementation of the New Standards for Financial Instruments in 2018.

## V. NOTES TO THE MAJOR ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 10. Other Current Assets (continued)

The movement of bad debt provision for other current assets based on 12-month expected credit losses and the lifetime expected credit losses is as follows:

2019

	Stage 1 Expected credit losses in the next 12 months	Stage 2 Lifetime expected credit losses	Stage 3 Credit-impaired financial assets (Lifetime expected credit losses)	Total
Opening balance	13,500,000.00	—	—	13,500,000.00
Opening balance in current year				
— Transfer to stage 2	(6,600,000.00)	6,600,000.00	—	—
Provision during this year	5,365,500.00	3,093,525.40	—	8,459,025.40
Reversal during this year	(10,737,422.22)	—	—	(10,737,422.22)
Reclassification during this year (note)	80,747,689.66	—	—	80,747,689.66
Closing balance	82,275,767.44	9,693,525.40	—	91,969,292.84

Note: Borrowings were reclassified from other receivables to other current assets in this year.



# Notes to the Financial Statements

For the year 2019 (RMB)

## V. NOTES TO THE MAJOR ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 10. Other Current Assets (continued)

2018

	Stage 1 Expected credit losses in the next 12 months	Stage 2 (Lifetime expected credit losses)	Stage 3 (Lifetime expected credit losses)	Total
Balance as at January 1, 2018	600,000.00	—	—	600,000.00
Impact in the beginning of this year	1,100,000.00	—	—	1,100,000.00
Provision during this year	11,800,000.00	—	—	11,800,000.00
Closing balance	13,500,000.00	—	—	13,500,000.00

As at December 31, 2019, the top five amounts of other current assets are as follows:

	Closing balance	Percentage of other current assets (%)	Nature	Closing balance of bad debt	Expiry date
Chongqing Lifan Automobile Sales Co., Ltd. (重慶力帆汽車銷售有限公司)	206,145,833.34	11.92	Factoring	8,593,525.40	2019/4/1
Xingtai Tongxin Real Estate Development Co., Ltd. (邢台同信房地產開發有限公司)	151,291,666.67	8.75	Loan	6,436,810.69	2020/9/20
Wuhan Zhuyeshan Group Co., Ltd. (武漢竹葉山集團股份有限公司)	135,000,000.00	7.81	Entrusted Loan	1,350,000.00	2020/12/2
Zhejiang Borui Holding Group Co., Ltd. (浙江博瑞控股集團有限公司) (Note 1)	110,000,000.00	6.36	Entrusted Loan	1,100,000.00	2019/11/15
Hebei Zhuohang Real Estate Development Co., Ltd. (河北卓航房地產開發有限公司)	60,146,666.69	3.48	Loan	4,546,754.33	2020/6/30
	662,584,166.70	38.32		22,027,090.42	

Note 1: The entrusted loan was settled in February 2020.

## V. NOTES TO THE MAJOR ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 10. Other Current Assets (continued)

As at December 31, 2018, the top five amounts of other current assets are as follows:

	Closing balance	Percentage of other current assets (%)	Nature	Closing balance of bad debt	Expiry date
Chongqing Lifan Automobile Sales Co., Ltd. (重慶力帆汽車銷售有限公司)	250,000,000.00	15.66	Factoring	5,000,000.00	2019/4/1
Jiangsu Huaxuan Construction Engineering Co., Ltd. (江蘇華軒建設工程有限公司)	150,000,000.00	9.40	Finance lease payment	1,500,000.00	2019/3/7
Sichuan Blu-ray Hejun Real Estate Co., Ltd. (四川藍光和駿置業有限公司)	117,353,400.00	7.35	Factoring	1,160,000.00	2019/8/9
Zhejiang Borui Holding Group Co., Ltd. (浙江博瑞控股集團有限公司)	110,000,000.00	6.89	Entrusted Loan	1,100,000.00	2019/11/15
Sichuan Blu-ray Hejun Industrial Co., Ltd. (四川藍光和駿實業有限公司)	85,991,666.66	5.39	Finance lease payment	850,000.00	2019/8/9
	713,345,066.66	44.69		9,610,000.00	

### 11. Long-term Receivables

	December 31 2019		
	Book balance	Impairment allowance	Book value
Deposits	233,060,000.00	(233,060.00)	232,826,940.00
Project loan	426,332,962.28	(4,263,329.62)	422,069,632.66
Lease deposit	117,407,410.26	(117,407.41)	117,290,002.85
Finance lease payment	28,594,047.47	(285,940.47)	28,308,107.00
	805,394,420.01	(4,899,737.50)	800,494,682.51

# Notes to the Financial Statements

For the year 2019 (RMB)

## V. NOTES TO THE MAJOR ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 11. Long-term Receivables (continued)

	December 31 2018		
	Book balance	Impairment allowance	Book value
Deposits	192,430,066.30	(192,430.07)	192,237,636.23
Project loan	1,517,530,859.86	(15,175,308.60)	1,502,355,551.26
Lease deposit	100,667,404.92	(100,667.40)	100,566,737.52
	1,810,628,331.08	(15,468,406.07)	1,795,159,925.01

As at December 31, 2019, the top five amounts of long-term receivables are as follows:

	Closing balance	Percentage of long-term receivables (%)	Nature	Aging	Closing balance of bad debts
Hangzhou Red Star Macalline Global Furniture Co., Ltd. (杭州紅星美凱龍環球家居有限公司)	332,148,745.00	41.24	Project loan	Over 3 years	3,321,487.45
Chongqing Gezhouba Rongchuang Shenda Real Estate Co., Ltd. (重慶葛洲壩融創深達置業有限公司)	50,000,000.00	6.21	Deposits	Within 1 year	50,000.00
Doria Holdings LTD	38,051,996.83	4.72	Project loan	1 to 2 years	380,519.97
Shenzhen Renheng Star City Investment Management Co., Ltd. (深圳仁恒星城投資管理有限公司)	36,000,000.00	4.47	Deposits	Over 3 years	36,000.00
Fujian Shengshi Federal Property Development Co., Ltd. (福建盛世聯邦置業發展有限公司)	32,760,000.00	4.07	Deposits	Within 1 year	32,760.00
	488,960,741.83	60.71			3,820,767.42

## V. NOTES TO THE MAJOR ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 11. Long-term Receivables (continued)

As at December 31, 2018, the top five amounts of long-term receivables are as follows:

	Closing balance	Percentage of long-term receivables (%)	Nature	Aging	Closing balance of bad debts
Hangzhou Red Star Macalline Global Furniture Co., Ltd. (杭州紅星美凱龍 環球家居有限公司)	218,144,320.00	12.05	Project loan	2 to 3 years	2,181,443.20
Xi'an Jiahexing Household Co., Ltd. (西安佳和興家居有限責任公司)	201,260,000.00	11.12	Project loan	Within 1 year	2,012,600.00
Shangqiu Hualian Real Estate Co., Ltd. (商丘華聯置業有限公司)	200,000,000.00	11.05	Project loan	Within 1 year	2,000,000.00
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)	174,054,495.62	9.61	Project loan	1 to 2 years	1,740,544.96
Foshan Junda Enterprise Management Co., Ltd. (佛山郡達企業管理有 限公司)	156,570,857.22	8.65	Project loan	1 to 2 years	1,565,708.57
	950,029,672.84	52.48			9,500,296.73

# Notes to the Financial Statements

For the year 2019 (RMB)

## V. NOTES TO THE MAJOR ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 11. Long-term Receivables (continued)

The movement of bad debt provision for long-term receivables based on 12-month expected credit losses and the lifetime expected credit losses is as follows:

2019

	Stage 1 Expected credit losses in the next 12 months	Stage 2 Lifetime expected credit losses	Stage 3 Credit-impaired financial assets (Lifetime expected credit losses)	Total
Opening balance in current year	15,468,406.07	—	—	15,468,406.07
Provision during this year	1,866,499.10	—	—	1,866,499.10
Reversal during this year	(5,715,804.32)	—	—	(5,715,804.32)
Reclassification during this year (note)	(6,719,363.35)	—	—	(6,719,363.35)
Closing balance	4,899,737.50	—	—	4,899,737.50

Note: Loans were reclassified from long-term receivables to non-current assets due within one year and other non-current assets during this year. For details, please refer to Note V.9 and Note V.24.

## V. NOTES TO THE MAJOR ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 11. Long-term Receivables (continued)

2018

	Stage 1 Expected credit losses in the next 12 months	Stage 2 Lifetime expected credit losses	Stage 3 Credit-impaired financial assets (Lifetime expected credit losses)	Total
Opening balance in current year	—	—	—	—
Adjustment in the beginning of this year	10,727,801.22	—	—	10,727,801.22
Provision during this year	4,740,604.85	—	—	4,740,604.85
Closing balance	15,468,406.07	—	—	15,468,406.07

# Notes to the Financial Statements

For the year 2019 (RMB)

## V. NOTES TO THE MAJOR ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 12. Long-term Equity Investments

2019

	Movement during the period									
	Opening balance	Increase in investment	Decrease in investment	Investment gain/loss under equity method	other comprehensive income	Other changes	Cash dividend declared	Provision made for impairment allowance	Closing balance	Closing balance of impairment allowance
<b>Joint ventures</b>										
Chengdu Dongtai Shopping Mall Company Limited (成都東泰商城有限公司)	898,298,330.42	-	-	27,764,145.77	-	-	(133,233,703.73)	-	792,828,772.46	-
Shanghai CTME Economy & Trade Development Co., Ltd. (上海中貿美凱龍經貿發展有限公司)	61,462,800.23	28,341,200.10	-	10,958,144.17	-	-	-	-	100,762,144.50	-
Shanghai Mingyi Enterprise Development Co., Ltd. (上海名藝商業企業發展有限公司)	41,011,996.63	-	-	18,780,557.46	-	-	-	-	59,792,554.09	-
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	-	-	(39,048.85)	-	-	-	-	9,742,396.17	-
Baoxiang Red Star Macalline (Xiamen) Global Home Furnishing Plaza Company Limited (寶象紅星美凱龍(廈門)全球家居廣場有限公司)	-	15,000,000.00	-	(5,367,965.08)	-	-	-	-	9,632,034.92	-
SLEEP MAKER (HONGKONG)COMPANY LIMITED	-	5,146,800.00	-	31,905.00	-	-	-	-	5,178,705.00	-
Shenzhen Red Star Macalline Expo Home Plaza Co., Ltd. (深圳紅星美凱龍世博家居廣場有限公司)	-	4,300,000.00	-	(2,771,611.96)	-	-	-	-	1,528,388.04	-
Shenzhen Red Star Macalline Business Management Company Limited (深圳紅星美凱龍商業管理有限公司)	174,031.72	1,200,000.00	-	(149,315.04)	-	-	-	-	1,224,716.68	-
Guangzhou Red Star Macalline Expo Home Plaza Co., Ltd. (廣州紅星美凱龍世博家居廣場有限公司)	-	1,000,000.00	-	(785,852.36)	-	-	-	-	214,147.64	-

## V. NOTES TO THE MAJOR ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 12. Long-term Equity Investments (Continued)

2019 (continued)

	Movement during the period									
	Opening balance	Increase in investment	Decrease in investment	Investment gain/loss under equity method	other comprehensive income	Other changes	Cash dividend declared	Provision made for impairment allowance	Closing balance	Closing balance of impairment allowance
<b>Joint ventures (continued)</b>										
Yongqing Yintai Future Land Construction And Development Co., Ltd. (永清銀泰新城建設開發有限公司)	29,697,621.58	-	(29,688,046.35)	(9,575.23)	-	-	-	-	-	-
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)	17,986,574.32	-	(17,986,574.32)	-	-	-	-	-	-	-
Yongqing Yintong Construction And Development Co., Ltd. (永清銀通建設開發有限公司)	15,000,000.00	-	(15,000,000.00)	-	-	-	-	-	-	-
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)	723,947.41	-	-	(723,947.41)	-	-	-	-	-	-
<b>Associates</b>										
Haier Consume Financing Company Limited (海爾消費金融有限公司)	307,746,162.44	-	-	51,152,763.23	-	-	-	-	358,898,925.67	-
Shandong Inzone Green Home Co., Ltd. (山東銀座家居有限公司)	-	348,916,600.00	-	(452,256.42)	-	-	-	-	348,464,343.58	-
Shenyudao Cultural Tourism Holding Co., Ltd. (神玉島文化旅遊控股股份有限公司)	194,763,453.51	-	-	(9,126,832.22)	-	-	-	-	185,636,621.29	-
Yaxiya Building Materials Co., Ltd. (亞細亞建築材料股份有限公司)	-	150,000,000.00	-	18,845,194.79	-	-	-	-	168,845,194.79	-
Guangdong Sanweijia Information Technology Co., Ltd. (廣東三維家信息科技有限公司)	166,003,895.66	-	-	(21,202,412.75)	-	-	-	-	144,801,482.91	-
SUNSEAPARKING INC	145,625,975.69	-	-	(1,594,002.86)	-	-	-	-	144,031,972.83	-



# Notes to the Financial Statements

For the year 2019 (RMB)

## V. NOTES TO THE MAJOR ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 12. Long-term Equity Investments (Continued)

2019 (continued)

	Movement during the period									
	Opening balance	Increase in investment	Decrease in investment	Investment gain/loss under equity method	other comprehensive income	Other changes	Cash dividend declared	Provision made for impairment allowance	Closing balance	Closing balance of impairment allowance
<b>Associates (continued)</b>										
Wuhan Zhengkai Logistics Co., Ltd. (武漢市正凱物流有限公司)	126,983,174.58	3,528,501.56	-	1,216,483.04	-	-	(1,836,000.00)	-	129,892,159.18	-
Hangzhou Red Star Macalline Global Home Living Company Limited (杭州紅星美凱龍環球家居有限公司)	63,856,231.01	-	-	43,133,366.55	-	(12,610,812.86)	-	-	94,378,784.70	-
Guangdong VIFA Customized Home Furnishings Co., Ltd. (廣東威法定制家居股份有限公司)*	85,491,488.31	-	-	11,584,742.09	-	-	(6,500,000.00)	-	90,576,230.40	-
Weifang Binxing Properties Co., Ltd. (濰坊濱星置業有限公司)	90,000,000.00	-	-	(152,103.48)	-	-	-	-	89,847,896.52	-
Zhejiang Zhongguang Electric Appliances Co., Ltd. (浙江中廣電器股份有限公司)	80,924,647.56	-	-	6,598,402.45	-	-	-	-	87,523,050.01	-
Klas International Home Living Company Limited (克拉斯國際家居有限公司)	68,135,170.31	-	-	11,114,038.01	-	-	-	-	79,249,208.32	-
Liaoning Cheng'an Construction Co., Ltd. (遼寧誠安建設有限公司)	62,031,744.40	-	-	8,889,767.18	-	-	(1,800,000.00)	-	69,121,511.58	-
Shanghai Tianhe Smart Home Technology Company Ltd. (上海天合智能科技股份有限公司)	63,781,313.54	-	-	3,056,492.71	-	-	(1,249,654.56)	-	65,588,151.69	-
LEAWOD Door and Window Profiles Company (四川良木道門窗型材有限公司)	62,127,865.88	-	-	1,832,813.72	-	-	-	-	63,960,679.60	-
Suzhou Supin Home Culture Co., Ltd. (蘇州市蘇品宅配文化有限公司)*	62,218,118.86	-	-	(407,067.66)	-	-	-	-	61,811,051.20	-

## V. NOTES TO THE MAJOR ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 12. Long-term Equity Investments (Continued)

2019 (continued)

	Movement during the period									
	Opening balance	Increase in investment	Decrease in investment	Investment gain/loss under equity method	other comprehensive income	Other changes	Cash dividend declared	Provision made for impairment allowance	Closing balance	Closing balance of impairment allowance
<b>Associates (continued)</b>										
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)	17,211,841.58	-	-	29,434,009.33	-	-	-	-	46,645,850.91	-
Ant live (Tianjin) Network Technology Co., Ltd. (橫安居(天津)網絡技術有限公司)	45,202,038.45	-	-	(1,755,038.65)	-	-	-	-	43,446,999.80	-
Beijing Bilin Hongke Technology Co., Ltd. (北京比鄰弘科科技有限公司)	-	40,000,000.00	-	720,002.31	-	-	-	-	40,720,002.31	-
Shanghai Qiangshang Environmental Technology Company Limited (上海強尚環保科技有限公司)	30,985,316.61	-	-	5,145,481.64	-	-	-	-	36,130,798.25	-
Shanghai CONJOINT Construction Technology Co., Ltd. (上海鼎裝建築科技有限公司)	-	35,064,000.00	-	(722,047.38)	-	-	-	-	34,341,952.62	-
ICOLOR PRIVATE LIMITED	-	35,573,360.87	-	(1,337,040.00)	-	-	-	-	34,236,320.87	-
Super Smart Home (Shanghai) Internet of Things Technology Co., Ltd. (超級智慧家(上海)物聯網科技有限公司)	25,639,470.45	-	-	8,168,102.03	-	-	-	-	33,807,572.48	-
Chengdu Rhine Etam Furniture Co., Ltd. (成都艾格傢俱有限公司)	-	34,000,000.00	-	(2,081,815.72)	-	-	-	-	31,918,184.28	-
Jiangsu Baili Aijia Home Technology Co., Ltd. (江蘇佰麗愛家居科技有限公司)	30,683,610.39	-	-	606,956.99	-	-	-	-	31,290,567.38	-
Shanghai Jinjiang United Purchasing Supply Chain Co., Ltd. (上海錦江聯采供應鏈有限公司)	-	30,000,000.00	-	(110.97)	-	-	-	-	29,999,889.03	-

# Notes to the Financial Statements

For the year 2019 (RMB)

## V. NOTES TO THE MAJOR ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 12. Long-term Equity Investments (Continued)

2019 (continued)

	Movement during the period									
	Opening balance	Increase in investment	Decrease in investment	Investment gain/loss under equity method	other comprehensive income	Other changes	Cash dividend declared	Provision made for impairment allowance	Closing balance	Closing balance of impairment allowance
<b>Associates (continued)</b>										
BigZone Information Technology (Shanghai) Company Limited (大域信息科技(上海)有限公司)	19,652,912.82	-	-	(527,201.54)	-	-	-	-	19,125,711.28	-
Shanghai Harbour Home Investment Management Co., Ltd. (上海灣寓投資管理有限公司)	23,066,408.08	-	-	(5,548,389.96)	-	-	-	-	17,518,018.12	-
Meiwu 365 (Tianjin) Technology Company Limited (美屋三六五(天津)科技有限公司)	17,116,874.25	-	-	(1,848,453.10)	-	-	-	-	15,268,421.15	-
ArtPollo Network Technology (Beijing) Company Limited (愛菠蘿網絡科技(北京)有限公司)	13,599,994.54	-	-	(119,560.84)	-	-	-	-	13,480,433.70	-
Shengbao (Shanghai) Furniture Co., Ltd. (晟葆(上海)傢俱有限公司)	-	13,000,000.00	-	141,921.57	-	-	-	-	13,141,921.57	-
Beijing Canny-Robot Technology Co., Ltd. (北京康力優藍機器人科技有限公司)	13,216,093.81	-	-	(761,872.45)	-	-	-	-	12,454,221.36	-
Shenzhen Yatai Macalline Life Space Technology Co., Ltd. (深圳市亞泰美凱龍空間科技有限公司)	-	9,800,000.00	-	553,869.40	-	-	-	-	10,353,869.40	-
Shanghai Jiashan Construction Engineering Company Limited (上海嘉展建築裝潢工程有限公司)	7,634,822.89	-	-	189,763.11	-	-	-	-	7,824,586.00	-
Shaanxi Red Star Heji Home Shopping Plaza Company Limited (陝西紅星和記家居購物廣場有限公司)	4,500,000.00	-	-	1,327,764.83	-	(619,844.54)	-	-	5,207,920.29	-

## V. NOTES TO THE MAJOR ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 12. Long-term Equity Investments (Continued)

2019 (continued)

	Movement during the period									
	Opening balance	Increase in investment	Decrease in investment	Investment gain/loss under equity method	other comprehensive income	Other changes	Cash dividend declared	Provision made for impairment allowance	Closing balance	Closing balance of impairment allowance
<b>Associates (continued)</b>										
Guangzhou Huoshu Yinhua Information Technology Co., Ltd. (廣州火數銀花信息科技有限公司)	4,875,268.70	-	-	(128,931.90)	-	-	-	-	4,746,336.80	-
Shenzhen Huasheng Home Furnishing Group Co., Ltd. (深圳華生大家居集團有限公司)	3,571,428.00	-	-	46,430.52	-	-	-	-	3,617,858.52	-
Yimeijisi Optoelectronics Technology (Fujian) Co., Ltd. (詔美吉斯光電科技(福建)有限公司)	-	2,475,000.00	-	-	-	-	-	-	2,475,000.00	-
Anka Household Products (Shanghai) Co., Ltd. (安咖家居用品(上海)有限公司)	-	3,500,000.00	-	(1,577,591.03)	-	-	-	-	1,922,408.97	-
SleepMaker (Hong Kong) Company Limited (深圳市朗樂福睡眠科技有限公司)	-	909,000.00	-	164,066.34	-	-	-	-	1,073,066.34	-
Shanghai Yibaimi Network Technology Company Limited (上海壹佰米網絡科技有限公司)	62,354,643.49	-	(16,781,213.37)	(45,573,430.12)	-	-	-	-	-	-
Chengdu Jujiatong Engineering Consultant Inc (成都居家通物流有限責任公司)	36,974,415.36	-	(35,482,532.10)	(1,491,883.26)	-	-	-	-	-	-
Development Company Limited (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)	-	-	-	-	-	-
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)	-	-	-	-	-	-
Qianzhi (Shanghai) Home Furnishing Co., Ltd. (乾智(上海)家居有限公司)	1,500,000.00	-	(1,500,000.00)	-	-	-	-	-	-	-

# Notes to the Financial Statements

For the year 2019 (RMB)

## V. NOTES TO THE MAJOR ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 12. Long-term Equity Investments (Continued)

2019 (continued)

	Movement during the period									
	Opening balance	Increase in investment	Decrease in investment	Investment gain/loss under equity method	other comprehensive income	Other changes	Cash dividend declared	Provision made for impairment allowance	Closing balance	Closing balance of impairment allowance
<b>Associates (continued)</b>										
Wuhu Meihe Asset Management Company Limited (芜湖美和資產管理有限公司)	490,000.00	-	-	(490,000.00)	-	-	-	-	-	-
Shanghai Zhidi Intelligent Technology Co., Ltd. (上海智諦智能科技有限公司)	-	3,000,000.00	-	(2,982,000.00)	-	(18,000.00)	-	-	-	-
Shenzhen Red Star Macalline Century Center Home Living Plaza Co., Ltd. (深圳紅星美凱龍世紀中心家居生活廣場有限公司)	-	-	-	-	-	-	-	-	-	-
	3,026,101,128.50	764,754,462.53	(116,438,366.14)	137,729,826.00	-	(13,248,657.40)	(144,619,358.29)	-	3,654,279,035.20	-

\* The associates renamed in 2019 is as follows: Zhongshan Weifa Household Products Co., Ltd. was renamed Guangdong VIFA Customized Home Furnishing Co., Ltd.; Suzhou Supin Furniture Co., Ltd. was renamed Suzhou Supin Home Culture Co., Ltd.; Shanghai UIOT Technology Company Limited was renamed UIOT Super Smart Home (Shanghai) Internet and Technology Co., Ltd.

## V. NOTES TO THE MAJOR ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 12. Long-term Equity Investments (continued)

2018

	Movement during the period									Closing balance of impairment allowance
	Opening balance	Increase in investment	Decrease in investment	Investment gain/loss under equity method	other comprehensive income	Other changes	Cash dividend declared	Provision made for impairment allowance	Closing balance	
<b>Joint ventures</b>										
Chengdu Dongtai Shopping Mall Company Limited (成都東泰商城有限公司)	802,517,821.89	—	—	95,780,508.53	—	—	—	—	898,298,330.42	—
Shanghai Mingyi Enterprise Development Co., Ltd. (上海名藝商業企業發展有限公司)	19,733,335.25	—	—	21,278,661.38	—	—	—	—	41,011,996.63	—
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	—	—	(3,555,120.84)	—	—	—	—	723,947.41	—
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	—	—	(9,013,425.68)	—	—	—	—	17,986,574.32	—
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	—	—	—	—	—	—	—	9,781,445.02	—
Shanghai Zhongmao Macalline Economic And Trade Development Co., Ltd. (上海中貿美凱龍經貿發展有限公司)	—	61,462,800.23	—	—	—	—	—	—	61,462,800.23	—
Yongqing Yintai Future Land Construction And Development Co., Ltd. (永清銀泰新城建設開發有限公司)	—	29,709,049.90	—	(11,428.32)	—	—	—	—	29,697,621.58	—
Yongqing Yintong Construction And Development Co., Ltd. (永清銀通建設開發有限公司)	—	15,000,000.00	—	—	—	—	—	—	15,000,000.00	—
Shenzhen Red Star Macalline Business Management Company Limited (深圳紅星美凱龍商業管理有限公司)	—	180,000.00	—	(5,968.28)	—	—	—	—	174,031.72	—

# Notes to the Financial Statements

For the year 2019 (RMB)

## V. NOTES TO THE MAJOR ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 12. Long-term Equity Investments (continued)

2018 (continued)

	Movement during the period									
	Opening balance	Increase in investment	Decrease in investment	Investment gain/loss under equity method	other comprehensive income	Other changes	Cash dividend declared	Provision made for impairment allowance	Closing balance	Closing balance of impairment allowance
<b>Associates</b>										
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)	-	-	-	-	-	-	-
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	-	-	5,229,752.57	-	-	-	-	63,856,231.01	-
Meiwu 365 (Tianjin) Technology Company Limited (美屋三五(天津)科技有限公司)	17,900,796.13	-	-	(783,921.88)	-	-	-	-	17,116,874.25	-
Shanghai Reyi Network Technology Company Limited (上海熱一網絡科技有限公司)	5,274,701.29	-	(5,000,000.00)	(274,701.29)	-	-	-	-	-	-
Shanghai Jiazhan Construction Engineering Company Limited (上海嘉展建築裝潢工程有限公司)	7,304,104.60	-	-	330,718.29	-	-	-	-	7,634,822.89	-
Wuhan Zhengkai Logistics Co., Ltd. (武漢市正凱物流有限公司)	127,000,000.00	-	-	(16,825.42)	-	-	-	-	126,983,174.58	-
Haier Consume Financing Company Limited (海爾消費金融有限公司)	140,817,361.27	125,000,000.00	-	41,928,801.17	-	-	-	-	307,746,162.44	-
Klas International Home Living Company Limited (克拉斯國際家居有限公司)	60,732,340.93	-	-	7,402,829.38	-	-	-	-	68,135,170.31	-
ArtPollo Network Technology (Beijing) Company Limited (愛波羅網絡科技(北京)有限公司)	14,074,848.66	-	-	(474,854.12)	-	-	-	-	13,599,994.54	-
Shanghai Harbour Home Investment Management Co., Ltd. (上海灣寓投資管理有限公司)	750,000.00	-	-	(750,000.00)	-	23,066,408.08	-	-	23,066,408.08	-
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	-	-	3,797,894.54	-	-	-	-	63,781,313.54	-

## V. NOTES TO THE MAJOR ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 12. Long-term Equity Investments (continued)

2018 (continued)

	Movement during the period									Closing balance of impairment allowance
	Opening balance	Increase in investment	Decrease in investment	Investment gain/loss under equity method	other comprehensive income	Other changes	Cash dividend declared	Provision made for impairment allowance	Closing balance	
<b>Associates (continued)</b>										
Chengdu Jujiatong Engineering Consultant Inc (成都居家通物流有限責任公司)	40,000,000.00	—	—	(3,025,584.64)	—	—	—	—	36,974,415.36	—
Ant live (Tianjin) Network Technology Co., Ltd. (犍安居(天津)網絡技術有限公司)	50,000,000.00	—	—	(4,797,961.55)	—	—	—	—	45,202,038.45	—
Shanghai UIOT Technology Company Limited (上海崇光樂聯物聯網科技有限公司)	23,988,527.38	—	—	1,650,943.07	—	—	—	—	25,639,470.45	—
Wuhu Meihe Asset Management Company Limited (蕪湖美和資產管理有限公司)	490,000.00	—	—	—	—	—	—	—	490,000.00	—
SUNSEAPARKING INC.	98,308,983.63	46,010,735.66	—	1,306,256.40	—	—	—	—	145,625,975.69	—
Shenyudao Cultural Tourism Holding Co., Ltd. (神玉島文化旅遊控股股份有限公司)	—	200,000,000.00	—	(5,236,546.49)	—	—	—	—	194,763,453.51	—
Qianzhi (Shanghai) Home Living Company Limited (乾智(上海)家居有限公司)	—	1,500,000.00	—	—	—	—	—	—	1,500,000.00	—
Shaanxi Red Star Heji Home Shopping Plaza Company Limited (陝西紅星和記家居購物廣場有限公司)	—	4,500,000.00	—	—	—	—	—	—	4,500,000.00	—
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	—	(124,731.30)	—	—	—	—	4,875,268.70	—
Shanghai Qiangshang Environmental Technology Company Limited (上海嚮尚環保科技有限公司)	—	30,000,000.00	—	985,316.61	—	—	—	—	30,985,316.61	—
Handan Fengfengkuang District Royal Property Development Company Limited (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	—



# Notes to the Financial Statements

For the year 2019 (RMB)

## V. NOTES TO THE MAJOR ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 12. Long-term Equity Investments (continued)

2018 (continued)

	Movement during the period									
	Opening balance	Increase in investment	Decrease in investment	Investment gain/loss under equity method	other comprehensive income	Other changes	Cash dividend declared	Provision made for impairment allowance	Closing balance	Closing balance of impairment allowance
<b>Associates (continued)</b>										
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	–
Guangdong Sanweijia Information Technology Co., Ltd. (廣東三維家信息科技有限公司)	–	180,302,200.00	–	(14,298,304.34)	–	–	–	–	166,003,895.66	–
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)	–	1,850,000.00	–	40,361,841.58	–	–	(25,000,000.00)	–	17,211,841.58	–
Suzhou Supin Furniture Company Limited (蘇州市蘇品傢俱有限公司)	–	61,666,711.00	–	551,407.86	–	–	–	–	62,218,118.86	–
Beijing Canny-Robot Technology Co., Ltd. (北京康力優藍機器人科技有限公司)	–	13,200,000.00	–	16,093.81	–	–	–	–	13,216,093.81	–
Liaoning Cheng'an Construction Co., Ltd. (遼寧誠安建設有限公司)	–	60,000,000.00	–	2,031,744.40	–	–	–	–	62,031,744.40	–
Weifang Binxing Properties Co., Ltd. (濰坊濱星置業有限公司)	–	90,000,000.00	–	–	–	–	–	–	90,000,000.00	–
LEAWOD Door and Window Profiles Company (四川良木道門窗型材有限公司)	–	60,500,000.00	–	1,627,865.88	–	–	–	–	62,127,865.88	–
Zhejiang Zhongguang Electric Appliances Co., Ltd. (浙江中廣電器股份有限公司)	–	78,800,000.00	–	2,124,647.56	–	–	–	–	80,924,647.56	–
Shanghai Yibaimi Network Technology Company Limited (上海壹佰米網絡科技有限公司)	–	68,500,000.00	–	(6,145,356.51)	–	–	–	–	62,354,643.49	–
Jiangsu Baili Aijia Home Technology Co., Ltd. (江蘇佰麗愛家居科技有限公司)	–	30,000,000.00	–	683,610.39	–	–	–	–	30,683,610.39	–
Zhongshan Weifa Household Products Co., Ltd. (中山市威法家居製品有限公司)	–	80,000,000.00	–	5,491,488.31	–	–	–	–	85,491,488.31	–

## V. NOTES TO THE MAJOR ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 12. Long-term Equity Investments (continued)

2018 (continued)

	Movement during the period									
	Opening balance	Increase in investment	Decrease in investment	Investment gain/loss under equity method	other comprehensive income	Other changes	Cash dividend declared	Provision made for impairment allowance	Closing balance	Closing balance of impairment allowance
<b>Associates (continued)</b>										
Shenzhen Huasheng Home Furnishing Group Co., Ltd. (深圳華生大家居集團有限公司)	-	3,571,428.00	-	-	-	-	-	-	3,571,428.00	-
BigZone Information Technology (Shanghai) Company Limited (大域信息科技(上海)有限公司)	-	20,250,000.00	-	(597,087.18)	-	-	-	-	19,652,912.82	-
	1,613,818,294.75	1,281,002,924.79	(50,255,063.01)	183,468,563.89	-	23,066,408.08	(25,000,000.00)	-	3,026,101,128.50	-

There are no impairment allowances for long-term equity investments in 2019 (2018: nil).

# Notes to the Financial Statements

For the year 2019 (RMB)

## V. NOTES TO THE MAJOR ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 13. Other Equity Instrument Investments

2019

	Changes in fair value accumulated in other comprehensive income	Fair value	Dividend income in the year Equity instruments derecognized during the year	Equity instruments held
Oppein Home Group Inc. (歐派家居集團股份有限公司)	1,078,916,227.10	1,162,925,361.00	—	10,535,949.00
Ningbo Meishan Bonded Port Area Qijun Equity Investment Partnership (LIMITED PARTNERSHIP) (寧波梅 山保稅港區奇君股權投資合夥企業 (有限合夥))	324,766,670.29	524,766,670.29	—	2,830,375.59
Chengdu Xinchao Media Group Co., Ltd. (成都新潮傳媒集團有限公司)	73,582,903.00	273,582,903.00	—	—
Dingdong (Cayman) Limited AUPU Home Co., Ltd. (奧普家居股份有限公司)	—	261,895,819.07	—	—
(8,534,835.41)	231,992,639.19	—	3,355,545.60	
Keeson Technology Corporation Limited (麒盛科技股份有限公司)	155,488,177.00	230,919,052.00	—	3,017,235.00
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))	45,175,339.60	180,175,339.60	—	—
Beijing Bayi Space LCD Technology Co., Ltd. (北京八億時空液晶科技 股份有限公司)	56,178,248.00	141,615,600.00	—	3,220,000.00

## V. NOTES TO THE MAJOR ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 13. Other Equity Instrument Investments (continued)

2019 (continued)

	Changes in fair value accumulated in other comprehensive income	Fair value	Dividend income in the year	
			Equity instruments derecognized during the year	Equity instruments held
Sleemon Furniture Co., Ltd. (喜臨門傢俱股份有限公司)	33,743,277.22	119,171,598.00	—	—
Sinostone (Guangdong) Co. Ltd (廣東中旗新材料股份有限公司)	59,286,684.04	92,266,684.04	—	1,649,000.00
Oriental Standard Human Resources Holdings Limited	29,267,001.14	84,770,661.80	—	—
Guangzhou Snimay Home Furnishing Co., Ltd. (廣州市詩尼曼家居有限公司)	35,532,902.57	69,142,902.57	—	1,063,545.90
Plus Space (Shanghai) International Corp. Ltd. (璞勒仕建築工程(上海) 股份有限公司)	48,888,510.57	68,888,510.57	—	—
Zhejiang Entive Intellectual Kitchen Electricity Co., Ltd (浙江億田智能廚電股份有限公司)	5,826,085.92	68,826,085.92	—	—
YunDing Network Technology (Beijing) Co., Ltd. (雲丁網絡技術(北京) 有限公司)	36,231,680.22	48,079,600.58	—	—
Shanghai Scholar Home Enterprise Management Consulting Centre (LIMITED PARTNERSHIP) (上海檀 絨企業管理諮詢中心(有限合夥))	26,033,246.66	45,993,246.66	—	—
Harbin Sayyas Windows Stock Co., Ltd. (哈爾濱森鷹窗業股份有限公司)	14,877,650.00	37,250,000.00	—	—

# Notes to the Financial Statements

For the year 2019 (RMB)

## V. NOTES TO THE MAJOR ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 13. Other Equity Instrument Investments (continued)

2019 (continued)

	Changes in fair value accumulated in other comprehensive income	Fair value	Dividend income in the year Equity instruments derecognized during the year	Equity instruments held
Beijing Parking Easy Information Technology co. LTD (北京停簡單信息技術有限公司)	(11,132,873.57)	31,367,126.43	—	—
Zhejiang Xingyue Electric Equipment Co., Ltd (浙江星月電器有限公司)	2,211,338.51	31,153,338.51	—	—
DESSMANN (China) Machinery & Electronic Co., Ltd. (德施曼機電(中國)有限公司)	3,467,490.62	25,167,490.62	—	—
Pathfinder Holdings Group Co., Ltd. (探路者控股集團股份有限公司)	1,906,975.03	25,013,372.28	—	—
Meicai (Wuhan) Technology Co., Ltd. (美材(武漢)科技有限公司)	—	22,000,000.00	—	—
Hangzhou Water Show Culture GROUP Co., Ltd (杭州水秀文化集 團有限公司)	7,336,641.29	20,809,641.29	—	1,097,800.00
Weride Inc	—	20,200,471.65	—	—
Qingdao Yeelink Information Technology Co., Ltd. (青島億聯客 信息技術有限公司)	5,437,319.75	20,137,319.75	—	728,080.00
Beijing Haozu Technology Development Co., Ltd. (北京好租科技發展有限公司)	(642,502.34)	19,357,497.66	—	—
Beijing Bluepower Technology Co., Ltd. (北京藍海華業科技股份有限公司)	(27,993,409.29)	16,157,812.00	—	—

## V. NOTES TO THE MAJOR ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 13. Other Equity Instrument Investments (continued)

2019 (continued)

	Changes in fair value accumulated in other comprehensive income	Fair value	Dividend income in the year	
			Equity instruments derecognized during the year	Equity instruments held
Black Sesame International Holding Limited	—	12,493,744.08	—	—
Zhejiang Mingdu Intelligent Control Technology Co., Ltd. (浙江明度智控科技有限公司)	(2,555,858.20)	12,444,141.80	—	—
Xi'an Jiahexing Household Co., Ltd. (西安佳和興家居有限責任公司)	—	11,400,000.00	—	—
Guangzhou Animation Cartoon Game Life Technology Co, Ltd. (廣州酷漫居動漫科技有限公司)	(13,416,708.08)	11,323,291.92	—	—
Shenzhen ORVIBO Technology Co., Ltd. (深圳市歐瑞博科技有限公司)	—	10,000,000.00	—	—
Others	(19,881,492.36)	67,869,903.16	1,080,000.00	1,209,667.75
	<b>1,959,996,689.28</b>	<b>3,999,157,825.44</b>	<b>1,080,000.00</b>	<b>28,707,198.84</b>

# Notes to the Financial Statements

For the year 2019 (RMB)

## V. NOTES TO THE MAJOR ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 13. Other Equity Instrument Investments (Continued)

2018

	Changes in fair value accumulated in other comprehensive income	Fair value	Dividend income in the year Equity instruments derecognized during the year	Equity instruments held
Oppein Home Group Inc. (歐派家居集團股份有限公司)	1,242,545,153.50	1,385,139,862.92	—	17,375,061.00
Chengdu Xinchao Media Group Co., Ltd. (成都新潮傳媒集團有限公司)	64,909,000.00	264,909,000.00	—	—
AUPU Home Co., Ltd. (奧普家居股份有限公司)	18,560,064.09	259,087,538.69	—	1,509,995.52
Ningbo Meishan Bonded Port Area Qijun Equity Investment Partnership (LIMITED PARTNERSHIP) (寧波梅 山保稅港區奇君股權投資合夥企業 (有限合夥))	5,763,854.57	205,763,854.57	—	17,548,328.67
Keeson Technology Corporation Limited (麒盛科技股份有限公司)	62,418,314.44	137,849,189.44	—	—
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))	12,851,349.61	132,851,349.61	—	—
MengBaihe Home Furnishing Science & Technology Joint Stock Co., Ltd. (夢百家居科技股份有限公司)	(11,786,859.36)	75,636,000.00	—	—
Oriental Standard Human Resources Holdings Limited	20,110,780.15	75,614,440.81	—	—
Beijing Bayi Space LCD Technology Co., Ltd. (北京八億時空液晶科技 股份有限公司)	(20,715,352.00)	64,722,000.00	—	—

## V. NOTES TO THE MAJOR ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 13. Other Equity Instrument Investments (Continued)

2018 (continued)

	Changes in fair value accumulated in other comprehensive income	Fair value	Dividend income in the year Equity instruments derecognized during the year	Equity instruments held
Zhejiang Entive Intellectual Kitchen Electricity Co., Ltd (浙江億田智能廚電股份有限公司)	—	63,000,000.00	—	—
YunDing Network Technology (Beijing) Co., Ltd. (雲丁網絡技術(北京) 有限公司)	46,887,130.19	62,677,130.19	—	—
Beijing Parking Easy Information Technology co. LTD (北京停簡單信息技術有限公司)	17,922,535.21	60,422,535.21	—	—
Guangzhou Snimay Home Furnishing Co., Ltd. (廣州市詩尼曼家居股份有限公司)	17,033,836.12	50,643,836.12	—	709,030.60
Sinostone (Guangdong) Co. Ltd (廣東 中旗新材料股份有限公司)	17,629,624.25	50,609,624.25	—	—
Shanghai Scholar Home Enterprise Management Consulting Centre (LIMITED PARTNERSHIP) (上海檀 絨企業管理諮詢中心(有限合夥))	20,167,892.60	40,127,892.60	—	—
Beijing Bilin Hongke Technology Company Limited (北京比鄰弘科科技有限公司)	—	40,000,000.00	—	—
Plus Space (Shanghai) International Corp. Ltd. (璞勒仕建築工程(上海) 股份有限公司)	17,968,166.08	37,968,166.08	—	—
Beijing Bluepower Technology Co., Ltd. (北京藍海華業科技股份有限公司)	(11,835,597.29)	32,315,624.00	—	—



# Notes to the Financial Statements

For the year 2019 (RMB)

## V. NOTES TO THE MAJOR ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 13. Other Equity Instrument Investments (Continued)

2018 (continued)

	Changes in fair value accumulated in other comprehensive income	Fair value	Dividend income in the year Equity instruments derecognized during the year	Equity instruments held
Beijing Haozu Technology Development Co., Ltd. (北京好租科技發展有限公司)	9,410,958.90	29,410,958.90	—	—
Zhejiang Xingyue Electric Equipment Co., Ltd (浙江星月電器有限公司)	—	28,942,000.00	—	—
Guangzhou Animation Cartoon Game Life Technology Co, Ltd. (廣州酷漫居動漫科技有限公司)	2,718,660.84	27,458,660.84	—	—
DESSMANN (China) Machinery & Electronic Co., Ltd. (德施曼機電(中國)有限公司)	1,906,811.40	23,606,811.40	—	—
Foshan Junda Enterprise Management Co., Ltd. (佛山郡達企業管理有限公司)	—	20,607,000.00	—	—
Harbin Sayyas Windows Stock Co., Ltd. (哈爾濱森鷹窗業股份有限公司)	(4,492,350.00)	17,880,000.00	—	—
Qingdao Yeelink Information Technology Co., Ltd. (青島億聯客 信息技術有限公司)	—	14,700,000.00	—	—
Hangzhou Water Show Culture GROUP Co., Ltd (杭州水秀文化集 團有限公司)	—	13,473,000.00	—	—
Black Sesame International Holding Limited	—	12,493,744.08	—	—
Xi'an Jiahexing Household Co., Ltd. (西安佳和興家居有限責任公司)	—	11,400,000.00	—	—

## V. NOTES TO THE MAJOR ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 13. Other Equity Instrument Investments (Continued)

2018 (continued)

	Changes in fair value accumulated in other comprehensive income	Fair value	Dividend income in the year Equity instruments derecognized during the year	Equity instruments held
Soccer World (Shanghai) Sports Development Co., Ltd. (索福德(上 海)體育發展有限公司)	(15,006,122.85)	9,993,877.15	—	—
Wenzhou Honglian Home Living Company Limited (溫州紅聯家居有 限公司)	(8,575,000.00)	8,575,000.00	—	—
Ningbo Longkai Home Living Shopping Plaza Company Limited (寧波隆凱家居生活購物有限公司)	(138,225,202.48)	—	—	—
Others	7,225,870.71	44,869,370.71	—	—
	1,375,393,518.68	3,302,748,467.57	—	37,142,415.79

As the Group held the above investments not for the purpose of trading, thus the Group will appoint them as investments at FVTOCI.

The Group disposed other equity instrument investments of RMB892,152,950.99 (2018:RMB175,107,162.74), and accumulated profit and loss totaling RMB684,890,970.17 were carried forward from other comprehensive income to retained earning (2018:RMB164,401,529.65).

As at December 31, 2019, the Group's other equity instrument investments with value of RMB702,000,000.00 were used as pledge guarantees to obtain loans of RMB300,000,000.00, See Note V. 65. Assets with restricted ownership or use rights.

# Notes to the Financial Statements

For the year 2019 (RMB)

## V. NOTES TO THE MAJOR ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 14. Other Non-Current Financial Assets

	2019	2018
Financial assets at FVTPL	368,774,540.60	324,850,000.00

### 15. Investment Property

Subsequent measurement by adopting the fair value model:

2019

	Houses and buildings	Properties under construction	Total
Opening balance	71,804,000,000.00	6,729,000,000.00	78,533,000,000.00
Purchase	476,635,161.11	2,665,066,058.74	3,141,701,219.85
Transfer from properties under construction to completed properties	2,039,000,000.00	(2,039,000,000.00)	—
Business combinations not involving enterprises under common control	669,000,000.00	—	669,000,000.00
Assets acquisition	—	1,592,605,288.15	1,592,605,288.15
Assets disposal	(430,000,000.00)	—	(430,000,000.00)
Changes in fair value	1,015,364,838.89	585,328,653.11	1,600,693,492.00
Closing balance	75,574,000,000.00	9,533,000,000.00	85,107,000,000.00

## V. NOTES TO THE MAJOR ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 15. Investment Property (Continued)

2018

	Houses and buildings	Properties under construction	Total
Opening balance	67,864,000,000.00	2,967,000,000.00	70,831,000,000.00
Purchase	643,631,281.17	2,205,289,554.33	2,848,920,835.50
Transfer from properties under construction to completed properties	165,000,000.00	(165,000,000.00)	—
Business combinations not involving enterprises under common control	736,177,185.50	—	736,177,185.50
Assets acquisition	1,530,222,806.01	766,506,055.54	2,296,728,861.55
Changes in fair value	864,968,727.32	955,204,390.13	1,820,173,117.45
Closing balance	71,804,000,000.00	6,729,000,000.00	78,533,000,000.00

Such investment properties are rented to the third party under operating lease.

The amount of interest capitalization included in investment properties this year was RMB266,030,298.54.

As at 31 December 2019, the investment properties valued RMB68,633,000,000.00 was held by the Group as security to acquire borrowings and commercial mortgage-backed securities of RMB27,879,761,797.51. Please refer to Note V 65. Assets with Restricted Ownership or Use Right.

# Notes to the Financial Statements

For the year 2019 (RMB)

## V. NOTES TO THE MAJOR ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 15. Investment Property (Continued)

As at 31 December 2019, the investment properties at fair value of RMB1,907,000,000.00 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 31 December 2019, the investment properties with ownership certificate not settled are as follows:

	Book value	Reason for not yet settling
Nanjing International Home Living Plaza (南京國際家居廣場)	1,458,000,000.00	Application for ownership certificate is in progress
Lanzhou Shibo Home Furnishing Plaza (蘭州世博家居商場)	468,000,000.00	Application for ownership certificate is in progress
Hangzhou Shibo Furniture Plaza (杭州世博家居商場)	286,000,000.00	Application for ownership certificate is in progress
Hefei Logistics Park (合肥物流園)	187,000,000.00	Application for ownership certificate is in progress
	<b>2,399,000,000.00</b>	

## V. NOTES TO THE MAJOR ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 16. Fixed Assets

2019

	Houses and buildings	Special equipment	Transportation equipment	Electronic equipment, appliances	Total
Original value					
Opening balance	—	26,501,687.19	151,730,251.08	281,343,778.28	459,575,716.55
Purchase	—	112,553,434.12	17,695,538.88	97,064,868.55	227,313,841.55
Transfer from construction in progress	549,918,707.57	—	—	2,666,784.92	552,585,492.49
Business combinations involving enterprises not under common control	—	—	—	674,600.10	674,600.10
Disposal or retirement	—	964,970.93	7,544,073.86	11,760,217.58	20,269,262.37
Closing balance	549,918,707.57	138,090,150.38	161,881,716.10	369,989,814.27	1,219,880,388.32
Accumulated depreciation					
Opening balance	—	2,783,242.61	98,492,986.51	165,881,444.93	267,157,674.05
Provision	—	13,468,246.76	18,054,069.08	40,739,125.93	72,261,441.77
Disposal or retirement	—	27,735.02	6,881,239.13	10,125,907.96	17,034,882.11
Closing balance	—	16,223,754.35	109,665,816.46	196,494,662.90	322,384,233.71
Book value					
Closing	549,918,707.57	121,866,396.03	52,215,899.64	173,495,151.37	897,496,154.61
Opening	—	23,718,444.58	53,237,264.57	115,462,333.35	192,418,042.50

# Notes to the Financial Statements

For the year 2019 (RMB)

## V. NOTES TO THE MAJOR ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 16. Fixed Assets (Continued)

2018

	Special equipment	Transportation equipment	Electronic equipment, appliances and fixtur	Total
Original value				
Opening balance	23,386,540.68	135,132,898.04	234,362,847.49	392,882,286.21
Purchase	4,749,142.34	22,308,212.45	47,195,283.39	74,252,638.18
Transfer from construction in progress	—	—	15,591,518.40	15,591,518.40
Business combinations involving enterprises not under common control	—	2,898,472.00	6,140,486.08	9,038,958.08
Disposal or retirement	1,633,995.83	8,609,331.41	21,946,357.08	32,189,684.32
Closing balance	26,501,687.19	151,730,251.08	281,343,778.28	459,575,716.55
Accumulated depreciation				
Opening balance	2,609,667.09	90,101,807.75	141,308,123.37	234,019,598.21
Provision	1,605,786.02	13,385,221.44	38,844,136.13	53,835,143.59
Business combinations involving enterprises not under common control	—	2,708,423.40	4,977,042.65	7,685,466.05
Disposal or retirement	1,432,210.50	7,702,466.08	19,247,857.22	28,382,533.80
Closing balance	2,783,242.61	98,492,986.51	165,881,444.93	267,157,674.05
Book value				
Closing	23,718,444.58	53,237,264.57	115,462,333.35	192,418,042.50
Opening	20,776,873.59	45,031,090.29	93,054,724.12	158,862,688.00

## V. NOTES TO THE MAJOR ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 16. Fixed Assets (Continued)

As at 31 December 2019, the houses and buildings with ownership certificate not settled are as follows:

	Book value	Reason for not yet settling
Hongqiao office building 2 south building	549,918,707.57	Application for ownership certificate is in progress

As of December 31, 2019, the Group's fixed assets with value of RMB549,918,707.57 were used as mortgaged collateral to obtain loans of RMB274,750,000.00. Please refer to Note V. 65. Assets with restricted ownership or use rights.

As at the end of this year, the Group held no temporarily vacant fixed assets or fixed assets rented in under finance lease.

As at the end of this year, the management of the Group assessed fixed assets and considered no provision for impairment is necessary.



# Notes to the Financial Statements

For the year 2019 (RMB)

## V. NOTES TO THE MAJOR ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 16. Fixed Assets (Continued)

Fixed assets rented out under operating lease are as follows:

2019

	Special equipment
Original value	
Opening balance	—
Purchase	107,017,606.42
Closing balance	107,017,606.42
Accumulated depreciation	
Opening balance	—
Provision	1,135,304.25
Closing balance	1,135,304.25
Closing	105,882,302.17
Opening	—

## V. NOTES TO THE MAJOR ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 17. Construction in Progress

	2019			2018		
	Book balance	Impairment allowance	Book value	Book balance	Impairment allowance	Book value
Construction in Progress	2,329,221,258.37	—	2,329,221,258.37	84,866,598.69	—	84,866,598.69

As at the end of the period, the management of the Group assessed construction in progress and considered no provision for impairment was necessary.

Significant changes of construction in progress in 2019 are as follows:

	Budget	Opening balance	Addition in this year	Transfer in from fixed assets	Closing balance	fund sources	construction investment
							of budget (%)
Hongqiao Office building	2,517,518,777.95	22,815,121.20	2,432,093,856.32	549,918,707.57	1,904,990,269.95	Own funds and loans	98%

As at December 31, 2019, the construction in progress held by the Group with value of RMB2,310,501,272.84 was used as mortgage guarantee to obtain a loan of RMB1,032,000,000.00. Please refer to Note V. 65. Assets with restricted ownership or use rights.

# Notes to the Financial Statements

For the year 2019 (RMB)

## V. NOTES TO THE MAJOR ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 18. Right-of-Use Assets

2019

	Houses and buildings	Other equipments	Total
Cost			
Opening balance	4,572,609,477.51	24,321,055.16	4,596,930,532.67
Addition	780,575,289.48	—	780,575,289.48
Closing balance	5,353,184,766.99	24,321,055.16	5,377,505,822.15
Accumulated depreciation			
Opening balance	1,844,030,338.77	11,147,150.28	1,855,177,489.05
Provision	433,928,063.52	1,216,052.76	435,144,116.28
Closing balance	2,277,958,402.29	12,363,203.04	2,290,321,605.33
Book value			
Closing	3,075,226,364.70	11,957,852.12	3,087,184,216.82
Opening	2,728,579,138.74	13,173,904.88	2,741,753,043.62

## V. NOTES TO THE MAJOR ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 19. Intangible Assets

2019

	Software	Trademark use right (Note)	Others	Total
Original value				
Opening balance	163,554,516.53	525,000,000.00	10,617,578.51	699,172,095.04
Purchase	22,340,015.57	—	49,557.52	22,389,573.09
Business combinations involving enterprises not under common control	96,711.58	—	—	96,711.58
Transfer from construction in progress	—	—	2,058,555.65	2,058,555.65
Closing balance	185,991,243.68	525,000,000.00	12,725,691.68	723,716,935.36
Accumulated amortization				
Opening balance	56,166,367.30	72,942,099.39	9,232,696.84	138,341,163.53
Provision	21,544,864.01	13,852,583.58	715,991.35	36,113,438.94
Closing balance	77,711,231.31	86,794,682.97	9,948,688.19	174,454,602.47
Impairment allowance				
Opening and closing balance	—	100,000,000.00	—	100,000,000.00
Book value				
Closing	108,280,012.37	338,205,317.03	2,777,003.49	449,262,332.89
Opening	107,388,149.23	352,057,900.61	1,384,881.67	460,830,931.51

# Notes to the Financial Statements

For the year 2019 (RMB)

## V. NOTES TO THE MAJOR ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 19. Intangible Assets (Continued)

2018

	Software	Trademark use right (Note)	Others	Total
Original value				
Opening balance	127,336,311.10	525,000,000.00	9,166,275.37	661,502,586.47
Purchase	5,115,216.97	—	1,451,303.14	6,566,520.11
Internal research and development	30,899,222.46	—	—	30,899,222.46
Business combinations involving enterprises not under common control	98,803.42	—	—	98,803.42
Transfer from construction in progress	104,962.58	—	—	104,962.58
Closing balance	163,554,516.53	525,000,000.00	10,617,578.51	699,172,095.04
Accumulated amortization				
Opening balance	34,794,817.50	59,060,916.99	9,029,806.56	102,885,541.05
Provision	21,371,549.80	13,881,182.40	202,890.28	35,455,622.48
Closing balance	56,166,367.30	72,942,099.39	9,232,696.84	138,341,163.53
Impairment allowance				
Opening and closing balance	—	100,000,000.00	—	100,000,000.00
Book value				
Closing	107,388,149.23	352,057,900.61	1,384,881.67	460,830,931.51
Opening	92,541,493.60	365,939,083.01	136,468.81	458,617,045.42

As at 31 December 2019, intangible assets formed through internal research and development accounted for 4.31% of the book value of intangible assets as at the end of the year (31 December 2018: 4.42%).

## V. NOTES TO THE MAJOR ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 19. 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) 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, Shanghai Jisheng Wellborn Furniture Company Limited 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 Malls or Managed Shopping Malls and in the business operation course related with those shopping malls. Meanwhile, the Company has the right to authorize any third parties to use the licensed trademarks within the properties of the shopping malls from 1 June 2014 to 30 May 2044.

The Company shall pay an annual fee in standard for establishing shopping malls to use the licensed trademarks in addition to the nonrecurring trademark licensing fee of RMB525,000,000.00, the period for payment is the period from the opening date of the shopping mall to the day when the shopping mall ceases to use the licensing trademarks. The right to use the trademark was amortized on a straight-line basis within 30 years of the licensed period contracted by the Group since June 2014. As at the end of the current year, impairment of the right to use the trademarks of JSWB determined amounted to RMB100,000,000.00.

### 20. Development Expenditure

2019

	Opening balance	Increase in the current year	Decrease in the current year		Closing balance
		Internal research and development	Capitalized as intangible assets	Recognized in profit or loss	
Home improvement and data platform	—	34,245,602.45	—	—	34,245,602.45

# Notes to the Financial Statements

For the year 2019 (RMB)

## V. NOTES TO THE MAJOR ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 20. Development Expenditure (Continued)

2018

	Opening balance	Increase in the current year Internal research and development	Decrease in the current year		Closing balance
			Capitalized as intangible assets	Recognized in profit or loss	
Home improvement and data platform	29,418,402.19	1,480,820.27	30,899,222.46	—	—

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.

### 21. Goodwill

2019

	Opening balance	Increase in the current year Business combinations not involving enterprises under common control	Decrease in the current year Disposal group/disposal allocated to held for sale	Closing balance
Xinsheng Property Management (Shanghai) Co., Ltd. (鑫笙物業管理(上海)有限公司)	—	81,004,690.44	—	81,004,690.44
	16,592,357.41	81,004,690.44	—	97,597,047.85

## V. NOTES TO THE MAJOR ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 21. Goodwill (Continued)

2018

	Opening balance	Increase in the current year Business combinations not involving enterprises under common control	Decrease in the current year Disposal group/ disposal allocated to held for sale	Closing balance
Suzhou Industry Park Zhongxiang Meitong Storage Company Limited (蘇州工業園區 中翔美通倉儲銷售 有限公司)	16,592,357.41	—	—	16,592,357.41

The Group acquired Xinsheng Property Management (Shanghai) Co., Ltd. in September 2019 and formed goodwill of RMB81,004,690.44. For the calculation process, please refer to Note VI.1.

The main cash flows generated from the aforementioned subsidiaries acquired are independent from those of the other subsidiaries of the Group and the Group managed the producing activity of the aforementioned subsidiaries independently, therefore, each of these acquired subsidiaries is an asset portfolio. and in performing the impairment test, the goodwill generated from each acquisition is allocated to the corresponding subsidiary acquired. The asset portfolios are consistent with the prior years' and those as acquired.



# Notes to the Financial Statements

For the year 2019 (RMB)

## V. NOTES TO THE MAJOR ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 21. Goodwill (Continued)

Assumptions were used in the value-in-use calculation of all the cash-generating units for 31 December 2019 and 31 December 2018. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

- 1) The Company under evaluation continues to operate and there are no major changes affecting the key aspects of production and operations and the current situation in terms of business scope, sales model, channels and management.
- 2) The socio-economic environment in which the company under evaluation is located does not cause major changes and there are no major changes in relevant laws, regulations, policies and regulations.
- 3) The business scope, operating mode, and management mode of the company under evaluation are consistent and continuously improve with the development of the economy.
- 4) The interest rate, exchange rate, tax base and tax rate fell within the normal range prescribed by the state and had had not changed significantly, etc..

The estimated gross profit margin is determined by increasing the average gross profit margin achieved in the previous year to an extent that duly reflects the estimated efficiency improvement and estimated market conditions. The discount rate is a pre-tax discount rate that reflects the specific risks of the relevant asset groups or portfolios of asset groups.

The amount assigned to key assumptions on each asset group was consistent with the Group's historical experience and external information sources.

## V. NOTES TO THE MAJOR ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 21. Goodwill (Continued)

#### **Suzhou Industry Park Zhongxiang Meitong Storage Company Limited (“Suzhou Zhongxiang”)**

The subsidiary to which goodwill belongs is deemed as an asset group when being tested for goodwill impairments. The recoverable amount of an asset group to which goodwill belongs is determined based on the present value of the estimated future cash flows of the asset group which are determined based on the financial budget for the forecast period (2020–2024) approved by the management. The pre-tax discount rate used to forecast the cash flows of the asset group during the forecast period was 6.5%, and the growth rate used to extrapolate the cash flows beyond the forecast period is 0%. Since, after calculation, the present value of the estimated future cash flows of Suzhou Zhongxiang was higher than the carrying amount of the portfolios of asset groups, the Group believed that there were no impairments of goodwill arising from the acquisition of Suzhou Zhongxiang.

#### **Xinsheng property management (Shanghai) Co., Ltd (鑫笙物業管理(上海)有限公司) (“Shanghai Xinsheng”)**

The subsidiary to which goodwill belongs is deemed as an asset group when being tested for goodwill impairments. The recoverable amount of an asset group to which goodwill belongs is determined based on the net amount of fair value of an asset group after deducting costs of disposal, and the carrying amount of Shanghai Xinsheng’s assets group for impairment test was the carrying amount of an assets group after deducting the non-core goodwill arising from the recognition of deferred income tax liabilities. According to the calculation, the net amount of fair value of Shanghai Xinsheng after deducting costs of disposal was equal to the carrying amount of the assets group. The Group believes that there is no impairment of the goodwill arising from the acquisition of Shanghai Xinsheng.

# Notes to the Financial Statements

For the year 2019 (RMB)

## V. NOTES TO THE MAJOR ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 22. Long-term Prepaid Expenses

2019

	Opening balance	Increase in the current year	Amortized in the current year	Closing balance
Improvement expenditures for fixed assets rented (Note)	302,233,682.81	133,136,564.64	106,467,521.40	328,902,726.05
Others	98,498,257.72	107,468,560.11	45,071,630.48	160,895,187.35
	400,731,940.53	240,605,124.75	151,539,151.88	489,797,913.40

2018

	Opening balance	Increase in the current year	Amortized in the current year	Closing balance
Improvement expenditures for fixed assets rented (Note)	200,547,530.02	166,072,610.08	64,386,457.29	302,233,682.81
Others	28,785,889.46	98,658,872.31	28,946,504.05	98,498,257.72
	229,333,419.48	264,731,482.39	93,332,961.34	400,731,940.53

Note: Improvement expenditures for fixed assets rented represents improvement expenditures for Leased Portfolio Shopping Malls, which may be evenly amortized by the Group in stages during the shorter of an estimated beneficial period of 10 years and the lease term of Leased Portfolio Shopping Malls.

## V. NOTES TO THE MAJOR ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 23. Deferred Tax Assets/Liabilities

Deferred tax assets and deferred income tax liabilities that are not offset:

	2019		2018	
	Deductible temporary difference	Deferred income tax assets	Deductible temporary difference	Deferred income tax assets
Deferred tax assets				
Provision for impairment of assets	1,852,105,223.01	442,995,107.89	1,612,814,358.32	394,374,195.44
Deductible loss	1,595,772,514.14	398,072,306.19	604,145,722.29	151,036,430.57
Provision for unpaid expenses	1,365,643,156.99	311,791,221.75	1,001,771,480.32	238,027,030.94
Asset-related deferred income	206,266,686.48	51,566,671.62	212,454,480.78	53,113,620.20
Cost overruns for advertising expenses	501,281,736.97	123,495,312.88	173,542,163.46	43,329,619.20
Long-term assets capitalized in Group's internal transaction	258,543,175.84	64,635,793.96	237,870,091.12	59,467,522.78
	<b>5,779,612,493.43</b>	<b>1,392,556,414.29</b>	3,842,598,296.29	939,348,419.13

	2019		2018	
	Taxable temporary differences	Deferred income tax liabilities	Taxable temporary differences	Deferred income tax liabilities
Deferred tax liabilities				
Change in fair value of other equity instrument investments	2,223,390,803.09	384,033,088.42	1,384,879,030.52	222,391,208.03
Changes in fair value of investment properties	45,085,034,844.84	11,271,258,711.21	42,268,944,184.12	10,420,105,853.23
Adjustment to the fair value arising from business combination	2,207,854,229.64	551,963,557.41	1,932,980,078.72	483,245,019.68
	<b>49,516,279,877.57</b>	<b>12,207,255,357.04</b>	45,586,803,293.36	11,125,742,080.94

# Notes to the Financial Statements

For the year 2019 (RMB)

## V. NOTES TO THE MAJOR ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 23. Deferred Tax Assets/Liabilities (Continued)

Offsetting of balances of Deferred tax assets and Deferred tax liabilities:

	2019		2018	
	Offset amount	Balance after offset	Offset amount	Balance after offset
Deferred tax assets	<b>217,978,253.40</b>	<b>1,174,578,160.89</b>	117,079,269.71	822,269,149.42
Deferred tax liabilities	<b>217,978,253.40</b>	<b>11,989,277,103.64</b>	117,079,269.71	11,008,662,811.23

Deductible temporary difference and deductible loss, for which Deferred tax assets are not recognized, are as follows:

	2019	2018
Deductible temporary difference	<b>113,328,222.95</b>	120,207,604.78
Deductible loss	<b>4,418,853,167.03</b>	4,657,287,842.82
	<b>4,532,181,389.98</b>	4,777,495,447.60

Deductible temporary difference and deductible loss, for which Deferred tax assets are not recognized, will expire in the following years:

	2019	2018
2019	—	534,573,048.53
2020	<b>590,599,367.55</b>	678,304,787.68
2021	<b>504,987,710.68</b>	584,110,635.84
2022	<b>880,688,302.72</b>	1,191,191,220.12
2023	<b>1,114,328,364.37</b>	1,669,108,150.65
2024	<b>1,328,249,421.71</b>	—
	<b>4,418,853,167.03</b>	4,657,287,842.82

## V. NOTES TO THE MAJOR ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 24. Other Non-Current Assets

	2019	2018
Prepayments for construction and advance payment for land compensation	<b>1,178,095,042.62</b>	1,082,625,009.14
Earning right related to land consolidation (Note 1)	<b>1,835,867,940.18</b>	1,835,867,940.18
Prepayments for purchasing properties (Note 2)	<b>1,126,150,960.96</b>	2,023,201,395.18
Entrusted loans and borrowings (Note 3)	<b>1,233,494,852.24</b>	420,627,588.70
Prepayments for equity transfer (Note 4)	<b>230,549,000.00</b>	301,323,500.00
Prepayments for repurchase	<b>247,705,000.00</b>	247,705,000.00
Prepayments for land (Note 5)	<b>32,923,170.75</b>	210,862,580.50
Deposits	<b>38,100,000.00</b>	92,700,000.00
	<b>5,922,885,966.75</b>	6,214,913,013.70
Less: impairment allowance of other non-current assets	<b>72,001,630.81</b>	32,356,447.32
	<b>5,850,884,335.94</b>	6,182,556,566.38

Note 1: In August 2018, the Group acquired 70% equity interest in Yintai (Yongqing) New City Investment Co., Ltd. (銀泰(永清)新城投資有限公司) at a consideration of RMB1 billion, and acquired an earning right thereof related to land consolidation simultaneously.

Note 2: In 2016, the Group purchased an office property in Minhang District, Shanghai (estimated total construction area of approximately 57,900 square meters) for RMB2,006,081,395.18 and entered into a commercial housing pre-sale contract. In 2017, the Group has paid the full amount of the house purchase and has gone through the online signing procedure for commercial house pre-sale. The office building has been delivered in 2019, and the Group began to carry out renovation, so it was transferred to the construction in progress. At the same time, in 2017, the Group subscribed to the use-right of the negative first-level, use-right and property rights of the parking spaces of the office property, with a total price of RMB123,279,435.00 and a deposit of RMB17,120,000.00 has been paid according to the subscription agreement. In 2019, the Group paid the remaining price. As at December 31, 2019, RMB98,623,548.00 was still listed as other non-current assets;

As at December 31, 2019, prepaid purchases were mainly prepayments paid by the Group for the purchase of several commercial properties and office buildings this year.

# Notes to the Financial Statements

For the year 2019 (RMB)

## V. NOTES TO THE MAJOR ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 24. Other Non-Current Assets (Continued)

*Note 3:* The interest rate of the trust loan issued by the Group to Oupai Furniture Group Co., Ltd. is 10%. At the end of the year, the balance of the loan principal is RMB375,000,000.00, and the maturity date is December 2021. , the repayment of principal and interest is one time at maturity, the balance of interest at the end of the year was RMB31,454,406.01, which was all listed as other non-current assets at the end of the year.

The Group provided funds to Xi'an Jiahexing Home Furnishing Co., Ltd. (西安佳和興家居有限責任公司) with an interest rate of 11%, which was used for land construction supporting costs and costs at the early stage. The balance of principal and interest at the end of the year was RMB376,511,491.37, which was all listed as other non-current assets at the end of the year;

The entrusted loan and borrowing granted by the Group to Shaanxi Red Star Heji Home Shopping Plaza Company Limited (陝西紅星和記家居購物廣場有限公司) both had an interest rate of 10% and a balance amounting to RMB150,000,000.00 and RMB71,236,187.86 respectively as at the end of the period, the term of the entrusted loan is from January 2019 to January 2022, and the maturity date of the loan is December 2021, all of which were accounted as other non-current assets as at the end of the period;

Interest rate of the entrusted loan issued by the Group to Hancheng Xinding Real Estate Development Co., Ltd. (韓城市鑫鼎房地產開發有限責任公司) is 9%, and the balance of the loan principal at the end of the year is RMB80,000,000.00. The term is from May 2019 to May 2021, all of which are listed at the end of the year Shown as other non-current assets;

*Note 4:* The Group signed an agreement with Shaanxi Jiixin Weiye Industrial Development Co., Ltd. (陝西佳鑫偉業實業發展有限責任公司) to acquire 18.6% shares of Xi'an Jiahexing Home Furnishing Co., Ltd. (西安佳和興家居有限責任公司) held by Shaanxi Jiixin Weiye Industrial Development Co., Ltd. (陝西佳鑫偉業實業發展有限責任公司), as at December 31, 2019, the Group prepaid equity transfer amount of RMB18,600,000.00 according to the contract;

The Group intends to acquire 4.9% and 5.1% shares of Xinsheng Property Management (Shanghai) Co., Ltd. (鑫笙物業管理(上海)有限公司) held by Jinjiang International (Group) Co., Ltd. (鑫笙物業管理(上海)有限公司) and Shanghai New Long March (Group) Co., Ltd. (上海新長征(集團)有限公司), as at December 31, 2019, the Group prepaid equity transfer payment of RMB46,949,000.00 according to the contract;

The Group signed a share purchase agreement with Quzhou Gangrunhong Holdings Co., Ltd. (衢州港潤宏控股有限公司), the controlling shareholder of Zhejiang Xierkang Smart Home Co., Ltd. (浙江喜爾康智能家居有限公司), to acquire 4.48913% shares of Xierkang. As at December 31, 2019, the Group prepaid equity transfer payment of RMB20,000,000.00 according to the contract;

The Group signed a share purchase agreement with Shanghai Zhenghui Kangju Environmental Protection Technology Co., Ltd. (上海正輝康居環保科技股份有限公司) to acquire the 5.26% shares that it plans to issue. As at December 31, 2019, the Group prepaid equity transfer payment of RMB5,000,000.00 according to the contract.

The Group has signed an agreement with Aibi (Beijing) Intelligent Technology Co., Ltd. (愛筆(北京)智能科技有限公司) to subscribe for 3,918,671 preferred shares. As at December 31, 2019, the Group prepaid equity transfer payment of RMB140,000,000.00 according to the contract.

*Note 5:* Prepayments for land is because the land certificate of the purchased land is still being processed. This part of the land payment is included in other non-current assets. After obtaining the land certificate, the prepayments for land will be transferred to investment properties.

## V. NOTES TO THE MAJOR ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 24. Other Non-Current Assets (Continued)

The movement of impairment allowance of other non-current assets is as follows:

	Opening balance	Others (note 1)	Provision for the current year	Reversal for the current year	Reclassify for the current year (note 2)	Closing balance
2019	32,356,447.32	—	34,800,279.03	(695,500.00)	5,540,404.46	72,001,630.81
2018	17,600,000.00	13,852,448.52	903,998.80	—	—	32,356,447.32

Note 1: Refers to the impacted amount of bad debt allowance at the beginning of 2018 under the implementation of the New Standards for Financial Instruments in 2018.

Note 2: The loans were reclassified from long-term receivables to other non-current assets in this year.

The movement of bad debt provision for other non-current assets based on 12-month expected credit losses and the lifetime expected credit losses is as follows:

#### 2019

	Stage 1 Expected credit losses in the next 12 months	Stage 2 Lifetime expected credit losses	Stage 3 Credit-impaired financial assets (Lifetime expected credit losses)	Total
Opening balance	32,356,447.32	—	—	32,356,447.32
Opening balance in current year				
—Transfer to stage 2	(50,000.00)	50,000.00	—	—
Provision during this year	34,800,279.03	—	—	34,800,279.03
Reversal during this year	(695,500.00)	—	—	(695,500.00)
Reclassification during this year (note)	4,840,404.46	700,000.00	—	5,540,404.46
Closing balance	71,251,630.81	750,000.00	—	72,001,630.81

Note : The loans were reclassified from long-term receivables to other non-current assets in this year.



# Notes to the Financial Statements

For the year 2019 (RMB)

## V. NOTES TO THE MAJOR ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 24. Other Non-Current Assets (Continued)

2018

	Stage 1 Expected credit losses in the next 12 months	Stage 2 Lifetime expected credit losses	Stage 3 Credit-impaired financial assets (Lifetime expected credit losses)	Total
Opening balance	17,600,000.00	—	—	17,600,000.00
Adjustments as the				
Beginning of this year	13,852,448.52	—	—	13,852,448.52
Provision during this year	903,998.80	—	—	903,998.80
Closing balance	32,356,447.32	—	—	32,356,447.32

## V. NOTES TO THE MAJOR ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 25. Impairment Allowance of Assets

2019

	Opening balance	Provision for the current year	Decrease for the year			Closing balance
			Reversal	writing-off/ written-off	Reclassification	
Impairment allowance of accounts receivable and other receivables	1,435,554,285.57	248,612,148.15	(28,831,402.28)	(149,527,067.98)	(80,747,689.66)	1,425,060,273.80
Impairment allowance of contract assets	48,291,666.68	45,726,468.34	—	(21,125,000.00)	—	72,893,135.02
Impairment allowance of non-current assets due within one year	50,000.00	4,377,770.86	—	—	1,178,958.89	5,606,729.75
Impairment allowance of other current assets	13,500,000.00	8,459,025.40	(10,737,422.22)	—	80,747,689.66	91,969,292.84
Impairment allowance of long-term receivables	15,468,406.07	1,866,499.10	(5,715,804.32)	—	(6,719,363.35)	4,899,737.50
Impairment allowance of other non-current assets	32,356,447.32	34,800,279.03	(695,500.00)	—	5,540,404.46	72,001,630.81
Impairment allowance of intangible assets	100,000,000.00	—	—	—	—	100,000,000.00
	1,645,220,805.64	343,842,190.88	(45,980,128.82)	(170,652,067.98)	—	1,772,430,799.72

# Notes to the Financial Statements

For the year 2019 (RMB)

## V. NOTES TO THE MAJOR ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 25. Impairment Allowance of Assets (Continued)

2018

	Opening balance	Opening adjustment (Note)	Provision for the current year	Decrease for the year		Closing balance
				Reversal	writing-off/ written-off	
Impairment allowance of accounts receivable and other receivables	975,736,442.85	216,847,356.78	271,468,348.23	(27,337,037.63)	(1,160,824.66)	1,435,554,285.57
Impairment allowance of contract assets	—	62,422,871.94	7,342,598.91	(21,473,804.17)	—	48,291,666.68
Impairment allowance of non-current assets due within one year	—	—	50,000.00	—	—	50,000.00
Impairment allowance of other current assets	600,000.00	1,100,000.00	11,800,000.00	—	—	13,500,000.00
Impairment allowance of available-for-sale assets	146,800,202.48	(146,800,202.48)	—	—	—	—
Impairment allowance of long-term receivables	—	10,727,801.22	4,740,604.85	—	—	15,468,406.07
Impairment allowance of other non-current assets	17,600,000.00	13,852,448.52	903,998.80	—	—	32,356,447.32
Impairment allowance of intangible assets	100,000,000.00	—	—	—	—	100,000,000.00
	1,240,736,645.33	158,150,275.98	296,305,550.79	(48,810,841.80)	(1,160,824.66)	1,645,220,805.64

Note: Refers to the impacted amount of bad debt allowance at the beginning of 2018 under the implementation of the New Standards for Financial Instruments in 2018.

## V. NOTES TO THE MAJOR ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 26. Short-term Loans

	2019	2018
Mortgage loans	2,434,380,441.26	3,143,515,994.25
Pledge loans	—	979,312,063.44
Credit loans	350,568,684.02	701,907,497.48
Guaranteed loans	302,428,750.00	286,835,518.75
Pledge and guaranteed loans	300,516,666.67	—
Mortgage and guaranteed loans	—	55,084,027.78
	<b>3,387,894,541.95</b>	5,166,655,101.70

As at 31 December 2019, the aforesaid borrowings carried interest at 2.78% to 6.20% (31 December 2018: 4.35% to 6.80%).

As at 31 December 2019, there were no overdue (31 December 2018: nil).

### 27. Accounts Payable

Accounts payable bear no interests, and generally be liquidated within one year

	2019	2018
Amounts payable for construction	945,247,859.30	616,071,095.78
Amounts payable for goods for construction or advertisements	531,122,995.77	354,045,884.56
	<b>1,476,370,855.07</b>	970,116,980.34

As at 31 December 2019, the Group had no significant accounts payable aged over one year.

# Notes to the Financial Statements

For the year 2019 (RMB)

## V. NOTES TO THE MAJOR ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 28. Advance from Customers

	2019	2018
Rental and relevant payments	<b>1,159,059,013.47</b>	1,249,019,601.25

As at 31 December 2019, the Group had no significant advance from customers aged more than 1 year.

### 29. Contract Liabilities

	2019	2018
Charges for the brand consulting and management service for the early stage of the project	<b>1,079,808,561.64</b>	1,170,519,873.08
Charges for annual brand consulting and management service for the project	<b>182,152,701.27</b>	217,355,411.92
Charges for commercial management and consultation service for construction project	<b>95,283,018.87</b>	70,698,147.66
Commercial consultation fees and tenant sourcing commissions	<b>302,550,032.20</b>	587,744,658.46
Construction and design service	<b>162,578,534.73</b>	139,146,183.52
Others	<b>399,462,609.25</b>	416,514,233.09
	<b>2,221,835,457.96</b>	2,601,978,507.73

The amount and reasons for the significant change in the book value of contract liabilities this year:

	Movement	Main reason for movement
the brand consulting and management service for the early stage of the project	(90,711,311.44)	Due to the further progress of the project
Commercial consultation fees and tenant sourcing commissions	(285,194,626.26)	Due to the further progress of the project

The amount received or receivable by the Group before providing services forms contract liabilities, which is transferred to revenue when having performed performance obligations.

## V. NOTES TO THE MAJOR ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 30. Payroll Payable

2019

	Opening balance	Increase in the current period	Decrease in the current period	Closing balance
Short-term compensation	897,453,746.01	3,345,263,962.44	3,428,542,684.78	814,175,023.67
Retirement benefits (defined contribution plans)	14,761,515.61	289,757,115.15	290,309,274.88	14,209,355.88
Termination benefits	1,770,761.90	16,207,822.65	16,000,052.55	1,978,532.00
	<b>913,986,023.52</b>	<b>3,651,228,900.24</b>	<b>3,734,852,012.21</b>	<b>830,362,911.55</b>

2018

	Opening balance	Increase in the current period	Decrease in the current period	Closing balance
Short-term compensation	786,271,323.97	3,237,577,016.06	3,126,394,594.02	897,453,746.01
Retirement benefits (defined contribution plans)	11,091,542.77	298,192,087.68	294,522,114.84	14,761,515.61
Termination benefits	3,174,249.30	13,225,452.07	14,628,939.47	1,770,761.90
	<b>800,537,116.04</b>	<b>3,548,994,555.81</b>	<b>3,435,545,648.33</b>	<b>913,986,023.52</b>

# Notes to the Financial Statements

For the year 2019 (RMB)

## V. NOTES TO THE MAJOR ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 30. Payroll Payable (Continued)

Details of short-term compensation are as follows:

2019

	Opening balance	Increase in the current period	Decrease in the current period	Closing balance
Wages or salaries, bonuses, allowances and subsidies	879,743,136.91	2,795,424,109.87	2,881,856,008.34	793,311,238.44
Staff welfare	1,393,049.90	197,377,678.34	198,763,379.24	7,349.00
Social insurance	6,715,340.01	157,572,497.09	156,136,609.00	8,151,228.10
Including: Medical insurance	5,972,559.98	138,941,985.03	137,755,971.46	7,158,573.55
Work injury insurance	213,008.18	6,779,425.95	6,553,618.33	438,815.80
Maternity insurance	529,771.85	11,851,086.11	11,827,019.21	553,838.75
Housing fund	6,878,925.12	144,360,769.00	141,513,371.12	9,726,323.00
Labour union and staff education fund	2,723,294.07	50,528,908.14	50,273,317.08	2,978,885.13
	897,453,746.01	3,345,263,962.44	3,428,542,684.78	814,175,023.67

2018

	Opening balance	Increase in the current period	Decrease in the current period	Closing balance
Wages or salaries, bonuses, allowances and subsidies	771,713,934.86	2,861,452,475.43	2,753,423,273.38	879,743,136.91
Staff welfare	31,843.00	91,315,990.69	89,954,783.79	1,393,049.90
Social insurance	5,547,812.41	145,494,612.05	144,327,084.45	6,715,340.01
Including: Medical insurance	4,845,563.84	128,191,530.12	127,064,533.98	5,972,559.98
Work injury insurance	250,815.97	6,028,245.89	6,066,053.68	213,008.18
Maternity insurance	451,432.60	11,274,836.04	11,196,496.79	529,771.85
Housing fund	5,942,810.26	127,623,974.66	126,687,859.80	6,878,925.12
Labour union and staff education fund	3,034,923.44	11,689,963.23	12,001,592.60	2,723,294.07
	786,271,323.97	3,237,577,016.06	3,126,394,594.02	897,453,746.01

## V. NOTES TO THE MAJOR ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 30. Payroll Payable (Continued)

Details of defined contribution plans are as follows:

2019

	Opening balance	Increase in the current period	Decrease in the current period	Closing balance
Basic pension insurance premium	13,964,509.88	281,063,651.08	281,358,209.53	13,669,951.43
Unemployment insurance premium	797,005.73	8,693,464.07	8,951,065.35	539,404.45
	<b>14,761,515.61</b>	<b>289,757,115.15</b>	<b>290,309,274.88</b>	<b>14,209,355.88</b>

2018

	Opening balance	Increase in the current period	Decrease in the current period	Closing balance
Basic pension insurance premium	10,636,518.95	289,888,161.21	286,560,170.28	13,964,509.88
Unemployment insurance premium	455,023.82	8,303,926.47	7,961,944.56	797,005.73
	<b>11,091,542.77</b>	<b>298,192,087.68</b>	<b>294,522,114.84</b>	<b>14,761,515.61</b>

The Group participates in pension insurance and unemployment insurance plans established by government institutions as required. According to such plans, the Group makes contribution to such plans based on the staff's basic wage and the percentage specified by local governments, respectively. Besides above monthly contributions, the Group will not undertake further payment obligation. The corresponding cost charges to the profit or loss for the current period or the cost of a relevant asset when occurs.



# Notes to the Financial Statements

For the year 2019 (RMB)

## V. NOTES TO THE MAJOR ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 31. Taxes Payable

	2019	2018
Enterprise income tax	479,574,541.33	273,769,447.40
VAT	187,446,869.35	263,960,675.63
Property tax	40,924,519.90	38,104,146.22
Others	31,447,882.67	31,842,470.73
	<b>739,393,813.25</b>	607,676,739.98

### 32. Other Payables

	2019	2018
Dividends payable	48,000,000.00	16,556,410.95
Other payables	7,751,973,358.09	8,480,341,163.12
	<b>7,799,973,358.09</b>	8,496,897,574.07

#### Dividends payable

	2019	2018
WU Yetian (吳業添)	48,000,000.00	—
Shanghai Tailang Enterprise Management Center (Limited Partnership) (上海台朗企業管理中心(有限合夥))	—	10,916,410.95
JIN Yan (金燕)	—	2,820,000.00
Shanghai Xinchangzheng (Group) Company Limited (上海新長征(集團)有限公司)	—	2,820,000.00
	<b>48,000,000.00</b>	16,556,410.95

## V. NOTES TO THE MAJOR ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 32. Other Payables (Continued)

#### Other payables

	2019	2018
Deposit for quality from tenants	2,226,343,504.62	2,199,727,009.49
Amounts due to partners	1,907,521,251.46	1,438,160,139.88
Amounts payable to construction contractors	902,975,131.35	800,535,460.58
Amounts payable to equity transfer	756,899,618.95	512,739,975.11
Proceeds collected on behalf of the tenants	703,358,452.32	2,233,316,693.86
Rental deposits from tenants	681,454,337.68	708,621,532.51
Accrued expenses	330,712,588.52	277,643,310.09
Amounts payable to prepaid cards	9,996,855.95	16,165,219.09
Rent payable	—	57,739,035.70
Others	232,711,617.24	235,692,786.81
	<b>7,751,973,358.09</b>	<b>8,480,341,163.12</b>

As at December 31, 2019, significant other payables aged over 1 year are as follows:

	Amount of payables	Reasons for non-payment
Zhengzhou Huashanghui Real Estate Development Co., Ltd. (鄭州華商匯房地產開發有限公司)	105,717,326.87	Not yet paid
Daqing Xusheng Real Estate Development Co., Ltd. (大慶旭生房地產開發有限公司)	84,645,637.43	Not yet paid
	<b>190,362,964.30</b>	

# Notes to the Financial Statements

For the year 2019 (RMB)

## V. NOTES TO THE MAJOR ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 33. Non-current Liabilities Due Within One Year

	2019	2018
Long-term loans due within one year — principal	<b>3,407,200,952.18</b>	2,355,738,787.02
Long-term loans due within one year — interest	<b>38,733,650.00</b>	33,131,060.84
Bonds payable due within one year — principal	<b>3,157,772,715.57</b>	1,496,573,720.79
Bonds payable due within one year — interest	<b>171,858,690.41</b>	124,493,601.14
Commercial mortgage backed securities due within one year — principal	<b>2,426,270,000.00</b>	62,800,000.00
Commercial mortgage backed securities due within one year — interest	<b>54,507,456.43</b>	39,547,483.49
Long-term rent due within one year	—	20,000,000.00
Financial lease payables due within one year	—	13,507,176.94
Lease liabilities due within one year	<b>548,397,168.84</b>	—
	<b>9,804,740,633.43</b>	4,145,791,830.22

### 34. Other Current Liabilities

	2019	2018
Output VAT to be transferred	<b>204,086,142.79</b>	161,684,557.80
Super short-term commercial papers (Note 1)	—	1,000,000,000.00
Asset-backed securities (Note 2)	<b>144,228,766.87</b>	—
	<b>348,314,909.66</b>	1,161,684,557.80

*Note 1:* 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 can issue Super Short-term Commercial Papers in installments during the registration period. The Group has issued the 2018 first tranche of Super Short-term Commercial Papers on 18 July 2018 and net proceeds have been received on 19 July 2018. The Company has issued the 2018 second tranche of Super Short-term Commercial Papers on 20 September 2018 and net proceeds have been received on 25 September 2018; the two phases totaled RMB1 billion. All have been repaid in 2019.

*Note 2:* From September 26, 2019, the Group issued the "Ping An-Lian Yirong-Red Star Macalline Home Supply Chain Finance No. 1 Asset-backed Special Plan" through the Shanghai Stock Exchange's fixed-income securities integrated electronic platform. The asset-backed special plan issued asset-backed securities of approximately RMB140 million, with a maturity date of March 6, 2020, and a fixed interest rate of 5.5%. As at the financial reporting date of this year, the asset-backed securities have been settled.

## V. NOTES TO THE MAJOR ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 35. Long-term Loans

	2019	2018
Mortgage loans	7,219,210,000.03	8,671,995,000.02
Pledge loans	602,350,000.00	1,814,850,000.00
Mortgage and pledge loans	5,176,096,029.92	2,802,292,625.00
Mortgage and guaranteed loans	2,777,970,285.81	992,225,147.98
Credit loans	—	25,000,000.00
Mortgage, pledge and guaranteed loans	144,000,000.00	—
	<b>15,919,626,315.76</b>	14,306,362,773.00

As of 31 December 2019, the aforesaid borrowings carried interest rates at 4.28% to 7.00% per annum (31 December 2018: 4.28% to 7.36%).

As at the end of this year, there were no long-term loans that were overdue.

\* The analysis of the maturity date of long-term loans is as follows:

	2019	2018
Expires within 1 year or requires payment at any time	—	—
Expires within 2 years	3,398,638,508.53	2,767,247,618.02
Expires within 3 to 5 years (including 3 and 5 years)	5,961,543,426.80	6,015,593,155.04
Over 5 years	6,559,444,380.43	5,523,521,999.94
	<b>15,919,626,315.76</b>	14,306,362,773.00

# Notes to the Financial Statements

For the year 2019 (RMB)

## V. NOTES TO THE MAJOR ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 35. Long-term Loans (Continued)

Description of the classification of long-term loans:

Pledge loans:	Represent the loans obtained by pledging all of the operating revenue of the shopping malls and the equity of our Group during the loan period.
Mortgage loans:	Represent the loans obtained by securing with the investment properties.
Credit loans:	Represent the loans obtained by providing guarantees by the companies within the Group or loans obtained by the Group from banks with its own reputation.
Mortgage and pledge loans:	Represent the loans obtained by securing with the investment properties and pledging with all of the operating revenue of the shopping malls during the loan period.
Mortgage and guaranteed loans:	Represent the loans obtained by securing with the investment properties and provided guarantee by the related parties.
Mortgage, pledge and guaranteed loans:	Represent the loans obtained by securing with the investment properties, pledging with cash and bank balances and all of the operating revenue of the shopping malls during the loan period.

### 36. Bonds Payable

	2019	2018
USD Bonds of 2017 of Hong Kong Red Star Macalline (5-year)	<b>2,069,727,307.24</b>	2,028,377,647.84
Corporate Bonds of 2019 of Red Star Macalline Group Corporation Ltd. (First tranche)	<b>1,989,378,280.09</b>	—
Corporate Bonds of 2016 of Red Star Macalline Group Corporation Ltd. (First tranche) (7-year)	<b>1,491,578,398.86</b>	1,486,702,860.36
Medium-term notes of 2019 of Red Star Macalline Group Corporation Ltd. (First tranche)	<b>498,226,329.56</b>	—
Medium-term notes of 2018 of Red Star Macalline Group Corporation Ltd. (First tranche)	<b>496,730,654.98</b>	495,097,539.32
Corporate Bonds of 2016 of Red Star Macalline Group Corporation Ltd. (First tranche) (5-year)	<b>46,800,000.00</b>	—
Corporate Bonds of 2018 of Red Star Macalline Group Corporation Ltd. (First tranche)	—	2,978,214,472.44
Corporate Bonds of 2015 of Red Star Macalline Group Corporation Ltd. (First tranche)	—	168,002,000.00
	<b>6,592,440,970.73</b>	7,156,394,519.96

# Notes to the Financial Statements

For the year 2019 (RMB)

## V. NOTES TO THE MAJOR ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 36. Bonds Payable (Continued)

As at 31 December 2019, balances of bonds payable present as follows:

	Par value	Issue date	Maturity	Issue amount	Opening balance	Issued in the year	Accrued interest in the year	Amortization of premium and for discount	Repayments in the year	Repayments of principal in the year	Repayments of interests in the year	Exchange gains and losses	Closing balance
Corporate Bonds of 2015 of Red Star Macalline Group Corporation Ltd. (First tranche) (Note 1)	5,000,000,000.00	10 November 2015	5 years	168,002,000.00	168,002,000.00	–	1,652,019.66	–	–	–	–	–	168,002,000.00
Corporate Bonds of 2016 of Red Star Macalline Group Corporation Ltd. (First tranche) (5-year) (16hongmei01) (Note 2)	1,500,000,000.00	14 July 2016	5 years	1,483,202,830.18	1,496,573,720.79	–	27,088,500.00	3,426,279.21	(1,453,200,000.00)	(52,500,000.00)	–	–	46,800,000.00
Corporate Bonds of 2016 of Red Star Macalline Group Corporation Ltd. (First tranche) (7-year) (16hongmei02) (Note 2)	1,500,000,000.00	14 July 2016	7 years	1,476,127,358.48	1,486,702,860.36	–	64,350,000.00	4,875,538.50	–	(64,350,000.00)	–	–	1,491,578,398.86
USD Bonds of 2017 of Hong Kong Red Star Macalline (5-year) (Note 3)	USD300,000,000	21 September 2017	5 years	1,937,306,895.63	2,028,377,647.84	–	75,668,265.92	7,728,154.33	–	(69,958,181.25)	33,621,505.07	–	2,069,727,307.24
Corporate Bonds of 2018 of Red Star Macalline Group Corporation Ltd. (First tranche) (Note 4)	3,000,000,000.00	6 November 2018	3 years	2,976,304,150.94	2,978,214,472.44	–	189,000,000.00	11,556,243.13	–	(189,000,000.00)	–	–	2,989,770,715.57
Medium-term notes of 2018 of Red Star Macalline Group Corporation Ltd. (First tranche) (Note 5)	500,000,000.00	23 October 2018	3 years	494,828,301.89	495,097,539.32	–	30,900,000.00	1,633,115.66	–	(30,900,000.00)	–	–	496,730,654.98
Medium-term notes of 2019 of Red Star Macalline Group Corporation Ltd. (First tranche) (Note 5)	500,000,000.00	25 January 2019	3 years	497,508,490.57	–	497,508,490.57	26,354,166.63	717,838.99	–	–	–	–	498,226,329.56
Corporate Bonds of 2019 of Red Star Macalline Group Corporation Ltd. (First tranche) (Note 6)	2,000,000,000.00	11 June 2019	4 years	1,987,756,792.45	–	1,987,756,792.45	62,416,666.62	1,621,487.64	–	–	–	–	1,989,378,280.09
<b>Total</b>				11,021,036,820.14	8,652,968,240.75	2,485,265,283.02	477,429,618.83	31,558,667.46	(1,453,200,000.00)	(406,708,181.25)	33,621,505.07	–	<b>9,750,213,686.30</b>
Less : Bonds payable due within one year					1,496,573,720.79								3,157,772,715.57
Bonds payable due after one year					7,156,394,519.96								6,592,440,970.73

# Notes to the Financial Statements

For the year 2019 (RMB)

## V. NOTES TO THE MAJOR ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 36. Bonds Payable (Continued)

As at 31 December 2018, balances of bonds payable present as follows:

	Par value	Issue date	Maturity	Issue amount	Opening balance	Issued in the year	Accrued interest in the year	Amortization of premium and for discount	Repayments in the year	Repayments of principal in the year	Repayments of interests in the year	Exchange gains and losses	Closing balance
Medium-term notes of 2013 of Red Star Macalline Group Corporation Ltd. (First tranche)													
	500,000,000.00	11 September 2013	5 years	492,200,000.00	498,726,366.25	–	25,000,000.00	1,273,633.75	(500,000,000.00)	(37,500,000.00)	–	–	–
Corporate Bonds of 2015 of Red Star Macalline Group Corporation Ltd. (First tranche) (Note 1)													
	5,000,000,000.00	10 November 2015	5 years	4,958,670,000.00	4,987,987,922.63	–	193,750,000.00	12,012,077.37	(4,831,998,000.00)	(225,000,000.00)	–	–	168,002,000.00
Corporate Bonds of 2016 of Red Star Macalline Group Corporation Ltd. (First tranche) (5-year) (16hongmei01) (Note 2)													
	1,500,000,000.00	14 July 2016	5 years	1,483,202,830.18	1,490,868,192.87	–	52,500,000.00	5,705,527.92	–	(52,500,000.00)	–	–	1,496,573,720.79
Corporate Bonds of 2016 of Red Star Macalline Group Corporation Ltd. (First tranche) (7-year) (16hongmei02) (Note 2)													
	1,500,000,000.00	14 July 2016	7 years	1,476,127,358.48	1,482,044,142.78	–	64,350,000.00	4,658,717.58	–	(64,350,000.00)	–	–	1,486,702,860.36
USD Bonds of 2017 of Hong Kong Red Star Macalline (5-year) (Note 3)													
	USD300,000,000	21 September 2017	5 years	1,937,306,895.63	1,923,565,824.50	–	15,986,446.88	7,273,336.12	–	(15,986,446.88)	97,538,487.22	2,028,377,647.84	–
Corporate Bonds of 2018 of Red Star Macalline Group Corporation Ltd. (First tranche) (Note 4)													
	3,000,000,000.00	6 November 2018	3 years	2,976,304,150.94	–	2,976,304,150.94	31,500,000.00	1,910,321.50	–	–	–	–	2,978,214,472.44
Medium-term notes of 2018 of Red Star Macalline Group Corporation Ltd. (First tranche) (Note 5)													
	500,000,000.00	23 October 2018	3 years	494,828,301.89	–	494,828,301.89	5,150,000.00	269,237.43	–	–	–	–	495,097,539.32
Total				13,818,639,537.12	10,383,192,449.03	3,471,132,452.83	388,236,446.88	33,102,851.67	(5,331,998,000.00)	(395,336,446.88)	97,538,487.22	–	8,652,968,240.75
Less : Bonds payable due within one year													
					5,486,714,288.88								1,496,573,720.79
Bonds payable due after one year													
					4,896,478,160.15								7,156,394,519.96

## V. NOTES TO THE MAJOR ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 36. Bonds Payable (Continued)

Others:

*Note 1:* The Company issued Corporate Bonds of 2015 of Red Star Macalline Group Corporation Ltd. (First tranche) totally RMB5 billion in November 2015, which referred as "15 Hongmei 01" (the bond code: 136032), with the issuance price of RMB100 par value with a fixed rate of interest, at a coupon rate of 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 valid number of declaring for selling back in the year for 15 Hongmei 01 was 48,319,980, the amount of selling back was RMB4,831,998,000.00 (excluding interest) and the remaining custodian number was 1,680,020, par value is RMB168,002,000.00. During the final two years of the maturity of the bond (from 10 November 2018 to 9 November 2020), the coupon rates of the bonds is adjusted to 5.90%. Since the remaining bonds mentioned above will expire in 2020, RMB168,002,000.00 is included in non-current liabilities due within one year.

*Note 2:* The Company issued Corporate Bonds of 2016 of Red Star Macalline Group Corporation Ltd. (First tranche) in July 2016. The above-mentioned bonds are composed of two types. Among them, the first type of bonds is abbreviated as "16 Hongmei 01". The issue price is RMB100/100 face value. The interest rate is fixed interest rate, the coupon rate is 3.5%, and the bond duration is 5 years, interest is paid annually, with the option to adjust the coupon rate and investors' resale option at the end of the third year. The effective number of resale declarations of 16 Hongmei 01 for the year is 14,532,000, the resale amount is RMB1,453,200,000 (excluding interest), the remaining custodial amount is 468,000, and the face value is RMB46,800,000.00. During the final two years of the maturity of the bond (from 10 November 2018 to 9 November 2020), the coupon rates of the bonds is adjusted to 5.40%.

The second type of bond is abbreviated as "16 Hongmei 02", the issue price is RMB100/100 face value, interest is calculated by interest-bearing fixed interest rate, the coupon rate is 4.29%, the bond duration is 7 years, and the interest is paid annually, with the option to adjust the coupon rate and investors' resale option at the end of the fifth year.

*Note 3:* Hong Kong Red Star Macalline Global Home Furnishing Company Limited, a subsidiary of the Group, issued the US\$-denominated bonds totally US\$300 million in 2017, the bond code: B2022(5278), with a fixed rate of interest, at a coupon rate of 3.375%. The maturity of the bond is five years, and shall be paid semi-annually.

*Note 4:* The Group publicly issued Corporate Bonds of 2018 of Red Star Macalline Group Corporation Ltd. (First tranche) (hereinafter referred to as the "2018 Corporate Bonds"), which classified into two types. The total issuance scale of the type 1, type 2 was RMB1 billion and established the over-allotment option, of which the quota of over-allotment was no more than RMB2 billion (including RMB2 billion). The issuance was made by adopting a form of book-building for qualified investors through offline, with an issuance price of RMB100 per piece. The maturity of the type 1 of the Bonds is three years and was attached with the issuers' option to adjust the coupon rate and the bondholders' option to sell back at the end of the second year; the maturity of the type 2 is five years and was attached with the issuers' option to adjust the coupon rate and the bondholders' option to sell back at the end of the third year. The actual issuance scale of Corporate Bonds type 1 was RMB3 billion, with a coupon rate of 6.30%; the type 2 was not issued. The amount reclassified to non-current liabilities due within one year was RMB2,989,770,715.57.



# Notes to the Financial Statements

For the year 2019 (RMB)

## V. NOTES TO THE MAJOR ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 36. Bonds Payable (Continued)

Others: (Continued)

*Note 5:* On 12 September 2018, the Company received the Notice for Acceptance of Registration (Zhong Shi Xie Zhu [2018] No. MTN506) issued by National Association of Financial Market Institutional Investors (hereafter "NAFMII"), which indicating its consent for acceptance of the registration for the issuance of the medium-term notes by the Company, with the registered amount of RMB5 billion, and the registered quota would be effective within the two years since the date of the issuance of the Notice for Acceptance of Registration by "NAFMII". On May 22, 2019, in order to better play the role of non-financial enterprise debt financing instruments in the company's overall fund utilization, after the company reassessed its debt financing instrument structure, the Company applied to the NAFMII to reduce the amount of registration of medium-term notes under the aforementioned "Notice for Acceptance of Registration" (Zhong Shi Xie Zhu [2018] MTN506). On June 6, 2019, the Group received "Zhongshi Xiezhuzhu (2019) No. 567-Letter on Reducing the Registration Amount of Medium-Term Notes of Red Star Macalline Group Co., Ltd.", which reduced the amount of registration of medium-term notes of the Group is RMB3 billion, and the remaining effective registration amount is RMB2 billion.

In 2018, the Company had successfully issued the first tranche of the medium-term notes of 2018, which referred as "18 Red Star Home Furnishing MTN001" (bond code:101801197), with the issuance price of RMB100 par value, at an issuance rate of 6.18%. The bonds shall be payable annually in three years.

In 2019, the Group issued the "2019 First Tranche Medium-Term Notes", the bond abbreviation "19 Macalline MTN001", bond code 101900126, the issue price is RMB100/100 face value, the issue rate is 5.75%, and the bond duration is 3 year.

*Note 6:* In 2019, the Group publicly issued Corporate Bonds of 2019 of Red Star Macalline Group Corporation Ltd. (First tranche) (hereinafter referred to as the "2019 Corporate Bonds"), which classified into two types. The total issuance scale of the type 1 and type 2 does not exceed RMB2 billion (including RMB2 billion). In this tranche of bonds issue, the option to call back among varieties is introduced, and the call back percentage is not limited. The issue price is 100 yuan / sheet, which is issued in the form of book keeping to qualified investors offline. Type 1 is 5-year (with the issuer 's option to adjust the coupon rate and bondholders 'resale option at the end of the third year), and Type 2 is 4-year (with the issuer 's option to adjust the coupon rate and bondholders 'resale option at the end of the second year). In 2019, the actual issuance scale of corporate bonds type 2 was RMB2.0 billion, and the coupon rate was 5.35%; the type 1 was not issued.

## V. NOTES TO THE MAJOR ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 37. Lease Liabilities

	2019
Lease Liabilities	3,870,214,902.75
Less: lease Liabilities due within one year	548,397,168.84
	<b>3,321,817,733.91</b>

### 38. Long-term Payables

#### Long-term payables

	2019	2018
Amounts due to partners (Note 1)	634,392,235.62	665,946,026.99
Long-term rent	—	307,809,170.14
Liquidated damages	—	1,940,585.02
Financial lease payables	—	410,225,225.70
	<b>634,392,235.62</b>	1,385,921,007.85

Note 1: Amounts due to 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.

\* The analysis of the maturity date of long-term payables is as follows:

	2019	2018
Expires within 1 year or requires payment at any time	—	—
Expires within 2 years	30,565,292.91	296,146,670.64
Expires within 3 to 5 years (including 3 and 5 years)	62,513,763.84	508,669,243.20
Over 5 years	541,313,178.87	581,105,094.01
	<b>634,392,235.62</b>	1,385,921,007.85

# Notes to the Financial Statements

For the year 2019 (RMB)

## V. NOTES TO THE MAJOR ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 39. Deferred Income

2019

	Opening balance	Increase in the current period	Decrease in the current period	Closing balance
Government grant	212,456,044.43	—	6,187,794.30	206,268,250.13
VAT additional deduction	—	26,374,864.99	6,740,554.65	19,634,310.34
	212,456,044.43	26,374,864.99	12,928,348.95	225,902,560.47

2018

	Opening balance	Increase in the current period	Decrease in the current period	Closing balance
Government grant	192,141,221.74	26,444,069.65	6,129,246.96	212,456,044.43

As at December 31, 2019, the liabilities related to government grants are as follows:

	Opening balance	Increase in the current period	Recognized in other income in the current period	Closing balance	Related to assets/profit
Subsidy for land supporting expenses	212,456,044.43	—	6,187,794.30	206,268,250.13	Related to assets

## V. NOTES TO THE MAJOR ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 39. Deferred Income (Continued)

As at December 31, 2018, the liabilities related to government grants are as follows

	Opening balance	Increase in the current period	Recognized in other income in the current period	Closing balance	Related to assets/profit
Subsidy for land supporting expenses	192,141,221.74	26,444,069.65	6,129,246.96	212,456,044.43	Related to assets

### 40. Other Non-current Liabilities

	2019	2018
the brand consulting and management service for the early stage of the project (Note 1)	<b>1,111,057,378.24</b>	1,394,664,911.20
Commercial mortgage-backed securities (Note 2)	<b>5,747,108,371.13</b>	4,786,623,154.06
	<b>6,858,165,749.37</b>	6,181,288,065.26

Note 1: Representing the contract liabilities of the Company recognized based on management service contract, 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-backed 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%, the principal and interest of which shall be repaid annually. 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. RMB2,354,170,000.00 of Macalline 1A and Macalline 1B due within one year have been included in the non-current liabilities due within one year.

The Company issued the home furnishing shopping mall asset-backed securities, namely "Red Star Macalline Asset-Backed Special Project", on 12 July 2018. Such asset-backed special project was pledged with the assets of two shopping malls of the Group in Beijing and Yantai and their rental income rights, which included Class A Preferred Securities (securities abbreviation: "18 Hongmei A1", securities code: 156486), Class B Preferred Securities (securities abbreviation: "18 Hongmei A2", securities code: 156487) and subordinated Securities (securities abbreviation: "18 Hongmei C", securities code: 156488). 18 Hongmei A1 had an issuance size of RMB2,289 million,

# Notes to the Financial Statements

For the year 2019 (RMB)

## V. NOTES TO THE MAJOR ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 40. Other Non-current Liabilities (Continued)

with an annualized return of 5.80% and a maturity of 18 years, the principal and interest of which shall be repaid annually. 18 Hongmei A2 had an issuance size of RMB211 million, with an annualized return of 6.30% and a maturity of 18 years, the principal of which shall be repaid in a one-off manner upon maturity. The Group, as a posterior investor of 18 Hongmei, subscribed RMB100 million with no annualized return and a maturity of 18 years. RMB44,000,000.00 of 18 Hongmei A1 due within one year have been included in the non-current liabilities due within one year.

The Company issued the first tranche of asset-backed notes of 2019 of Red Star Macalline Group Corporation Ltd. on 7 May 2019. The asset-backed notes were pledged with the assets of two shopping malls of the Group in Changzhou and their rental income rights, which included priority notes (securities abbreviation: "19 Macalline ABN001 Youxian", securities code: 081900208) and subordinated notes (securities abbreviation: "19 Macalline ABN001 Ci", securities code: 081900209). 19 Macalline ABN001 Youxian had an issuance size of RMB1,290 million, with an annualized return of 6.30% and a maturity of 18 years, the principal and interest of which shall be repaid annually. The Group, as a posterior investor of 19 Macalline ABN001 Ci, subscribed RMB10 million with no annualized return and a maturity of 18 years. RMB11,000,000.00 of 19 Macalline ABN001 Preferred due within one year have been included in the non-current liabilities due within one year.

The Company issued the home furnishing shopping mall asset-backed securities, namely "Red Star Macalline Asset-Backed Special Project", on 1 August 2019. Such asset-backed special project was pledged with the assets of two shopping malls of the Group in Beijing and Wuhan and their rental income rights, which included Class A Preferred Securities (securities abbreviation: "19 Hongmei A1", securities code: 159557), Class B Preferred Securities (securities abbreviation: "19 Hongmei A2", securities code: 159558) and subordinated Securities (securities abbreviation: "19 Hongmei Ci", securities code: 159559). 19 Hongmei A1 had an issuance size of RMB1.7 billion, with an annualized return of 5.80% and a maturity of 21 years, the principal and interest of which shall be repaid semi-annually. 19 Hongmei B had an issuance size of RMB410 million, with an annualized return of 7% and a maturity of 21 years, the principal of which shall be repaid semi-annually. The Group, as a posterior investor of 18 Hongmei, subscribed RMB150 million with no annualized return and a maturity of 21 years. RMB17,100,000.00 of 19 Hongmei A and 19 Hongmei B due within one year have been included in the non-current liabilities due within one year.

## V. NOTES TO THE MAJOR ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 41. Share Capital

2019

	Opening amount	Changes during the period					Closing amount
		Issue of new shares	Shares giving	Capital reserve transferred	Others (Note 1)	Sub-total	
I. Restricted shares							
1. State ownership	-	-	-	-	-	-	-
2. State-owned corporate shares	-	-	-	-	-	-	-
3. Other domestic shares	2,561,103,969.00	-	-	-	(80,788,197.00)	(80,788,197.00)	2,480,315,772.00
Include: Domestic non-stated-owned corporate shares	2,561,103,969.00	-	-	-	(80,788,197.00)	(80,788,197.00)	2,480,315,772.00
Domestic natural person shares	-	-	-	-	-	-	-
Total restricted shares	2,561,103,969.00	-	-	-	(80,788,197.00)	(80,788,197.00)	2,480,315,772.00
II. Unrestricted shares							
1. RMB-denominated ordinary shares	315,000,000.00	-	-	-	80,788,197.00	80,788,197.00	395,788,197.00
2. Overseas listed foreign shares	673,896,031.00	-	-	-	-	-	673,896,031.00
Total unrestricted shares	988,896,031.00	-	-	-	80,788,197.00	80,788,197.00	1,069,684,228.00
Total	3,550,000,000.00	-	-	-	-	-	3,550,000,000.00

Note 1: On 17 January 2019, the Company's A shares had been listed for 12 months, and the lock-up period of 80,788,197 shares jointly held by Shanghai Jinghai Assets Management Center (Limited Partnership)\* (上海晶海資產管理中心(有限合夥)), Shanghai Hongmei Investment Management Center (Limited Partnership)\* (上海弘美投資管理中心(有限合夥)), Shanghai Kaixing Business Administration Center (Limited Partnership)\* (上海凱星企業管理中心(有限合夥)) and Shanghai Ping'an Pharmacy Company Limited\* (上海平安大藥房有限公司) has expired, and such shares became domestic-listed A shares (non-restricted shares) on that date.

# Notes to the Financial Statements

For the year 2019 (RMB)

## V. NOTES TO THE MAJOR ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 41. Share capital (continued)

2018

	Opening amount	Changes during the period					Closing amount
		Issue of new shares	Shares giving	Capital reserve transferred	Others (Note 1)	Sub-total	
I. Restricted shares							
1. State ownership	-	-	-	-	-	-	-
2. State-owned corporate shares	-	-	-	-	-	-	-
3. Other domestic shares	2,561,103,969.00	-	-	-	-	-	2,561,103,969.00
Include: Domestic non-stated-owned corporate shares	2,561,103,969.00	-	-	-	-	-	2,561,103,969.00
Domestic natural person shares	-	-	-	-	-	-	-
Total restricted shares	2,561,103,969.00	-	-	-	-	-	2,561,103,969.00
II. Unrestricted shares							
1. RMB-denominated ordinary shares	-	315,000,000.00	-	-	-	315,000,000.00	315,000,000.00
2. Overseas listed foreign shares	1,062,813,069.00	-	-	-	(388,917,038.00)	(388,917,038.00)	673,896,031.00
Total unrestricted shares	1,062,813,069.00	315,000,000.00	-	-	(388,917,038.00)	(73,917,038.00)	988,896,031.00
Total	3,623,917,038.00	315,000,000.00	-	-	(388,917,038.00)	(73,917,038.00)	3,550,000,000.00

## V. NOTES TO THE MAJOR ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 42. Capital Reserve

2019

	Opening balance	Increase in the current period	Decrease in the current period	Closing balance
Share premium	4,556,206,255.16	—	262,824,513.14	4,293,381,742.02
Including:				
Capital invested by investors	5,786,331,727.05	—	—	5,786,331,727.05
A Shares offering	2,735,007,849.63	—	—	2,735,007,849.63
H Shares repurchase	(3,523,954,372.77)	—	—	(3,523,954,372.77)
Acquisition of non-controlling interests	(260,600,875.59)	—	262,824,513.14	(523,425,388.73)
The difference arising from business combination under common control	(180,578,073.16)	—	—	(180,578,073.16)
Others	(66,187,359.73)	12,782,188.75	—	(53,405,170.98)
	4,490,018,895.43	12,782,188.75	262,824,513.14	4,239,976,571.04

2018

	Opening balance	Increase in the current period	Decrease in the current period	Closing balance
Share premium	5,605,753,653.89	2,735,007,849.63	3,784,555,248.36	4,556,206,255.16
Including:				
Capital invested by investors	5,786,331,727.05	—	—	5,786,331,727.05
A Shares offering	—	2,735,007,849.63	—	2,735,007,849.63
H Shares repurchase	—	—	3,523,954,372.77	(3,523,954,372.77)
Acquisition of non-controlling interests	—	—	260,600,875.59	(260,600,875.59)
The difference arising from business combination under common control	(180,578,073.16)	—	—	(180,578,073.16)
Others	(243,638,268.34)	177,450,908.61	—	(66,187,359.73)
	5,362,115,385.55	2,912,458,758.24	3,784,555,248.36	4,490,018,895.43



# Notes to the Financial Statements

For the year 2019 (RMB)

## V. NOTES TO THE MAJOR ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 42. Capital Reserve (continued)

In 2019, the decrease in the capital reserve of the Group was due to the differences between the consideration for acquisition of non-controlling interests of Changzhou Hongyang Home Furnishing Plaza Company Limited, Shanghai Red Star Macalline Decorative Furniture Mall Co., Ltd, Shanghai Xinwei Property Company Limited, Shanghai Jiajinsuo Investment Holding Company Limited and Shanghai Betterhome Decoration Engineering Co., Ltd. and the carrying amount of net assets of subsidiaries.

The increase in other capital reserve was due to the impact of the employee stock ownership plans implemented by the Group. The Group considered and approved the first phase and the second phase of employee stock ownership plans (hereinafter referred to as "Employee Stock Ownership Plan(s)") on 14 January 2019 and 15 May 2019, respectively, aiming to enhance the cohesion of employees, attract and retain management talents and core staff, etc.. The persons qualified included management and core staff of the Company and its subsidiaries. The first and the second phase of Employee Stock Ownership Plans came into force on 14 January 2019 and 15 May 2019, respectively. In 2019, the fair value of relevant Employee Stock Ownership Plans was RMB38,257,300.00, of which RMB12,782,188.75 was recognised by the Group as share-based compensation in 2019.

The grant-date fair value of the equity instruments granted under the two phases of Employee Stock Ownership Plans was estimated using the binary tree model based on key parameters such the Company's share price as at the grant date, risk-free interest rate and stock fluctuation rate while taking into account the terms and conditions of the equity instruments granted.

### 43. Other Comprehensive Income

The accumulated balance of other comprehensive income in the consolidated balance sheet attributable to the Company's shareholders

2019

	1 January 2019	Changes in the current period	31 December 2019
Changes in fair value of other equity instrument investments	1,227,776,839.27	279,476,193.65	1,507,253,032.92
Time value of the options, forward elements of forward contracts or amortization of foreign exchange basis of financial instruments	—	(24,125,991.75)	(24,125,991.75)
	1,227,776,839.27	255,350,201.90	1,483,127,041.17

## V. NOTES TO THE MAJOR ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 43. Other Comprehensive Income (continued)

2018

	1 January 2018	Changes of accounting policy	Changes in the current period	31 December 2018
Changes in fair value of other equity instrument investments	1,562,965,633.10	114,069,393.88	(449,258,187.71)	1,227,776,839.27

The current amount of other comprehensive income in the consolidated income statement:

2019

	The amount before tax	Less: previously included in other comprehensive income converted to current retained earnings	Less: income tax	Attributable to the shareholders of the Company	Attributable to non-controlling interests
Other comprehensive income that will not be reclassified to profit or loss					
Changes in fair value of other equity instrument investments	1,228,896,827.29	684,890,970.17	199,935,523.19	279,476,193.65	64,594,140.28
Other comprehensive income that will be reclassified to profit or loss					
Changes in fair value of hedging	(24,125,991.75)	—	—	(24,125,991.75)	—
	1,204,770,835.54	684,890,970.17	199,935,523.19	255,350,201.90	64,594,140.28

# Notes to the Financial Statements

For the year 2019 (RMB)

## V. NOTES TO THE MAJOR ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 43. Other Comprehensive Income (continued)

2018

	The amount before tax	Less: previously included in other comprehensive income converted to current retained earnings	Less: income tax	Attributable to the shareholders of the Company	Attributable to non-controlling interests
Other comprehensive income that will not be reclassified to profit or loss					
Changes in fair value of other equity instrument investments	(466,738,458.45)	164,401,529.65	(116,684,614.60)	(449,258,187.71)	(65,197,185.78)

### 44. Surplus Reserve

2019

	Opening balance	Increase in the current period	Decrease in the current period	Closing balance
Statutory surplus reserve	1,816,847,121.56	137,971,445.67	—	1,954,818,567.23

2018

	Opening balance	Increase in the current period	Decrease in the current period	Closing balance
Statutory surplus reserve	1,623,080,808.19	193,766,313.37	—	1,816,847,121.56

After appropriating the statutory surplus reserve, the Company could appropriate any surplus reserve. After approved, any surplus reserve could be used to cover the loss of the Company for previous years or increase the share capital.

## V. NOTES TO THE MAJOR ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 45. Retained Earnings

	2019	2018
Closing balance of retained earnings for last year before adjustment	30,629,417,859.13	28,254,693,080.77
Retroactive adjustment of change in accounting policy (Note III 34)	(210,803,273.67)	(812,868,228.22)
Opening balance of retained earnings after adjustment	30,418,614,585.46	27,441,824,852.55
Other comprehensive income converted to retained earnings	684,890,970.17	164,401,529.65
Net profits attributable to shareholders of the Company	4,479,681,652.61	4,477,411,242.46
Less: Appropriation to statutory surplus reserve	137,971,445.67	193,766,313.37
Cash dividend payable for ordinary shares (Note 1)	958,500,000.00	1,260,453,452.16
Closing balance of retained earnings	34,486,715,762.57	30,629,417,859.13

Note 1: On 21 June 2019, as approved by the 2018 Annual General Meeting and based on 3,550,000,000 issued shares, the Company paid cash dividend RMB0.27 to all shareholders per share; on 15 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 RMB3.20 to all shareholders per 10 shares.

### 46. Revenue and Costs of Sales

	2019		2018	
	Revenue	Cost	Revenue	Cost
Principal business	16,174,655,103.66	5,505,195,120.22	13,818,321,170.25	4,708,683,899.77
Other business	294,582,685.26	230,415,891.28	421,471,330.19	105,015,921.30
	16,469,237,788.92	5,735,611,011.50	14,239,792,500.44	4,813,699,821.07

The revenue and costs of sales set out as follows:

	2019	2018
Revenue from contracts with customers	8,670,477,130.80	7,071,816,484.22
Rental and related revenue	7,798,760,658.12	7,167,976,016.22
	16,469,237,788.92	14,239,792,500.44

# Notes to the Financial Statements

For the year 2019 (RMB)

## V. NOTES TO THE MAJOR ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 46. Revenue and Costs of Sales (continued)

The breakdown of operating income from contracts with customers is as follows:

2019

Reporting segments	Entrusted Management related	Construction and design	Sales of good and home decoration	Others	Total
Principal operating region					
Mainland China	4,702,248,186.58	2,250,505,124.04	568,999,157.09	1,148,724,663.09	8,670,477,130.80
Time of recognizing revenue					
Recognizing revenue at certain point					
Revenue from commercial management and consultation service for construction project	97,169,811.33	—	—	—	97,169,811.33
Revenue from sales of goods	—	—	224,962,498.79	—	224,962,498.79
Other revenues	—	—	—	325,369,213.44	325,369,213.44
Recognize revenue within a period of time					
Revenue from the brand consulting and management service for the early stage of the project	1,309,885,306.76	—	—	—	1,309,885,306.76
Revenue from annual brand consulting and management service for the project	2,189,581,485.87	—	—	—	2,189,581,485.87
Revenue from commercial consultation fees and tenant sourcing commissions	1,105,611,582.62	—	—	—	1,105,611,582.62
Revenue from construction and design service	—	2,250,505,124.04	—	—	2,250,505,124.04
Revenue from home decoration	—	—	344,036,658.30	—	344,036,658.30
Other revenues	—	—	—	823,355,449.65	823,355,449.65
	4,702,248,186.58	2,250,505,124.04	568,999,157.09	1,148,724,663.09	8,670,477,130.80

## V. NOTES TO THE MAJOR ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 46. Revenue and Costs of Sales (continued)

2018

Reporting segments	Entrusted Management related	Construction and design	Sales of good and home decoration	Others	Total
Principal operating region					
Mainland China	4,176,778,594.26	1,479,553,020.36	466,289,187.59	949,195,682.01	7,071,816,484.22
Time of recognizing revenue					
Recognizing revenue at certain point					
Revenue from commercial management and consultation service for construction project	215,024,528.31	—	—	—	215,024,528.31
Revenue from sales of goods	—	—	133,912,170.20	—	133,912,170.20
Other revenues	—	—	—	158,267,936.37	158,267,936.37
Recognize revenue within a period of time					
Revenue from the brand consulting and management service for the early stage of the project	1,563,958,422.45	—	—	—	1,563,958,422.45
Revenue from annual brand consulting and management service for the project	1,919,812,820.55	—	—	—	1,919,812,820.55
Revenue from commercial consultation fees and tenant sourcing commissions	477,982,822.95	—	—	—	477,982,822.95
Revenue from construction and design service	—	1,479,553,020.36	—	—	1,479,553,020.36
Revenue from home decoration	—	—	332,377,017.39	—	332,377,017.39
Other revenues	—	—	—	790,927,745.64	790,927,745.64
	4,176,778,594.26	1,479,553,020.36	466,289,187.59	949,195,682.01	7,071,816,484.22

# Notes to the Financial Statements

For the year 2019 (RMB)

## V. NOTES TO THE MAJOR ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 46. Revenue and Costs of Sales (continued)

The revenue recognized in the current year included in the book value of contract liabilities at the beginning of this year is as follows

	2019	2018
Revenue from the brand consulting and management service for the early stage of the project	482,654,843.69	621,548,816.33
Revenue from annual brand consulting and management service for the project	157,796,541.78	137,504,644.81
Revenue from commercial management and consultation service for construction project	7,547,169.81	62,264,150.95
Revenue from commercial consultation fees and tenant sourcing commissions	419,479,658.46	111,225,165.83
Revenue from construction and design service	139,146,183.52	—
Other revenues	416,514,233.09	298,968,786.95
	<b>1,623,138,630.35</b>	1,231,511,564.87

Information in relation to the Group's performance obligations is as follows:

#### Revenue from the brand consulting and management service for the early stage of the project

The Group performs the performance obligations when providing relevant service. The contract consideration is generally paid in a way as agreed in the contract and part of it generally needs to be paid before the performance obligations of the contract take place.

#### Revenue from annual brand consulting and management service for the project

The Group performs the performance obligations when providing relevant service. The contract consideration is generally paid in a way as agreed in the contract and part of it generally needs to be paid before the performance obligations of the contract take place.

#### Revenue from commercial management and consultation service for construction project

The Group fulfills the performance obligations when providing relevant service and obtaining the confirmation letter for relevant services issued by customers. The contract consideration is generally paid in a way as agreed in the contract and part of it generally needs to be paid before the performance obligations of the contract take place.

## V. NOTES TO THE MAJOR ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 46. Revenue and Costs of Sales (continued)

#### **Revenue from commercial consultation fees**

The Group performs the performance obligations when providing relevant service. The contract consideration is generally paid in a way as agreed in the contract and part of it generally needs to be paid before the performance obligations of the contract take place.

#### **Revenue from tenant sourcing commissions**

The Group performs the performance obligations when providing relevant service. The contract consideration is generally paid in a way as agreed in the contract and part of it generally needs to be paid before the performance obligations of the contract take place.

#### **Revenue from construction and design service**

The Group performs the performance obligations when providing relevant service. Part of the contract consideration generally needs to be paid before the performance obligations of the contract take place and the remaining is paid in accordance with the contract terms after the project is settled. Customer generally withholds a certain percentage of retention money which is generally paid upon the expiration of retention period.

#### **Revenue from sales of goods**

The Group performs performance obligations when delivering goods to customers. The contract consideration generally needs to be pre-paid.

#### **Revenue from home decoration**

The Group performs the performance obligations when providing relevant service. Part of the contract consideration generally needs to be paid before the performance obligations of the contract take place and the remaining is paid in accordance with the contract terms after the project is settled.

#### **Revenue from strategic consultation fees**

The Group performs the performance obligations when providing relevant service. The contract consideration is generally paid in a way as agreed in the contract and part of it generally needs to be paid before the performance obligations of the contract take place.

#### **Joint marketing income**

The Group performs the performance obligations when providing relevant service. The contract consideration is generally paid in a way as agreed in the contract and part of it generally needs to be paid before the performance obligations of the contract take place.

The total transaction price of the performance obligations amortised to the end of the year which remained outstanding or partly outstanding was RMB16,423,448,119.44, of which RMB2,498,676,280.46 was estimated to be recognised as revenue in 2020.



# Notes to the Financial Statements

For the year 2019 (RMB)

## V. NOTES TO THE MAJOR ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 47. Taxes and Surcharges

	2019	2018
Property tax	290,133,122.41	271,788,916.59
Urban maintenance and construction tax	45,397,485.94	36,512,281.41
Education surcharge	37,803,733.37	30,200,298.20
Land use tax	26,982,731.21	24,065,295.96
Stamp duty	13,561,816.70	11,758,877.25
Others	15,161,712.13	13,044,304.82
	<b>429,040,601.76</b>	<b>387,369,974.23</b>

### 48. Distribution and Selling Expenses

	2019	2018
Advertising and promotional expenses	1,599,900,465.91	1,116,818,206.66
Energy and maintenance expenses	458,457,126.20	422,449,462.40
Salary, bonus and benefits	73,609,099.43	74,323,302.54
After-sales service expenses	54,116,114.43	42,012,169.62
Depreciation and amortization	38,446,684.21	10,619,733.02
Office and administrative expenses	28,284,770.57	11,365,384.68
Others	38,116,565.56	22,749,038.38
	<b>2,290,930,826.31</b>	<b>1,700,337,297.30</b>

### 49. General and Administrative Expenses

	2019	2018
Salary, bonus and benefits	990,808,570.15	894,771,469.46
Office and administrative expenses	431,822,807.54	340,886,856.32
Other professional services expenses	143,858,698.41	139,569,232.37
Depreciation and amortization	65,109,886.61	50,425,617.50
Auditing expenses	15,493,248.61	11,506,348.94
Energy and maintenance expenses	9,529,822.04	6,405,972.57
Others	95,243,682.23	47,395,913.64
	<b>1,751,866,715.59</b>	<b>1,490,961,410.80</b>

\* In 2019, the remuneration for the auditor of the Group was RMB7,500,000.00 (2018: RMB8,000,000.00).

## V. NOTES TO THE MAJOR ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 50. Research and Development Costs

	2019	2018
Research and Development Costs	<b>33,474,544.63</b>	35,721,638.25
Depreciation and amortization	<b>923,936.26</b>	554,111.08
Others	<b>3,807,931.61</b>	6,890,120.18
	<b>38,206,412.50</b>	43,165,869.51

### 51. Financial Expenses

	2019	2018
Interest expenses	<b>2,677,320,391.98</b>	1,873,767,131.68
Less: Interest income	<b>195,395,541.15</b>	301,034,720.66
Less: Amounts to interest capitalization	<b>266,030,298.54</b>	203,009,008.25
Exchange gains and losses	<b>15,630,888.33</b>	139,958,434.14
Others	<b>28,554,364.78</b>	23,469,535.44
	<b>2,260,079,805.40</b>	1,533,151,372.35

The amounts to interest expenses capitalization have been included in investment properties.

### 52. Other Income

	2019	2018
Subsidy for land supporting expenses and subsidy for gas-fired air conditioning equipment	<b>6,187,794.30</b>	6,129,246.96
Other government grants relating to daily operational activities	<b>98,712,701.64</b>	105,030,642.46
	<b>104,900,495.94</b>	111,159,889.42

# Notes to the Financial Statements

For the year 2019 (RMB)

## V. NOTES TO THE MAJOR ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 52. Other Income (continued)

Other government grants relating to daily activities are as follows:

	2019	2018	Related to assets/profit
Subsidies (Note 1)	<b>27,741,639.59</b>	18,952,925.52	Related to profit
Special government grants (Note 2)	<b>33,873,327.48</b>	26,441,029.06	Related to profit
Reward support (Note 3)	<b>37,097,734.57</b>	59,636,687.88	Related to profit
	<b>98,712,701.64</b>	105,030,642.46	

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

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

Note 3: Reward support mainly refer to other policy reward support funds received from the government.

### 53. Investment Income

	2019	2018
Investment income from joint venture and associates transferred to other equity instrument investments	<b>251,948,143.37</b>	—
Long-term equity interest investment income calculated by equity method	<b>137,729,826.00</b>	183,468,563.89
Income from acquisition of joint venture and associates to become subsidiaries	<b>126,390,153.07</b>	—
Investment gain on disposal of subsidiaries	<b>149,065,813.49</b>	—
Investment gain (loss) from disposal of associates	<b>49,509,818.23</b>	(28,449,710.38)
Investment gain(loss) from disposal of financial assets held for trading	<b>37,010,675.51</b>	(289,640.30)
Investment gain on disposal of other non-current financial assets	—	17,500,000.00
Bonuses received from other equity instruments	<b>29,787,198.84</b>	37,142,415.79
Bonuses received from other non-current financial assets	<b>4,997,021.62</b>	20,301,299.92
	<b>786,438,650.13</b>	229,672,928.92

## V. NOTES TO THE MAJOR ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 54. Gains on Fair Value Changes

	2019	2018
Financial assets held for trading	16,355,231.33	(53,163,503.89)
Include: equity instrument investment held for trading	16,355,231.33	(53,163,503.89)
Investment properties at FVTPL	1,600,693,492.00	1,820,173,117.45
Other non-current financial assets	15,024,540.60	—
	<b>1,632,073,263.93</b>	<b>1,767,009,613.56</b>

### 55. Impairment Losses of Credit

	2019	2018
Bad debt losses of accounts receivable	157,518,531.49	165,785,135.83
Impairment losses of contract assets	45,726,468.34	(14,131,205.26)
Bad debt losses of other receivables	62,262,214.38	78,346,174.77
Impairment losses of other current assets	(2,278,396.82)	11,800,000.00
Impairment losses of other non-current assets due within one year	4,377,770.86	50,000.00
Bad debt losses of long-term receivables	(3,849,305.22)	4,740,604.85
Impairment losses of other non-current assets	34,104,779.03	903,998.80
	<b>297,862,062.06</b>	<b>247,494,708.99</b>

### 56. Gains from Disposal of Assets

	2019	2018
Gains (losses) from disposal of fixed assets	8,101,725.36	(656,552.23)

# Notes to the Financial Statements

For the year 2019 (RMB)

## V. NOTES TO THE MAJOR ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 57. Non-operating Income

	2019	2018	Amount included in nonrecurring profit or loss for 2019
Profit or loss from enterprise integration	<b>2,940,219.22</b>	9,857,414.06	<b>2,940,219.22</b>
Income from project termination	<b>6,886,792.44</b>	9,433,962.26	<b>6,886,792.44</b>
Income from default compensation	<b>2,435,068.44</b>	2,847,757.85	<b>2,435,068.44</b>
Others (Note)	<b>33,812,886.18</b>	16,373,632.50	<b>33,812,886.18</b>
	<b>46,074,966.28</b>	38,512,766.67	<b>46,074,966.28</b>

Note: Others mainly refer to other income not relating to ordinary operation such as accounts without payment.

### 58. Non-Operating Expenses

	2019	2018	Amount included in nonrecurring profit or loss for 2019
Compensation expenses (Note)	<b>18,829,460.94</b>	126,155,948.41	<b>18,829,460.94</b>
Charitable donations	<b>5,759,200.00</b>	10,576,739.79	<b>5,759,200.00</b>
Others	<b>15,562,774.95</b>	13,258,272.92	<b>15,562,774.95</b>
	<b>40,151,435.89</b>	149,990,961.12	<b>40,151,435.89</b>

Note: The compensation in 2018 is mainly the compensation for the lost litigation in Changsha Shibo Company's litigation, which is RMB110 million. There are no related matters this year.

## V. NOTES TO THE MAJOR ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 59. Government Grants

The Group does not have government grants calculated on a net basis.

For the rest of government grants, please see Note V. 52.

Category	Amount	Presented item	Amount included in profit and loss
Related to profit	27,741,639.59	Reward support fund	27,741,639.59
Related to profit	33,873,327.48	Special government grants	33,873,327.48
Related to profit	37,097,734.57	Subsidies	37,097,734.57
Related to assets	206,279,197.58	Land matching grants	6,187,794.30

### 60. Expenses by Nature

The supplementary information on the Group's operating costs, sales expenses, administrative expenses and research and development costs classified by nature is as follows:

	2019	2018
Salary	<b>3,651,228,900.24</b>	3,548,994,555.81
Construction contracts	<b>2,072,944,552.23</b>	1,437,023,046.84
Advertising and promotional expenses	<b>1,841,718,877.83</b>	1,182,270,802.23
Rent not included in lease liabilities	<b>60,140,750.02</b>	529,946,786.54
Energy and maintenance expenses	<b>523,781,499.20</b>	496,248,368.58
Office and administrative expenses	<b>551,560,323.00</b>	365,878,479.62
Other professional services expenses	<b>242,851,110.10</b>	170,710,767.01
Depreciation and amortization	<b>695,058,148.86</b>	182,623,727.41
After-sales service expenses	<b>62,488,512.82</b>	57,432,792.44
Others	<b>114,842,291.60</b>	77,035,072.20
	<b>9,816,614,965.90</b>	8,048,164,398.68

# Notes to the Financial Statements

For the year 2019 (RMB)

## V. NOTES TO THE MAJOR ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 61. Income Tax Expenses

	2019	2018
Current income tax expenses	997,629,354.82	429,550,144.25
Deferred income tax expenses	519,206,983.64	884,322,284.05
	<b>1,516,836,338.46</b>	1,313,872,428.30

The relationship between income tax expenses and total profit is as follows:

	2019	2018
Total profit	6,203,078,019.55	6,019,319,731.41
Income tax expenses calculated based on statutory tax rate	1,550,769,504.89	1,504,829,932.85
Impact of different tax rates applicable to subsidiaries	(357,046,310.51)	(334,417,800.94)
Adjustments on the income tax of previous periods	20,645,890.54	(382,558,906.00)
Profits and losses attributable to joint ventures and associates	(37,286,748.57)	(45,867,140.97)
Impact of non-taxable income	(32,737,433.26)	—
non-deductible costs	41,841,331.49	55,504,679.99
Tax impact of deductible temporary difference and deductible loss previously not recognized	(161,777,678.60)	(3,793,958.10)
Effects of unrecognized deductible temporary differences and deductible losses	383,711,464.77	520,175,621.47
Tax impact of disposal of subsidiaries	108,716,317.71	—
Income tax expense calculated based on the effective tax rate of the Group	<b>1,516,836,338.46</b>	1,313,872,428.30

## V. NOTES TO THE MAJOR ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 62. Earnings per Share

	2019 RMB/Share	2018 RMB/Share
Basic earnings per share continuing operations	1.26	1.20
Diluted earnings per share continuing operations	N/A	N/A

The basic earnings per share is calculated by dividing the net profit of the current period attributable to the ordinary shareholders of the Company by the weighted average number of outstanding ordinary shares.

The calculation of basic earnings per share is detailed as follows:

	2019	2018
Earnings		
Net profit of the current period attributable to ordinary shareholders of the Company	4,479,681,652.61	4,477,411,242.46

	2019	2018
Shares		
Weighted average number of the ordinary shares outstanding of the Company	3,550,000,000.00	3,746,302,941.16



# Notes to the Financial Statements

For the year 2019 (RMB)

## V. NOTES TO THE MAJOR ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 63. Notes to the Cash Flow Statements

	2019	2018
Other cash received in connection with operating activities		
Deposits received	231,382,368.48	362,921,102.49
Net proceeds collected and paid on behalf of others	—	104,475,144.55
Non-operating income and government grants	161,481,759.05	160,130,064.21
Interest income	78,046,648.94	137,377,000.40
Reserves with central bank	42,178,995.34	—
	<b>513,089,771.81</b>	764,903,311.65
Other cash paid in connection with operating activities		
Payment of expenses and other proceeds	2,870,495,184.62	2,043,046,415.22
Bank charges and other expenses	11,597,815.32	9,366,518.79
Non-operating expenses	40,151,435.89	36,107,406.12
Net proceeds collected and paid on behalf of others	1,158,816,123.07	—
Reserves with central bank	—	769,553.61
	<b>4,081,060,558.90</b>	2,089,289,893.74
Other cash received in connection with investing activities		
Current account in connection with projects	1,856,759,735.80	308,370,584.46
Recovery of the entrusted loan in connection with projects	423,600,000.00	464,881,571.44
Interest income from loans	180,427,153.81	89,544,027.90
Redemption of the wealth management products	52,225,200.00	3,000,000.00
Recovery of restricted funds	397,324,277.15	57,745,334.65
Redemption of fixed bank deposits due after over 3 months	264,230,000.00	94,223,310.50
	<b>3,174,566,366.76</b>	1,017,764,828.95

## V. NOTES TO THE MAJOR ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 63. Notes to the Cash Flow Statements (Continued)

	2019	2018
Other cash paid in connection with investing activities		
Project-related current account	1,413,775,885.29	2,354,569,000.04
Granting the project-related entrusted loan	732,650,000.00	1,665,973,226.85
Purchase of wealth management products	125,358,448.05	55,000,000.00
Restricted cash payment	75,995,840.30	428,465,778.68
Fixed bank deposits with maturity of over 3 months	167,762,704.83	278,230,000.00
	<b>2,515,542,878.47</b>	4,782,238,005.57
Other cash received in connection with financing activities		
Project-related current account	95,850,000.00	—
Compensation promised by shareholders (Note 1)	154,384,500.54	—
	<b>250,234,500.54</b>	—
Other cash paid in connection with financing activities		
Project-related current account	834,721,988.46	29,777,067.57
Loan charges	16,201,832.48	14,103,016.65
Acquisition of non-controlling interests	351,349,001.00	371,800,000.00
Rental paid for leased Portfolio Shopping Malls	726,776,480.92	—
Hedge	19,524,736.00	—
Repurchase ordinary shares	—	3,912,871,410.77
	<b>1,948,574,038.86</b>	4,328,551,494.99

Note 1: RMB154,384,500.54 was received this year from the actual controller Mr. CHE Jianxing who promised such payment as compensation for the case with Changsha Ideal.

# Notes to the Financial Statements

For the year 2019 (RMB)

## V. NOTES TO THE MAJOR ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 64. Supplementary Information of Cash Flow Statements

#### (1) Supplementary information of cash flow statements

Reconciliation of net profits to cash flow from operating activities:

	2019	2018
Net profits	4,686,241,681.09	4,705,447,303.11
Add: Impairment allowance of assets	297,862,062.06	247,494,708.99
Depreciation of right-of-use assets	435,144,116.27	—
Depreciation of fixed assets	72,261,441.77	53,835,143.59
Amortization of intangible assets	36,113,438.94	35,455,622.48
Amortization of long-term prepaid expenses	151,539,151.88	93,332,961.34
Losses/(gains) on disposal of fixed assets, intangible assets and other long-term assets	(8,101,725.36)	656,552.23
Gains from changes in fair value	(1,632,073,263.93)	(1,767,009,613.56)
Financial expense	2,147,302,563.99	1,661,161,853.96
Investment income	(786,438,650.13)	(229,672,928.92)
Increase in deferred tax assets	(262,821,911.31)	(103,689,134.14)
Increase in deferred tax liabilities	686,003,134.77	1,294,261,987.34
Increase in inventories	(79,626,026.08)	(131,061,142.47)
Increase in operating receivables	(37,640,962.63)	(1,698,852,561.09)
Increase(Decrease) in operating payables	(1,611,784,020.73)	1,696,569,951.49
<b>Net cash flows from operating activities</b>	<b>4,093,981,030.60</b>	<b>5,857,930,704.35</b>

Net change in cash and cash equivalents:

	2019	2018
Closing balance of cash	6,776,093,360.48	7,614,487,228.69
Less: Opening balance of cash	7,614,487,228.69	10,269,293,739.45
<b>Net increase in cash and cash equivalents</b>	<b>(838,393,868.21)</b>	<b>(2,654,806,510.76)</b>

## V. NOTES TO THE MAJOR ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 64. Supplementary Information of Cash Flow Statements (Continued)

#### (2) Information for acquisition or disposal of subsidiaries and other business units

Information for acquisition of subsidiaries and other business units

	2019	2018
Price of acquisition of subsidiaries and other business units	<b>1,399,077,678.16</b>	2,648,440,001.00
Cash and cash equivalents paid for acquisition of subsidiaries and other business units in the current period	<b>920,294,210.96</b>	2,202,795,001.00
Less: Cash and cash equivalents held for acquisition of subsidiaries and other business units	<b>79,828,537.84</b>	229,788,223.17
Net cash paid for acquisition of subsidiaries and other business units	<b>840,465,673.12</b>	1,973,006,777.83

Information of disposal of subsidiaries and other business units

	2019	2018
Price of disposal of subsidiaries and other business units	<b>6,500,002.00</b>	5,000,000.00
Cash and cash equivalents paid for disposal of subsidiaries and other business units in the current period	<b>6,500,002.00</b>	5,000,000.00
Less: Cash and cash equivalents held for acquisition of subsidiaries and other business units	<b>4,896,142.75</b>	4,604.39
Net cash received from disposal of subsidiaries and other business units	<b>1,603,859.25</b>	4,995,395.61

#### (3) Cash and cash equivalents

	2019	2018
Cash	<b>6,776,093,360.48</b>	7,614,487,228.69
Including: Cash on hand	<b>10,745,522.74</b>	46,557,254.36
Bank deposits readily to be withdrawn on demand	<b>6,765,347,837.74</b>	7,567,929,974.33
Cash and cash equivalents balance at the end of the year	<b>6,776,093,360.48</b>	7,614,487,228.69

# Notes to the Financial Statements

For the year 2019 (RMB)

## V. NOTES TO THE MAJOR ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 65. Assets with Restricted Ownership or use Right

	2019	2018	Reasons for limitation
Cash and bank	5,000,000.00	80,000,000.00	Long-term Loan pledge
Cash and bank	1,005,097.99	14,002,046.63	Engineering deposit
Cash and bank	—	100,000,000.00	Bank acceptance bill deposit
Cash and bank	448,837.00	209,000,000.00	Court freezing
Cash and bank	10,141,501.53	25,463,732.05	Deposited investment fund
Cash and bank	164,245,962.21	206,424,957.55	Reserves deposited in the Central Bank
Cash and bank	52,400,000.00	—	Hedging deposit
Cash and bank	23,948,811.85	—	Guarantee deposit
Cash and bank	14,193,093.46	—	Migrant worker deposit
Other equity instrument investments	702,000,000.00	1,385,139,862.92	Loan pledge
Investment properties	68,633,000,000.00	59,492,974,400.00	Loans, CMBS, Trust pledge/mortgage
Fixed assets	549,918,707.57	—	Loan pledge
Construction in progress	2,310,501,272.84	—	Loan pledge
	<b>72,466,803,284.45</b>	61,513,004,999.15	

Others:

As at the end of the year, the revenue of operations from Nanjing Kazimen Mall, Shanghai Zhenbei Shopping Mall, Shanghai Wuzhonglu Shopping Mall, Jinan Red Star Shopping Mall, Zhengzhou Red Star Shopping Mall, Shanghai Jinqiao Shopping Mall, Hefei Red Star Shibo, Nanjing Pukou, Harbinxi Railway Station and Shanghai Jinshan during relevant loan periods was used for loan pledge. The revenue of property operation from Xinglong Home Furnishing, Tianjin Hedong, Beijing East Four Ring, Yantai Red Star, Wuhan Etouwan, Beijing West Four Ring, Changzhou Home World and Changzhou Macalline during relevant periods was used for CMBS pledge.

## V. NOTES TO THE MAJOR ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 66. Monetary Items Denominated in Foreign Currency

	2019			2018		
	Original currencies	Exchange rate	RMB equivalent	Original currencies	Exchange rate	RMB equivalent
Cash and bank balances						
USD	2,338,925.22	6.9762	16,316,810.12	652,314.78	6.8632	4,476,966.80
HKD	331,953.20	0.8958	297,363.68	5,167,917.39	0.8762	4,528,129.20
EUR	6,200,000.00	7.8155	48,456,100.00	—	—	—
Bonds payable						
USD	296,684,055.39	6.9762	2,069,727,307.24	296,697,389.29	6.8632	2,036,293,522.18
Short-term loan						
HKD	965,000,000.00	0.8958	864,447,700.00	1,057,699,850.00	0.8762	926,756,608.57

### 67. Hedging

#### Fair value hedging

Hong Kong Red Star Macalline Global Home Furnishing Company Limited (香港紅星美凱龍全球家居有限公司)(hereinafter referred to as "Hong Kong Red Star Macalline"), a subsidiary of the Group (whose functional currency is RMB), issued USD300,000,000.00 long-term bonds on 21 September 2017, which will mature on 21 September 2022 and has interest rate of 3.375% per annum payable semi-annually on March 21 and September 21 of each year commencing on 21 March 2018. In response to this part of long-term bonds facing the exchange rate risk exposure caused by changes in RMB against USD. On April 2, 2019, the Group purchased a structured currency swap (can cancel the range forward), against USD150,000,000 of the USD-dominated loan of Hong Kong Red Star. On May 9, 2019, the Group purchased an option portfolio product consisting of the signed options and the purchased options to hedge the USD100,000,000 of the USD-dominated loan of Hong Kong Red Star. Through qualitative analysis, the Group determined that the ratio of the number of hedging instruments to hedged items was 1: 1. The invalid part of the hedge mainly comes from the foreign exchange basis. The invalid part of the fair value hedging this year is not significant.

# Notes to the Financial Statements

For the year 2019 (RMB)

## V. NOTES TO THE MAJOR ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 67. Hedging (Continued)

#### Fair value hedging (continued)

Book value and fair value movement of hedging instruments are as follows:

2019

	Nominal amount of hedging instruments	Book value of hedging instruments Assets	Items listed on the balance sheet with hedging instruments	Changes in the fair value of hedging instruments used as the basis for confirming the invalid part of the hedge in 2019
Structured currency swaps	USD150,000,000	15,464,953.56	Derivative financial instruments	—
Option portfolio	USD100,000,000	16,286,550.66	Derivative financial instruments	—
		31,751,504.22		

Book value of the hedged items and the related adjustments are as follows:

2019

	Book value of hedged items	Cumulative amount of fair value hedging adjustment of the hedged item (included in the book value of the hedged item)	Listed items in the balance sheet including hedged items	Changes in the fair value of hedged items used as the basis for confirming the invalid part of the hedge in 2019
	Liabilities	Liabilities		
USD-dominated bonds	1,744,050,000.00	(40,125,000.00)	Bonds payable	5,510,000.00

## VI. CHANGES IN CONSOLIDATION SCOPE

### 1. Business Combinations Involving Enterprises Not Under Common Control

#### Acquisition of Shanghai Xinsheng

In September 2019, the Group entered into an equity transfer agreement with Metro Cash & Carry Asia Pacific Holding GmbH (麥德龍現購自運亞太控股有限公司) to acquire 90% equity interest of Xinsheng Property Management (Shanghai) Co., Ltd. (鑫笙物業管理(上海)有限公司) (“Shanghai Xinsheng”) at a consideration of RMB631,060,000.00. Since the combining enterprises are not ultimately controlled by the same party or parties before and after the combination, the combination is not involving enterprise under common control. The Group has completed the business registration for such change on 26 September 2019, and obtained the control right over Shanghai Xinsheng. Therefore, the acquisition date was determined to be 26 September 2019. The consideration for this transaction was paid in cash. As of the date of this financial report, the relevant consideration has been paid.

The total fair value and book value of Shanghai Xinsheng’s identifiable assets and liabilities at the date of purchase are as follows:

	Fair value on the acquisition date	Book value on the acquisition date
Cash and bank balances	30,266,670.72	30,266,670.72
Investment properties	669,000,000.00	315,543,599.68
Deferred tax assets	942,512.41	942,512.41
Taxes payable	(672,516.88)	(672,516.88)
Deferred tax liabilities	(88,364,100.08)	—
	611,172,566.17	346,080,265.93
Non-controlling interests	61,117,256.61	34,608,026.59
	550,055,309.56	311,472,239.34
Goodwill from acquisition	81,004,690.44	
	631,060,000.00	



# Notes to the Financial Statements

For the year 2019 (RMB)

## VI. CHANGES IN CONSOLIDATION SCOPE (CONTINUED)

### 1. Business Combinations Involving Enterprises Not Under Common Control (Continued)

#### Acquisition of Shanghai Xinsheng (continued)

The Group uses the market comparison method to evaluate the fair value of the identifiable assets and liabilities of the acquired party. Goodwill is mainly due to the deferred tax liabilities arising from the fair value of Shanghai Xinsheng's identifiable net assets being higher than its book value.

The operating results and cash flow of Shanghai Xinsheng from the purchasing date to the end of this year are listed as follows:

	Period from acquisition date to December 31
Revenue	3,395,908.12
Net profit	1,339,178.19
Net cashflow	4,585,132.89

#### Acquisition of Yongqing Yintai New City and Yongqing Yintong

In August 2018, the Group acquired 70% equity interest of Yintai (Yongqing) New City Investment Co., Ltd. (銀泰(永清)新城投資有限公司) ("Yintai New City Investment") at a consideration of RMB1 billion through a business combination which is not involving enterprises under common control. At that time, Yintai New City Investment held 30% equity interest in each of Yongqing Yintai New City Construction And Development Co., Ltd. (永清銀泰新城建設開發有限公司) ("Yongqing Yintai New City") and Yongqing Yintong Construction And Development Co., Ltd. (永清銀通建設開發有限公司) ("Yongqing Yintong"), respectively. The Group included Yintai New City Investment into the scope of consolidation, and accounted for Yongqing Yintai New City and Yongqing Yintong as joint ventures. In June 2019, Yintai New City Investment, a subsidiary of the Group, further acquired 70% equity interest in each of Yongqing Yintai New City and Yongqing Yintong at a consideration of RMB70,000,000.00 and RMB44,586,111.11, respectively. So far, Yintai New City Investment, a subsidiary of the Group, has owned 100% equity interest in each of Yongqing Yintai New City and Yongqing Yintong.

## VI. CHANGES IN CONSOLIDATION SCOPE (CONTINUED)

### 1. Business Combinations Involving Enterprises Not Under Common Control (Continued)

#### Acquisition of Yongqing Yintai New City and Yongqing Yintong (continued)

Since the combining enterprises are not ultimately controlled by the same party or parties before and after the combination, the combination is not involving enterprises under common control. In June 2019, the former management teams of Yongqing Yintai New City and Yongqing Yintong were withdrawn, and the Group took over the operations of Yongqing Yintai New City and Yongqing Yintong in an all-round manner. On 13 June 2019 and 18 June 2019, the Group completed the business registration for such changes and updated the Articles of Association, respectively. Yongqing Yintai New City and Yongqing Yintong were under the control and operation Group. Since 13 June 2019 and 18 June 2019, the Group has included Yongqing Yintai New City and Yongqing Yintong into the scope of consolidation.

The total fair value and book value of the identifiable assets and liabilities of Yongqing Yintai New City and Yongqing Yintong at the purchasing date re as follows:

	Fair value on the acquisition date	Book value on the acquisition date
Cash and bank balances	892,598.79	892,598.79
Prepayments	2,065,362.00	2,065,362.00
Other receivables	16,827.70	16,827.70
Fixed assets	9,540.00	7,082.05
Other non-current assets	378,541,726.74	353,298,047.24
Accounts payable	(574,036.20)	(574,036.20)
Other payables	(44,105,370.58)	(44,105,370.58)
Deferred tax liabilities	(6,311,534.37)	—
Other liabilities	(162,640,356.47)	(162,640,356.47)
	167,894,757.61	148,960,154.53
The cost which exceeded the combined cost and was included in the current profit and loss	2,940,219.22	
	164,954,538.39	Note

# Notes to the Financial Statements

For the year 2019 (RMB)

## VI. CHANGES IN CONSOLIDATION SCOPE (CONTINUED)

### 1. Business Combinations Involving Enterprises Not Under Common Control (Continued)

#### Acquisition of Yongqing Yintai New City and Yongqing Yintong (continued)

*Note:* Such amount includes the cash consideration of RMB114,586,111.11 paid by the Company in the business combination and the total fair value of RMB50,368,427.28 based on assessment of the 30% equity interest held in Yongqing Yintai New City and the 30% equity interest held in Yongqing Yintong prior to the determined acquisition date. Since the above companies were all at the initial stage of establishment, the Group used the asset-based approach to determine the fair value of the equity interest formerly held by it as at the acquisition date. The book value of the 30% equity interest in Yongqing Yintai New City and the 30% equity interest in Yongqing Yintong formerly held by it was RMB44,688,046.35 in total. As at the acquisition date, the gains arising from remeasurement of the above equity interest at fair value was RMB5,680,380.93.

The operating results and cash flow of Yongqing Yintai New City and Yongqing Yintong from the purchasing date to the end of this year are listed as follows:

	Period from acquisition date to December 31
Revenue	—
Net loss	(14,036,678.87)
Net cash flow	(11,192.98)

## VI. CHANGES IN CONSOLIDATION SCOPE (CONTINUED)

### 2. Disposal of subsidiaries

	Registration	Business nature	The Group's total shareholding percentage (%)	Proportion of voting rights enjoyed by the Group in total (%)	The reason for not being a subsidiary
Anhui Tenghui Investment Group Hefei Co., Ltd. (安徽騰輝投資集團合肥有限公司)	Anhui Province	Leasing and business services	100	100	Note 1
Shanghai Huojing Business Management Co., Ltd. (上海或京商業管理有限公司)	Shanghai	Leasing and business services	65	65	Note 2
Suzhou Industrial Park Huojinju Business Management Co., Ltd. (蘇州工業園區霍金聚商業管理有限公司)	Jiangsu Province	Leasing and business services	65	65	Note 2
Shanghai Qixing Investment Co., Ltd. (上海祁星投資有限公司)	Shanghai	Leasing and business services	100	100	Note 3

Note 1: The parent company, Red Star Macalline Group Corporation Ltd. (紅星美凱龍家居集團股份有限公司) and its related party, Shanghai Aegean Ole Business Management Co., Ltd. (上海愛琴海奧萊商業管理有限公司), signed an equity transfer agreement on August 8, 2019. 100% equity of Anhui Tenghui investment Hefei Group Co., Ltd. ("Anhui Tenghui") was sold for RMB1. The disposal date is September 30, 2019. Since September 30, 2019, the Group no longer included Anhui Tenghui in the scope of consolidation.

# Notes to the Financial Statements

For the year 2019 (RMB)

## VI. CHANGES IN CONSOLIDATION SCOPE (CONTINUED)

### 2. Disposal of subsidiaries (Continued)

Note 1: (Continued)

The relevant financial information of Anhui Tenghui is listed as follows:

	September 30, 2019 Book value	December 31, 2018 Book value
Current assets:		
Cash and bank balances	514,688.06	1,371,914.78
Prepayments	6,763,605.65	6,826,574.28
Other receivables	1,650,297.99	1,375,022.32
Other current assets	2,157.93	22,634.87
Non-current assets:		
Investment property	430,000,000.00	365,000,000.00
Deferred tax assets	17,368,605.89	38,487,867.64
Current liabilities:		
Other payables	(603,013,114.21)	(602,913,170.88)
	(146,713,758.69)	(189,829,156.99)
Disposal profit	146,713,759.69	
Disposal consideration	1.00	

## VI. CHANGES IN CONSOLIDATION SCOPE (CONTINUED)

### 2. Disposal of subsidiaries (Continued)

Note 1: (Continued)

Anhui Tenghui's operating results and cash flow from January 1, 2019 to the disposal date are listed below:

	From January 1, 2019 to September 30, 2019
Revenue	588,687.77
Cost of sales	19,916,439.09
Net profit	43,115,398.30

Note 2: The parent company, Red Star Macalline Group Co., Ltd. (紅星美凱龍家居集團股份有限公司) and the parent company of the Group, Red Star Macalline Holdings Group Co., Ltd. (紅星美凱龍控股集團有限公司), signed an equity transfer agreement on October 11, 2019, to sell the holding 65% equity of Shanghai Huojing Commercial Management Co., Ltd. (上海或京商業管理有限公司) for RMB6,500,000.00, at a disposal date of October 31, 2019. Since October 31, 2019, the Group no longer included Shanghai Huojing Commercial Management Co., Ltd. (上海或京商業管理有限公司) and its subsidiary Suzhou Industrial Park Huojinju Business Management Co., Ltd. (蘇州工業園區霍金聚商業管理有限公司) into the scope of consolidation.

Note 3: Shanghai Red Star Macalline Industrial Co., Ltd., (上海紅星美凱龍實業有限公司) a subsidiary of the Group signed an equity transfer agreement with a third-party individual, Tang Qingming (唐清明), in November 2019 to sell the holding 100% equity of Shanghai Qixing Investment Co., Ltd. (上海祁星投資有限公司) for RMB1, the disposal date is November 30, 2019. Since November 30, 2019, the Group no longer included Shanghai Qixing Investment Co., Ltd. (上海祁星投資有限公司) in the scope of consolidation.

# Notes to the Financial Statements

For the year 2019 (RMB)

## VI. CHANGES IN CONSOLIDATION SCOPE (CONTINUED)

### 3. Changes in consolidation scope for other reasons

#### Assets Acquisition

Asset acquisitions completed by the Group this year are as follows:

In January 2019, the Group signed an equity transfer agreement with Jiangxi Provincial State-owned Enterprise Asset Management (Holdings) Co., Ltd. (江西省省屬國有企業資產經營(控股)有限公司) to acquire 30% equity of Nanchang Red Star Macalline Global Home Expo Center Co., Ltd. (南昌紅星美凱龍環球家居博覽中心有限責任公司) ("Nanchang Red Star") for RMB77,053,525.81. At the same time, the Group signed an equity transfer agreement with Jiangxi Hengmao Real Estate Development Co., Ltd. (江西恒茂房地產開發有限公司) to acquire 16% equity of Nanchang Red Star for RMB34,659,500.00. After the acquisition was completed, the Group holds 100% shares of Nanchang Red Star.

In July 2019, the Group signed a three-party equity transfer agreement with CapitaLand Commercial China Investment Co., Ltd. (凱德商用中國投資有限公司) and Kangyi International Co., Ltd. (康易國際有限公司) to acquire 51% and 49% shares of Wuhu CapitaLand Commercial Property Co., Ltd. (蕪湖凱德商用置業有限公司) ("Wuhu CapitaLand") for a consideration of RMB27,527,706.09.

In September 2019, the Group signed an equity transfer agreement with Foshan Haoda Development Co., Ltd. (佛山市豪達發展有限公司) to acquire 81% shares of Foshan Junda Enterprise Management Co., Ltd. (佛山郡達企業管理有限公司) ("Foshan Junda") for RMB520,000,000.00. After the acquisition is completed, the Group holds 100% shares of Foshan Junda.

The management of the Group believes that none of the above transactions constitute a business combination and considers these acquisitions as asset acquisitions.

## VI. CHANGES IN CONSOLIDATION SCOPE (CONTINUED)

### 3. Changes in consolidation scope for other reasons (Continued)

#### Newly established

Subsidiary name	Main business site	Place of incorporation	Business nature	Shareholding ratio (%)		Reason of changes
				Direct	Indirect	
Hebei Red Star Macalline Logistics Company Limited (河北紅星美凱龍物流有限公司)	Hebei	Hebei	Warehouse logistics	—	100	newly established company
Shanghai Beizheng Logistics Company Limited (上海倍正物流有限公司)	Shanghai	Shanghai	Warehouse logistics	—	100	newly established company
Shanghai Beixun Logistics Company Limited (上海倍訊物流有限公司)	Shanghai	Shanghai	Warehouse logistics	—	100	newly established company
Shanghai Beibo Logistics Company Limited (上海倍博物流有限公司)	Shanghai	Shanghai	Warehouse logistics	—	100	newly established company
Shenzhen Red Star Macalline Gaosheng City Development Company Limited (深圳市紅星美凱龍高盛產城發展有限公司)	Guangdong	Guangdong	Industrial investment	51	—	newly established company
Guangzhou Red Star Macalline Home Expo Center Company Limited (廣州紅星美凱龍家居博覽中心有限公司)	Guangdong	Guangdong	Site leasing management	100	—	newly established company
Guangzhou Red Star Macalline Market Management Company Limited (廣州紅星美凱龍市場經營管理有限公司)	Guangdong	Guangdong	Site leasing management	100	—	newly established company
Haikou Tangong Industrial Company Limited (海口檀宮實業有限公司)	Hainan	Hainan	Site leasing management	100	—	newly established company
Nantong Longmei International Home Furnishing Company Limited (南通龍美國際家居生活廣場有限公司)	Jiangsu	Jiangsu	Site leasing management	100	—	newly established company
Taiyuan Red Star Macalline Shimao Home Furnishing Company Limited (太原紅星美凱龍世貿家居廣場有限公司)	Shanxi	Shanxi	Site leasing management	60	—	newly established company
Red star macalline Glory Casa (Hainan) Home Technology Company Limited (紅星美凱龍凱撒至尊(海南)家居科技有限公司)	Hainan	Hainan	E-commerce	—	70	newly established company
Shanghai Yingtailijin Technology Company Limited (上海英太利金科技有限公司)	Shanghai	Shanghai	E-commerce	80	—	newly established company



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## VI. CHANGES IN CONSOLIDATION SCOPE (CONTINUED)

### 3. Changes in consolidation scope for other reasons (Continued)

#### Newly established (Continued)

Subsidiary name	Main business site	Place of incorporation	Business nature	Shareholding ratio (%)		Reason of changes
				Direct	Indirect	
Red Star Daojia (Shanghai) Technology Company Limited (紅星到家(上海)科技有限公司)	Shanghai	Shanghai	E-commerce	100	—	newly established company
Shanghai Red Star Macalline Fanjia Information Service Company Limited (上海紅星美凱龍泛家信息服務有限公司)	Shanghai	Shanghai	E-commerce	51	—	newly established company
Red Star Macalline (Zhejiang) Information Service Company Limited (紅星美凱龍(浙江)信息技術有限公司)	Zhejiang	Zhejiang	E-commerce	100	—	newly established company
Shanghai Weilaishi Decoration Technology Company Limited (上海威來適裝飾科技有限公司)	Shanghai	Shanghai	Construction decoration	—	67	newly established company
Shanghai Red Star Macalline Decoration (Group) Company Limited (上海紅星美凱龍建築裝飾(集團)有限公司)	Shanghai	Shanghai	Construction decoration	100	—	newly established company
Shanghai Red Star Macalline Home Decorating Company Limited (上海美凱龍裝飾工程集團有限公司)	Shanghai	Shanghai	Construction decoration	100	—	newly established company
Shanghai Red Star Macalline Creative Design Company Limited (上海麗浩創意設計有限公司)	Shanghai	Shanghai	Construction decoration	—	90	newly established company
Shanghai Macalline Aesthetic Decoration Engineering Company Limited (上海美凱龍美學裝飾工程有限公司)	Shanghai	Shanghai	Construction decoration	—	100	newly established company
Zhejiang Xingyisheng Industrial Development Company Limited (浙江星易盛實業發展有限公司)	Zhejiang	Zhejiang	Construction decoration	—	75	newly established company
Betterhome Construction Technology Company Limited (家倍得建築科技有限公司)	Zhejiang	Zhejiang	Construction decoration	90	—	newly established company
Zhejiang Xingzhuo Decoration Company Limited (浙江星卓裝飾有限公司)	Zhejiang	Zhejiang	Construction decoration	—	100	newly established company
Tianjin Red Star Macalline Supply Chain Management Company Limited (天津紅星美凱龍供應鏈管理有限公司)	Tianjin	Tianjin	Supply chain management	—	60	newly established company

## VI. CHANGES IN CONSOLIDATION SCOPE (CONTINUED)

### 3. Changes in consolidation scope for other reasons (Continued)

#### Newly established (Continued)

Subsidiary name	Main business site	Place of incorporation	Business nature	Shareholding ratio (%)		Reason of changes
				Direct	Indirect	
Suzhou Xingtong Enterprise Management Consultation Company Limited (宿州星通企業管理諮詢有限公司)	Anhui	Anhui	Enterprise management and consultancy	100	—	newly established company
Beijing Xingmei Yongsheng Information Consultation Company Limited (北京星美永盛信息諮詢有限公司)	Beijing	Beijing	Enterprise management and consultancy	—	70	newly established company
Xi'an Meijia Household Service Company Limited (西安舒適美佳家政服務有限責任公司)	Shaanxi	Shaanxi	Enterprise management and consultancy	65	—	newly established company
Shanghai Zhiya Business Management Company Limited (上海柘雅管理諮詢有限公司)	Shanghai	Shanghai	Enterprise management and consultancy	—	100	newly established company
Shanghai Jianliu Enterprise Management Company Limited (上海簡柳企業管理有限公司)	Shanghai	Shanghai	Enterprise management and consultancy	—	100	newly established company
Shanghai Enliu Enterprise Management Company Limited (上海蔥柳企業管理有限公司)	Shanghai	Shanghai	Enterprise management and consultancy	—	100	newly established company
Shanghai Bencheng Enterprise Management Company Limited (上海賽程企業管理有限公司)	Shanghai	Shanghai	Enterprise management and consultancy	—	100	newly established company
Shanghai Banlong Business Management Company Limited (上海阪龍商業管理有限公司)	Shanghai	Shanghai	Enterprise management and consultancy	—	100	newly established company
Shanghai Ersai Enterprise Management Company Limited (上海邇賽企業管理有限公司)	Shanghai	Shanghai	Enterprise management and consultancy	—	100	newly established company
Shijiazhuang Bochen Industrial Company Limited (石家莊博宸實業有限公司)	Shijiazhuang	Shijiazhuang	Enterprise management and consultancy	—	100	newly established company

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For the year 2019 (RMB)

## VI. CHANGES IN CONSOLIDATION SCOPE (CONTINUED)

### 3. Changes in consolidation scope for other reasons (Continued)

#### Newly established (Continued)

Subsidiary name	Main business site	Place of incorporation	Business nature	Shareholding ratio (%)		Reason of changes
				Direct	Indirect	
Hong Kong Red Star Macalline Business Management Company Limited (香港紅星美凱龍商業管理有限公司)	Hong Kong	Hong Kong	Enterprise management and consultancy	—	100	newly established company
Red Star Macalline (Zhejiang) Corporate Management Company Limited (紅星美凱龍(浙江)企業管理有限公司)	Zhejiang	Zhejiang	Enterprise management and consultancy	95	—	newly established company
Red Star Macalline Life Aesthetics Center Management Company Limited (紅星美凱龍生活美學中心管理有限公司)	Zhejiang	Zhejiang	Enterprise management and consultancy	95	—	newly established company
Shanghai Red Star Macalline Home Furnishing Company Limited (上海紅星美凱龍星家居用品有限公司)	Shanghai	Shanghai	Proprietary sales	—	54	newly established company
Red Star Macalline GmbH (Red Star Macalline GmbH)	Munich Germany	Munich Germany	Other	—	100	newly established company
Redstar Global Holdings Limited (Redstar Global Holdings Limited)	The Virgin Islands	The Virgin Islands	Other	—	100	newly established company

#### Cancelled subsidiary

The subsidiaries cancelled by the Group this year were Laishui Yintai Tourism Development Co., Ltd. (涇水銀泰旅遊開發有限公司), Taiyuan Red Star Macalline Expo Home Plaza Co., Ltd. (太原紅星美凱龍世博家居廣場有限公司), Cangzhou Yintai Foundation Construction Development Co., Ltd. (滄州銀泰基業建設開發有限公司), Wuhan Red Star Macalline Global Home Plaza Development Co., Ltd. (武漢紅星美凱龍全球家居廣場發展有限公司), Changzhou Home Channel Home Decoration Co., Ltd. (常州家頻道家居飾品有限公司) and Changsha Red Star Macalline Expo Home Living Plaza Co., Ltd. (長沙紅星美凱龍世博家居生活廣場有限公司)

## VII. INTERESTS IN OTHER ENTITIES

### 1. Interests in Significant Subsidiaries

The company's subsidiaries are as follows:

Subsidiary name	Legal entity nature	Main business site	Place of incorporation	Business nature	Registered capital RMB'0000	Shareholding ratio (%)		Note
						Direct	Indirect	
<b>Subsidiaries acquired through establishment or investment</b>								
Hefei Red Star Macalline Logistics Company Limited (合肥紅星美凱龍物流有限公司)	Limited liability company	Anhui	Anhui	Warehouse logistics	5,000.00	—	100	
Anhui Red Star Macalline Logistics Company Limited (安徽紅星美凱龍物流有限公司)	Limited liability company	Anhui	Anhui	Warehouse logistics	10,000.00	—	100	
Guizhou Red Star Macalline Logistics Company Limited (貴州紅星美凱龍物流有限公司)	Limited liability company	Guizhou	Guizhou	Warehouse logistics	6,500.00	—	100	
Hebei Red Star Macalline Logistics Company Limited (河北紅星美凱龍物流有限公司)	Limited liability company	Hebei	Hebei	Warehouse logistics	3,500.00	—	100	
Jilin Red Star Macalline Logistics Company Limited (吉林紅星美凱龍物流有限公司)	Limited liability company	Jilin	Jilin	Warehouse logistics	4,000.00	—	100	
Shaanxi Red Star Macalline Logistics Company Limited (陝西紅星美凱龍物流有限公司)	Limited liability company	Shaanxi	Shaanxi	Warehouse logistics	6,000.00	—	100	
Shanghai Ozing Digital Technology Company Limited (上海好記星數碼科技有限公司)	Limited liability company	Shanghai	Shanghai	Warehouse logistics	USD2000	—	100	
Shanghai Beimei Logistics Company Limited (上海倍美物流有限公司)	Limited liability company	Shanghai	Shanghai	Warehouse logistics	6,000.00	—	100	
Shanghai Beimao Logistics Company Limited (上海倍茂物流有限公司)	Limited liability company	Shanghai	Shanghai	Warehouse logistics	6,500.00	—	100	
Shanghai Beimai Logistics Company Limited (上海倍邁物流有限公司)	Limited liability company	Shanghai	Shanghai	Warehouse logistics	10,000.00	—	100	
Shanghai Beihao Logistics Company Limited (上海倍皓物流有限公司)	Limited liability company	Shanghai	Shanghai	Warehouse logistics	6,000.00	—	100	
Shanghai Beibang Logistics Company Limited (上海倍邦物流有限公司)	Limited liability company	Shanghai	Shanghai	Warehouse logistics	12,500.00	—	100	
Shanghai Beiyao Logistics Company Limited (上海倍耀物流有限公司)	Limited liability company	Shanghai	Shanghai	Warehouse logistics	15,000.00	—	100	
Shanghai Beiyue Logistics Company Limited (上海倍躍物流有限公司)	Limited liability company	Shanghai	Shanghai	Warehouse logistics	6,000.00	—	100	

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## VII. INTERESTS IN OTHER ENTITIES (CONTINUED)

### 1. Interests in Significant Subsidiaries (continued)

Subsidiary name	Legal entity nature	Main business site	Place of		Registered capital RMB'0000	Shareholding ratio (%)		Note
			incorporation	Business nature		Direct	Indirect	
Shanghai Beilang Logistics Company Limited (上海倍朗物流有限公司)	Limited liability company	Shanghai	Shanghai	Warehouse logistics	6,000.00	—	100	
Shanghai Hongyue Logistics Company Limited (上海宏岳物流有限公司)	Limited liability company	Shanghai	Shanghai	Warehouse logistics	6,300.00	—	60	
Shanghai Beizheng Logistics Company Limited (上海倍正物流有限公司)	Limited liability company	Shanghai	Shanghai	Warehouse logistics	5,000.00	—	100	
Shanghai Beixun Logistics Company Limited (上海倍訊物流有限公司)	Limited liability company	Shanghai	Shanghai	Warehouse logistics	6,000.00	—	100	
Shanghai Beibo Logistics Company Limited (上海倍博物流有限公司)	Limited liability company	Shanghai	Shanghai	Warehouse logistics	6,000.00	—	100	
Chengdu Red Star Macalline Logistics Company Limited (成都紅星美凱龍物流有限公司)	Limited liability company	Sichuan	Sichuan	Warehouse logistics	5,500.00	—	100	
Tianjin Red Star Macalline Logistics Company Limited (天津紅星美凱龍物流有限公司)	Limited liability company	Tianjin	Tianjin	Warehouse logistics	5,000.00	—	60	
Chongqing Red Star Macalline Logistics Company Limited (重慶紅星美凱龍物流有限公司)	Limited liability company	Chongqing	Chongqing	Warehouse logistics	15,000.00	—	100	
Shenzhen Red Star Macalline Gaosheng City Development Company Limited (深圳市紅星美凱龍高產產城發展有限公司)	Limited liability company	Guangdong	Guangdong	Industrial investment	3,000.00	51	—	
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)	Limited liability company	Anhui	Anhui	Site leasing management	34,984.83	100	—	
Wuhu Red Star Macalline Shimao Furniture Plaza Company Limited (蕪湖紅星美凱龍世貿家居廣場有限公司) (formally known as Wuhu Kaide)	Limited liability company	Anhui	Anhui	Site leasing management	9,600.00	100	—	
Beijing Xingkai Jingzhou Furniture Plaza Company Limited (北京星凱京洲傢俱廣場有限公司)	Limited liability company	Beijing	Beijing	Site leasing management	3,000.00	—	51	
Beijing Century Europe and America Business Investment Company Limited (北京世紀歐美商業投資有限公司)	Limited liability company	Beijing	Beijing	Site leasing management	5,000.00	—	80	
Beijing Century Kailong Business Investment Company Limited (北京世紀凱隆商業投資有限公司)	Limited liability company	Beijing	Beijing	Site leasing management	1,000.00	100	—	

## VII. INTERESTS IN OTHER ENTITIES (CONTINUED)

## 1. Interests in Significant Subsidiaries (continued)

Subsidiary name	Legal entity nature	Main business site	Place of incorporation	Business nature	Registered capital RMB'0000	Shareholding ratio (%)		Note
						Direct	Indirect	
Chengdu Red Star Macalline Tianfu Expo Home Furnishing Plaza Company Limited (成都紅星美凱龍天府世博家居廣場有限公司)	Limited liability company	Chengdu	Chengdu	Site leasing management	5,000.00	100	—	
Chengdu Tianfu New District Red Star Macalline World Trade Home Furnishing Company Limited (成都天府新區紅星美凱龍世貿家居有限公司)	Limited liability company	Chengdu	Chengdu	Site leasing management	21,000.00	100	—	
Lanzhou Red Star Macalline Shibo Furniture Plaza Company Limited (蘭州紅星美凱龍世博家居廣場有限公司)	Limited liability company	Gansu	Gansu	Site leasing management	3,000.00	100	—	
Zhongshan Red Star Macalline Shibo Furniture Plaza Company Limited (中山紅星美凱龍世博家居廣場有限公司)	Limited liability company	Guangdong	Guangdong	Site leasing management	14,993.93	100	—	
Dongguan Red Star Macalline Shibo Furniture Plaza Company Limited (東莞紅星美凱龍世博家居廣場有限公司)	Limited liability company	Guangdong	Guangdong	Site leasing management	10,000.00	70	—	
Foshan Red Star Macalline Home Furnishing Plaza Company Limited (佛山紅星美凱龍家居生活廣場有限公司)	Limited liability company	Guangdong	Guangdong	Site leasing management	5,000.00	100	—	
Guangzhou Red Star Macalline Home Furnishing Building Material Company Limited (廣州紅星美凱龍家居建材有限公司)	Limited liability company	Guangdong	Guangdong	Site leasing management	5,000.00	95	—	
Guangzhou Red Star Macalline Home Expo Center Company Limited (廣州紅星美凱龍家居博覽中心有限公司)	Limited liability company	Guangdong	Guangdong	Site leasing management	1,000.00	100	—	
Guangzhou Red Star Macalline Market Management Company Limited (廣州紅星美凱龍市場經營管理有限公司)	Limited liability company	Guangdong	Guangdong	Site leasing management	500.00	100	—	
Harbin Red Star Macalline International Home Furnishing Company Limited (哈爾濱紅星美凱龍國際家居有限公司)	Limited liability company	Haerbin	Haerbin	Site leasing management	34,981.80	100	—	
Haikou Tangong Industrial Company Limited (海口檀宮實業有限公司)	Limited liability company	Hainan	Hainan	Site leasing management	1,000.00	100	—	

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## VII. INTERESTS IN OTHER ENTITIES (CONTINUED)

### 1. Interests in Significant Subsidiaries (continued)

Subsidiary name	Legal entity nature	Main business site	Place of incorporation	Business nature	Registered capital RMB'0000	Shareholding ratio (%)		Note
						Direct	Indirect	
Zhengzhou Red Star Macalline Shibo Home Living Company Limited (鄭州紅星美凱龍世博家居有限公司)	Limited liability company	Henan	Henan	Site leasing management	10,000.00	55	—	
Harbin Red Star Macalline Shibo Furniture Plaza Company Limited (哈爾濱紅星美凱龍世博家居廣場有限公司)	Limited liability company	Heilongjiang	Heilongjiang	Site leasing management	31,000.00	100	—	
Daqing Red Star Macalline Shibo Furniture Plaza Company Limited (大慶紅星美凱龍世博家居有限公司)	Limited liability company	Heilongjiang	Heilongjiang	Site leasing management	10,000.00	70	—	
Wuhan Red Star Macalline Shibo Home Furnishing Plaza Development Company Limited (武漢紅星美凱龍世博家居廣場發展有限公司)	Limited liability company	Hubei	Hubei	Site leasing management	55,287.87	100	—	
Wuhan Red Star Macalline Global Home Furnishing Plaza Development Company Limited (武漢紅星美凱龍環球家居廣場發展有限公司)	Limited liability company	Hubei	Hubei	Site leasing management	14,993.93	100	—	
Changsha Red Star Macalline Shibo Home Furnishing Plaza Company Limited (長沙紅星美凱龍家居生活廣場有限公司)	Limited liability company	Hunan	Hunan	Site leasing management	500.00	100	—	
Changsha Yinhong Home Furnishing Company Limited (長沙市銀紅家居有限公司)	Limited liability company	Hunan	Hunan	Site leasing management	25,000.00	100	—	
Changchun Red Star Macalline Shibo Home Living Plaza Company Limited (長春紅星美凱龍世博家居生活廣場有限公司)	Limited liability company	Jilin	Jilin	Site leasing management	6,800.00	100	—	
Nanjing Red Star Macalline International Home Furnishing Company Limited (南京紅星美凱龍國際家居有限責任公司)	Limited liability company	Jiangsu	Jiangsu	Site leasing management	76,401.70	100	—	
Nantong Hongmei Shibo Furniture Plaza Company Limited (南通紅星美凱龍家居廣場有限公司)	Limited liability company	Jiangsu	Jiangsu	Site leasing management	15,000.00	100	—	
Nantong Longmei International Home Furnishing Company Limited (南通龍美國際家居生活廣場有限公司)	Limited liability company	Jiangsu	Jiangsu	Site leasing management	1,000.00	100	—	

## VII. INTERESTS IN OTHER ENTITIES (CONTINUED)

## 1. Interests in Significant Subsidiaries (continued)

Subsidiary name	Legal entity nature	Main business site	Place of incorporation	Business nature	Registered capital RMB'0000	Shareholding ratio (%)		Note
						Direct	Indirect	
Changshu Red Star Macalline Global Home Furnishing Company Limited (常熟紅星美凱龍全球家居有限公司)	Limited liability company	Jiangsu	Jiangsu	Site leasing management	100.00	—	100	
Suzhou Red Star Macalline Shibo Home Furnishing Plaza Company Limited (蘇州紅星美凱龍世博家居廣場有限公司)	Limited liability company	Jiangsu	Jiangsu	Site leasing management	8,000.00	60	—	
Kunshan Red Star Macalline Decoration Materials Company Limited (昆山紅星美凱龍裝飾材料有限公司)	Limited liability company	Jiangsu	Jiangsu	Site leasing management	13,962.17	100	—	
Nanchang Red Star Macalline Global Home Furnishing Plaza Company Limited (南昌紅星美凱龍全球家居廣場有限公司)	Limited liability company	Jiangxi	Jiangxi	Site leasing management	3,000.00	51	—	
Ganzhou Red Star Macalline Shibo Home Furnishing Plaza Company Limited (贛州紅星美凱龍世博家居廣場有限公司)	Limited liability company	Jiangxi	Jiangxi	Site leasing management	10,000.00	70	—	
Nanchang Red Star Macalline Global Home Expo Center Company Limited (南昌紅星美凱龍環球家居博覽中心有限責任公司)	Limited liability company	Jiangxi	Jiangxi	Site leasing management	36,500.00	70	30	
Shenyang Mingdu Home Furnishing Plaza Company Limited (瀋陽名都家居廣場有限公司)	Limited liability company	Liaoning	Liaoning	Site leasing management	25,500.00	60	—	
Panjin Red Star Macalline Global Home Furnishings Plaza Company Limited (盤錦紅星美凱龍全球家居生活廣場有限公司)	Limited liability company	Liaoning	Liaoning	Site leasing management	21,000.00	100	—	
Shenyang Red Star Macalline Home Furnishing Company Limited (瀋陽紅星美凱龍家居有限公司)	Limited liability company	Liaoning	Liaoning	Site leasing management	3,000.00	100	—	
Shenyang Dadong Red Star Macalline Home Furnishing Company Limited (瀋陽大東紅星美凱龍傢俱建材市場有限公司)	Limited liability company	Liaoning	Liaoning	Site leasing management	300.00	100	—	
Shenyang Red Star Macalline Shibo Home Furnishing Company Limited (瀋陽紅星美凱龍世博家居有限公司)	Limited liability company	Liaoning	Liaoning	Site leasing management	4,675.74	100	—	



# Notes to the Financial Statements

For the year 2019 (RMB)

## VII. INTERESTS IN OTHER ENTITIES (CONTINUED)

### 1. Interests in Significant Subsidiaries (continued)

Subsidiary name	Legal entity nature	Main business site	Place of incorporation	Business nature	Registered capital RMB'0000	Shareholding ratio (%)		Note
						Direct	Indirect	
Xining Red Star Macalline Shibo Home Furnishing Plaza Company Limited (西寧紅星美凱龍世博家居廣場有限公司)	Limited liability company	Qinghai	Qinghai	Site leasing management	18,000.00	100	—	
Yantai Red Star Macalline Home Furnishing Company Limited (煙台紅星美凱龍家居有限公司)	Limited liability company	Shandong	Shandong	Site leasing management	17,500.00	100	—	
Taiyuan Red Star Macalline Global Home Furnishing Plaza Company Limited (太原紅星美凱龍全球家居廣場有限公司)	Limited liability company	Shanxi	Shanxi	Site leasing management	1,000.00	51	—	
Taiyuan Red Star Macalline Shimao Home Furnishing Company Limited (太原紅星美凱龍世貿家居廣場有限公司)	Limited liability company	Shanxi	Shanxi	Site leasing management	5,000.00	60	—	
Xi'an Red Star Macalline Home Furnishing Plaza Company Limited (西安紅星美凱龍家居生活廣場有限公司)	Limited liability company	Shaanxi	Shaanxi	Site leasing management	20,000.00	75	—	
Xi'an Red Star Macalline Shibo Home Furnishing Company Limited (西安紅星美凱龍世博家居有限公司)	Limited liability company	Shaanxi	Shaanxi	Site leasing management	10,000.00	100	—	
Shanghai Red Star Macalline Global Home Furnishing Design Expo Company Limited (上海紅星美凱龍環球家居設計博覽有限公司)	Limited liability company	Shanghai	Shanghai	Site leasing management	5,000.00	—	97	
Shanghai Red Star Macalline Home Furnishing Design Expo Company Limited (上海紅星美凱龍家居藝術設計博覽有限公司)	Limited liability company	Shanghai	Shanghai	Site leasing management	44,500.00	100	—	
Shanghai Red Star Macalline Bulk Purchasing of Construction and Furnishing Materials Trading Company Limited (上海紅星美凱龍住建集採商貿有限公司)	Limited liability company	Shanghai	Shanghai	Site leasing management	2,000.00	100	—	
Shanghai Red Star Macalline Xinglong Home Furnish Company Limited (上海紅星美凱龍星龍家居有限公司)	Limited liability company	Shanghai	Shanghai	Site leasing management	3,900.00	100	—	

## VII. INTERESTS IN OTHER ENTITIES (CONTINUED)

## 1. Interests in Significant Subsidiaries (continued)

Subsidiary name	Legal entity nature	Main business site	Place of incorporation	Business nature	Registered capital RMB'0000	Shareholding ratio (%)		Note
						Direct	Indirect	
Shanghai Red Star Macalline Kaiheng Household Company Limited (上海紅星美凱龍楷恒家居有限公司)	Limited liability company	Shanghai	Shanghai	Site leasing management	500.00	100	—	
Shanghai Jinshan Red Star Macalline Global Home Furnishing Company Limited (上海金山紅星美凱龍全球家居有限公司)	Limited liability company	Shanghai	Shanghai	Site leasing management	2,500.00	100	—	
Shanghai Ditu Home Furnishing Company Limited (上海締圖家居有限公司)	Limited liability company	Shanghai	Shanghai	Site leasing management	1,000.00	—	30	1
Tianjin Red Star Macalline Home Furnishings Plaza Company Limited (天津紅星美凱龍家居生活廣場有限公司)	Limited liability company	Tianjin	Tianjin	Site leasing management	42,487.87	100	—	
Tianjin Red Star Macalline Home Fashion Plaza Company Limited (天津紅星美凱龍時尚家居廣場有限公司)	Limited liability company	Tianjin	Tianjin	Site leasing management	500.00	100	—	
Tianjin Red Star Macalline International Home Furnishing Expo Company Limited (天津紅星美凱龍國際家居博覽有限公司)	Limited liability company	Tianjin	Tianjin	Site leasing management	31,428.57	65	—	
Tianjin Red Star Macalline World Trade Home Furnishing Company Limited (天津紅星美凱龍世貿家居有限公司)	Limited liability company	Tianjin	Tianjin	Site leasing management	20,000.00	100	—	
Red Star Macalline Shibo (Tianjin) Home Furnishing Plaza Company Limited (紅星美凱龍世博(天津)家居生活廣場有限公司)	Limited liability company	Tianjin	Tianjin	Site leasing management	14,200.00	100	—	
Urumchi Red Star Macalline Shibo Furniture Plaza Company Limited (烏魯木齊紅星美凱龍家居世博廣場有限公司)	Limited liability company	Xinjiang	Xinjiang	Site leasing management	5,000.00	100	—	
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)	Limited liability company	Yunnan	Yunnan	Site leasing management	8,000.00	87	—	
Kunming Red Star Macalline Shibo Home Furnishing Plaza Company Limited (昆明紅星美凱龍世博家居廣場有限公司)	Limited liability company	Yunnan	Yunnan	Site leasing management	500.00	—	87	

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## VII. INTERESTS IN OTHER ENTITIES (CONTINUED)

### 1. Interests in Significant Subsidiaries (continued)

Subsidiary name	Legal entity nature	Main business site	Place of		Registered capital RMB'0000	Shareholding ratio (%)		Note
			incorporation	Business nature		Direct	Indirect	
Changsha Red Star Macalline Jinxia Home Living Plaza Company Limited (長沙紅星美凱龍金霞家居生活廣場有限公司)	Limited liability company	Changsha	Changsha	Site leasing management	12,000.00	100	—	
Hangzhou Red Star Macalline Shibo Furniture Plaza Company Limited (杭州紅星美凱龍世博家居有限公司)	Limited liability company	Zhejiang	Zhejiang	Site leasing management	2,000.00	100	—	
Chongqing Red Star Macalline Global Home Furnishing Plaza Company Limited (重慶紅星美凱龍環球家居生活廣場有限責任公司)	Limited liability company	Chongqing	Chongqing	Site leasing management	1,000.00	100	—	
Chongqing Red Star Macalline Expo Home Furnishing Plaza Company Limited (重慶紅星美凱龍博覽家居生活廣場有限責任公司)	Limited liability company	Chongqing	Chongqing	Site leasing management	28,000.00	100	—	
Chongqing Red Star Macalline Zhongkun Home Living Plaza Company Limited (重慶紅星美凱龍中坤家居生活廣場有限責任公司)	Limited liability company	Chongqing	Chongqing	Site leasing management	10,000.00	55	—	
Chongqing Red Star Macalline International Home Furnishing Plaza Company Limited (重慶紅星美凱龍國際家居生活廣場有限責任公司)	Limited liability company	Chongqing	Chongqing	Site leasing management	5,000.00	100	—	
Chongqing Xingkaike Home Furnishing Company Limited (重慶星凱科家居有限公司)	Limited liability company	Chongqing	Chongqing	Site leasing management	68,190.88	—	100	
Chongqing Red Star Ogloria Home Furnishing Company Limited (重慶紅星歐麗洛雅家居有限公司)	Limited liability company	Chongqing	Chongqing	Site leasing management	5,000.00	100	—	
Red Star Macalline Group Finance Company Limited (紅星美凱龍家居集團財務有限責任公司)	Limited liability company	Shanghai	Shanghai	Loan service	60,000.00	95	5	
Red star macalline Glory Casa (Hainan) Home Technology Company Limited (紅星美凱龍凱撒至尊(海南)家居科技有限公司)	Limited liability company	Hainan	Hainan	E-commerce	500.00	—	70	
Shanxi Xingyi Tonghui Network Technology Company Limited (山西星易通匯網絡科技有限公司)	Limited liability company	Shanxi	Shanxi	E-commerce	10,000.00	—	100	
Shanghai Hongmei E-commerce Company Limited (上海紅星美凱龍家品會電子商務有限公司)	Limited liability company	Shanghai	Shanghai	E-commerce	1,840.00	—	100	

## VII. INTERESTS IN OTHER ENTITIES (CONTINUED)

## 1. Interests in Significant Subsidiaries (continued)

Subsidiary name	Legal entity nature	Main business site	Place of incorporation	Business nature	Registered capital RMB'0000	Shareholding ratio (%)		Note
						Direct	Indirect	
Shanghai Red Star Macalline Network Technology Company Limited (上海紅星美凱龍網絡技術有限公司)	Limited liability company	Shanghai	Shanghai	E-commerce	3,000.00	—	67	
Shanghai Red Star Macalline Decorating Public Network Technology Company Limited (上海紅星美凱龍裝修公網絡技術有限公司)	Limited liability company	Shanghai	Shanghai	E-commerce	3,000.00	—	67	
Shanghai Anjia Network Technology Company Limited (上海安家網絡科技有限公司)	Limited liability company	Shanghai	Shanghai	E-commerce	100.00	—	67	
Shanghai Aiguangjia E-commerce Company Limited (上海愛逛家電子商務有限公司)	Limited liability company	Shanghai	Shanghai	E-commerce	100.00	—	100	
Shanghai Jia Ju Information Technology Company Limited (上海家聚信息技術有限公司)	Limited liability company	Shanghai	Shanghai	E-commerce	100.00	—	67	
Shanghai Hongmei Network Technology Company Limited (上海紅美網絡科技有限公司)	Limited liability company	Shanghai	Shanghai	E-commerce	100.00	—	100	
Shanghai Red Star Macalline Yuejia Network Technology Company Limited (上海紅星美凱龍悅家互聯網科技有限公司)	Limited liability company	Shanghai	Shanghai	E-commerce	20,000.00	—	67	
Shanghai Yingtailijin Technology Company Limited (上海英太利金科技有限公司)	Limited liability company	Shanghai	Shanghai	E-commerce	1,000.00	80	—	
Red Star Daojia (Shanghai) Technology Company Limited (紅星到家(上海)科技有限公司)	Limited liability company	Shanghai	Shanghai	E-commerce	20,000.00	100	—	
Shanghai Red Star Macalline Fanjia Information Service Company Limited (上海紅星美凱龍泛家信息服務有限公司)	Limited liability company	Shanghai	Shanghai	E-commerce	500.00	51	—	
Red Star Macalline (Zhejiang) Information Service Company Limited (紅星美凱龍(浙江)信息技術有限公司)	Limited liability company	Zhejiang	Zhejiang	E-commerce	2,000.00	100	—	
Shanghai Xingju Supply Chain Management Company Limited (上海星聚供應鏈管理有限公司)	Limited liability company	Shanghai	Shanghai	Supply chain management	750.00	—	60	
Tianjin Red Star Macalline Supply Chain Management Company Limited (天津紅星美凱龍供應鏈管理有限公司)	Limited liability company	Tianjin	Tianjin	Supply chain management	6,300.00	—	60	

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## VII. INTERESTS IN OTHER ENTITIES (CONTINUED)

### 1. Interests in Significant Subsidiaries (continued)

Subsidiary name	Legal entity nature	Main business site	Place of incorporation	Business nature	Registered capital RMB'0000	Shareholding ratio (%)		Note
						Direct	Indirect	
Red Star Macalline Chengdu Business Management Company Limited (紅星美凱龍成都商業管理有限公司)	Limited liability company	Chengdu	Chengdu	Management and consultancy	50,500.00	—	100	
Red Star Macalline Chengdu Enterprise Management Consulting Company Limited (紅星美凱龍成都企業管理諮詢有限公司)	Limited liability company	Chengdu	Chengdu	Management and consultancy	50,500.00	—	100	
Shanghai Jisheng Wellborn Global Home Furnishing Brand Management Company Limited (上海吉盛偉邦環球家居品牌管理有限公司)	Limited liability company	Shanghai	Shanghai	Management and consultancy	10,000.00	100	—	
Red Star Macalline (Shanghai) Business Management Company Limited (紅星美凱龍(上海)企業管理有限公司)	Limited liability company	Shanghai	Shanghai	Management and consultancy	10,000.00	100	—	
Changzhou Meilong Trading Company Limited (常州美龍貿易有限公司)	Limited liability company	Jiangsu	Jiangsu	Sale of home furniture	50.00	100	—	
Shanghai Xinghe Zhaipei Home Furnishing Service Company Limited (上海星和宅配家居服務有限公司)	Limited liability company	Hebei	Hebei	Home design	3,800.00	100	—	
Shanghai Red Star Macalline Yijia Home Decorating Company Limited (上海紅星美凱龍億家裝飾工程有限公司)	Limited liability company	Shanghai	Shanghai	Home design	2,000.00	—	100	
Shanghai Meihao Home Decorating Design Company Limited (上海美昊裝飾設計工程有限公司)	Limited liability company	Shanghai	Shanghai	Home design	250.00	—	100	
Shanghai Fengdalong Home Decorating Design Company Limited (上海峰迪瀧裝飾設計工程有限公司)	Limited liability company	Shanghai	Shanghai	Home design	200.00	—	80	
Shanghai Jiading Construction Home Decorating Design Company Limited (上海家鼎建築裝飾設計工程有限公司)	Limited liability company	Shanghai	Shanghai	Home design	500.00	—	80	
Shanghai Red Star Macalline Construction and Decoration Design Company Limited (上海紅星美凱龍住建裝配設計有限公司)	Limited liability company	Shanghai	Shanghai	Home design	500.00	—	100	

## VII. INTERESTS IN OTHER ENTITIES (CONTINUED)

## 1. Interests in Significant Subsidiaries (continued)

Subsidiary name	Legal entity nature	Main business site	Place of incorporation	Business nature	Registered capital RMB'0000	Shareholding ratio (%)		Note
						Direct	Indirect	
Chongqing Jiaxin Home Decorating Design Company Limited (重慶家欣裝飾設計工程有限公司)	Limited liability company	Chongqing	Chongqing	Home design	200.00	—	70	
Shanghai Xingjia Decoration and Building Materials Company Limited (上海星家裝飾建材有限公司)	Limited liability company	Shanghai	Shanghai	Construction material markets	2,000.00	—	100	
Xiaogan Betterhome Building and Decoration Technology Company Limited (孝感家倍得建築裝飾科技有限公司)	Limited liability company	Hubei	Hubei	Construction decoration	100.00	—	69	
Shanghai Betterhome Industrial Company Limited (上海家倍得實業有限公司)	Limited liability company	Shanghai	Shanghai	Construction decoration	200.00	—	98	
Shanghai Weilaishi Decoration Technology Company Limited (上海威來適裝飾科技有限公司)	Limited liability company	Shanghai	Shanghai	Construction decoration	1,000.00	—	67	
Shanghai Red Star Macalline Decoration (Group) Company Limited (上海紅星美凱龍建築裝飾(集團)有限公司)	Limited liability company	Shanghai	Shanghai	Construction decoration	5,000.00	100	—	
Shanghai Red Star Macalline Home Decorating Company Limited (上海美凱龍裝飾工程集團有限公司)	Limited liability company	Shanghai	Shanghai	Construction decoration	10,000.00	100	—	
Shanghai Red Star Macalline Creative Design Company Limited (上海麗浩創意設計有限公司)	Limited liability company	Shanghai	Shanghai	Construction decoration	1,000.00	—	90	
Shanghai Macalline Aesthetic Decoration Engineering Company Limited (上海美凱龍美學裝飾工程有限公司)	Limited liability company	Shanghai	Shanghai	Construction decoration	10,000.00	—	100	
Zhejiang Xingzhuo Decoration Company Limited (浙江星卓裝飾有限公司)	Limited liability company	Zhejiang	Zhejiang	Construction decoration	5,000.00	—	100	
Zhejiang Xingyisheng Industrial Development Company Limited (浙江星易盛實業發展有限公司)	Limited liability company	Zhejiang	Zhejiang	Construction decoration	5,000.00	—	75	
Betterhome Construction Technology Company Limited (家倍得建築科技有限公司)	Limited liability company	Zhejiang	Zhejiang	Construction decoration	20,000.00	90	—	
Shanghai Red Star Macalline International Trading Company Limited (上海紅星美凱龍國際貿易有限公司)	Limited liability company	Shanghai	Shanghai	Import and export	500.00	55	—	

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## VII. INTERESTS IN OTHER ENTITIES (CONTINUED)

### 1. Interests in Significant Subsidiaries (continued)

Subsidiary name	Legal entity nature	Main business site	Place of		Registered capital RMB'0000	Shareholding ratio (%)		Note
			incorporation	Business nature		Direct	Indirect	
Shanghai Red Star Macalline Home Furnishing Trading Company Limited (上海紅星美凱龍美居商貿有限公司)	Limited liability company	Shanghai	Shanghai	Import and export	500.00	—	28	2
Shanghai Red Star Macalline Labour Dispatch Company Limited (上海英太翡思營銷策劃有限公司)	Limited liability company	Shanghai	Shanghai	Labour dispatching	200.00	100	—	
Beijing Red Star Macalline Furnishing Market Company Limited (北京紅星美凱龍家居市場有限公司)	Limited liability company	Beijing	Beijing	Brand management	200.00	—	100	
Beijing Red Star Macalline Business Management Company Limited (北京紅星美凱龍企業經營管理有限公司)	Limited liability company	Beijing	Beijing	Brand management	300.00	90	10	
Chengdu Red Star Ogloria Brand Management Company Limited (成都紅星歐麗洛雅品牌管理有限公司)	Limited liability company	Chengdu	Chengdu	Brand management	10,000.00	—	100	
Yangzhou Red Star Macalline International Home Furnishing Plaza Company Limited (揚州紅星美凱龍國際家居廣場有限公司)	Limited liability company	Jiangsu	Jiangsu	Brand management	300.00	100	—	
Kunshan Red Star Macalline Global Home Furnishing Company Limited (昆山紅星美凱龍全球家居有限公司)	Limited liability company	Jiangsu	Jiangsu	Brand management	100.00	100	—	
Wuxi Red Star Macalline Business Management Company Limited (無錫紅星美凱龍經營管理有限公司)	Limited liability company	Jiangsu	Jiangsu	Brand management	100.00	70	30	
Shanghai Red Star Macalline Brand Management Company Limited (上海紅星美凱龍品牌管理有限公司)	Limited liability company	Shanghai	Shanghai	Brand management	500.00	100	—	
Shanghai Red Star Macalline Home Decorating and Furnishing Market Management Company Limited (上海紅星美凱龍裝飾家居市場經營管理有限公司)	Limited liability company	Shanghai	Shanghai	Brand management	50.00	—	100	

## VII. INTERESTS IN OTHER ENTITIES (CONTINUED)

## 1. Interests in Significant Subsidiaries (continued)

Subsidiary name	Legal entity nature	Main business site	Place of incorporation	Business nature	Registered capital RMB'0000	Shareholding ratio (%)		Note
						Direct	Indirect	
Shanghai Red Star Ogloria Brand Management Company Limited (上海紅星歐麗洛雅品牌管理有限公司)	Limited liability company	Shanghai	Shanghai	Brand management	500.00	100	—	
Shanghai Xingyijia Brand Management Company Limited (上海星藝佳品牌管理有限公司)	Limited liability company	Shanghai	Shanghai	Brand management	500.00	—	100	
Tongxiang Red Star Macalline Shibo Home Furnishing Plaza Management Company Limited (桐鄉紅星美凱龍世博家居廣場管理有限公司)	Limited liability company	Zhejiang	Zhejiang	Brand management	50.00	100	—	
Quzhou Red Star Macalline Shibo Market Management Service Company Limited (衢州紅星美凱龍世博市場管理服務有限公司)	Limited liability company	Zhejiang	Zhejiang	Brand management	100.00	100	—	
Red Star Macalline GmbH	Limited liability company	Germany	Munich	Other	EUR2.5	—	100	
Redstar Global Holdings Limited	Limited liability company	The Virgin Islands	The Virgin Islands	Other	USD5	—	100	
Suzhou Xingtong Enterprise Management Consultation Company Limited (宿州星通企業管理諮詢有限公司)	Limited liability company	Anhui	Anhui	Enterprise management and consultancy	100.00	100	—	
Beijing Xingmei Yongsheng Information Consultation Company Limited (北京星美永盛信息諮詢有限公司)	Limited liability company	Beijing	Beijing	Enterprise management and consultancy	500.00	—	70	
Foshan Junda Enterprise Management Company Limited (佛山郡達企業管理有限公司)	Limited liability company	Guangdong	Guangdong	Enterprise management and consultancy	10,845.80	100	—	
Zhengzhou Juankai Enterprise Management Consultation Company Limited (鄭州雋鑑企業管理諮詢有限公司)	Limited liability company	Henan	Henan	Enterprise management and consultancy	265,000.00	—	100	
Zhengzhou Dongsheng Enterprise Management Company Limited (鄭州東晟企業管理有限公司)	Limited liability company	Henan	Henan	Enterprise management and consultancy	500.00	—	100	
Yantai Xinhuan Enterprise Management Company Limited (煙台欣歡企業管理有限公司)	Limited liability company	Shandong	Shandong	Enterprise management and consultancy	500.00	—	100	



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## VII. INTERESTS IN OTHER ENTITIES (CONTINUED)

### 1. Interests in Significant Subsidiaries (continued)

Subsidiary name	Legal entity nature	Main business site	Place of incorporation	Business nature	Registered capital RMB'0000	Shareholding ratio (%)		Note
						Direct	Indirect	
Xi'an Meijia Household Service Company Limited (西安舒適美佳家政服務有限責任公司)	Limited liability company	Shaanxi	Shaanxi	Enterprise management and consultancy	285.00	65	—	
Shanghai Macalline Xinghe Asset Management Company Limited (上海美凱龍星荷資產管理有限公司)	Limited liability company	Shanghai	Shanghai	Enterprise management and consultancy	1,000.00	100	—	
Shanghai Yumu Enterprise Management Company Limited (上海宇慕企業管理有限公司)	Limited liability company	Shanghai	Shanghai	Enterprise management and consultancy	500.00	100	—	
Shanghai Yuxv Enterprise Management Company Limited (上海宇煦企業管理有限公司)	Limited liability company	Shanghai	Shanghai	Enterprise management and consultancy	500.00	100	—	
Shanghai Yuzhu Enterprise Management Company Limited (上海宇築企業管理有限公司)	Limited liability company	Shanghai	Shanghai	Enterprise management and consultancy	500.00	100	—	
Shanghai Yuxiao Enterprise Management Company Limited (上海宇霄企業管理有限公司)	Limited liability company	Shanghai	Shanghai	Enterprise management and consultancy	500.00	100	—	
Longzhahui (Shanghai) Facility Management Services Company Limited (龍之惠(上海)設施管理服務有限公司)	Limited liability company	Shanghai	Shanghai	Enterprise management and consultancy	500.00	—	50	3
Shanghai Mengsheng Industrial Company Limited (上海夢晟實業有限公司)	Limited liability company	Shanghai	Shanghai	Enterprise management and consultancy	500.00	—	100	
Shanghai Red Star Macalline Installation of Construction and Furnishing Materials Technology Company Limited (上海紅星美凱龍住建裝配科技有限公司)	Limited liability company	Shanghai	Shanghai	Enterprise management and consultancy	500.00	—	100	
Shanghai Banlong Business Management Company Limited (上海阪龍商業管理有限公司)	Limited liability company	Shanghai	Shanghai	Enterprise management and consultancy	1,000.00	—	100	

## VII. INTERESTS IN OTHER ENTITIES (CONTINUED)

## 1. Interests in Significant Subsidiaries (continued)

Subsidiary name	Legal entity nature	Main business site	Place of incorporation	Business nature	Registered capital RMB'0000	Shareholding ratio (%)		Note
						Direct	Indirect	
Shanghai Zhiya Business Management Company Limited (上海柝雅管理諮詢有限公司)	Limited liability company	Shanghai	Shanghai	Enterprise management and consultancy	23,000.00	—	100	
Shanghai Guixv Enterprise Management Company Limited (上海歸翹企業管理有限公司)	Limited liability company	Shanghai	Shanghai	Enterprise management and consultancy	200.00	100	—	
Shanghai Jianliu Enterprise Management Company Limited (上海簡柳企業管理有限公司)	Limited liability company	Shanghai	Shanghai	Enterprise management and consultancy	1,000.00	—	100	
Shanghai Enliu Enterprise Management Company Limited (上海蔥柳企業管理有限公司)	Limited liability company	Shanghai	Shanghai	Enterprise management and consultancy	1,000.00	—	100	
Shanghai Bencheng Enterprise Management Company Limited (上海賽程企業管理有限公司)	Limited liability company	Shanghai	Shanghai	Enterprise management and consultancy	1,000.00	—	100	
Shanghai Ersai Enterprise Management Company Limited (上海邇賽企業管理有限公司)	Limited liability company	Shanghai	Shanghai	Enterprise management and consultancy	1,000.00	—	100	
Shijiazhuang Bochen Industrial Company Limited (石家莊博宸實業有限公司)	Limited liability company	Shijiazhuang	Shijiazhuang	Enterprise management and consultancy	500.00	—	100	
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)	Limited liability company	Sichuan	Sichuan	Enterprise management and consultancy	500.00	100	—	
Tianjin Jinrui Corporate Management Company Limited (天津津瑞企業管理有限公司)	Limited liability company	Tianjin	Tianjin	Enterprise management and consultancy	71,286.98	100	—	
Xizang Red Star Macalline Corporate Management Company Limited (西藏紅星美凱龍企業管理有限公司)	Limited liability company	Tibet	Tibet	Enterprise management and consultancy	30,000.00	100	—	

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## VII. INTERESTS IN OTHER ENTITIES (CONTINUED)

### 1. Interests in Significant Subsidiaries (continued)

Subsidiary name	Legal entity nature	Main business site	Place of incorporation	Business nature	Registered capital RMB'0000	Shareholding ratio (%)		Note
						Direct	Indirect	
Hong Kong Red Star Macalline Business Management Company Limited (香港紅星美凱龍商業管理有限公司)	Limited liability company	Hong Kong	Hong Kong	Enterprise management and consultancy	USD500	—	100	
Red Star Macalline Enterprise Management Consultation Company Limited (紅星美凱龍企業管理諮詢有限公司)	Limited liability company	Xinjiang	Xinjiang	Enterprise management and consultancy	10,000.00	100	—	
Red Star Ogloria Enterprise Management Company Limited (紅星歐麗洛雅企業管理有限公司)	Limited liability company	Xinjiang	Xinjiang	Enterprise management and consultancy	10,000.00	—	100	
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)	Limited liability company	Xinjiang	Xinjiang	Enterprise management and consultancy	500.00	—	100	
Khorgos Hongju Corporate Management Company Limited (霍爾果斯紅居企業管理有限公司)	Limited liability company	Xinjiang	Xinjiang	Enterprise management and consultancy	1,000.00	70	—	
Red Star Macalline (Zhejiang) Corporate Management Company Limited (紅星美凱龍(浙江)企業管理有限公司)	Limited liability company	Zhejiang	Zhejiang	Enterprise management and consultancy	5,000.00	95	—	
Red Star Macalline Life Aesthetics Center Management Company Limited (紅星美凱龍生活美學中心管理有限公司)	Limited liability company	Zhejiang	Zhejiang	Enterprise management and consultancy	5,000.00	95	—	
Shanghai Xingyi Tonghui Business Service Company Limited (上海星易通匯商務服務有限公司)	Limited liability company	Shanghai	Shanghai	Commercial service	15,000.00	100	—	
Shanghai Red Star Macalline Financial Leasing Company Limited (上海紅星美凱龍融資租賃有限公司)	Limited liability company	Shanghai	Shanghai	Equipment leasing	100,000.00	100	—	
Bright Rainbow Investments Limited (合樂投資有限公司)	Limited liability company	Hong Kong	Hong Kong	Market service, investment	USD1000	—	100	
Shanghai Red Star Macalline Global Home Furnishing Market Management Company Limited (上海紅星美凱龍全球家居市場經營管理有限公司)	Limited liability company	Shanghai	Shanghai	Market company	50.00	—	100	

## VII. INTERESTS IN OTHER ENTITIES (CONTINUED)

## 1. Interests in Significant Subsidiaries (continued)

Subsidiary name	Legal entity nature	Main business site	Place of incorporation	Business nature	Registered capital RMB'0000	Shareholding ratio (%)		Note
						Direct	Indirect	
Shanghai Red Star Ogloria Home Living Market Management Company Limited (上海紅星歐麗洛雅家居市場經營管理有限公司)	Limited liability company	Shanghai	Shanghai	Market company	50.00	100	—	
Shanghai Red Star Macalline Longmei Home Furnishing Market Management Company Limited (上海紅星美凱龍龍美家居市場經營管理有限公司)	Limited liability company	Shanghai	Shanghai	Market company	100.00	100	—	
Shanghai Jingdu Investment Company Limited (上海晶都投資有限公司)	Limited liability company	Shanghai	Shanghai	Investment management	1,000.00	51	—	
Shanghai Red Star Macalline Business Consulting Company Limited (上海紅星美凱龍商務諮詢有限公司)	Limited liability company	Shanghai	Shanghai	Investment management	100.00	65	—	
Shanghai Red Star Macalline Trading Company Limited (上海紅星美凱龍商貿有限公司)	Limited liability company	Shanghai	Shanghai	Investment management	5,000.00	100	—	
Shanghai Red Star Macalline Assets Management Company Limited (上海紅星美凱龍資產管理有限公司)	Limited liability company	Shanghai	Shanghai	Investment management	5,000.00	—	70	
Shanghai Jiajinsuo Investment Holding Company Limited (上海家金所投資控股有限公司)	Limited liability company	Shanghai	Shanghai	Investment management	20,000.00	100	—	
Shanghai Jiajinsuo Financial Technology Information Services Company Limited (上海家金所金融科技信息服務有限公司)	Limited liability company	Shanghai	Shanghai	Investment management	10,000.00	—	100	
Shanghai Kaichun Investment Management Company Limited (上海凱淳投資管理有限公司)	Limited liability company	Shanghai	Shanghai	Investment management	5,000.00	—	100	
Red Star Xizhao Investment Company Limited (紅星喜兆投資有限公司)	Limited liability company	Tibet	Tibet	Investment management	10,000.00	90	—	
Red Star Macalline Home Furnishing Mall Management Company Limited (紅星美凱龍家居商場管理有限公司)	Limited liability company	Tibet	Tibet	Investment management	5,000.00	100	—	
Red Star Zhongying Investment Company Limited (紅星眾盈投資有限公司)	Limited liability company	Tibet	Tibet	Investment management	5,000.00	100	—	

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## VII. INTERESTS IN OTHER ENTITIES (CONTINUED)

### 1. Interests in Significant Subsidiaries (continued)

Subsidiary name	Legal entity nature	Main business site	Place of		Registered capital RMB'0000	Shareholding ratio (%)		Note
			incorporation	Business nature		Direct	Indirect	
Hong Kong Red Star Macalline Global Home Furnishing Company Limited (香港紅星美凱龍全球家居有限公司)	Limited liability company	Hong Kong	Hong Kong	Investment management	10,000.00	100	—	
Khorgos Yarui Venture Capital Company Limited (霍爾果斯雅睿創業投資有限公司)	Limited liability company	Xinjiang	Xinjiang	Investment management	3,000.00	90	—	
Khorgos Red Star Yiming Venture Capital Company Limited (霍爾果斯紅星易鳴創業投資有限公司)	Limited liability company	Xinjiang	Xinjiang	Investment management	5,000.00	90	—	
Shanghai Fanju Network Technology Company Limited (上海泛居網絡科技有限公司)	Limited liability company	Shanghai	Shanghai	Network technique	3,000.00	—	54	
Shanghai Huaixing Culture Company Limited (上海懷星文化發展有限公司)	Limited liability company	Shanghai	Shanghai	Cultural and artistic exchange	200.00	80	—	
Red Star Macalline Group (Shanghai) Logistics Company Limited (紅星美凱龍家居集團(上海)物流有限公司)	Limited liability company	Shanghai	Shanghai	logistics service	21,000.00	60	—	
Henan Xixiliya Property Management Company Limited (河南西西亞物業管理有限公司)	Limited liability company	Henan	Henan	Property management	100.00	—	100	
Shanghai Red Star Macalline Design Cloud Information Technology Company Limited (上海紅星美凱龍設計雲信息科技有限公司)	Limited liability company	Shanghai	Shanghai	Information science and technology development	5,000.00	100	—	
Shanghai Red Star Macalline Commercial Factoring Company Limited (上海紅星美凱龍商業保理有限公司)	Limited liability company	Shanghai	Shanghai	Accounts receivable financing	50,000.00	100	—	
Nanning Red Star Macalline Shibo Home Furnishing Exhibition Centre Company Limited (南寧紅星美凱龍世博家居展覽中心有限公司)	Limited liability company	Guangxi	Guangxi	Exhibition services	5,000.00	100	—	
Shanghai Red Star Macalline Exhibition service Company Limited (上海紅星美凱龍展覽服務有限公司)	Limited liability company	Shanghai	Shanghai	Exhibition services	500.00	55	—	
Ningbo Meishan Bonded Port Area Xingkaiyang Asset Management Company Limited (寧波梅山保稅港區星凱贏資產管理有限公司)	Limited liability company	Zhejiang	Zhejiang	Asset management	1,000.00	—	51	
Shanghai Youmei Home Furnishing Company Limited (上海悠美家居有限公司)	Limited liability company	Shanghai	Shanghai	Proprietary sales	2,000.00	—	100	

## VII. INTERESTS IN OTHER ENTITIES (CONTINUED)

## 1. Interests in Significant Subsidiaries (continued)

Subsidiary name	Legal entity nature	Main business site	Place of incorporation	Business nature	Registered capital RMB'0000	Shareholding ratio (%)		Note
						Direct	Indirect	
Red Star Macalline Glory Casa (Shanghai) Home Furnishing Company Limited (紅星美凱龍凱撒至尊(上海)家居有限公司)	Limited liability company	Shanghai	Shanghai	Proprietary sales	20,000.00	100	—	
Shanghai Red Star Macalline Home Furnishing Company Limited (上海紅星美凱龍星家居用品有限公司)	Limited liability company	Shanghai	Shanghai	Proprietary sales	2,000.00	—	54	
Yintai (Yongqing) New City Investment Company Limited (銀泰(永清)新城投資有限公司)	Limited liability company	Hebei	Hebei	Industrial investment	10,000.00	—	70	
<b>Subsidiaries acquired through business combinations not under common control</b>								
Anhui Shengshi Dingtong Logistics Company Limited (安徽盛世鼎通物流有限公司)	Limited liability company	Anhui	Anhui	Warehouse logistics	5,000.00	—	100	
Yongqing Yintong Construction Development Company Limited (永清銀通建設開發有限公司)	Limited liability company	Hebei	Hebei	Industrial investment	5,000.00	—	70	
Yongqing Yintai New City Construction Development Company Limited (永清銀泰新城建設開發有限公司)	Limited liability company	Hebei	Hebei	Industrial investment	10,000.00	—	70	
Langfang Kaihong Home Living Plaza Company Limited (廊坊市凱宏家居廣場有限公司)	Limited liability company	Hebei	Hebei	Site leasing management	10,000.00	70	—	
Zhengzhou Red Star Macalline Global Home Living Plaza Management Company Limited (鄭州紅星美凱龍全球家居生活廣場經營管理有限公司)	Limited liability company	Henan	Henan	Site leasing management	100.00	51	9	
Hohhot Red Star Macalline Shibo Home Furnishing Plaza Company Limited (呼和浩特市紅星美凱龍世博家居廣場有限責任公司)	Limited liability company	Hohhot	Hohhot	Site leasing management	10,000.00	100	—	
Wuxi Red Star Macalline Home Living Plaza Company Limited (無錫紅星美凱龍家居生活廣場有限公司)	Limited liability company	Jiangsu	Jiangsu	Site leasing management	53,481.80	100	—	
Suzhou Industry Park Red Star Macalline Home Furnishing Company Limited (蘇州工業園區紅星美凱龍家居有限公司)	Limited liability company	Jiangsu	Jiangsu	Site leasing management	10,000.00	55	—	

# Notes to the Financial Statements

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## VII. INTERESTS IN OTHER ENTITIES (CONTINUED)

### 1. Interests in Significant Subsidiaries (continued)

Subsidiary name	Legal entity nature	Main business site	Place of incorporation	Business nature	Registered capital RMB'0000	Shareholding ratio (%)		Note
						Direct	Indirect	
Kunming Diken Trading Company Limited (昆明迪肯商貿有限公司)	Limited liability company	Kunming	Kunming	Site leasing management	100.00	63	—	
Dalian Red Star Macalline Shibo Home Furnishing Plaza Company Limited (大連紅星美凱龍世博家居廣場有限公司)	Limited liability company	Liaoning	Liaoning	Site leasing management	4,000.00	62	—	
Xinsheng property management (Shanghai) Company Limited (鑫生物業管理(上海)有限公司)	Limited liability company	Shanghai	Shanghai	Site leasing management	4,897.66	90	—	
Shanghai Hongxin Oukai Home Living Company Limited (上海虹欣歐凱家居有限公司)	Limited liability company	Shanghai	Shanghai	Site leasing management	10,000.00	50	—	4
Shanghai Xinwei Home Purchasing Company Limited (上海新偉置業有限公司)	Limited liability company	Shanghai	Shanghai	Site leasing management	5,000.00	40	58	
Chengdu Changyi Red Star Macalline Home Living Market Management Company Limited (成都長益紅星美凱龍家居市場經營管理有限公司)	Limited liability company	Sichuan	Sichuan	Site leasing management	2,000.00	—	50	5
Ningbo Red Star Macalline Home Shopping Plaza Company Limited (寧波紅星美凱龍家居購物廣場有限公司)	Limited liability company	Zhejiang	Zhejiang	Site leasing management	8,000.00	80	20	
Shanghai Dingsheng Construction Management and Design Company Limited (上海紅星美凱龍建築設計有限公司)	Limited liability company	Shanghai	Shanghai	Construction decoration	500.00	—	100	
Shanghai Xingyijia Business Management Company Limited (上海星藝佳商業管理有限公司)	Limited liability company	Shanghai	Shanghai	Management and consultancy	1,000.00	—	100	
Shanghai Zengmin Enterprise Management Company Limited (上海增敏企業管理有限公司)	Limited liability company	Shanghai	Shanghai	Management and consultancy	10.00	—	100	
Shanghai Betterhome Decoration Engineering Company Limited (上海家倍得裝飾工程有限公司)	Limited liability company	Shanghai	Shanghai	Home design	2,000.00	—	98	
Shanghai Red Star Macalline Intellectual Property Agency Company Limited (上海紅星美凱龍知識產權代理有限公司)	Limited liability company	Shanghai	Shanghai	Intellectual property	50.00	—	100	
Qianzhi (Shanghai) Home Living Company Limited (乾智(上海)家居有限公司)	Limited liability company	Shanghai	Shanghai	Proprietary sales	500.00	60	—	

## VII. INTERESTS IN OTHER ENTITIES (CONTINUED)

## 1. Interests in Significant Subsidiaries (continued)

Subsidiary name	Legal entity nature	Main business site	Place of incorporation	Business nature	Registered capital RMB'0000	Shareholding ratio (%)		Note
						Direct	Indirect	
<b>Subsidiaries acquired through business combination under common control</b>								
Beijing Red Star Macalline International Home								
Furnishing Plaza Company Limited (北京紅星美凱龍國際傢俱建材廣場有限公司)	Limited liability company	Beijing	Beijing	Site leasing management	5,000.00	100	—	
Beijing Red Star Macalline Shibo Furniture Plaza								
Company Limited (北京紅星美凱龍世博傢俱廣場有限公司)	Limited liability company	Beijing	Beijing	Site leasing management	2,999.00	100	—	
Red Star Macalline Global (Beijing) Home Furnishing								
Plaza Company Limited (紅星美凱龍環球(北京)傢俱建材廣場有限公司)	Limited liability company	Beijing	Beijing	Site leasing management	1,000.00	—	100	
Changsha Red Star Macalline International Home								
Furnishing Art Expo Company Limited (長沙紅星美凱龍國際家居藝術博覽中心有限公司)	Limited liability company	Hunan	Hunan	Site leasing management	300.00	100	—	
Changzhou Macalline International Computer and								
Electronics Furnishing Plaza Company Limited (常州美凱龍國際電腦家電裝飾城有限公司)	Limited liability company	Jiangsu	Jiangsu	Site leasing management	1,000.00	100	—	
Changzhou World Furniture and Home Plaza Co. Ltd.								
(常州世界傢俱家居廣場有限公司)	Limited liability company	Jiangsu	Jiangsu	Site leasing management	500.00	100	—	
Wuxi Red Star International Home Furnishing								
Company Limited (無錫紅星美凱龍國際傢俱裝飾有限公司)	Limited liability company	Jiangsu	Jiangsu	Site leasing management	5,000.00	90	10	
Lianyungang Red Star International Home Furnishing								
Plaza Company Limited (連雲港紅星美凱龍國際家居廣場有限公司)	Limited liability company	Jiangsu	Jiangsu	Site leasing management	300.00	60	40	
Nanjing Red Star International Home Furnishing Mall								
Company Limited (南京紅星國際傢俱裝飾城有限公司)	Limited liability company	Jiangsu	Jiangsu	Site leasing management	2,000.00	100	—	
Nanjing Mingdu Home Furnishing Plaza Company								
Limited (南京名都家居廣場有限公司)	Limited liability company	Jiangsu	Jiangsu	Site leasing management	8,000.00	60	40	



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## VII. INTERESTS IN OTHER ENTITIES (CONTINUED)

### 1. Interests in Significant Subsidiaries (continued)

Subsidiary name	Legal entity nature	Main business site	Place of incorporation	Business nature	Registered capital RMB'0000	Shareholding ratio (%)		Note
						Direct	Indirect	
Changzhou Hongyang Home Furnishing Plaza Company Limited (常州紅陽家居生活廣場有限公司)	Limited liability company	Jiangsu	Jiangsu	Site leasing management	6,000.00	—	75	
Shenyang Red Star Macalline Home Living Expo Company Limited (瀋陽紅星美凱龍博覽家居有限公司)	Limited liability company	Liaoning	Liaoning	Site leasing management	5,000.00	100	—	
Baotou Red Star Macalline Home Furnishing Plaza Company Limited (包頭紅星美凱龍家居生活廣場有限責任公司)	Limited liability company	Inner Mongolia	Inner Mongolia	Site leasing management	500.00	100	—	
Jinan Red Star Macalline Shibo Home Living Plaza Company Limited (濟南紅星美凱龍世博家居生活廣場有限公司)	Limited liability company	Shandong	Shandong	Site leasing management	10,260.00	70	—	
Shanghai Red Star Macalline Decorative Furniture Mall Company Limited (上海紅星美凱龍裝飾傢俱城有限公司)	Limited liability company	Shanghai	Shanghai	Site leasing management	5,000.00	92	5	
Shanghai Red Star Macalline Global Home Furnishing Company Limited (上海紅星美凱龍全球家居有限公司)	Limited liability company	Shanghai	Shanghai	Site leasing management	15,000.00	100	—	
Shanghai Shanhai Art Furniture Company Limited (上海山海藝術傢俱有限公司)	Limited liability company	Shanghai	Shanghai	Site leasing management	24,255.00	—	90	
Chengdu Red Star Macalline Shibo Home Living Plaza Company Limited (成都紅星美凱龍世博家居生活廣場有限責任公司)	Limited liability company	Sichuan	Sichuan	Site leasing management	3,000.00	100	—	
Chongqing Red Star Macalline Shibo Home Living Plaza Company Limited (重慶紅星美凱龍世博家居生活廣場有限責任公司)	Limited liability company	Chongqing	Chongqing	Site leasing management	3,000.00	100	—	
Zhengzhou Red Star Macalline International Home Furnishing Company Limited (鄭州紅星美凱龍國際家居有限公司)	Limited liability company	Henan	Henan	Site leasing management	3,000.00	51	9	
Shanghai Hongmei E-Commerce Company Limited (上海紅美電子商務有限公司)	Limited liability company	Shanghai	Shanghai	E-commerce	5,000.00	100	—	

## VII. INTERESTS IN OTHER ENTITIES (CONTINUED)

## 1. Interests in Significant Subsidiaries (continued)

Subsidiary name	Legal entity nature	Main business site	Place of		Registered capital RMB'0000	Shareholding ratio (%)		Note
			incorporation	Business nature		Direct	Indirect	
Shanghai Red Star Macalline Advertising Company Limited (上海瑪邁廣告有限公司)	Limited liability company	Shanghai	Shanghai	Advertisement company	100.00	–	100	
Jiangsu Sunan Construction Company Limited (江蘇蘇南建築安裝工程有限公司)	Limited liability company	Jiangsu	Jiangsu	Building construction	20,000.00	100	–	
Beijing Macalline Home Furnishing Material Market Company Limited (北京美凱龍傢俱建材市場有限公司)	Limited liability company	Beijing	Beijing	Market company	300.00	20	80	
Beijing Red Star Macalline Shibo Home Furnishing Plaza Company Limited (北京紅星美凱龍世博傢俱建材廣場有限公司)	Limited liability company	Beijing	Beijing	Market company	200.00	–	100	
Changzhou Red Star Macalline Home Furnishing and Decorating Market Company Limited (常州紅星美凱龍裝飾家居用品市場有限公司)	Limited liability company	Jiangsu	Jiangsu	Market company	500.00	–	100	
Shanghai Red Star Macalline Home Furnishing Market Management Company Limited (上海紅星美凱龍家居市場經營管理有限公司)	Limited liability company	Shanghai	Shanghai	Market company	2,000.00	90	–	
Shanghai Red Star Macalline Home Furnishing and Decorating Market Management Company Limited (上海紅星美凱龍傢俱裝飾市場經營管理有限公司)	Limited liability company	Shanghai	Shanghai	Market company	300.00	45	53	
Shanghai Xingkai Chengpeng Business Management Company Limited (上海星凱程騰企業管理有限公司)	Limited liability company	Shanghai	Shanghai	Investment management	1,000.00	100	–	
Shanghai Red Star Macalline Industrial Company Limited (上海紅星美凱龍實業有限公司)	Limited liability company	Shanghai	Shanghai	Investment management	10,000.00	100	–	

Note 1: Shanghai Red Star Macalline International Trading Co., Ltd (上海紅星美凱龍國際貿易有限公司), a subsidiary of the Group, holds 55% shares of Shanghai Ditu Home Furnishing Co., Ltd. (上海締圖家居有限公司) Pursuant to the Articles of Association, resolutions of the general meeting shall be approved by shareholders representing at least half of voting rights of the whole shareholders, and the Group could exercise control over it.

Note 2: Shanghai Red Star Macalline International Trading Co., Ltd. (上海紅星美凱龍國際貿易有限公司), a subsidiary of the Group, holds 51% shares of Shanghai Red Star Macalline Home Furnishing Trading Company Limited (上海紅星美凱龍美居商貿有限公司). Pursuant to the Articles of Association, the company has one executive director, who is appointed by the Group, and the Group could exercise control over it.

# Notes to the Financial Statements

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## VII. INTERESTS IN OTHER ENTITIES (CONTINUED)

### 1. Interests in Significant Subsidiaries (continued)

Note 3: Other shareholders of Longzhihui (Shanghai) Facility Management Services Co., Ltd. (龍之惠(上海)設施管理服務有限公司) will not participate in the specific operation and management of Company and the Group has the rights to determine its financial and operational policies, and could exercise control over it.

Note 4: The board of directors of Shanghai Hongxin Oukai Home Furnishing Company Limited (上海虹欣歐凱家居有限公司) totally sets five seats and three of which were appointed by the Group. CHE Jianxing (車建興), serves as its chairman and the Group could exercise control over it.

Note 5: The board of directors of Chengdu Changyi Red Star Macalline Home Living Market Management Company Limited (成都長益紅星美凱龍家居市場經營管理有限公司) totally sets five seats, three of which were appointed by the Group. CHE Jianxing serves as the chairman, and the Group could exercise control over it.

Explanation of the shareholding ratio is not equal to the voting right ratio in the subsidiary :

According to the relevant contract signed between the Company and Shandong Furong Group Co., Ltd. (山東芙蓉集團有限公司), a shareholder of Jinan Red Star Macalline Expo Home Living Plaza Co., Ltd. (濟南紅星美凱龍世博家居生活廣場有限公司), after the completion of the relevant cooperative project buildings, Shandong Furong Group Co., Ltd. got part of property rights of the buildings, which is rented by the Group. The lease term is 10 years from the official opening of the project (2010 to 2020). Shandong Furong Group Co., Ltd. obtained a fixed rental return and did not participate in the daily management and other profit distribution of Jinan Red Star.

According to the relevant contract signed between the Company and Beijing Chaoyang North Garden Agriculture and Industry Co., Ltd. (北京市朝陽北花園農工商公司), a shareholder of Beijing Century Europe and America Business Investment Company Limited (北京世紀歐美商業投資有限公司) ("Beijing Century Europe and America Business"), the Group contracted to operate Beijing Century Europe and America Business within the project cooperation period. Starting from the 12th month after construction commencement day, the Group shall pay a fixed contract profit to Beijing Chaoyang North Garden Agricultural Industrial and Commercial Company. The cooperative operation period is 50 years (2011 to 2060). Upon expiration of the cooperative operation period, all land, buildings and non-demolition facilities of the project company shall be shared by both shareholders in proportion to the registered capital. According to the relevant contract, the Group reclassified the capital contribution of Beijing Chaoyang Beihuayuan Agricultural and Industrial Co., Ltd. into liabilities and does not treat it as an equity instrument.

## VII. INTERESTS IN OTHER ENTITIES (CONTINUED)

### 1. Interests in Significant Subsidiaries (continued)

Details of the subsidiaries with significant minority shareholders' interests are as follows:

#### 2019

	Minority shareholders' interests ratio (%)	Profit/loss attributable to minority shareholders	Dividends paid to minority shareholders	Accumulated minority shareholders interests by the end of year
Zhengzhou Red Star	39.69	93,605,999.30	74,748,863.10	915,281,044.80
Yintai New City Investment	30.00	(5,726,664.69)	—	426,323,249.49
Suzhou Red Star	45.00	94,150,611.61	—	304,874,675.96

#### 2018

	Minority shareholders' interests ratio (%)	Profit/loss attributable to minority shareholders	Dividends paid to minority shareholders	Accumulated minority shareholders interests by the end of year
Zhengzhou Red Star	39.69	81,766,859.66	52,919,413.37	896,423,908.60
Yintai New City Investment	30.00	319,815.03	—	432,049,914.18
Suzhou Red Star	45.00	23,269,956.90	—	210,724,064.35

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For the year 2019 (RMB)

## VII. INTERESTS IN OTHER ENTITIES (CONTINUED)

### 1. Interests in Significant Subsidiaries (continued)

The following table illustrates the financial information of above-mentioned subsidiaries. This information represents the amounts of subsidiaries excluding elimination of the Group:

2019	Zhengzhou Red Star	Yintai New City Investment	Suzhou Red Star
Current assets	752,962,728.87	267,818,818.76	386,361,019.44
Non-current assets	3,405,005,332.95	2,366,138,026.10	1,299,386,941.37
<b>Total assets</b>	<b>4,157,968,061.82</b>	<b>2,633,956,844.86</b>	<b>1,685,747,960.81</b>
Current liabilities	172,778,507.44	753,627,535.30	514,459,311.14
Non-current liabilities	1,507,280,034.05	459,251,811.26	493,789,369.75
<b>Total liabilities</b>	<b>1,680,058,541.49</b>	<b>1,212,879,346.56</b>	<b>1,008,248,680.89</b>
Revenue	353,974,827.57	—	138,272,284.44
Net profit/(loss)	235,842,779.79	(19,088,882.30)	209,223,581.35
Total comprehensive income/(loss)	235,842,779.79	(19,088,882.30)	209,223,581.35
Net cash flow from operating activities	200,743,924.32	(7,432,284.56)	137,153,665.35

2018	Zhengzhou Red Star	Yintai New City Investment	Suzhou Red Star
Current assets	1,064,749,991.54	36,906,323.85	40,110,522.17
Non-current assets	3,312,336,742.56	2,187,586,210.15	1,105,997,154.47
<b>Total assets</b>	<b>4,377,086,734.10</b>	<b>2,224,492,534.00</b>	<b>1,146,107,676.64</b>
Current liabilities	1,036,249,982.69	309,261,363.32	192,659,781.44
Non-current liabilities	938,693,550.68	475,064,790.08	485,172,196.65
<b>Total liabilities</b>	<b>1,974,943,533.37</b>	<b>784,326,153.40</b>	<b>677,831,978.09</b>
Revenue	326,194,749.72	—	85,397,851.73
Net profit/(loss)	206,013,755.75	1,066,050.10	51,711,015.33
Total comprehensive income/(loss)	206,013,755.75	1,066,050.10	51,711,015.33
Net cash flow from operating activities	231,929,613.55	8,813,582.98	42,891,394.48

## VII. INTERESTS IN OTHER ENTITIES (CONTINUED)

### 2. Transactions which changed equity of subsidiaries without affecting right of control

In March 2019, the Group acquired 30% equity of Shanghai Jiajinsuo Investment Holdings Co., Ltd. (上海家金所投資控股有限公司) from minority shareholders for RMB1.00. After the acquisition, shares of Shanghai Jiajinsuo Investment Holdings Co., Ltd. held by the Group increased from 70% to 100%, and the capital reserve was reduced by RMB1,100,450.40.

In March 2019, the Group acquired 49% equity of Changzhou Hongyang Home Furnishing Plaza Co., Ltd. (常州紅陽家居生活廣場有限公司) from minority shareholders for RMB139,400,000. After the acquisition, shares of Changzhou Hongyang Home Furnishing Plaza Co., Ltd. held by the Group increased from 26% to 75%, and the capital reserve was reduced by RMB157,028,794.60.

In May 2019, the Group acquired 3% equity of Shanghai Red Star Macalline Decoration Furniture City Co., Ltd. (上海紅星美凱龍裝飾傢俱城有限公司) from minority shareholders for RMB160,000,000.00. After the acquisition, shares of Shanghai Red Star Macalline Decoration Furniture City Co., Ltd. held by the Group increased from 94% to 97%, and the capital reserve was reduced by RMB67,090,440.43.

In September 2019, the original shareholder Shanghai Tailang Enterprise Management Center (上海台朗企業管理中心) transferred 5% shares of Jiabeide Construction Technology Co., Ltd. (家倍得建築科技有限公司) at a price of RMB0.00 to Red Star Macalline Home Group Co., Ltd. Shares of Jiabeide Construction Technology Co., Ltd. held by the Group increased from 85% to 90%, and the capital reserve was reduced by RMB2,306,641.06.

In November 2019, the original shareholder Shanghai Tailang Enterprise Management Center (上海台朗企業管理中心) transferred 20% shares of Shanghai Jiabeide Decoration Engineering Co., Ltd. (上海家倍得裝飾工程有限公司) at a price of RMB40,000,000.00 to Jiabeide Construction Technology Co., Ltd. Shares of Shanghai Jiabeide Decoration Engineering Co., Ltd. held by the Group increased from 80% to 98%, and the capital reserve was reduced by RMB35,298,186.65.

# Notes to the Financial Statements

For the year 2019 (RMB)

## VII. INTERESTS IN OTHER ENTITIES (CONTINUED)

### 3. Interests in joint ventures and associates

	Main business site	Place of incorporation	Business nature	Registered capital RMB'0000	Shareholding ratio (%)		Accounting treatment	Note
					Direct	Indirect		
<b>Joint ventures</b>								
Chengdu Dongtai Shopping Mall Company Limited (成都東泰商城有限公司)	Sichuan	Sichuan	Site lease management	8,300.00	50	—	Equity method	
Shanghai CTME Economy & Trade Development Co., Ltd. (上海中貿美凱龍經貿發展有限公司)	Shanghai	Shanghai	Wholesale and retail	500	—	40	Equity method	1
Shanghai Mingyi Enterprise Development Co., Ltd. (上海名藝商業企業發展有限公司)	Shanghai	Shanghai	Leasing and commercial services	1,000.00	50	—	Equity method	
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)	Anhui	Anhui	Leasing and commercial services	2,000.00	—	50	Equity method	
Baoxiang Red Star Macalline (Xiamen) Global Home Furnishing Plaza Company Limited (寶象紅星美凱龍(廈門)全球家居廣場有限公司)	Fujian	Fujian	Wholesale and retail	3,000.00	50	—	Equity method	
Sleep Maker (Hong Kong) Company Limited	Hong Kong	Hong Kong	Wholesale and retail	HKD100	—	30	Equity method	2
Shenzhen Red Star Macalline Expo Home Plaza Co., Ltd. (深圳紅星美凱龍世博家居廣場有限公司)	Guangdong	Guangdong	Wholesale and retail	1,000.00	—	43	Equity method	3
Shenzhen Red Star Macalline Business Management Company Limited (深圳紅星美凱龍商業管理有限公司)	Guangdong	Guangdong	Leasing and commercial services	1,000.00	60	—	Equity method	4
Guangzhou Red Star Macalline Expo Home Plaza Co., Ltd. (廣州紅星美凱龍世博家居廣場有限公司)	Guangdong	Guangdong	Wholesale and retail	3,000.00	—	50	Equity method	

## VII. INTERESTS IN OTHER ENTITIES (CONTINUED)

## 3. Interests in joint ventures and associates (continued)

	Main business site	Place of incorporation	Business nature	Registered capital RMB'0000	Shareholding ratio (%)		Accounting treatment	Note
					Direct	Indirect		
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)	Fujian	Fujian	Wholesale and retail	3,000.00	50	—	Equity method	
<b>Associates</b>								
Haier Consume Financing Company Limited (海爾消費金融有限公司)	Shandong	Shandong	Finance	100,000.00	—	25	Equity method	
Shandong Inzone Green Home Co., Ltd. (山東銀座家居有限公司)	Shandong	Shandong	Leasing and commercial services	1,057.00	46.5	—	Equity method	
Shenyudao Cultural Tourism Holding Co., Ltd. (神玉島文化旅遊控股股份有限公司)	Hainan	Hainan	Residential services, maintenance and other services	30,000.00	35	—	Equity method	
Yaxiya Building Materials Co., Ltd. (亞細亞建築材料股份有限公司)	Shanghai	Shanghai	Wholesale and retail	13,875.00	—	10	Equity method	5
Guangdong Sanweijia Information Technology Co., Ltd. (廣東三維家信息科技有限公司)	Guangdong	Guangdong	Information transmission, software and information technology services	2,053.45	—	11.04	Equity method	5
Sunseaparking Inc	Cayman	Cayman	Transportation, storage and postage	USD30	—	10.24	Equity method	5
Wuhan Zhengkai Logistics Co., Ltd. (武漢市正凱物流有限公司)	Hubei	Hubei	Transportation, storage and postage	6,000.00	18	—	Equity method	5
Hangzhou Red Star Macalline Global Home Living Company Limited (杭州紅星美凱龍環球家居有限公司)	Zhejiang	Zhejiang	Wholesale and retail	10,000.00	19	—	Equity method	5
Guangdong VIFA Customized Home Furnishings Co., Ltd. (廣東威法定制家居股份有限公司)	Guangdong	Guangdong	Manufacture	1,665.83	—	13	Equity method	5
Weifang Binxing Properties Co., Ltd. (濰坊濱星置業有限公司)	Shandong	Shandong	Real estate	30,000.00	—	30	Equity method	



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For the year 2019 (RMB)

## VII. INTERESTS IN OTHER ENTITIES (CONTINUED)

### 3. Interests in joint ventures and associates (continued)

	Main business site	Place of incorporation	Business nature	Registered capital RMB'0000	Shareholding ratio (%)		Accounting treatment	Note
					Direct	Indirect		
Zhejiang Zhongguang Electric Appliances Co., Ltd. (浙江中廣電器股份有限公司)	Zhejiang	Zhejiang	Wholesale and retail	12,100.00	—	8.14	Equity method	5
Klas International Home Living Company Limited (克拉斯國際家居有限公司)	Beijing	Beijing	Wholesale and retail	20,000.00	—	30	Equity method	
Liaoning Cheng'an Construction Co., Ltd. (遼寧誠安建設有限公司)	Liaoning	Liaoning	Construction	3,529.50	—	30	Equity method	5
Shanghai Tianhe Smart Home Technology Company Ltd. (上海天合智能科技股份有限公司)	Shanghai	Shanghai	Science research and technology service	5,680.25	—	10	Equity method	5
LEAWOD Door and Window Profiles Company (四川良木道門窗型材有限公司)	Sichuan	Sichuan	Manufacture	8,000.00	—	24.2	Equity method	
Suzhou Supin Home Culture Co., Ltd. (蘇州市蘇品宅配文化有限公司)	Jiangsu	Jiangsu	Manufacture	2,349.07	—	15	Equity method	5
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)	Guangdong	Guangdong	Wholesale and retail	500	—	37	Equity method	
Ant live (Tianjin) Network Technology Co., Ltd. (蟻安居(天津)網絡技術有限公司)	Tianjin	Tianjin	Science research and technology service	2,884.50	—	16.67	Equity method	5
Beijing Bilin Hongke Technology Co., Ltd. (北京比鄰弘科科技有限公司)	Beijing	Beijing	Science research and technology service	324.66	—	10	Equity method	5
Shanghai Qiangshang Environmental Technology Company Limited (上海牆尚環保科技有限公司)	Shanghai	Shanghai	Wholesale and retail	1,388.66	—	8	Equity method	5
Shanghai CONJOINT Construction Technology Co., Ltd. (上海開裝建築科技有限公司)	Shanghai	Shanghai	Science research and technology service	92.59	—	14.61	Equity method	5

## VII. INTERESTS IN OTHER ENTITIES (CONTINUED)

## 3. Interests in joint ventures and associates (continued)

	Main business site	Place of incorporation	Business nature	Registered capital RMB'0000	Shareholding ratio (%)		Accounting treatment	Note
					Direct	Indirect		
Icolor Private Limited	Cayman	Cayman	Construction	USD5	—	8	Equity method	5
Super Smart Home (Shanghai) Internet of Things Technology Co., Ltd. (超級智慧家(上海)物聯網科技有 限公司)	Shanghai	Shanghai	Science research and technology service	3,064.46	—	12.38	Equity method	5
Chengdu Rhine Etam Furniture Co., Ltd. (成都艾格傢俱有限公司)	Sichuan	Sichuan	Manufacture	857.1	—	29.56	Equity method	
Jiangsu Baili Aijia Home Technology Co., Ltd. (江蘇佰麗愛家居科技 有限公司)	Jiangsu	Jiangsu	Science research and technology service	1,727.12	—	10	Equity method	5
Shanghai Jinjiang United Purchasing Supply Chain Co., Ltd. (上海錦江 聯採供應鏈有限公司)	Shanghai	Shanghai	Transportation, storage and postage	30,000.00	10	—	Equity method	5
BigZone Information Technology (Shanghai) Company Limited (大域信息科技(上海)有限公司)	Shanghai	Shanghai	Science research and technology service	1,235.30	—	14.29	Equity method	5
Shanghai Harbour Home Investment Management Co., Ltd. (上海灣寓 投資管理有限公司)	Shanghai	Shanghai	Leasing and commercial services	1,365.11	—	5.49	Equity method	5
Meiwu 365 (Tianjin) Technology Company Limited (美屋三六五 (天津)科技有限公司)	Tianjin	Tianjin	Science research and technology service	100.58	8.31	—	Equity method	5
ArtPollo Network Technology (Beijing) Company Limited (愛菠蘿網絡科技 (北京)有限公司)	Beijing	Beijing	Science research and technology service	145.22	—	15	Equity method	5
Shengbao (Shanghai) Furniture Co., Ltd. (晟葆(上海)傢俱有限公司)	Shanghai	Shanghai	Construction	555.56	—	10	Equity method	5
Beijing Canny-Robot Technology Co., Ltd. (北京康力優藍機器人科技有 限公司)	Beijing	Beijing	Science research and technology service	2,340.09	—	6	Equity method	5

# Notes to the Financial Statements

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## VII. INTERESTS IN OTHER ENTITIES (CONTINUED)

### 3. Interests in joint ventures and associates (continued)

	Main business site	Place of incorporation	Business nature	Registered capital RMB'0000	Shareholding ratio (%)		Accounting treatment	Note
					Direct	Indirect		
Shenzhen Yatai Macalline Life Space Technology Co., Ltd. (深圳市亞泰美凱龍空間科技有限公司)	Guangdong	Guangdong	Wholesale and retail	10,000.00	49	—	Equity method	
Shanghai Jiazhan Construction Engineering Company Limited (上海嘉展建築裝潢工程有限公司)	Shanghai	Shanghai	Construction	2,040.83	4.9	—	Equity method	5
Shaanxi Red Star Heji Home Shopping Plaza Company Limited (陝西紅星和記家居購物廣場有限公司)	Shaanxi	Shaanxi	Wholesale and retail	2,500.00	18	—	Equity method	5
Guangzhou Huoshu Yinhu Information Technology Co., Ltd. (廣州火數銀花信息科技有限公司)	Guangdong	Guangdong	Information transmission, software and information technology services	1,111.11	—	11.66	Equity method	5
Shenzhen Huasheng Home Furnishing Group Co., Ltd. (深圳華生大家居集團有限公司)	Guangdong	Guangdong	Leasing and commercial services	3,968.25	—	9	Equity method	5
Yimeijisi Optoelectronics Technology (Fujian) Co., Ltd. (誼美吉斯光電科技(福建)有限公司)	Fujian	Fujian	Science research and technology service	5,000.00	—	4.95	Equity method	5
Anka Household Products (Shanghai) Co., Ltd. (安咖家居用品(上海)有限公司)	Shanghai	Shanghai	Wholesale and retail	5,000.00	—	10	Equity method	5
Shenzhen Langlefu Sleep Technology Co., Ltd. (深圳市朗樂福睡眠科技有限公司)	Guangdong	Guangdong	Wholesale and retail	909	—	10	Equity method	5
Handan Fengfengkuang District Royal Property Development Company Limited (邯鄲市峰峰礦區皇室房地產開發有限公司)	Hebei	Hebei	Real estate	5,000.00	—	20	Equity method	

## VII. INTERESTS IN OTHER ENTITIES (CONTINUED)

## 3. Interests in joint ventures and associates (continued)

	Main business site	Place of incorporation	Business nature	Registered capital	Shareholding ratio (%)		Accounting treatment	Note
				RMB'0000	Direct	Indirect		
Handan Red Star Royal Properties Co., Ltd. (邯鄲市紅星皇室置業有限公司)	Hebei	Hebei	Real estate	2,000.00	—	20.00	Equity method	
Wuhu Meihe Asset Management Company Limited (蕪湖美和資產管理有限公司)	Anhui	Anhui	Finance	100.00	—	49.00	Equity method	
Shanghai Zhidi Intelligent Technology Co., Ltd. (上海智諦智能科技有限公司)	Shanghai	Shanghai	Wholesale and retail	1,000.00	—	30.00	Equity method	
Shenzhen Red Star Macalline Century Center Home Living Plaza Co., Ltd. (深圳紅星美凱龍世紀中心家居生活廣場有限公司)	Guangdong	Guangdong	Leasing and commercial services	500.00	37.00	—	Equity method	

*Note 1:* The board of directors of Shanghai Zhongmao Macalline Economic and Trade Development Co., Ltd. is composed of five people, of which we nominate two. The resolution of meetings of the board must be approved by at least two-thirds of the directors. The shareholders formed joint control, so it is a joint venture company.

*Note 2:* Major matters should be approved after the unanimous consent of all shareholders, so Sleep Maker (Hong Kong) Company Limited is a joint venture company.

*Note 3:* Major matters should be approved after the unanimous consent of all directors, so Shenzhen Red Star Macalline Expo Home Plaza Co., Ltd. is a joint venture company.

*Note 4:* The daily operation and management of the Company requires unanimous consent of both parties. Therefore, Shenzhen Red Star Macalline Business Management Company Limited (深圳紅星美凱龍商業管理有限公司) is a joint venture.

*Note 5:* The Group delegates directors to the Company, which has significant influence to the Company.

# Notes to the Financial Statements

For the year 2019 (RMB)

## VII. INTERESTS IN OTHER ENTITIES (CONTINUED)

### 3. Interests in joint ventures and associates (continued)

Chengdu Dongtai Shopping Mall Company Limited, a material joint venture of the Group, is mainly engaged in site leasing management service and accounted for adopting the equity method. The investment is not strategic to the Group's activities.

The following table illustrates the financial information of Chengdu Dongtai Shopping Mall Company Limited, which was adjusted to book value per consolidated financial statements in accordance with the all accounting policies:

	2019	2018
Current assets	232,771,069.04	414,184,788.69
Including: cash and cash equivalents	82,922,776.17	107,020,013.70
Non-current assets	1,855,864,202.07	1,877,673,835.59
<b>Total assets</b>	<b>2,088,635,271.11</b>	2,291,858,624.28
Current liabilities	100,917,890.69	94,547,054.26
Non-current liabilities	402,059,835.49	400,714,909.18
<b>Total liabilities</b>	<b>502,977,726.18</b>	495,261,963.44
Net assets share calculated based on the percentage of shareholding	792,828,772.46	898,298,330.42
Book value in the investment	792,828,772.46	898,298,330.42

	2019	2018
Revenue	148,568,293.19	160,082,195.90
Financial expenses	(4,805,744.93)	(1,544,673.97)
Income tax expense	18,517,995.32	63,426,956.73
Net profit	55,528,291.55	225,953,954.82
Total comprehensive income	55,528,291.55	225,953,954.82
Dividends receivable	102,233,703.73	—

Haier Consume Financing Company Limited, a material associate of the Group, is mainly engaged in finance and accounted for adopting the equity method. The investment is not strategic to the Group's activities.

## VII. INTERESTS IN OTHER ENTITIES (CONTINUED)

### 3. Interests in joint ventures and associates (continued)

The following table illustrates the financial information of Haier Consume Financing Company Limited, which was adjusted to book value per financial statements in accordance with the all accounting policies:

	2019	2018
Current assets	<b>9,804,002,262.03</b>	11,660,935,615.77
Including: cash and cash equivalents	<b>1,057,184,405.39</b>	1,067,380,418.52
Non-current assets	<b>485,899,783.38</b>	133,353,755.82
Total assets	<b>10,289,902,045.41</b>	11,794,289,371.59
Current liabilities	<b>2,668,672,679.91</b>	2,943,304,721.85
Non-current liabilities	<b>6,185,633,662.84</b>	7,620,000,000.00
Total liabilities	<b>8,854,306,342.75</b>	10,563,304,721.85
Net assets share calculated based on the percentage of shareholding	<b>358,898,925.67</b>	307,746,162.44
Book value in the investment	<b>358,898,925.67</b>	307,746,162.44

	2019	2018
Revenue	<b>1,389,189,609.67</b>	1,048,479,712.45
Financial expenses	<b>(901,969,328.37)</b>	(626,585,106.24)
Income tax expense	<b>17,536,792.21</b>	56,028,509.87
Net profit	<b>204,611,052.92</b>	167,715,204.68
Total comprehensive income	<b>204,611,052.92</b>	167,715,204.68

Shandong Yinzuo Home Furnishing Co., Ltd., a material associate of the Group, is mainly engaged in leasing and commercial and accounted for adopting the equity method. The investment is not strategic to the Group's activities.

# Notes to the Financial Statements

For the year 2019 (RMB)

## VII. INTERESTS IN OTHER ENTITIES (CONTINUED)

### 3. Interests in joint ventures and associates (continued)

The following table illustrates the financial information of Shandong Yinzuo Home Furnishing Co., Ltd., which was adjusted to book value per financial statements in accordance with the all accounting policies:

	2019
Current assets	126,216,930.08
Including: cash and cash equivalents	102,659,660.62
Non-current assets	1,120,759,159.87
<b>Total assets</b>	<b>1,246,976,089.95</b>
Current liabilities	395,048,125.57
Non-current liabilities	235,888,605.02
<b>Total liabilities</b>	<b>630,936,730.59</b>
Net assets share calculated based on the percentage of shareholding	286,458,302.10
Adjustments (Note1)	62,006,041.48
<b>Book value in the investment</b>	<b>348,464,343.58</b>
	2019
Revenue	397,489,375.06
Financial expenses	7,553,252.96
Income tax expense	3,345,748.02
Net loss	(1,945,188.90)
<b>Total comprehensive income</b>	<b>(1,945,188.90)</b>

Note 1: The difference between the book value of the investment and net assets share calculated based on the percentage of shareholding is because that the initial investment cost of the long-term equity investment is greater than the net assets of the invested entity enjoyed at the time of investment.

## VII. INTERESTS IN OTHER ENTITIES (CONTINUED)

### 3. Interests in joint ventures and associates (continued)

The following table illustrates the consolidated financial information on unimportant joint ventures and associates:

	2019	2018
Joint ventures		
Book value of investments in total	<b>188,075,087.04</b>	175,838,416.91
Following items calculated based on the percentage of shareholding in total		
Net profit	<b>19,923,290.70</b>	22,522,717.15
Total comprehensive income	<b>19,923,290.70</b>	22,522,717.15
Associates		
Book value in the investment in total	<b>1,966,011,906.45</b>	1,644,218,218.73
Following items calculated based on the percentage of shareholding in total		
Net profit	<b>39,341,882.72</b>	91,549,008.42
Total comprehensive income	<b>39,341,882.72</b>	91,549,008.42



# Notes to the Financial Statements

For the year 2019 (RMB)

## VIII. RISKS RELATED TO FINANCIAL INSTRUMENTS

### 1. Classification of Financial Instruments

The book values of various financial instruments on the balance sheet date are as follows:

2019

#### Financial assets

	Financial assets at fair value through profit or loss		Measured at fair value through other comprehensive income		Total
	Required by the standards	Measured at amortized cost	Required by the standards	Designated	
Cash and bank balance	—	7,229,239,369.35	—	—	7,229,239,369.35
Financial assets held for trading	233,385,470.05	—	—	—	233,385,470.05
Derivative financial assets	31,751,504.22	—	—	—	31,751,504.22
Accounts receivable	—	1,805,663,937.18	—	—	1,805,663,937.18
Receivables financing	—	—	41,040,000.00	—	41,040,000.00
Other receivables	—	679,012,095.26	—	—	679,012,095.26
Non-current assets due within one year	—	555,066,245.64	—	—	555,066,245.64
Other current assets	—	918,797,817.32	—	—	918,797,817.32
Long-term receivables	—	800,494,682.51	—	—	800,494,682.51
Other equity instrument investment	—	—	—	3,999,157,825.44	3,999,157,825.44
Other non-current financial assets	368,774,540.60	—	—	—	368,774,540.60
Other non-current assets	—	1,259,259,903.72	—	—	1,259,259,903.72
	633,911,514.87	13,247,534,050.98	41,040,000.00	3,999,157,825.44	17,921,643,391.29

## VIII. RISKS RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

### 1. Classification of Financial Instruments (Continued)

2019 (continued)

#### Financial liabilities

	Financial liabilities measured at amortized cost
Short-term loans	3,387,894,541.95
Accounts payable	1,476,370,855.07
Other payables	7,751,973,358.09
Non-current liabilities due within one year	9,804,740,633.43
Other current liabilities	144,228,766.87
Long-term loans	15,919,626,315.76
Bonds payable	6,592,440,970.73
Lease liabilities	3,321,817,733.91
Long-term payables	634,392,235.62
Other non-current liabilities	5,747,108,371.13
	54,780,593,782.56

# Notes to the Financial Statements

For the year 2019 (RMB)

## VIII. RISKS RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

### 1. Classification of Financial Instruments (Continued)

2018

#### Financial assets

	Financial assets at fair value through profit or loss		Measured at fair value through other comprehensive income		Total
	Required by the standards	Measured at amortized cost	Required by the standards	Designated	
Cash and bank balance	—	8,527,607,964.92	—	—	8,527,607,964.92
Financial assets held for trading	236,256,219.87	—	—	—	236,256,219.87
Accounts receivable	—	1,687,918,584.76	—	—	1,687,918,584.76
Receivables financing	—	—	55,000,000.00	—	55,000,000.00
Other receivables	—	1,931,724,519.36	—	—	1,931,724,519.36
Non-current assets due within one year	—	319,250,999.36	—	—	319,250,999.36
Other current assets	—	1,116,166,866.66	—	—	1,116,166,866.66
Long-term receivables	—	1,795,159,925.01	—	—	1,795,159,925.01
Other equity instrument investment	—	—	—	3,302,748,467.57	3,302,748,467.57
Other non-current financial assets	324,850,000.00	—	—	—	324,850,000.00
Other non-current assets	—	509,121,312.81	—	—	509,121,312.81
	561,106,219.87	15,886,950,172.88	55,000,000.00	3,302,748,467.57	19,805,804,860.32

## VIII. RISKS RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

### 1. Classification of Financial Instruments (Continued)

2018 (continued)

#### Financial liabilities

	Financial liabilities measured at amortized cost
Short-term loans	5,166,655,101.70
Accounts payable	970,116,980.34
Other payables	8,480,341,163.12
Non-current liabilities due within one year	4,145,791,830.22
Other current liabilities	1,000,000,000.00
Long-term loans	14,306,362,773.00
Bonds payable	7,156,394,519.96
Long-term payables	1,385,921,007.85
Other non-current liabilities	4,786,623,154.06
	47,398,206,530.25

# Notes to the Financial Statements

For the year 2019 (RMB)

## VIII. RISKS RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

### 2. Transfer of Financial Assets

#### **Derecognized but continuing involvement in the transferred financial assets**

On 31 December 2019, the book value of bank acceptances endorsed by the Group to suppliers for settlement of accounts payable are RMB9,430,000.00. The book value of commercial acceptances are RMB3,543,807.93 On 31 December 2019, with a maturity of 2 to 10 months. According to the relevant provisions of the bill law, if the acceptance bank refuses to pay, its holder has the right to recourse against the group ("continuing involvement"). In the opinion of the Group, the Group has transferred almost all of its risks and rewards, so the book value of the settled accounts payable and related accounts payable is derecognized. The maximum loss and undiscounted cash flow continuously involved in and repurchased are equal to its book value. The Group believes that it is not significant to continue to be involved in fair value.

In 2019, the Group did not recognize gains or losses on its transfer date. The Group has no income or expense that has been derecognized in the current year and accumulated recognition due to continuous involvement in the financial assets. Endorsements are generally balanced in the current year.

### 3. Risks of Financial Instruments

The Group faces various risks of financial instruments during daily activities, mainly including credit risks, liquidity risks and market risks (including foreign exchange risk, interest rate risk and price risk). Major financial instruments of the Group include cash and bank balances, financial assets held for trading, derivative financial assets, accounts receivable, receivables financing, other receivables, non-current assets due within one year, other current assets, long-term receivables, other equity instrument investment, other non-current financial assets, other non-current assets, accounts payable, other payables, long-term payables, short-term loans, non-current liabilities due within one year, long-term loans, bonds payable, long-term payables, other non-current liabilities and lease liabilities. The following will show the risks relating to these financial instruments and the risk management strategies the Group adopted to reduce the relevant risks.

## VIII. RISKS RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

### 3. Risks of Financial Instruments (Continued)

The Board is responsible for planning and establishing the risk management structure of the Group, working out the risk management policies and relevant guidelines of the Group and supervising the implementation of the risk management measures. The Group has worked out risk management policies to identify and analyze the risks it faced. These risk management policies have clearly defined specific risks, covering market risk, credit risk and liquidity risk management. The Group regularly assesses changes in the market environment and its operating activities to decide whether or not to update the risk management policies and systems. The Group's risk management is conducted by the risk management committee according to the policies approved by the Board. The risk management committee identifies, assesses and avoids relevant risks via close cooperation with other business departments of the Group. The internal audit department of the Group conducts regular review on the risk management control and procedures and reports the review results to the audit committee of the Group.

The Group diversifies risks of financial instruments through appropriate diversified investments and business portfolios and works out relevant risk management policies to reduce the risks concentrated in any single industry, specific region or specific counterparty.

#### **Credit risks**

The Group only conducts transactions with accredited and reputable third parties. According to the Group's policies, all the customers who require credit-based transactions are subject to credit audit. Moreover, the Group keeps monitoring the balances of accounts receivable to ensure it will not face material bad debt risks. Regarding transactions not settled in the recording currency of the relevant operating entities, the Group will not provide any credit transaction conditions, save as otherwise approved by the credit control department of the Group.

As our counterparties of cash and bank and bank acceptances receivable are banks with a good reputation and a high credit rating, the credit risks of these financial instruments are relatively low.

Other financial assets of the Group include accounts receivable, other receivables, non-current assets due within one year, other current assets and long-term receivables. Credit risks of these financial assets result from default of the counterparties and the maximum risk exposure equals the book values of these instruments.

# Notes to the Financial Statements

For the year 2019 (RMB)

## VIII. RISKS RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

### 3. Risks of Financial Instruments (Continued)

#### **Credit risks (continued)**

The maximum credit risk exposure faced by the Group on each balance sheet date is the total amount collected from customers minus the impairment allowance.

As the customers whose accounts are receivable by the Group are engaged in different departments and sectors, there is no significant credit concentration risk for the Group. The Group held no collateral or other credit enhancement on the balance of accounts receivable.

#### ***Criteria for judging significant increases in credit risk***

The Group assesses whether the credit risk of the relevant financial instruments has increased significantly since initial recognition at each balance sheet date. While determining whether the credit risk has increased significantly since initial recognition, the Group takes into account the reasonable and substantiated information that is accessible without exerting unnecessary cost or effort, including qualitative and quantitative analysis based on the historical data of the Group, external credit risk rating and forward-looking information. Based on the single financial instrument or the combination of financial instruments with similar characteristics of credit risk, the Group compares the default risk of financial instruments on the balance sheet date with that on the initial recognition date in order to figure out the changes of default risk in the expected lifetime of financial instruments.

The Group considers a financial instrument to have experienced a significant increase in credit risk when one or more of the following quantitative or qualitative criteria have been met:

- Quantitative criteria mainly comprise the circumstance that at the reporting date, the increase in remaining lifetime probability of default is considered significant comparing with the one at initial recognition;
- Qualitative criteria mainly comprise significant adverse change in debtor's operation or financial status, and being listed on the watch-list etc..

## VIII. RISKS RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

### 3. Risks of Financial Instruments (Continued)

#### Credit risks (continued)

##### *Definition of credit-impaired assets*

The standard adopted by the Group to determine whether a credit impairment occurs is consistent with the internal credit risk management objectives of the relevant financial instrument, taking into account quantitative and qualitative criteria. When the Group assesses whether the credit impairment of debtor occurred, the following factors are mainly considered:

- significant financial difficulty of the issuer or the debtor;
- the creditor, for economic or legal reasons relating to the debtor's financial difficulty, granting to the debtor a concession that the creditor would not otherwise consider;
- it becoming probable that the debtor will enter bankruptcy or other financial reorganization;
- the disappearance of an active market for that financial asset because of financial difficulty of the issuer or the debtor;
- the purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses;
- a breach of contract by the debtor.

The credit impairment on a financial asset may be caused by the combined effect of multiple events and may not be necessarily caused by a single event.

##### *Parameters of expected credit loss (ECL) measurement*

According to whether there is a significant increase in credit risk and whether there is a credit impairment, the Group measures the impairment losses for different assets with ECL of 12 months or the entire lifetime respectively. The key measuring parameters of ECL include probability of default (PD), loss given default (LGD) and exposure at default (EAD). The Group takes into account the quantitative analysis of historical statistics (such as ratings of counterparties, manners of guarantees and types of collaterals, repayments, etc.) and forward-looking information in order to establish the model of PD, LGD and EAD.



## VIII. RISKS RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

### 3. Risks of Financial Instruments (Continued)

#### Credit risks (continued)

Relevant definitions are as follows:

- PD refers to the possibility that the debtor will not be able to fulfil its obligations of repayment over the next 12 months or throughout the entire remaining lifetime. The Group's PD is adjusted based on the results of the mobility model, taking into account the forward-looking information to reflect the debtor's PD under the current macroeconomic environment;
- LGD refers to the Group's expectation of the extent of the loss resulting from the default exposure. Depending on the type of counterparty, the method and priority of the recourse, and the type of collaterals, the LGD varies. The LGD is the percentage of loss of risk exposure at the time of default, calculated over the next 12 months or over the entire remaining lifetime;
- EAD is the amount that the Group should be reimbursed at the time of default in the next 12 months or throughout the entire remaining lifetime.

The assessment of a significant increase in credit risk and the calculation of ECL both involve forward-looking information. Through the analysis of historical data, the Group identifies the key economic indicators that affect the credit risk and ECL of various types of businesses. The impact of these economic indicators on PD and LGD varies in different types of businesses. Refer to Notes V.3, 6, 8, 9, 10, 11 and 24 for risk exposure of accounts receivable, other receivables, contract assets, non-current assets due within one year, other current assets, long-term receivables and other non-current assets.

## VIII. RISKS RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

### 3. Risks of Financial Instruments (Continued)

#### Liquidity risk

The Group manages its risk to deficiency of funds using a recurring liquidity planning tool. This tool considers both the maturity of its financial instruments and the projected flows from the Group's operations.

The Group's objective is to maintain a balance between continuity and flexibility of funding through the use of bank borrowings, bonds and other interest-bearing borrowings and other financing methods. 37.9% (31 December 2018: 38.6%) of the Group's debts would mature in less than one year as at 31 December 2019.

The table below summarizes the maturity profile of financial liabilities based on the undiscounted contractual cash flows:

#### 2019

	Due immediately or within one year	1-2 years	2-5 years	Over 5 years	Total
Accounts payable	1,476,370,855.07	—	—	—	1,476,370,855.07
Other payables	7,751,973,358.09	—	—	—	7,751,973,358.09
Long-term payables	—	121,225,260.90	203,314,451.89	963,020,499.24	1,287,560,212.03
Short-term loans	3,448,200,620.09	—	—	—	3,448,200,620.09
Non-current liabilities					
due within one year	10,199,894,882.37	—	—	—	10,199,894,882.37
Other current liabilities	148,998,880.45	—	—	—	148,998,880.45
Long-term loans	824,490,155.07	4,140,901,407.78	7,457,784,163.78	7,608,796,944.04	20,031,972,670.67
Bonds payable	471,906,688.98	4,265,914,463.36	2,645,917,897.53	—	7,383,739,049.87
Lease liabilities	—	588,011,304.22	1,359,179,153.05	3,686,039,064.31	5,633,229,521.59
Other non-current liabilities	408,245,720.80	2,790,743,340.46	3,516,507,083.00	—	6,715,496,144.25
	24,730,081,160.92	11,906,795,776.72	15,182,702,749.25	12,257,856,507.59	64,077,436,194.48

# Notes to the Financial Statements

For the year 2019 (RMB)

## VIII. RISKS RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

### 3. Risks of Financial Instruments (Continued)

#### Liquidity risk (continued)

2018

	Due immediately or within one year	1–2 years	2–5 years	Over 5 years	Total
Accounts payable	970,116,980.34	—	—	—	970,116,980.34
Other payables	8,480,341,163.12	—	—	—	8,480,341,163.12
Long-term payables	—	322,012,163.63	584,124,913.97	972,904,273.74	1,879,041,351.34
Short-term loans	5,325,515,399.19	—	—	—	5,325,515,399.19
Non-current liabilities					
due within one year	4,271,601,063.69	—	—	—	4,271,601,063.69
Other current liabilities	1,054,750,000.00	—	—	—	1,054,750,000.00
Long-term loans	725,561,341.06	3,430,891,032.83	7,309,818,318.76	6,297,554,355.47	17,763,825,048.12
Bonds payable	363,672,607.60	3,502,355,139.38	4,238,268,624.54	—	8,104,296,371.52
Other non-current liabilities	340,020,054.79	2,671,795,808.22	2,660,164,901.37	—	5,671,980,764.38
	21,531,578,609.79	9,927,054,144.06	14,792,376,758.64	7,270,458,629.21	53,521,468,141.70

## VIII. RISKS RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

### 3. Risks of Financial Instruments (Continued)

#### Market risk

##### *Interest rate risk*

The Group's exposure to the risk of changes in market interest rates primarily relates to the floating-rate long-term liabilities of the Group.

The table below is a sensitivity analysis of interest rate risk, which reflects the impact on net profit or loss (through the impact on floating-rate borrowings) after tax, when there are reasonable and potential changes in interest rates, under the presumption that all other variables remain unchanged.

#### 2019

	Increase/(decrease) in basis point	Increase/(decrease) in net profit or loss	Increase/(decrease) in total shareholders' equity
Bank borrowings	50.00	(65,464,603.82)	(65,464,603.82)
Bank borrowings	(50.00)	65,464,603.82	65,464,603.82

#### 2018

	Increase/(decrease) in basis point	Increase/(decrease) in net profit or loss	Increase/(decrease) in total shareholders' equity
Bank borrowings	50.00	(72,955,798.17)	(72,955,798.17)
Bank borrowings	(50.00)	72,955,798.17	72,955,798.17

# Notes to the Financial Statements

For the year 2019 (RMB)

## VIII. RISKS RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

### 3. Risks of Financial Instruments (Continued)

#### Market risk (continued)

##### *Exchange rate risk*

Exchange rate risk refers to the risk of losses arising from change in exchange rate. The Group's exposure to foreign currency risk mainly relates to USD, HKD and EURO. Main business activities of the Group's subsidiaries in mainland China are valued and settled in RMB, with a small amount of foreign currency deposits, borrowings and bonds. Main business activities of the Group's subsidiaries in Hong Kong are valued and settled in HKD or USD.

The Group's policy is to negotiate and match the term of the hedging derivative with the term of the hedged item, so as to make the hedging most effective. The Group has an exchange rate risk exposure arising from the issuance of US dollar bonds. The Group uses structured currency swaps and options portfolio products composed of written options and purchase options to reduce exchange rate risk exposure.

The table below is a sensitivity analysis of exchange rate risk, which reflects the impact on net profit or loss after tax, when there are reasonable and potential changes in USD and HKD exchange rates, under the presumption that all other variables remain unchanged.

2019

	Increase/(decrease) in exchange rate	Increase/(decrease) in net profit or loss	Increase/(decrease) in total shareholders' equity
Depreciation of RMB against USD	(5.00)	(11,823,748.04)	(11,823,748.04)
Appreciation of RMB against USD	5.00	11,823,748.04	11,823,748.04
Depreciation of RMB against HKD	(5.00)	(32,405,611.36)	(32,405,611.36)
Appreciation of RMB against HKD	5.00	32,405,611.36	32,405,611.36
Depreciation of RMB against EURO	(5.00)	1,817,103.75	1,817,103.75
Appreciation of RMB against EURO	5.00	(1,817,103.75)	(1,817,103.75)

## VIII. RISKS RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

## 3. Risks of Financial Instruments (Continued)

## Market risk (continued)

*Exchange rate risk (continued)*

2018

	Increase/(decrease) in exchange rate	Increase/(decrease) in net profit or loss	Increase/(decrease) in total shareholders' equity
Depreciation of RMB against USD	(5.00)	(76,193,120.83)	(76,193,120.83)
Appreciation of RMB against USD	5.00	76,193,120.83	76,193,120.83
Depreciation of RMB against HKD	(5.00)	(34,583,567.98)	(34,583,567.98)
Appreciation of RMB against HKD	5.00	34,583,567.98	34,583,567.98

*Price risk of equity instrument investment*

Price risk of equity instrument investment is the risk that the fair values of equity securities decrease as a result of changes in the levels of share indices and the value of individual securities. The Group was exposed to price risk of equity instrument investment arising from individual equity instrument investment classified as equity instrument investment measured at fair value through profit or loss and equity instrument investment measured at fair value through other comprehensive income as at 31 December 2019. The Group's listed equity instrument investments are listed on the stock exchange in Shanghai and Shenzhen and are measured at quoted market prices at the balance sheet date.

# Notes to the Financial Statements

For the year 2019 (RMB)

## VIII. RISKS RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

### 3. Risks of Financial Instruments (Continued)

#### Market risk (continued)

#### *Price risk of equity instrument investment (continued)*

Following are market stock indices of the following stock exchanges at the end of the trading day closest to the balance sheet date, and their respective highest closing point and the lowest closing point during the year:

	2019		2018	
	End of 2019	Highest/Lowest	End of 2018	Highest/Lowest
SSE — A Share Index	3,050	3,271/2,464	2,494	3,587/2,449
SZSE — A Share Index	10,431	10,541/7,011	7,240	11,633/7,084

## VIII. RISKS RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

## 3. Risks of Financial Instruments (Continued)

## Market risk (continued)

*Price risk of equity instrument investment (continued)*

The table below demonstrates the sensitivity of the Group's net profit or loss and net other comprehensive income after tax to every 10% change in the fair values of equity instrument investments, with all other variables held constant (based on their book values at the balance sheet date).

2019

	Book value of equity instrument investment	Increase/ (decrease) in net profit or loss	Increase/ (decrease) in net other comprehensive income after tax	Increase/ (decrease) in total shareholders' equity
<b>Equity instrument investments</b>				
SSE — Measured at fair value through profit or loss	22,352,340.00	1,899,948.90/ (1,899,948.90)	—	1,899,948.90/ (1,899,948.90)
— Measured at fair value through other comprehensive income	2,411,390,920.48	—	199,372,572.58/ (199,372,572.58)	199,372,572.58/ (199,372,572.58)
SZSE — Measured at fair value through profit or loss	45,563,470.00	3,872,894.95/ (3,872,894.95)	—	3,872,894.95/ (3,872,894.95)
— Measured at fair value through other comprehensive income	31,221,112.28	—	2,653,794.54/ (2,653,794.54)	2,653,794.54/ (2,653,794.54)
<b>Non-listed equity instrument investments at fair value</b>				
— Measured at fair value through other comprehensive income	1,556,545,792.68	—	116,740,934.45/ (116,740,934.45)	116,740,934.45/ (116,740,934.45)



# Notes to the Financial Statements

For the year 2019 (RMB)

## VIII. RISKS RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

### 3. Risks of Financial Instruments (Continued)

#### Market risk (continued)

#### Price risk of equity instrument investment (continued)

2018

	Book value of equity instrument investment	Increase/ (decrease) in net profit or loss	Increase/ (decrease) in net other comprehensive income after tax	Increase/ (decrease) in total shareholders' equity
<b>Equity instrument investments</b>				
SSE — Measured at fair value through profit or loss	98,710,995.00	7,403,324.63/ (7,403,324.63)	—	7,403,324.63/ (7,403,324.63)
— Measured at fair value through other comprehensive income	1,385,139,862.92	—	103,885,489.72/ (103,885,489.72)	103,885,489.72/ (103,885,489.72)
SZSE — Measured at fair value through profit or loss	85,320,024.87	6,399,001.87/ (6,399,001.87)	—	6,399,001.87/ (6,399,001.87)
<b>Non-listed equity instrument investments at fair value</b>				
— Measured at fair value through other comprehensive income	1,917,608,604.65	—	143,820,645.35/ (143,820,645.35)	143,820,645.35/ (143,820,645.35)

### 4. Capital Management

The key objective of the Group's capital management is to ensure the Group's ability to operate on a going concern basis and maintain healthy capital ratios so as to support business growth and maximize shareholder value.

The Group manages its capital structure and makes adjustments in response to changes in economic conditions and risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the distribution of profits to shareholders, return capital to shareholders or issue new shares. The Group is not constrained by any external mandatory requirements on capital. In 2019 and 2018, there was no change in the Group's capital management objectives, policies or procedures.

## VIII. RISKS RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

### 4. Capital Management (Continued)

The Group manages its capital with the gearing ratio, which refers to net liabilities divided by the total sum of adjusted capital and net liabilities. Net liabilities include bank loans, bonds payable and financial lease payable (net of cash and cash equivalents), and adjusted capital is the equity of the Group attributable to the Company. The gearing ratio of the Group as of the balance sheet date is as follows:

	12/31/2019	1/1/2019	12/31/2018
Short-term loans	<b>3,387,894,541.95</b>	5,166,655,101.70	5,166,655,101.70
Non-current liabilities due within one year	<b>9,804,740,633.43</b>	4,669,989,707.81	4,145,791,830.22
Other current liabilities	<b>144,228,766.87</b>	1,000,000,000.00	1,000,000,000.00
Long-term loans	<b>15,919,626,315.76</b>	14,306,362,773.00	14,306,362,773.00
Bonds payable	<b>6,592,440,970.73</b>	7,156,394,519.96	7,156,394,519.96
Financial lease payable	—	—	410,225,225.70
Other non-current liabilities	<b>5,747,108,371.13</b>	4,786,623,154.06	4,786,623,154.06
Lease liabilities	<b>3,321,817,733.91</b>	3,117,297,345.60	—
Cash and cash equivalents	<b>6,776,093,360.48</b>	7,614,487,228.69	7,614,487,228.69
Net liabilities	<b>38,141,763,973.30</b>	32,588,835,373.44	29,357,565,375.95
Adjusted capital	<b>44,231,510,900.84</b>	40,275,480,602.45	40,486,283,876.12
Capital and net liabilities	<b>82,373,274,874.14</b>	72,864,315,975.89	69,843,849,252.07
Gearing ratio	<b>46%</b>	45%	42%

For the first time, the Group implemented the new leasing standards, and adopted the modified retroactive adjustment method to retroactively adjust the opening impact of the financial statements on 31 December 2018. The adjusted amount is listed as 1 January 2019. As a result of this restatement adjustment, the Group's gearing ratio at 1 January 2019 was 45%, up 3% from 31 December 2018.

# Notes to the Financial Statements

For the year 2019 (RMB)

## IX. DISCLOSURE OF FAIR VALUE

### 1. Assets and Liabilities Measured at Fair Value

The table below sets forth the measurement level of fair values of relevant assets and liabilities of the Group:

2019

	Inputs used in the measurement of fair value			Total
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
<b>Persistent fair value measurement</b>				
Financial assets held for trading				
Debt instrument investments	—	—	125,358,448.05	125,358,448.05
Equity instrument investments	108,027,022.00	—	—	108,027,022.00
Other equity instrument investments	2,442,612,032.76	53,407,812.00	1,503,137,980.68	3,999,157,825.44
Other non-current financial assets	—	—	368,774,540.60	368,774,540.60
Derivative financial assets	—	31,751,504.22	—	31,751,504.22
Receivables financing	—	41,040,000.00	—	41,040,000.00
Investment properties				
Buildings leased out	—	—	85,107,000,000.00	85,107,000,000.00
<b>Total assets</b>	<b>2,550,639,054.76</b>	<b>126,199,316.22</b>	<b>87,104,270,969.33</b>	<b>89,781,109,340.31</b>

## IX. DISCLOSURE OF FAIR VALUE (CONTINUED)

## 1. Assets and Liabilities Measured at Fair Value (Continued)

2018

	Inputs used in the measurement of fair value			Total
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
<b>Persistent fair value measurement</b>				
Financial assets held for trading				
Debt instrument investments	—	—	52,225,200.00	52,225,200.00
Equity instrument investments	184,031,019.87	—	—	184,031,019.87
Other equity instrument investments	1,460,775,862.92	114,917,624.00	1,727,054,980.65	3,302,748,467.57
Other non-current financial assets	—	—	324,850,000.00	324,850,000.00
Receivables financing	—	55,000,000.00	—	55,000,000.00
Investment properties				
Buildings leased out	—	—	78,533,000,000.00	78,533,000,000.00
<b>Total assets</b>	<b>1,644,806,882.79</b>	<b>169,917,624.00</b>	<b>80,637,130,180.65</b>	<b>82,451,854,687.44</b>

# Notes to the Financial Statements

For the year 2019 (RMB)

## IX. DISCLOSURE OF FAIR VALUE (CONTINUED)

### 2. Assets and Liabilities Disclosed at Fair Value

2019

	Inputs used in the measurement of fair value			Total
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
Bonds payable	—	10,250,949,721.15	—	10,250,949,721.15
Long-term loans	—	20,040,351,335.38	—	20,040,351,335.38
Other non-current liabilities	—	8,584,628,195.82	—	8,584,628,195.82
	—	38,875,929,252.35	—	38,875,929,252.35

2018

	Inputs used in the measurement of fair value			Total
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
Bonds payable	—	13,478,530,105.31	—	13,478,530,105.31
Long-term loans	—	16,980,164,169.08	—	16,980,164,169.08
Other non-current liabilities	—	5,338,412,988.40	—	5,338,412,988.40
	—	35,797,107,262.79	—	35,797,107,262.79

## IX. DISCLOSURE OF FAIR VALUE (CONTINUED)

### 3. Estimation of Fair Value

#### Fair value of financial instruments

Following is a comparison between book values and fair values of various categories of financial instruments of the Group other than the lease liabilities and the financial instruments with a minor difference between book value and fair value:

	Book value		Fair value	
	31 December 2019	31 December 2018	31 December 2019	31 December 2018
Bonds payable	<b>9,922,072,376.71</b>	8,777,461,841.89	<b>10,250,949,721.15</b>	13,478,530,105.31
Long-term loans	<b>19,365,560,917.94</b>	16,695,232,620.86	<b>20,040,351,335.38</b>	16,980,164,169.08
Other non-current liabilities	<b>8,227,885,827.56</b>	4,888,970,637.55	<b>8,584,628,195.82</b>	5,338,412,988.40
	<b>37,515,519,122.21</b>	30,361,665,100.30	<b>38,875,929,252.35</b>	35,797,107,262.79

The management has assessed the cash and bank, accounts receivable, accounts payable, and other payables, etc.. In each case, the fair value and book value are similar due to short remaining period.

The financial department of the Group, led by the person in charge of the accounting institution, is responsible for formulating policies and procedures applicable to the measurement of fair value of financial instruments. The person in charge of the accounting institution directly reports to the Chief Financial Officer and the Audit Committee. On each balance sheet date, the financial department analyzes the change in value of financial instruments and ascertains the significant inputs which apply to the valuation. The valuation is subject to review and approval by the Chief Financial Officer. For the purpose of preparing interim and annual financial statements, the financial department meets the Audit Committee twice a year to discuss the valuation procedure and results.

The fair values of financial assets and liabilities are determined as per the amount for which an asset could be exchanged, or a liability could be settled, between knowledgeable, willing parties in an arm's length transaction, instead of the amount under forced sale or under liquidation. The following methods and assumptions are used to estimate the fair value.

The fair values of long-term receivables, long-term and short-term loans, bonds payable and other non-current liabilities are determined by discounting the future cash flows using market yields currently available for other financial instruments with similar contractual terms, credit risk and remaining term as the discount rate. As at 31 December 2019, the non-performance risk associated with long-term and short-term loans was assessed as insignificant.

# Notes to the Financial Statements

For the year 2019 (RMB)

## IX. DISCLOSURE OF FAIR VALUE (CONTINUED)

### 3. Estimation of Fair Value (Continued)

#### **Fair value of financial instruments (continued)**

The fair values of listed equity instrument investments are determined according to quoted prices on the market. The fair values of non-listed equity instrument investments are estimated using discounted valuation model, and the assumptions adopted are not supported by observable market prices or interest rates. The Group needs to make estimation for the expected future cash flows (including expected future dividend and disposal income). The Group believes that the fair values and changes thereof estimated by valuation technique are reasonable and also the most appropriate values at the balance sheet date.

For the fair values of non-listed equity instrument investments to which discounted valuation model is inapplicable, the Group estimates and quantifies potential impacts of using other reasonable and possible assumptions as inputs for valuation model: under quite unfavourable assumption, the fair values decrease approximately RMB307,299,000.00; under quite favorable assumption, the fair values increase approximately RMB487,273,000.00.

The Group has entered into derivative financial instrument contracts with multiple counterparties (mainly financial institutions with higher credit rating). Derivative financial instruments, including foreign exchange forward contracts and interest rate swaps, are measured using valuation techniques similar to forward pricing and swap models and present value methods. The model covers multiple inputs observable in markets, including counterparty credit quality, spot and forward rates and interest rate curves. The carrying value of foreign exchange forward contracts and interest rate swaps is the same as the fair value. As at 31 December 2019, the mark to market value of derivative financial assets is the net value after offsetting the credit valuation adjustment attributable to the default risk of derivative instrument counterparties. The change of counterparty credit risk has no significant impact on the evaluation of hedging effectiveness of designated derivatives in hedging relationship and other financial instruments measured at fair value.

#### **Fair value of investment properties using fair value model**

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, we adopt an appropriate capitalization rate to discount to determine the valuation value of investment properties.

## IX. DISCLOSURE OF FAIR VALUE (CONTINUED)

### 3. Estimation of Fair Value (Continued)

#### **Fair value of investment properties using fair value model (continued)**

We use direct comparison approach for the valuation of the properties under construction at an early development stage: Based on the income that can be received immediately on disposal of investment properties in its current state, with reference to the relevant information on the comparable transactions in the market where the investment properties are located, and depending on the specific condition of the properties under construction, we make adjustments.

We use hypothetical development method for the valuation of investment properties at other stages of development: Assuming that such investment properties will be developed to the condition for use according to the established development plan. In order to obtain their fair value, a direct comparison is made by taking into account the available and comparable sales data in the relevant markets and deducting the construction costs and professional costs incurred by the valuer from the valuation date to the date of completion of development.

The fair value of the Group's investment properties as at 31 December 2019 were assessed by Beijing Huaya Zhengxin Assets Appraisal Co., Ltd, 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 year 2019 (RMB)

## IX. DISCLOSURE OF FAIR VALUE (CONTINUED)

### 4. Unobservable Inputs

Following is an overview of significant unobservable inputs for the measurement of level-3 fair value:

31 December 2019		Fair value	Valuation technique(s)	Unobservable inputs	Range (Weighted average)
Investment properties – completed properties	2019	75,574,000,000.00	Income approach	Price of unit area leasable (per square meter per month)	2019: RMB14–245 2018: RMB11–276
	2018	71,804,000,000.00		Capitalization rate	2019: 5.5%–7.5% 2018: 5.5%–8.0%
Investment properties – properties under construction at an early development stage	2019	6,224,000,000.00	Direct comparison approach	Unit area price of investment properties (per square meter)	2019: RMB343–19,544 2018: RMB565–5,486
	2018	2,067,000,000.00			
Investment properties – other properties under construction	2019	3,309,000,000.00	Hypothetical development approach	Price of unit area leasable (per square meter per month)	2019: RMB28–85 2018: RMB32–101
	2018	4,662,000,000.00		Capitalization rate	2019: 6.5%–7.5% 2018: 4.0%–6.5%
Other equity instrument investments	2019	1,503,137,980.68	Comparable company approach	Liquidity discount rate	2019: 80%–82%
	2018	1,727,054,980.65			2018: 42.20%
Other non-current financial assets	2019	368,774,540.60	Discounted cash flow approach	Risk-adjusted discount rate	2018: 12.7%–19.5%
	2018	324,850,000.00			2018: 0.8%–8.5%
Financial assets held for trading – debt instrument investments	2019	125,358,448.05	Discounted cash flow approach	Risk-adjusted discount rate	2019: 2.4%
	2018	52,225,200.00			2018: 3.0%

## IX. DISCLOSURE OF FAIR VALUE (CONTINUED)

## 5. Adjustment of Fair Value Measurement

Information of adjustment of persistent measurement of level-3 fair value is as follows:

2019

	Opening balance	Transferred Into level 3	Transferred Out of level 3	Total gain or loss for the current period			Purchase	Sell	Closing balance	Changes in the unrealized gain or loss for the current period from assets held at the end of the year included in the profit or loss
				Included in profit or loss	Included in other comprehensive income					
Financial assets held for trading	52,225,200.00	-	-	-	-	-	125,358,448.05	(52,225,200.00)	125,358,448.05	-
Other equity instrument investment	1,727,054,980.65	-	(663,307,582.70)	-	114,842,229.85	-	328,540,432.52	(3,992,079.64)	1,503,137,980.68	-
Other non-current financial assets	324,850,000.00	-	-	15,024,540.60	-	-	34,400,000.00	(5,500,000.00)	368,774,540.60	15,024,540.60
Investment properties	78,533,000,000.00	-	-	1,600,693,492.00	-	-	5,403,306,508.00	(430,000,000.00)	85,107,000,000.00	1,600,693,492.00
	80,637,130,180.65	-	(663,307,582.70)	1,615,718,032.60	114,842,229.85	-	5,891,605,388.57	(491,717,279.64)	87,104,270,969.33	1,615,718,032.60

# Notes to the Financial Statements

For the year 2019 (RMB)

## IX. DISCLOSURE OF FAIR VALUE (CONTINUED)

### 5. Adjustment of Fair Value Measurement (Continued)

Information of adjustment of persistent measurement of level-3 fair value is as follows: (continued)

2018

	Opening balance	Impact of adoption of new financial instrument standards	Total gain or loss for the current period		Purchase	Closing balance	Closing balance	Changes in the unrealized gain or loss for the period from assets held at the end of the year included in the profit or loss
			Included in profit or loss	Included in other comprehensive income				
Financial assets held for trading	–	–	–	–	52,225,200.00	–	52,225,200.00	–
Other equity instrument investment	–	789,860,025.43	–	236,266,211.14	707,928,744.08	(7,000,000.00)	1,727,054,980.65	–
Other non-current financial assets	–	292,350,000.00	–	–	32,500,000.00	–	324,850,000.00	–
Investment properties	70,831,000,000.00	–	1,820,173,117.45	–	5,881,826,882.55	–	78,533,000,000.00	1,820,173,117.45
	70,831,000,000.00	1,082,210,025.43	1,820,173,117.45	236,266,211.14	6,674,480,826.63	(7,000,000.00)	80,637,130,180.65	1,820,173,117.45

## IX. DISCLOSURE OF FAIR VALUE (CONTINUED)

### 5. Adjustment of Fair Value Measurement (Continued)

In the persistent measurement of level-3 fair value, the information of profit or loss relating to financial assets and non-financial assets in the gain or loss included in the profit or loss for the current period is as follows:

	2019	
	Profit or loss relating to financial assets	Profit or loss relating to non-financial assets
Total gain or loss included into the profit or loss for the current period	15,024,540.60	1,600,693,492.00
Changes in the unrealized gain or loss for the current period from assets held at the end of the year	15,024,540.60	1,600,693,492.00

	2018	
	Profit or loss relating to financial assets	Profit or loss relating to non-financial assets
Total gain or loss included into the profit or loss for the current period	—	1,820,173,117.45
Changes in the unrealized gain or loss for the current period from assets held at the end of the year	—	1,820,173,117.45

# Notes to the Financial Statements

For the year 2019 (RMB)

## IX. DISCLOSURE OF FAIR VALUE (CONTINUED)

### 6. Level Shift in Fair Value

2019

	transfer into	Transfer out of	reason
Level 1	667,422,582.70	—	note 1
Level 2	—	64,722,000.00	note 2
Level 3	—	663,307,582.70	note 3
	667,422,582.70	728,029,582.70	

Note 1: Compared with 2018, in 2019, other equity instrument investment of RMB602,700,582.70 was listed, and the fair value measurement level was transferred from the level 3 to the level 1.

Note 2: Compared with 2018, in 2019, other equity instrument investment of RMB64,722,000.00 was changed from the new third board to listing on Shanghai Stock Exchange, and the fair value measurement level was changed from the level 2 to the level 1.

Note 3: Compared with 2018, in the level 3, in addition to the above-mentioned transfer out, in 2019, other equity instrument investment of RMB60,607,000.00 was acquired as a joint venture or subsidiary, no longer measured at fair value.

There was no level shift in fair value in 2018.

## X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS

### 1. Parent of the Company

	Place of incorporation	Nature of Business	Equity proportion in the Company (%)	Voting rights proportion in the Company (%)	Registered Capital RMB
Red Star Macalline Holding Group Company Limited 紅星美凱龍控股集團有限 公司 (“紅星控股”)	Shanghai, China	Investment management	69.87	69.87	200 million

Ultimate controlling party of the Company is CHE Jianxing.

### 2. Subsidiaries

For details of the subsidiaries of the Company, please refer to Note VII. 1. Interests in Significant Subsidiaries.

### 3. Joint Ventures and Associates

For the details of joint ventures and associates, please refer to Note VII. 3. Interests in Joint Ventures or Associates.

# Notes to the Financial Statements

For the year 2019 (RMB)

## X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

### 4. Other Related Parties

Name of other related parties	Relationship between other related parties and the Company
CHE Jianfang (車建芳)	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
CHE Mianzhen (車冕楨)	Family member who has a close relationship with the ultimate actual controller
CHEN Shuhong (陳淑紅)	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
ZHANG Jianfang (張建芳)	Family member who has a close relationship with the ultimate actual controller
CAO Zhongmin (曹仲民)	Family member who has a close relationship with director, supervisor or senior management
Changzhou Longyao Equity Investment Management Co., Ltd. (常州龍耀股權投資管理有限公司)	Corporate invested or controlled by family member who has a close relationship with director, supervisor or senior management
Changzhou Yizhi Furniture Company Limited (常州市藝致傢俱有限公司)	Corporate invested or controlled by family member who has a close relationship with director, supervisor or senior management
Changzhou Red Star Furniture General Factory Co., Ltd. (常州市紅星傢俱總廠有限公司)	Corporate controlled by the family member who has a close relationship with the ultimate actual controller
Jining Hongrui Real Estate Co., Ltd. (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
Yangzhou Kailong Consulting Co., Ltd. (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
Shaanxi Hongrui Home Furnishings Plaza Co., Ltd. (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 International Home Furnishings City Co., Ltd. (徐州紅星美凱龍國際傢俱裝飾城有限公司)	Corporate controlled by the family member who has a close relationship with the ultimate actual controller

## X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

### 4. Other Related Parties (Continued)

Name of other related parties	Relationship between other related parties and the Company
Xuzhou Red Star Macalline Global Home Furnishings Plaza Co., Ltd. (徐州紅星美凱龍全球家居生活廣場有限公司)	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. (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
Business Division of Nanjing Pukou Lilicheng Furniture (南京市浦口區立力成傢俱經營部)	Corporate controlled by the family member who has a close relationship with the ultimate actual controller
Xinghua Xingkai Home Furnishing Plaza Company Limited (興化市星凱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
Hangzhou Nabel Ceramics Co., Ltd. and its branches (杭州諾貝爾陶瓷有限公司及其分公司)	Corporate controlled by the family member who has a close relationship with the ultimate actual controller
Hangzhou Nabel Group Co., Ltd. and its branches (杭州諾貝爾集團有限公司及其分公司)	Corporate controlled by the family member who has a close relationship with the ultimate actual controller
Jiangsu Longguan film and Television Culture Technology Co., Ltd (江蘇龍冠影視文化科技有限公司)	Corporate which the ultimate actual controller has a significant position
Jiangsu meishanlong Catering Culture Development Co., Ltd (江蘇美膳龍飲食文化發展有限公司)	Corporate which the ultimate actual controller has a significant position
Shanghai Xinhua Chengcheng Asset Management Co., Ltd (上海新華成城資產管理有限公司)	Corporate which the ultimate actual controller has a significant position
Magic square (Shenzhen) Apartment Management Co., Ltd (魔方(深圳)公寓管理有限公司)	Corporate which the director, supervisor or senior management has a significant position
Shanghai Xingcheng Yijia Home Furnishings Co., Ltd. (上海星誠藝佳家居有限責任公司)	Corporate controlled by RSM Holding or 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) ("重慶企發")	Corporate controlled by RSM Holding or the ultimate actual controller



# Notes to the Financial Statements

For the year 2019 (RMB)

## X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

### 4. Other Related Parties (Continued)

Name of other related parties	Relationship between other related parties and the Company
Shanghai AEGEAN Commercial Group Co., Ltd. (上海愛琴海商業集團股份有限公司)	Corporate controlled by RSM Holding or the ultimate actual controller
Changzhou Red Star Home Furnishing City (常州市紅星裝飾城)	Corporate controlled by RSM Holding or the ultimate actual controller
Red Star Furniture Group Co., Ltd. (紅星傢俱集團有限公司)	Corporate controlled by RSM Holding or the ultimate actual controller
Shanghai Yunshen Intelligent Technology Co., Ltd (上海雲紳智慧科技有限公司)	Corporate controlled by RSM Holding or the ultimate actual controller
Shanghai Huangpu Red Star Microfinance Co., Ltd. (上海黃浦紅星小額貸款有限公司)	Corporate controlled by RSM Holding or the ultimate actual controller
Nanjing Macalline Business Information Consulting Co., Ltd. (南京美凱龍商務信息諮詢有限公司)	Corporate controlled by RSM Holding or the ultimate actual controller
Shanghai Huojing Business Management Company Limited (上海或京商業管理有限公司)	Corporate controlled by RSM Holding or the ultimate actual controller
Shanghai Huojing Business Management Company Limited Wuhan branch (上海或京商業管理有限公司武漢分公司)	Corporate controlled by RSM Holding or the ultimate actual controller
Shanghai Huojing Business Management Company Limited Beijing branch (上海或京商業管理有限公司北京分公司)	Corporate controlled by RSM Holding or the ultimate actual controller
Shenyang Red Star Macalline Property Management Co., Ltd. (瀋陽紅星美凱龍物業管理有限公司)	Corporate controlled by RSM Holding or the ultimate actual controller
Liuzhou Red Star Macalline Real Estate Co., Ltd. (柳州紅星美凱龍置業有限公司)	Corporate controlled by RSM Holding or the ultimate actual controller
Ningbo Kailong Property Company Limited (寧波凱龍置業有限公司)	Corporate controlled by RSM Holding or the ultimate actual controller
Yancheng Kailong Property Company Limited (鹽城凱龍置業有限公司)	Corporate controlled by RSM Holding or the ultimate actual controller

## X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

### 4. Other Related Parties (Continued)

Name of other related parties	Relationship between other related parties and the Company
Shanghai Red Star Macalline Enterprise Operation and Management Co., Ltd. (上海紅星美凱龍企業經營管理有限公司)	Corporate controlled by RSM Holding or the ultimate actual controller
Chengdu Red Star Macalline Real Estate Co., Ltd. (成都紅星美凱龍置業有限公司)	Corporate controlled by RSM Holding or the ultimate actual controller
Yunnan Red Star Macalline Property Management Company Limited (雲南紅星美凱龍物業管理有限公司)	Corporate controlled by RSM Holding or the ultimate actual controller
Shanghai Red Star Macalline Real Estate Group Co., Ltd (上海紅星美凱龍房地產集團有限公司)	Corporate controlled by RSM Holding or the ultimate actual controller
Shanghai Xinglong Property Development Co., Ltd. (上海星龍房地產開發有限公司)	Corporate controlled by RSM Holding or the ultimate actual controller
Shanghai Red Star win win Cloud Computing Technology Co., Ltd (上海紅星共贏雲計算科技有限公司)	Corporate controlled by RSM Holding or the ultimate actual controller
Shanghai Hongxin Cinema Management Co., Ltd (上海紅昕影院管理有限公司)	Corporate controlled by RSM Holding or the ultimate actual controller
Tianjin Hongxing Pacific Cinema Management Co., Ltd (天津紅星太平洋影院管理有限公司)	Corporate controlled by RSM Holding or the ultimate actual controller
Shanghai Longhong Cinema Management Co., Ltd (上海龍紅影院管理有限公司)	Corporate controlled by RSM Holding or the ultimate actual controller
Chongqing Nan'an Hongmei Cinema Management Co., Ltd (重慶市南岸區紅美影院管理有限公司)	Corporate controlled by RSM Holding or the ultimate actual controller
Suzhou Kaiqin Business Management Co., Ltd (蘇州凱琴商業管理有限公司)	Corporate controlled by RSM Holding or the ultimate actual controller
Shanghai Qiaotong Enterprise Management Co., Ltd (上海喬彤企業管理有限公司)	Corporate controlled by RSM Holding or the ultimate actual controller
Shanghai Red Star Macalline Real Estate Co. Ltd (上海紅星美凱龍置業有限公司)	Corporate controlled by RSM Holding or the ultimate actual controller

# Notes to the Financial Statements

For the year 2019 (RMB)

## X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

### 4. Other Related Parties (Continued)

Name of other related parties	Relationship between other related parties and the Company
Shanghai Xingchen Interactive Entertainment Technology Co., Ltd. (上海星琛互動娛樂科技有限公司)	Corporate controlled by RSM Holding or the ultimate actual controller
Shanghai Yixin Enterprise Development Co., Ltd (上海逸莘企業發展有限公司)	Corporate controlled by RSM Holding or the ultimate actual controller
Tianjin Cameo Film Co., Ltd (天津卡美奧影業有限公司)	Corporate controlled by RSM Holding or the ultimate actual controller
Shanghai Xinhong Cinema Management Co., Ltd (上海昕紅影院管理有限公司)	Corporate controlled by RSM Holding or the ultimate actual controller
Kaiqianjia Enterprise Management Co., Ltd. (凱乾嘉企業管理有限公司)	Corporate controlled by RSM Holding or the ultimate actual controller
Tianjin Laina Huakai Film Co., Ltd (天津萊納華開影業有限公司)	Corporate controlled by RSM Holding or the ultimate actual controller
Shanghai Kaixin Cinema Management Co., Ltd. (上海凱昕影院管理有限公司)	Corporate controlled by RSM Holding or the ultimate actual controller
Yixing Yimei cinema Co., Ltd (宜興逸美影城有限公司)	Corporate controlled by RSM Holding or the ultimate actual controller
Suzhou Hongmei Cinema Management Co., Ltd (蘇州紅美影院管理有限公司)	Corporate controlled by RSM Holding or the ultimate actual controller
Changzhou Xingchen Interactive Entertainment Co., Ltd (常州星琛娛樂科技有限公司)	Corporate controlled by RSM Holding or the ultimate actual controller
Jinhua Jiayi Film Co., Ltd (金華市佳藝影業有限公司)	Corporate controlled by RSM Holding or the ultimate actual controller
Ningbo Kaixing Cinema Management Co., Ltd (寧波凱星影院管理有限公司)	Corporate controlled by RSM Holding or the ultimate actual controller
Changzhou Hongmei Cinema Management Co., Ltd (常州紅美影院管理有限公司)	Corporate controlled by RSM Holding or the ultimate actual controller
Kunming Hongxing Haihui Real Estate Co., Ltd (昆明紅星海匯房地產有限公司)	Corporate controlled by RSM Holding or the ultimate actual controller

## X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

### 4. Other Related Parties (Continued)

Name of other related parties	Relationship between other related parties and the Company
Xishuangbanna cloud investment construction Pan Asia Real Estate Co., Ltd (西雙版納雲投建設泛亞置業有限公司)	Corporate controlled by RSM Holding or the ultimate actual controller
Changzhou Aegean haiailai Business Management Co., Ltd (常州愛琴海奧萊商業管理有限公司)	Corporate controlled by RSM Holding or the ultimate actual controller
Qingdao Hongxing International Real Estate Co., Ltd (青島紅星國際置業有限公司)	Corporate controlled by RSM Holding or the ultimate actual controller
Suzhou Red Star Macalline Real Estate Development Co., Ltd (蘇州紅星美凱龍房地產開發有限公司)	Corporate controlled by RSM Holding or the ultimate actual controller
Ningbo Huixin Real Estate Co., Ltd (寧波匯鑫置業有限公司)	Corporate controlled by RSM Holding or the ultimate actual controller
Shanghai Hongmei Real Estate Co., Ltd (上海洪美置業有限公司)	Corporate controlled by RSM Holding or the ultimate actual controller
Tianjin Xingkai Real Estate Development Co., Ltd (天津星凱房地產開發有限公司)	Corporate controlled by RSM Holding or the ultimate actual controller
Tianjin Meilong Real Estate Development Co., Ltd (天津美龍房地產開發有限公司)	Corporate controlled by RSM Holding or the ultimate actual controller
Tianjin Huayun Commercial Property Company Limited (天津市華運商貿物業有限公司)	Corporate controlled by RSM Holding or the ultimate actual controller
Kunming xingqin Business Management Co., Ltd (昆明星琴商業管理有限公司)	Corporate controlled by RSM Holding or the ultimate actual controller
Beijing xingqin Business Management Co., Ltd (北京星琴商業管理有限公司)	Corporate controlled by RSM Holding or the ultimate actual controller
Chengdu Wanfu Xingkai Business Management Co., Ltd (成都萬福星凱商業管理有限公司)	Corporate controlled by RSM Holding or the ultimate actual controller
Yunnan Hongxing Meikailong Real Estate Co., Ltd (雲南紅星美凱龍置業有限公司)	Corporate controlled by RSM Holding or the ultimate actual controller
Zhengzhou Xingbo Real Estate Development Co., Ltd (鄭州星鉑房地產開發有限公司)	Corporate controlled by RSM Holding or the ultimate actual controller

# Notes to the Financial Statements

For the year 2019 (RMB)

## X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

### 4. Other Related Parties (Continued)

Name of other related parties	Relationship between other related parties and the Company
Changzhou Jintan Weiyi Construction Engineering Co., Ltd (常州市金壇維億建設工程有限公司)	Corporate controlled by RSM Holding or the ultimate actual controller
Jiangsu red star David Mao business management group Co., Ltd (江蘇紅星大衛茂商業管理集團有限公司)	Corporate controlled by RSM Holding or the ultimate actual controller
Shanghai Aegean Business Management Co., Ltd (上海愛琴海商務管理有限公司)	Corporate controlled by RSM Holding or the ultimate actual controller
Greenland Group Chengdu Jinniu Real Estate Development Co., Ltd. (綠地集團成都金牛房地產開發有限公司)	Joint venture of Chongqing Qifa
Shanghai Aegean Ole Business Management Co., Ltd. (上海愛琴海奧萊商業管理有限公司)	Subsidiary of Chongqing Qifa
Wuhu Minghui Business Management Co., Ltd (蕪湖明輝商業管理有限公司)	Subsidiary of the joint venture
Hangzhou Weiliang Electromechanical Hardware market Co., Ltd (杭州偉量機電五金市場有限公司)	Subsidiary of the associates
Shanghai Dibang Intelligent Technology Co., Ltd (上海諦邦智能科技有限公司)	Subsidiary of the associates
Beijing Sunsea Parking Management Co., Ltd (北京陽光海天停車管理有限公司)	Subsidiary of the associates

## X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

### 5. Major Transactions between the Group and Related Parties

The following related party transactions are necessary for the development of the group's business. The transactions between the group and related parties are related to daily operations. The transactions follow the principles of openness, fairness and fairness. The transactions between both parties are settled at fair market prices.

#### (1) Purchase and sale of goods, provision and receipt of services from related parties

##### *Purchase of goods and receipt of services from related parties*

	Details of Transactions	2019	2018
Liaoning Cheng'an Construction Co., Ltd. (遼寧誠安建設有限公司)	Purchase of goods	72,891,907.25	37,299,899.82
Shanghai Red Star win win Cloud Computing Technology Co., Ltd (上海紅星共贏雲計算科技有限公司)	Purchase of goods	9,230,158.00	—
Shanghai Yunshen Intelligent Technology Co., Ltd (上海雲紳智能科技有限公司)	Purchase of goods	3,906,000.00	—
Shenyang Red Star Macalline Property Management Co., Ltd. (瀋陽紅星美凱龍 物業管理有限公司)	Purchase of goods	3,267,496.90	3,584,282.95
Shanghai Zhidi Intelligent Technology Co., Ltd. (上海智諦智能科技有限公司)	Purchase of goods	2,778,275.22	—
Beijing Canny-Robot Technology Co., Ltd. (北京康力優藍機器人科技有限公司)	Purchase of goods	16,000.00	—
Tianjin Hongxing Pacific Cinema Management Co., Ltd (天津紅星太平洋影院管理有限公司)	Purchase of goods	11,960.00	—
Shanghai Hongxin Cinema Management Co., Ltd (上海紅昕影院管理有限公司)	Purchase of goods	7,040.00	—

# Notes to the Financial Statements

For the year 2019 (RMB)

## X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

### 5. Major Transactions between the Group and Related Parties (Continued)

#### (1) Purchase and sale of goods, provision and receipt of services from related parties (continued)

##### *Purchase of goods and receipt of services from related parties (continued)*

Details of Transactions		2019	2018
Shanghai Longhong Cinema Management Co., Ltd (上海龍紅影院管理有限公司)	Purchase of goods	4,000.00	—
Shanghai Jiazhan Construction Engineering Company Limited (上海嘉展建築裝潢工程有限公司)	Purchase of goods	—	45,194,933.76
Shanghai Xinglong Property Development Co., Ltd. (上海星龍房地產開發有限公司)	Purchase of goods	—	8,920,075.70
Greenland Group Chengdu Jinniu Real Estate Development Co., Ltd. (綠地集團成都金牛房地產開發有限公司)	Purchase of goods	—	2,860,262.62
Changzhou Red Star Furniture General Factory Co., Ltd. (常州市紅星傢俱總廠有限公司)	Purchase of goods	—	494,496.00
		<b>92,112,837.37</b>	<b>98,353,950.85</b>
Wuhu Minghui Business Management Co., Ltd (蕪湖明輝商業管理有限公司)	Settlement of interest income from deposit	17,611.95	8,530.31
Handan Fengfengkuang District Royal Property Development Company Limited (邯鄲市峰峰礦區皇室房地產開發有限公司)	Settlement of interest income from deposit	16,231.18	—
Baoxiang Red Star Macalline (Xiamen) Global Home Furnishing Plaza Company Limited (寶象紅星美凱龍(廈門)全球家居廣場有限公司)	Settlement of interest income from deposit	3,714.82	—

## X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

### 5. Major Transactions between the Group and Related Parties (Continued)

#### (1) Purchase and sale of goods, provision and receipt of services from related parties (continued)

##### *Purchase of goods and receipt of services from related parties (continued)*

Details of Transactions		2019	2018
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)	Settlement of interest income from deposit	2,015.73	—
Chengdu Dongtai Shopping Mall Company Limited (成都東泰商城有限公司)	Settlement of interest income from deposit	924.06	—
		<b>40,497.74</b>	8,530.31
Yangzhou Kailong Consulting Co., Ltd. (揚州凱龍管理諮詢有限公司)	Joint marketing	407,830.17	134,500.00
Wuhu Minghui Business Management Co., Ltd (蕪湖明輝商業管理有限公司)	Joint marketing	309,176.40	220,792.47
Wuhan Zhengkai Logistics Co., Ltd. (武漢市正凱物流有限公司)	Joint marketing	217,735.85	—
Chengdu Dongtai Shopping Mall Company Limited (成都東泰商城有限公司)	Joint marketing	180,471.69	110,226.42
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)	Joint marketing	141,226.43	42,405.66
Jining Hongrui Real Estate Co., Ltd. (濟寧鴻瑞置業有限公司)	Joint marketing	—	143,330.19
		<b>1,256,440.54</b>	651,254.74



# Notes to the Financial Statements

For the year 2019 (RMB)

## X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

### 5. Major Transactions between the Group and Related Parties (Continued)

#### (1) Purchase and sale of goods, provision and receipt of services from related parties (continued)

##### *Purchase of goods and receipt of services from related parties (continued)*

	Details of Transactions	2019	2018
Yangzhou Red Star Macalline Global Home Furnishings Plaza Property Co., Ltd. (揚州紅星美凱龍全球家居生活廣場置業有限公司)	Revenue from advertising space lease/ Administrative expenses	<b>793,029.88</b>	392,857.00
Wuhu Minghui Business Management Co., Ltd (蕪湖明輝商業管理有限公司)	Revenue from advertising space lease/ Administrative expenses	<b>548,564.74</b>	794,030.83
Shaanxi Hongrui Home Furnishings Plaza Co., Ltd. (陝西鴻瑞家居生活廣場有限公司)	Revenue from advertising space lease/ Administrative expenses	<b>458,994.53</b>	521,158.94
Xuzhou Red Star Macalline Global Home Furnishings Plaza Co., Ltd. (徐州紅星美凱龍全球家居生活廣場有限公司)	Revenue from advertising space lease/ Administrative expenses	<b>394,920.75</b>	179,492.28
Chengdu Dongtai Shopping Mall Company Limited (成都東泰商城有限公司)	Revenue from advertising space lease/ Administrative expenses	<b>200,372.27</b>	283,018.87

## X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

### 5. Major Transactions between the Group and Related Parties (Continued)

#### (1) Purchase and sale of goods, provision and receipt of services from related parties (continued)

##### *Purchase of goods and receipt of services from related parties (continued)*

	Details of Transactions	2019	2018
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)	Revenue from advertising space lease/ Administrative expenses	<b>184,989.86</b>	494,815.16
Jining Hongrui Real Estate Co., Ltd. (濟寧鴻瑞置業有限公司)	Revenue from advertising space lease/ Administrative expenses	<b>182,852.15</b>	360,623.66
Xuzhou Red Star Macalline International Home Furnishings City Co., Ltd. (徐州紅星美凱龍國際傢俱裝飾城有限公司)	Revenue from advertising space lease/ Administrative expenses	<b>81,904.69</b>	81,904.76
Wuhan Zhengkai Logistics Co., Ltd. (武漢市正凱物流有限公司)	Revenue from advertising space lease/ Administrative expenses	<b>17,237.99</b>	—
Yangzhou Kailong Consulting Co., Ltd. (揚州凱龍管理諮詢有限公司)	Revenue from advertising space lease/ Administrative expenses	—	125,786.16
		<b>2,862,866.86</b>	3,233,687.66

# Notes to the Financial Statements

For the year 2019 (RMB)

## X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

### 5. Major Transactions between the Group and Related Parties (Continued)

#### (1) Purchase and sale of goods, provision and receipt of services from related parties (continued)

##### *Purchase of goods and receipt of services from related parties (continued)*

Details of Transactions		2019	2018
Shenyang Red Star Macalline Property Management Co., Ltd. (瀋陽紅星美凱龍物業管理有限公司)	Receipt of services	648,000.00	498,000.00
Shanghai Huojing Business Management Company Limited Wuhan branch (上海或京商業管理有限公司武漢分公司)	Receipt of services	631,800.00	—
Shenzhen Yatai Macalline Life Space Technology Co., Ltd. (深圳市亞泰美凱龍空間科技有限公司)	Receipt of services	220,800.00	—
Shanghai Aegean Business Management Co., Ltd (上海愛琴海商務管理有限公司)	Receipt of services	137,800.00	—
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)	Receipt of services	70,018.88	—
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)	Receipt of services	69,583.32	—
Chengdu Dongtai Shopping Mall Company Limited (成都東泰商城有限公司)	Receipt of services	60,000.00	43,257.90

## X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

### 5. Major Transactions between the Group and Related Parties (Continued)

#### (1) Purchase and sale of goods, provision and receipt of services from related parties (continued)

##### *Purchase of goods and receipt of services from related parties (continued)*

	Details of Transactions	2019	2018
Shanghai Xinhua Chengcheng Asset Management Co., Ltd (上海新華成城資產管理有限公司)	Receipt of services	47,169.81	—
Wuhu Minghui Business Management Co., Ltd (蕪湖明輝商業管理有限公司)	Receipt of services	44,759.00	144,292.46
Kunming xingqin Business Management Co., Ltd (昆明星琴商業管理有限公司)	Receipt of services	33,077.00	—
Suzhou Kaiqin Business Management Co., Ltd (蘇州凱琴商業管理有限公司)	Receipt of services	18,867.92	—
Chongqing Nan'an Hongmei Cinema Management Co., Ltd (重慶市南岸區紅美影院管理有限公司)	Receipt of services	5,095.00	—
Red Star Macalline Holding Group Company Limited (紅星美凱龍控股集團有限公司)	Receipt of services	—	7,984.00
		<b>1,986,970.93</b>	693,534.36

# Notes to the Financial Statements

For the year 2019 (RMB)

## X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

### 5. Major Transactions between the Group and Related Parties (Continued)

#### (1) Purchase and sale of goods, provision and receipt of services from related parties (continued)

##### *Sales of goods and rendering of services to related parties*

	Details of Transactions	2019	2018
Anka Household Products (Shanghai) Co., Ltd. (安咖家居用品(上海)有限公司)	Sales of goods	11,411,793.12	—
Liuzhou Red Star Macalline Real Estate Co., Ltd. (柳州紅星美凱龍置業有限公司)	Sales of goods	280,267.26	—
Shanghai Qiaotong Enterprise Management Co., Ltd (上海喬彤企業管理有限公司)	Sales of goods	198,000.00	—
Chengdu Dongtai Shopping Mall Company Limited (成都東泰商城有限公司)	Sales of goods	89,161.07	—
Wuhan Zhengkai Logistics Co., Ltd. (武漢市正凱物流有限公司)	Sales of goods	51,690.26	—
Yangzhou Kailong Consulting Co., Ltd. (揚州凱龍管理諮詢有限公司)	Sales of goods	—	22,592.50
Shanghai Huangpu Red Star Microfinance Co., Ltd. (上海黃浦紅星小額貸款有限公司)	Sales of goods	—	5,650.00
		<b>12,030,911.71</b>	<b>28,242.50</b>

## X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

### 5. Major Transactions between the Group and Related Parties (Continued)

#### (1) Purchase and sale of goods, provision and receipt of services from related parties (continued)

##### *Sales of goods and rendering of services to related parties (continued)*

	Details of Transactions	2019	2018
Shanghai CTME Economy & Trade Development Co., Ltd. (上海中貿美凱龍經貿發展有限公司)	Rendering of services	20,361,884.36	—
Kunming Hongxing Haihui Real Estate Co., Ltd (昆明紅星海匯房地產有限公司)	Rendering of services	3,275,539.66	—
Ningbo Kailong Property Company Limited (寧波凱龍置業有限公司)	Rendering of services	2,914,380.19	—
Shanghai Qiaotong Enterprise Management Co., Ltd (上海喬彤企業管理有限公司)	Rendering of services	2,417,113.50	—
Shenzhen Huasheng Home Furnishing Group Co., Ltd. (深圳華生大家居集團有限公司)	Rendering of services	2,358,490.56	—
Zhejiang Zhongguang Electric Appliances Co., Ltd. (浙江中廣電器股份有限公司)	Rendering of services	1,650,943.38	—
Hangzhou Nabel Ceramics Co., Ltd. and its branches (杭州諾貝爾陶瓷有限公司及其分公司)	Rendering of services	1,375,786.16	—
Chengdu Dongtai Shopping Mall Company Limited (成都東泰商城有限公司)	Rendering of services	992,924.52	—
Shanghai Harbour Home Investment Management Co., Ltd. (上海灣寓投資管理有限公司)	Rendering of services	552,000.19	—
Baoxiang Red Star Macalline (Xiamen) Global Home Furnishing Plaza Company Limited (寶象紅星美凱龍(廈門)全球家居廣場有限公司)	Rendering of services	389,339.62	—

# Notes to the Financial Statements

For the year 2019 (RMB)

## X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

### 5. Major Transactions between the Group and Related Parties (Continued)

#### (1) Purchase and sale of goods, provision and receipt of services from related parties (continued)

##### *Sales of goods and rendering of services to related parties (continued)*

	Details of Transactions	2019	2018
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)	Rendering of services	318,924.53	8,490.57
Tianjin Hongxing Pacific Cinema Management Co., Ltd (天津紅星太平洋影院管理有限公司)	Rendering of services	308,330.00	—
Changzhou Hongmei Cinema Management Co., Ltd (常州紅美影院管理有限公司)	Rendering of services	308,000.00	—
Shanghai Red Star Macalline Real Estate Co. Ltd (上海紅星美凱龍置業有限公司)	Rendering of services	247,850.00	26,614.84
Jiangsu red star David Mao business management group Co., Ltd (江蘇紅星大衛茂商業管理集團有限公司)	Rendering of services	246,400.00	—
Ningbo Kaixing Cinema Management Co., Ltd (寧波凱星影院管理有限公司)	Rendering of services	183,326.00	—
Shanghai Xingchen Interactive Entertainment Technology Co., Ltd. (上海星琛互動娛樂科技有限公司)	Rendering of services	107,027.42	36,238.28
Tianjin Cameo Film Co., Ltd (天津卡美奧影業有限公司)	Rendering of services	99,340.00	—
Shanghai Yixin Enterprise Development Co., Ltd (上海逸莘企業發展有限公司)	Rendering of services	90,698.70	—
Shanghai Xinhua Chengcheng Asset Management Co., Ltd (上海新華成城資產管理有限公司)	Rendering of services	89,900.00	—
Tianjin Laina Huakai Film Co., Ltd (天津萊納華開影業有限公司)	Rendering of services	88,000.00	—
Shanghai Aegean Business Management Co., Ltd (上海愛琴海商務管理有限公司)	Rendering of services	68,115.00	—

## X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

### 5. Major Transactions between the Group and Related Parties (Continued)

#### (1) Purchase and sale of goods, provision and receipt of services from related parties (continued)

##### *Sales of goods and rendering of services to related parties (continued)*

	Details of Transactions	2019	2018
Suzhou Hongmei Cinema Management Co., Ltd (蘇州紅美影院管理有限公司)	Rendering of services	56,000.00	—
Changzhou Xingchen Interactive Entertainment Co., Ltd (常州星琛娛樂科技有限公司)	Rendering of services	53,563.64	—
Red Star Macalline Holding Group Company Limited (紅星美凱龍控股集團有限公司)	Rendering of services	47,604.00	47,041.32
Yixing Yimei cinema Co., Ltd (宜興逸美影城有限公司)	Rendering of services	38,332.00	—
Shanghai Yunshen Intelligent Technology Co., Ltd (上海雲紳智慧科技有限公司)	Rendering of services	25,667.10	—
Jinhua Jiayi Film Co., Ltd (金華市佳藝影業有限公司)	Rendering of services	15,000.00	—
Kaiqianjia Enterprise Management Co., Ltd. (凱乾嘉企業管理有限公司)	Rendering of services	14,056.26	—
Shanghai Longhong Cinema Management Co., Ltd (上海龍紅影院管理有限公司)	Rendering of services	8,000.00	—
Shanghai Huojing Business Management Company Limited (上海或京商業管理有限公司)	Rendering of services	4,109.38	—
Shanghai Xinhong Cinema Management Co., Ltd (上海昕紅影院管理有限公司)	Rendering of services	3,000.00	—
Shanghai Xingcheng Yijia Home Furnishings Co., Ltd. (上海星誠藝佳家居有限責任公司)	Rendering of services	—	7,775.00
		<b>38,709,646.17</b>	126,160.01



# Notes to the Financial Statements

For the year 2019 (RMB)

## X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

### 5. Major Transactions between the Group and Related Parties (Continued)

#### (1) Purchase and sale of goods, provision and receipt of services from related parties (continued)

##### *Sales of goods and rendering of services to related parties (continued)*

	Details of Transactions	2019	2018
Handan Fengfengkuang District Royal Property Development Company Limited (邯鄲市峰峰礦區皇室房地產開發有限公司)	Commercial management and consultation service	18,867,924.53	—
Handan Fengfengkuang District Royal Property Development Company Limited (邯鄲市峰峰礦區皇室房地產開發有限公司)	Brand consulting service	15,094,339.62	—
Jining Hongrui Real Estate Co., Ltd. (濟寧鴻瑞置業有限公司)	Brand management service	4,983,238.68	2,830,188.68
Greenland Group Chengdu Jinniu Real Estate Development Co., Ltd. (綠地集團成都金牛房地產開發有限公司)	Brand management service	3,773,584.91	3,773,584.91
Xuzhou Red Star Macalline Global Home Furnishings Plaza Co., Ltd. (徐州紅星美凱龍全球家居生活廣場有限公司)	Brand management service	3,411,949.72	3,510,380.04
Shaanxi Hongrui Home Furnishings Plaza Co., Ltd. (陝西鴻瑞家居生活廣場有限公司)	Brand management service	2,830,188.68	2,830,188.68
Wuhu Minghui Business Management Co., Ltd (蕪湖明輝商業管理有限公司)	Brand management service	2,830,188.68	2,830,188.68
Yangzhou Red Star Macalline Global Home Furnishings Plaza Property Co., Ltd. (揚州紅星美凱龍全球家居生活廣場置業有限公司)	Brand management service	2,830,188.68	1,886,792.45
Xuzhou Red Star Macalline International Home Furnishings City Co., Ltd. (徐州紅星美凱龍國際傢俱裝飾城有限公司)	Brand management service	2,091,195.00	2,085,378.70

## X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

### 5. Major Transactions between the Group and Related Parties (Continued)

#### (1) Purchase and sale of goods, provision and receipt of services from related parties (continued)

##### *Sales of goods and rendering of services to related parties (continued)*

Details of Transactions		2019	2018
Xinghua Xingkai Home Furnishing Plaza Company Limited (興化市星凱家居生活廣場有限公司)	Brand management service	1,415,094.34	1,415,094.34
Wuhan Zhengkai Logistics Co., Ltd. (武漢市正凱物流有限公司)	Brand management service	2,830,188.68	2,830,188.68
		<b>60,958,081.52</b>	23,991,985.16
Shaanxi Hongrui Home Furnishings Plaza Co., Ltd. (陝西鴻瑞家居生活廣場有限公司)	Xingyi Tonghu Commission income regarding prepaid cards	100.00	20,415.27
Yangzhou Kailong Consulting Co., Ltd. (揚州凱龍管理諮詢有限公司)	Xingyi Tonghu Commission income regarding prepaid cards	4.72	32,905.66
Chengdu Dongtai Shopping Mall Company Limited (成都東泰商城有限公司)	Xingyi Tonghu Commission income regarding prepaid cards	—	22,117.38
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)	Xingyi Tonghu Commission income regarding prepaid cards	—	84,150.94
Wuhu Minghui Business Management Co., Ltd (蕪湖明輝商業管理有限公司)	Xingyi Tonghu Commission income regarding prepaid cards	—	27,652.83

# Notes to the Financial Statements

For the year 2019 (RMB)

## X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

### 5. Major Transactions between the Group and Related Parties (Continued)

#### (1) Purchase and sale of goods, provision and receipt of services from related parties (continued)

##### *Sales of goods and rendering of services to related parties (continued)*

	Details of Transactions	2019	2018
Xuzhou Red Star Macalline International Home Furnishings City Co., Ltd. (徐州紅星美凱龍國際傢俱裝飾城有限公司)	Xingyi Tonghu Commission income regarding prepaid cards	—	4,976.25
		<b>104.72</b>	192,218.33
Shaanxi Red Star Heji Home Shopping Plaza Company Limited (陝西紅星和記家居購物廣場有限公司)	Service income	<b>37,291,116.63</b>	—
Xishuangbanna cloud investment construction Pan Asia Real Estate Co., Ltd (西雙版納雲投建設泛亞置業有限公司)	Service income	<b>7,561,955.93</b>	—
Yunnan Red Star Macalline Property Management Company Limited (雲南紅星美凱龍物業管理有限公司)	Service income	<b>1,022,005.64</b>	1,191,941.28
Guangzhou Red Star Macalline Expo Home Plaza Co., Ltd. (廣州紅星美凱龍世博家居廣場有限公司)	Service income	<b>790,786.66</b>	—
Hangzhou Nabel Ceramics Co., Ltd. and its branches (杭州諾貝爾陶瓷有限公司及其分公司)	Service income	<b>346,338.46</b>	—
Shengbao (Shanghai) Furniture Co., Ltd. (晟葆(上海)傢俱有限公司)	Service income	<b>255,809.71</b>	—
Super Smart Home (Shanghai) Internet of Things Technology Co., Ltd. (超級智慧家(上海)物聯網科技有限公司)* (Note1)	Service income	<b>159,217.73</b>	—

## X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

### 5. Major Transactions between the Group and Related Parties (Continued)

#### (1) Purchase and sale of goods, provision and receipt of services from related parties (continued)

##### *Sales of goods and rendering of services to related parties (continued)*

	Details of Transactions	2019	2018
Chongqing Red Star Macalline Enterprise Development Co., Ltd (重慶紅星美凱龍企業發展有限公司)	Service income	139,805.83	—
Shanghai Red Star Macalline Real Estate Group Co., Ltd (上海紅星美凱龍房地產集團有限公司)	Service income	102,912.62	—
Chengdu Dongtai Shopping Mall Company Limited (成都東泰商城有限公司)	Service income	58,399.11	67,886.24
Changzhou Red Star Furniture General Factory Co., Ltd. (常州市紅星傢俱總廠有限公司)	Service income	52,266.05	—
Wuhu Minghui Business Management Co., Ltd (蕪湖明輝商業管理有限公司)	Service income	25,963.82	14,672.27
Klas International Home Living Company Limited (克拉斯國際家居有限公司)	Service income	22,800.00	—
Jiangsu Baili Aijia Home Technology Co., Ltd. (江蘇佰麗愛家居科技有限公司)	Service income	11,200.00	—
Changzhou Aegean haiaolai Business Management Co., Ltd (常州愛琴海奧萊商業管理有限公司)	Service income	8,952.36	—
Shenzhen Huasheng Home Furnishing Group Co., Ltd. (深圳華生大家居集團有限公司)	Service income	5,600.00	—
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)	Service income	4,134.50	—

# Notes to the Financial Statements

For the year 2019 (RMB)

## X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

### 5. Major Transactions between the Group and Related Parties (Continued)

#### (1) Purchase and sale of goods, provision and receipt of services from related parties (continued)

##### *Sales of goods and rendering of services to related parties (continued)*

	Details of Transactions	2019	2018
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)	Service income	1,000.00	—
Shaanxi Hongrui Home Furnishings Plaza Co., Ltd. (陝西鴻瑞家居生活廣場有限公司)	Service income	278.97	—
Yangzhou Kailong Consulting Co., Ltd. (揚州凱龍管理諮詢有限公司)	Service income	49.35	—
Haier Consume Financing Company Limited (海爾消費金融有限公司)	Service income	—	374,525.36
Shanghai AEGEAN Commercial Group Co., Ltd. (上海愛琴海商業集團股份有限公司)	Service income	—	136,310.68
CAO Zhongmin (曹仲民)	Service income	—	5,121.62
ZHANG Jianfang (張建芳)	Service income	—	4,528.30
Changzhou Yizhi Furniture Company Limited (常州市藝致傢俱有限公司)	Service income	—	4,528.30
Taixing Red Star Macalline home decoration Co., Ltd (泰興紅星美凱龍家居家飾品有限公司)	Service income	—	3,150.94
		<b>47,860,593.37</b>	<b>1,802,664.99</b>

Note 1: Shanghai UIOT Technology Company Limited was renamed Super Smart Home (Shanghai) Internet of Things Technology Co., Ltd in 2019.

## X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

### 5. Major Transactions between the Group and Related Parties (Continued)

#### (1) Purchase and sale of goods, provision and receipt of services from related parties (continued)

##### *Sales of goods and rendering of services to related parties (continued)*

	Details of Transactions	2019	2018
Hangzhou Weiliang electromechanical hardware market Co., Ltd (杭州偉量機電五金市場有限公司)	Design consultation income	4,184,622.66	—
Shaanxi Red Star Heji Home Shopping Plaza Company Limited (陝西紅星和記家居購物廣場有限公司)	Design consultation income	6,145,754.74	—
Liuzhou Red Star Macalline Real Estate Co., Ltd. (柳州紅星美凱龍置業有限公司)	Design consultation income	3,494,924.52	—
Tianjin Meilong Real Estate Development Co., Ltd (天津美龍房地產開發有限公司)	Design consultation income	3,070,754.72	—
Shenzhen Red Star Macalline Business Management Company Limited (深圳紅星美凱龍商業管理有限公司)	Design consultation income	1,619,898.11	—
Qingdao Hongxing International Real Estate Co., Ltd (青島紅星國際置業有限公司)	Design consultation income	—	754,716.98
Suzhou Red Star Macalline Real Estate Development Co., Ltd (蘇州紅星美凱龍房地產開發有限公司)	Design consultation income	1,371,471.71	3,301,886.79
Tianjin Xingkai Real Estate Development Co., Ltd (天津星凱房地產開發有限公司)	Design consultation income	1,132,075.48	—
Yancheng Kailong Property Company Limited (鹽城凱龍置業有限公司)	Design consultation income	865,094.34	—
Ningbo Kailong Property Company Limited (寧波凱龍置業有限公司)	Design consultation income	—	6,224,914.78
Ningbo Huixin Real Estate Co., Ltd (寧波匯鑫置業有限公司)	Design consultation income	—	2,202,081.18

# Notes to the Financial Statements

For the year 2019 (RMB)

## X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

### 5. Major Transactions between the Group and Related Parties (Continued)

#### (1) Purchase and sale of goods, provision and receipt of services from related parties (continued)

##### *Sales of goods and rendering of services to related parties (continued)*

	Details of Transactions	2019	2018
Shanghai Harbour Home Investment Management Co., Ltd. (上海灣寓投資管理有限公司)	Design consultation income	—	1,923,811.54
Super Smart Home (Shanghai) Internet of Things Technology Co., Ltd. (超級智慧家(上海)物聯網科技有限公司)	Design consultation income	—	1,245,270.00
Shanghai Hongmei Real Estate Co., Ltd (上海洪美置業有限公司)	Design consultation income	—	322,392.95
Nanjing Macalline Business Information Consulting Co., Ltd. (南京美凱龍商務信息諮詢有限公司)	Design consultation income	—	271,176.00
Red Star Macalline Holding Group Company Limited (紅星美凱龍控股集團有限公司)	Design consultation income	—	2,060.00
		<b>21,884,596.28</b>	16,248,310.22

## X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

### 5. Major Transactions between the Group and Related Parties (continued)

#### (2) Leases with related party

##### As lessors

	Type of leased assets	2019	2018
Hangzhou Nabel Ceramics Co., Ltd. and its branches (杭州諾貝爾陶瓷有限公司及其分公司)	Shop(s) in shopping mall	13,583,702.36	—
Shanghai Xinhua Chengcheng Asset Management Co., Ltd. (上海新華成城資產管理有限公司)	Parking garage	13,333,333.31	—
Klas International Home Living Company Limited (克拉斯國際家居有限公司)	Shop(s) in shopping mall	5,553,477.46	—
Shengbao (Shanghai) Furniture Co., Ltd. (晟葆(上海)傢俱有限公司)	Shop(s) in shopping mall	2,511,648.16	—
Super Smart Home (Shanghai) Internet of Things Technology Co., Ltd. (超級智慧家(上海)物聯網科技有限公司)	Shop(s) in shopping mall	2,337,119.78	—
Jiangsu Baili Aijia Home Technology Co., Ltd. (江蘇佰麗愛家家居科技有限公司)	Shop(s) in shopping mall	1,389,473.51	—
CAO Zhongmin (曹仲民)	Shop(s) in shopping mall	817,027.20	778,933.80
Shanghai Dibang Intelligent Technology Co., Ltd (上海諦邦智慧科技有限公司)	Shop(s) in shopping mall	672,010.71	—
Changzhou Red Star Furniture General Factory Co., Ltd. (常州市紅星傢俱總廠有限公司)	Shop(s) in shopping mall	647,051.37	27,827.62
CHE Mianzhen (車冕楨)	Shop(s) in shopping mall	626,801.36	326,958.24
Kaiqianjia Enterprise Management Co., Ltd. (凱乾嘉企業管理有限公司)	Office	518,142.28	—
Beijing Sunsea parking Management Co., Ltd (北京陽光海天停車管理有限公司)	Parking garage	498,506.76	—
Hangzhou Nabel Group Co., Ltd. and its branches (杭州諾貝爾集團有限公司及其分公司)	Shop(s) in shopping mall	476,929.70	—



# Notes to the Financial Statements

For the year 2019 (RMB)

## X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

### 5. Major Transactions between the Group and Related Parties (continued)

#### (2) Leases with related party (continued)

##### *As lessors*

	Type of leased assets	2019	2018
Changzhou Yizhi Furniture Company Limited (常州市藝致傢俱有限公司)	Shop(s) in shopping mall	361,696.44	578,061.84
Shanghai Huojing Business Management Company Limited Beijing branch (上海或京商業管理有限公司北京分公司)	Shop(s) in shopping mall	301,970.52	—
ZHANG Jianfang (張建芳)	Shop(s) in shopping mall	203,179.03	188,706.94
Shanghai Huojing Business Management Company Limited (上海或京商業管理有限公司)	Shop(s) in shopping mall	153,880.71	—
Hangzhou Nabel Ceramics Co., Ltd. and its branches (杭州諾貝爾陶瓷有限公司及其分公司)	Advertising space	37,500.00	—
Super Smart Home (Shanghai) Internet of Things Technology Co., Ltd. (超級智慧家(上海)物聯網科技有限公司)	Advertising space	29,166.76	—
Changzhou Longyao Equity Investment Management Co., Ltd. (常州龍耀股權投資管理有限公司)	Office	26,564.89	—
Shengbao (Shanghai) Furniture Co., Ltd. (晟葆(上海)傢俱有限公司)	Advertising space	23,249.97	—
Shanghai Yunshen Intelligent Technology Co., Ltd (上海雲紳智慧科技有限公司)	Shop(s) in shopping mall	3,773.58	—
Business Division of Nanjing Pukou Lilicheng Furniture (南京市浦口區立力成傢俱經營部)	Shop(s) in shopping mall	434,650.08	364,282.59
QIAN Yumei (錢玉梅)	Shop(s) in shopping mall	—	437,205.25
		<b>44,540,855.94</b>	<b>2,701,976.28</b>

## X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

### 5. Major Transactions between the Group and Related Parties (continued)

#### (2) Leases with related party (continued)

##### As lessees

	Type of leased assets	2019	2018
Changzhou Red Star Home Furnishing City (常州市紅星裝飾城)(Note 1)	shopping mall	16,610,456.16	16,249,537.62
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)	Exhibition space	5,985,001.03	—
Yunnan Red Star Macalline Property Management Company Limited (雲南紅星美 凱龍物業管理有限公司)	Parking garage	1,500,000.00	—
CHE Guoxing (車國興)	Dormitory	369,600.00	369,600.00
Shanghai Huojing Business Management Company Limited (上海或京商業管理有限公司)	Office	279,369.91	—
Shanghai Xinhua Chengcheng Asset Management Co., Ltd (上海新華成城資產 管理有限公司)	Exhibition space	94,337.88	—
CHEN Shuhong (陳淑紅)	Dormitory	52,000.00	52,000.00
Mofang (Shenzhen) Apartment Management Co., Ltd (魔方(深圳)公寓管理有限公司)	Dormitory	18,675.00	—
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)	Exhibition space	5,520.00	—
Chengdu Dongtai Shopping Mall Company Limited (成都東泰商城有限公司)	shopping mall	—	340,970.41
Yangzhou Red Star Macalline Global Home Furnishings Plaza Property Co., Ltd. (揚州紅 星美凱龍全球家居生活廣場置業有限公司)	Exhibition space	—	202,931.84
Shaanxi Hongrui Home Furnishings Plaza Co., Ltd. (陝西鴻瑞家居生活廣場有限公司)	Exhibition space	—	117,204.98
Tianjin Huayun Commercial Property Company Limited (天津市華運商貿物業有限公司)	shopping mall	—	73,590.41
Jining Hongrui Real Estate Co., Ltd. (濟寧鴻瑞 置業有限公司)	Exhibition space	—	23,809.57
		<b>24,914,959.98</b>	<b>17,429,644.83</b>

Note 1: The amount is presented without considering the impact of the new leasing standard.

# Notes to the Financial Statements

For the year 2019 (RMB)

## X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

### 5. Major Transactions between the Group and Related Parties (continued)

#### (3) Guarantees from related parties

##### *Receiving guarantees from related parties*

2019

	Amount of guarantees	Inception date of guarantee	Expiration date of guarantee	Whether guarantee has been performed
Red Star Macalline Holding Group Company Limited (紅星美凱龍控 股集團有限公司) (Note 1)	732,500,000.00	2019/8/30	2031/6/15	No
Red Star Macalline Holding Group Company Limited (紅星美凱龍控 股集團有限公司) (Note 2)	561,000,000.00	2019/6/20	2029/6/20	No
紅星美凱龍控股集團有限公司	392,000,000.00	2018/7/13	2028/7/12	No
Red Star Macalline Holding Group Company Limited (紅星美凱龍控 股集團有限公司) (Note 3)	307,999,999.98	2018/2/26	2026/2/26	No
CHE Jianxing (車建興) ( Note 4)	307,500,000.00	2016/6/8	2026/6/8	No
Red Star Macalline Holding Group Company Limited (紅星美凱龍控 股集團有限公司) (Note 5)	225,000,000.00	2019/12/27	2031/12/27	No
Red Star Macalline Holding Group Company Limited (紅星美凱龍控 股集團有限公司) (Note 6)	160,000,000.00	2019/12/19	2029/12/19	No
Red Star Macalline Holding Group Company Limited (紅星美凱龍控 股集團有限公司)	157,000,000.00	2019/7/10	2020/7/9	No
Red Star Macalline Holding Group Company Limited (紅星美凱龍控 股集團有限公司)	143,000,000.00	2019/7/10	2020/7/9	No

## X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

### 5. Major Transactions between the Group and Related Parties (continued)

#### (3) Guarantees from related parties (continued)

##### *Receiving guarantees from related parties (continued)*

2019

	Amount of guarantees	Inception date of guarantee	Expiration date of guarantee	Whether guarantee has been performed
Red Star Macalline Holding Group Company Limited (紅星美凱龍控股集團有限公司) (Note 7)	119,000,000.00	2019/12/30	2027/12/20	No
Red Star Macalline Holding Group Company Limited (紅星美凱龍控股集團有限公司) (Note 8)	100,000,000.00	2019/9/25	2026/9/17	No
Red Star Macalline Holding Group Company Limited (紅星美凱龍控股集團有限公司) (Note 9)	86,000,000.00	2019/12/30	2027/12/20	No
Red Star Macalline Holding Group Company Limited (紅星美凱龍控股集團有限公司) (Note 10)	300,000,000.00	2019/7/9	2020/7/8	No

*Note 1:* The loan is also secured by the investment property of Dalian Red Star Macalline Shibo Home Furnishing Plaza Company Limited, a subsidiary of the Group.

*Note 2:* The loan is also secured by the investment property of Zhengzhou Red Star Macalline International Home Living Company Limited, a subsidiary of the Group.

*Note 3:* The loan is also secured by the investment property of Chengdu Tianfu New District Red Star Macalline World Trade Home Furnishing Company Limited, a subsidiary of the Group.

*Note 4:* The loan is also secured by the investment property of Chongqing Red Star Macalline Expo Home Living Plaza Company Limited, a subsidiary of the Group.

*Note 5:* The loan is also secured by the investment property of Ningbo Red Star Macalline Home Shopping Plaza Company Limited, a subsidiary of the Group.

*Note 6:* The loan is also secured by the investment property of Zhengzhou Red Star Macalline International Home Living Company Limited, a subsidiary of the Group, and is pledged with all operating revenues from lease of shopping malls project located at No. 1 Shangdu Road, Zhengdong New District, Zhengzhou City during the loan period.

*Note 7:* The loan is also secured by the construction in progress of Shanghai Jianliu Enterprise Management Co., Ltd, a subsidiary of the Group.

*Note 8:* The loan is also secured by the investment property of Nanchang Red Star Macalline Global Home Expo Center Co., Ltd, a subsidiary of the Group.

*Note 9:* The loan is also secured by the construction in progress of Shanghai enliu Enterprise Management Co., Ltd, a subsidiary of the Group.

*Note 10:* The loan is also secured by the 6.0 million tradable shares of Oppein Home Group Inc. held by Red Star Xizhao Investment Company Limited, a subsidiary of the Group.

# Notes to the Financial Statements

For the year 2019 (RMB)

## X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

### 5. Major Transactions between the Group and Related Parties (continued)

#### (3) Guarantees from related parties (continued)

##### *Receiving guarantees from related parties (continued)*

2018

	Amount of guarantees	Inception date of guarantee	Expiration date of guarantee	Whether guarantee has been performed
CHE Jianxing (車建興), CHEN Shuhong (陳淑紅) and Red Star Macalline Holding Group Company Limited (紅星美凱龍控股集團有限公司)	—	2017/7/25	2020/7/25	Yes
CHE Jianxing (車建興) (Note 1)	115,000,000.00	2014/3/4	2019/2/19	No
CHE Jianxing (車建興) (Note 2)	340,000,000.00	2016/6/8	2026/6/8	No
CHE Jianxing (車建興), Red Star Macalline Holding Group Company Limited (紅星美凱龍控股集團有限公司), Red Star Furniture Group Co., Ltd. (紅星傢俱集團有限公司) (Note 3)	—	2012/10/9	2022/10/9	Yes
Red Star Macalline Holding Group Company Limited (紅星美凱龍控股集團有限公司)	285,000,000.00	2018/7/26	2019/7/26	No
Red Star Macalline Holding Group Company Limited (紅星美凱龍控股集團有限公司)	400,000,000.00	2018/7/13	2028/7/12	No
Red Star Macalline Holding Group Company Limited (紅星美凱龍控股集團有限公司) (Note 4)	279,000,000.00	2018/2/26	2026/2/26	No

*Note 1:* The loan is also secured by the investment property of Shanghai Hongxin Oukai Home Furnishing Company Limited.

*Note 2:* The loan is also secured by the investment property of Chongqing Red Star Macalline Expo Home Furnishing Plaza Company Limited.

*Note 3:* The loan is also secured by the investment property of Beijing Red Star Macalline Shibo Furniture Plaza Company Limited, and is pledged with cash and bank funds and all operating revenues of shopping malls during the loan period.

*Note 4:* The loan is also secured by the investment property of Chengdu Tianfu New District Red Star Macalline World Trade Home Furnishing Company Limited.

## X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

### 5. Major Transactions between the Group and Related Parties (continued)

#### (3) Guarantees from related parties (continued)

##### *Rendering guarantees to related parties*

2019

No guarantee was provided to related parties in 2019.

2018

	Amount of guarantees	Inception date of guarantee	Expiration date of guarantee	Whether guarantee has been performed
Haier Consume Financing Company Limited (海爾消費金融有限公司)	Nil	2016/11/8	2019/11/8	Yes

Instruction: On 8 November 2016, the Company provided 25% joint liability guarantees against the loan of RMB2,500,000,000.00 lent by Haier Consume Financing, our associated company, to Haier Group Finance Co., Ltd. for a term of 3 years. As of 31 December 2018, the borrowings was fully repaid.

# Notes to the Financial Statements

For the year 2019 (RMB)

## X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

### 5. Major Transactions between the Group and Related Parties (continued)

#### (4) Loans and borrowings of the related parties

##### *Borrowings*

2019

	Opening balance	Accumulated borrowing amount (Excluding interest)	Interest of loan (if have)	Accumulated repayment amount	Closing balance	Inception date	Expiration date	Others
Chengdu Dongtai Shopping Mall Company Limited (成都東泰商城有限公司)	—	40,000,000.00	1,437,944.45	—	41,437,944.45	2019/5/21	2020/12/31	May 2019- Sep 2019 4.75%; Oct 2019- Dec 2020 7.20%
Shenyudao Cultural Tourism Holding Co., Ltd. (神玉島文化旅遊控股股 份有限公司)	35,000,000.00	—	—	9,400,000.00	25,600,000.00	2018/11/5	2018/12/31	No rate
<b>Total</b>	<b>35,000,000.00</b>	<b>40,000,000.00</b>	<b>1,437,944.45</b>	<b>9,400,000.00</b>	<b>67,037,944.45</b>	<b>—</b>	<b>—</b>	<b>—</b>

2018

	Opening balance	Accumulated borrowing amount (Excluding interest)	Interest of loan (if have)	Accumulated repayment amount	Closing balance	Inception date	Expiration date	Others
Shenyudao Cultural Tourism Holding Co., Ltd. (神玉島文化旅遊控 股股份有限公司)	—	35,000,000.00	—	—	35,000,000.00	2018/11/5	2018/12/31	No rate

## X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

### 5. Major Transactions between the Group and Related Parties (continued)

#### (4) Loans and borrowings of the related parties (continued)

##### Lendings

2019

	Opening balance	Accumulated lending amount (Excluding interest)	Interest of loan (if have)	Accumulated recovered amount	Closing balance	Inception date	Expiration date	Others
Hangzhou Red Star Macalline Global Home Living Company Limited (杭州紅星美凱龍 環球家居有限公司)	222,648,745.00	109,500,000.00	–	–	332,148,745.00	–	–	No rate and no fixed term
Baoxiang Red Star Macalline (Xiamen) Global Home Furnishing Plaza Company Limited (寶象紅星美凱龍 (廈門)全球家居廣場有限公司)	–	35,500,000.00	–	–	35,500,000.00	–	–	No rate and no fixed term
Baoxiang Red Star Macalline (Xiamen) Global Home Furnishing Plaza Company Limited (寶象紅星美凱龍 (廈門)全球家居廣場有限公司)	–	13,000,000.00	386,439.14	325,000.00	13,061,439.14	2019/6/21	2022/6/21	6.18%
Shanghai Mingyi Enterprise Development Co., Ltd. (上海名藝商業企業發展 有限公司)	112,200,000.50	19,400,000.00	–	–	131,600,000.50	–	–	No rate and no fixed term



# Notes to the Financial Statements

For the year 2019 (RMB)

## X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

### 5. Major Transactions between the Group and Related Parties (continued)

#### (4) Loans and borrowings of the related parties (continued)

##### Lendings (continued)

2019

	Opening balance	Accumulated lending amount (Excluding interest)	Interest of loan (if have)	Accumulated recovered amount	Closing balance	Inception date	Expiration date	Others
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)	27,500,000.00	17,600,000.00	—	20,000,000.00	25,100,000.00	—	—	No rate and no fixed term
Shaanxi Red Star Heji Home Shopping Plaza Company Limited (陝西紅星和記家居購物 廣場有限公司)	31,340,000.00	—	3,168,345.20	—	34,508,345.20	—	—	10.00%
Shaanxi Red Star Heji Home Shopping Plaza Company Limited (陝西紅星和記家居購物 廣場有限公司)	—	34,949,700.00	1,389,341.62	—	36,339,041.62	2019/6/27	2022/9/5	10.00%
Shaanxi Red Star Heji Home Shopping Plaza Company Limited (陝西紅星和記家居購物 廣場有限公司)	—	3,800,000.00	—	—	3,800,000.00	—	—	No rate

## X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

### 5. Major Transactions between the Group and Related Parties (continued)

#### (4) Loans and borrowings of the related parties (continued)

##### Lendings (continued)

2019

	Opening balance	Accumulated lending amount (Excluding interest)	Interest of loan (if have)	Accumulated recovered amount	Closing balance	Inception date	Expiration date	Others
Shaanxi Red Star Heji Home Shopping Plaza Company Limited (陝西紅星和記家居購物 廣場有限公司)	–	150,000,000.00	10,628,406.71	10,628,406.71	150,000,000.00	2019/1/22	2022/1/22	10.00%
Super Smart Home (Shanghai) Internet of Things Technology Co., Ltd. (超級智慧家(上海) 物聯網科技有限公司)	10,008,958.35	–	274,374.98	10,283,333.33	–	2018/4/10	2019/4/9	7.50%
Shanghai Zhidi Intelligent Technology Co., Ltd (上 海智諦智慧科技有限 公司)	–	6,000,000.00	113,207.55	6,113,207.55	–	2019/5/8	2019/9/30	Commercial factoring income
Wuhu Meihe Asset Management Company Limited (蕪湖美和資產管 理有限公司)	10,000,000.00	–	–	10,000,000.00	–	2018/8/28	2019/2/27	No rate

# Notes to the Financial Statements

For the year 2019 (RMB)

## X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

### 5. Major Transactions between the Group and Related Parties (continued)

#### (4) Loans and borrowings of the related parties (continued)

##### *Lendings (continued)*

2019

	Opening balance	Accumulated lending amount (Excluding interest)	Interest of loan (if have)	Accumulated recovered amount	Closing balance	Inception date	Expiration date	Others
Handan Fengfengkuang District Royal Property Development Company Limited (邯鄲市峰峰礦 區皇室房地產開發有 限公司)	317,342,466.58	—	7,701,149.86	325,043,616.44	—	2018/6/14	2019/6/13	10.00%
Total	731,040,170.43	389,749,700.00	23,661,265.06	382,393,564.03	762,057,571.46	—	—	—

## X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

### 5. Major Transactions between the Group and Related Parties (continued)

#### (4) Loans and borrowings of the related parties (continued)

##### Lendings (continued)

2018

	Opening balance	Accumulated lending amount (Excluding interest)	Interest of loan (if have)	Accumulated recovered amount	Closing balance	Inception date	Expiration date	Others
Handan Fengfengkuang District Royal Property Development Company Limited (邯鄲市峰峰礦區 皇室房地產開發有限公司)	—	300,000,000.00	17,342,466.58	—	317,342,466.58	2018/6/14	2019/6/13	10.00%
Shanghai Mingyi Enterprise Development Co., Ltd. (上海名藝商業企業發展 有限公司)	105,400,000.50	6,800,000.00	—	—	112,200,000.50	—	—	No rate and no fixed term
Hangzhou Red Star Macalline Global Home Living Company Limited (杭州紅星美凱龍 環球家居有限公司)	218,144,320.00	4,504,425.00	—	—	222,648,745.00	—	—	No rate and no fixed term
Xiamen Baoxiang Red Star Macalline Home Furnishing Plaza Company Limited (廈門 實象紅星美凱龍家居生 活廣場有限公司)	22,500,000.00	90,000,000.00	—	85,000,000.00	27,500,000.00	—	—	No rate and no fixed term

# Notes to the Financial Statements

For the year 2019 (RMB)

## X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

### 5. Major Transactions between the Group and Related Parties (continued)

#### (4) Loans and borrowings of the related parties (continued)

##### Lendings (continued)

2018

	Opening balance	Accumulated lending amount (Excluding interest)	Interest of loan (if have)	Accumulated recovered amount	Closing balance	Inception date	Expiration date	Others
Shaanxi Red Star Heji Home Shopping Plaza Company Limited (陝西紅星和記家居購物 廣場有限公司)	—	31,340,000.00	—	—	31,340,000.00	—	—	10.00%
Super Smart Home (Shanghai) Internet of Things Technology Co., Ltd. (超級智慧家(上海) 物聯網科技有限公司)	—	20,000,000.00	851,002.03	10,842,043.68	10,008,958.35	2018/4/10	2019/4/9	7.50%
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公司)	84,970,532.70	206,991,204.31	7,098,634.56	117,907,241.39	181,153,130.18	2017/7/20	2018/6/18	4.35%
Wuhu Meihe Asset Management Company Limited (蕪湖美和資產管理 有限公司)	—	10,000,000.00	—	—	10,000,000.00	2018/8/28	2019/2/27	No rate
<b>Total</b>	<b>431,014,853.20</b>	<b>669,635,629.31</b>	<b>25,292,103.17</b>	<b>213,749,285.07</b>	<b>912,193,300.61</b>	<b>—</b>	<b>—</b>	<b>—</b>

## X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

### 5. Major Transactions between the Group and Related Parties (continued)

#### (5) Asset transfer to related parties

On September 30, 2019, Red Star Macalline Group Co., Ltd. transferred 100% of the equity of Anhui Tenghui investment Hefei Group Co., Ltd. to Shanghai Aegean Ole Business Management Co., Ltd., with the transfer price of RMB 1.00. At the same time, Red Star Macalline Group Co., Ltd. transferred the total receivables to Anhui Tenghui investment Hefei Group Co., Ltd. of RMB 571959883.71 to Shanghai Aegean Ole Business Management Co., Ltd. as of December 31, 2019, the transfer of the receivables has been settled.

On October 31, 2019, Red Star Macalline Group Co., Ltd. transferred 65% of the equity of Shanghai Huojing Commercial Management Co., Ltd. to Red Star Macalline Holdings Group Co., Ltd. with the transfer price of RMB6,500,000.00.

#### (6) Other related parties transactions

	2019	2018
Remuneration for key management personnel	<b>37,164,510.80</b>	48,825,949.64

# Notes to the Financial Statements

For the year 2019 (RMB)

## X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

### 6. Amounts due from/to related parties

	2019		2018	
	Book balance	Bad debt allowance	Book balance	Bad debt allowance
<b>Accounts receivable</b>				
Shaanxi Red Star Heji Home Shopping Plaza Company Limited (陝西紅星和記家居購物廣場有限公司)	22,685,262.30	1,077,549.96	—	—
Shanghai Jiazhan Construction Engineering Company Limited (上海嘉展建築裝潢工程有限公司)	13,000,000.00	13,000,000.00	13,000,000.00	13,000,000.00
Wuhu Minghui Business Management Co., Ltd (蕪湖明輝商業管理有限公司)	4,631,506.84	637,295.34	—	—
Liuzhou Red Star Macalline Real Estate Co., Ltd. (柳州紅星美凱龍置業有限公司)	4,021,322.00	190,221.04	—	—
Xishuangbanna cloud investment construction Pan Asia Real Estate Co., Ltd (西雙版納雲投建設泛亞置業有限公司)	3,304,633.03	156,970.07	—	—
Shenzhen Huasheng Home Furnishing Group Co., Ltd. (深圳華生大家居集團有限公司)	3,166,666.66	142,500.00	666,666.66	30,000.00
Anka Household Products (Shanghai) Co., Ltd. (安咖家居用品(上海)有限公司)	3,141,996.00	141,389.82	—	—
Kunming Hongxing Haihui Real Estate Co., Ltd (昆明紅星海匯房地產有限公司)	2,790,104.05	125,554.68	—	—
Ningbo Kailong Property Company Limited (寧波凱龍置業有限公司)	2,615,018.20	117,675.82	1,829,041.31	82,306.86
Zhejiang Zhongguang Electric Appliances Co., Ltd. (浙江中廣電器股份有限公司)	1,749,997.71	78,749.90	—	—
Changzhou Jintan Weiyi Construction Engineering Co., Ltd (常州市金壇維億建設工程有限公司)	1,500,000.00	206,400.00	—	—
Shanghai Xingcheng Yijia Home Furnishings Co., Ltd. (上海星誠藝佳家居有限責任公司)	1,220,467.20	54,921.02	1,220,467.20	54,921.02
Yancheng Kailong Property Company Limited (鹽城凱龍置業有限公司)	917,000.00	43,557.50	—	—
Shanghai Harbour Home Investment Management Co., Ltd. (上海灣寓投資管理有限公司)	866,066.57	38,973.00	254,710.00	11,461.95

## X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

### 6. Amounts due from/to related parties (continued)

	2019		2018	
	Book balance	Bad debt allowance	Book balance	Bad debt allowance
<b>Accounts receivable (continued)</b>				
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)	858,546.00	40,780.94	—	—
Guangzhou Red Star Macalline Expo Home Plaza Co., Ltd. (廣州紅星美凱龍世博家居廣場有限公司)	790,786.66	35,585.40	—	—
Tianjin Xingkai Real Estate Development Co., Ltd (天津星凱房地產開發有限公司)	600,000.00	28,500.00	—	—
Tianjin Hongxing Pacific Cinema Management Co., Ltd (天津紅星太平洋影院管理有限公司)	308,330.00	13,874.85	—	—
Chengdu Dongtai Shopping Mall Company Limited (成都東泰商城有限公司)	300,000.00	13,500.00	—	—
Jiangsu Longguan film and Television Culture Technology Co., Ltd (江蘇龍冠影視文化科技有限公司)	283,814.12	12,771.64	—	—
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)	177,500.00	7,987.50	—	—
Jiangsu meishanlong Catering Culture Development Co., Ltd (江蘇美膳龍飲食文化發展有限公司)	133,435.49	6,004.60	—	—
Qingdao Hongxing International Real Estate Co., Ltd (青島紅星國際置業有限公司)	103,740.00	4,927.65	—	—
Baoxiang Red Star Macalline (Xiamen) Global Home Furnishing Plaza Company Limited (寶象紅星美凱龍(廈門)全球家居廣場有限公司)	100,000.00	4,500.00	—	—
Shanghai Qiaotong Enterprise Management Co., Ltd (上海喬彤企業管理有限公司)	84,644.68	3,809.01	—	—
Shanghai Zhidi Intelligent Technology Co., Ltd (上海智諦智能科技有限公司)	55,059.53	2,477.68	—	—
Tianjin Laina Huakai Film Co., Ltd (天津萊納華開影業有限公司)	22,000.00	990.00	—	—
Shanghai Xingchen Interactive Entertainment Technology Co., Ltd. (上海星琛互動娛樂科技有限公司)	18,180.00	818.10	38,412.58	4,724.75



# Notes to the Financial Statements

For the year 2019 (RMB)

## X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

### 6. Amounts due from/to related parties (continued)

	2019		2018	
	Book balance	Bad debt allowance	Book balance	Bad debt allowance
<b>Accounts receivable (continued)</b>				
Super Smart Home (Shanghai) Internet of Things Technology Co., Ltd. (超級智慧家(上海)物聯網科技有限公司)	10,000.00	450.00	451,693.15	55,558.26
Red Star Macalline Holding Group Company Limited (紅星美凱龍控股集團有限公司)	3,967.00	178.52	3,967.00	487.94
Shanghai Yunshen Intelligent Technology Co., Ltd (上海雲紳智慧科技有限公司)	2,622.00	117.99	—	—
Xinghua Xingkai Home Furnishing Plaza Company Limited (興化市星凱家居生活廣場有限公司)	—	—	468,333.43	57,605.01
Ningbo Huixin Real Estate Co., Ltd (寧波匯鑫置業有限公司)	—	—	370,876.53	16,689.44
Shanghai Hongmei Real Estate Co., Ltd (上海洪美置業有限公司)	—	—	84,840.95	3,817.84
Shanghai Kaixin Cinema Management Co., Ltd. (上海凱昕影院管理有限公司)	—	—	50,000.00	6,150.00
	<b>69,462,666.04</b>	<b>16,189,032.03</b>	18,439,008.81	13,323,723.07

## X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

### 6. Amounts due from/to related parties (continued)

	2019		2018	
	Book balance	Bad debt allowance	Book balance	Bad debt allowance
<b>Prepayments</b>				
Shanghai Yunshen Intelligent Technology Co., Ltd (上海雲紳智能科技有限公司)	3,906,000.00	—	—	—
Shenyang Red Star Macalline Property Management Co., Ltd. (瀋陽紅星美凱龍物業管理有限公司)	600,000.00	—	600,000.00	—
Wuhu Minghui Business Management Co., Ltd (蕪湖明輝商業管理有限公司)	326,605.16	—	163,832.14	—
Yangzhou Red Star Macalline Global Home Furnishings Plaza Property Co., Ltd. (揚州紅星美凱龍全球家居生活廣場置業有限公司)	214,285.63	—	130,969.33	—
Shanghai Aegean Business Management Co., Ltd (上海愛琴海商務管理有限公司)	169,410.85	—	—	—
Xuzhou Red Star Macalline Global Home Furnishings Plaza Co., Ltd. (徐州紅星美凱龍全球家居生活廣場有限公司)	163,492.04	—	150,476.39	—
Changzhou Red Star Furniture General Factory Co., Ltd. (常州市紅星傢俱總廠有限公司)	126,108.00	—	—	—
Shaanxi Hongrui Home Furnishings Plaza Co., Ltd. (陝西鴻瑞家居生活廣場有限公司)	109,523.84	—	159,633.42	—
Kunming xingqin Business Management Co., Ltd (昆明星琴商業管理有限公司)	50,440.00	—	—	—
Shanghai Xinhua Chengcheng Asset Management Co., Ltd (上海新華成城資產管理有限公司)	47,168.94	—	—	—
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)	—	—	1,775,286.31	—
Liaoning Cheng'an Construction Co., Ltd. (遼寧誠安建設有限公司)	—	—	600,000.00	—

# Notes to the Financial Statements

For the year 2019 (RMB)

## X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

### 6. Amounts due from/to related parties (continued)

	2019		2018	
	Book balance	Bad debt allowance	Book balance	Bad debt allowance
<b>Prepayments (continued)</b>				
Shanghai Jiazhan Construction Engineering Company Limited (上海嘉展建築裝潢工程有限公司)	—	—	572,805.00	—
Chengdu Dongtai Shopping Mall Company Limited (成都東泰商城有限公司)	—	—	200,372.27	—
Jining Hongrui Real Estate Co., Ltd. (濟寧鴻瑞置業有限公司)	—	—	187,614.06	—
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)	—	—	166,042.15	—
Greenland Group Chengdu Jinniu Real Estate Development Co., Ltd. (綠地集團成都金牛房地產開發有限公司)	—	—	23,030.74	—
Wuhan Zhengkai Logistics Co., Ltd. (武漢市正凱物流有限公司)	—	—	17,237.99	—
	<b>5,713,034.46</b>	<b>—</b>	<b>4,747,299.80</b>	<b>—</b>

## X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

### 6. Amounts due from/to related parties (continued)

	2019		2018	
	Book balance	Bad debt allowance	Book balance	Bad debt allowance
<b>Other receivables</b>				
Shanghai Mingyi Enterprise Development Co., Ltd. (上海名藝商業企業發展有限公司)	131,600,000.50	6,580,000.03	112,200,000.50	5,610,000.03
Baoxiang Red Star Macalline (Xiamen) Global Home Furnishing Plaza Company Limited (寶象紅星美凱龍(廈門)全球家居廣場有限公司)	48,561,439.14	3,212,299.04	—	—
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)	6,076,821.00	1,378,980.59	811,586.35	17,621.54
Yunnan Hongxing Meikailong Real Estate Co., Ltd. (雲南紅星美凱龍置業有限公司)	4,031,492.11	4,031,492.11	—	—
Shaanxi Hongrui Home Furnishings Plaza Co., Ltd. (陝西鴻瑞家居生活廣場有限公司)	3,896,650.33	117,864.21	4,954,532.02	1,504,325.49
Wuhu Minghui Business Management Co., Ltd. (蕪湖明輝商業管理有限公司)	555,280.00	555.28	1,052,880.00	—
Shanghai Aegean Business Management Co., Ltd. (上海愛琴海商務管理有限公司)	256,900.00	256.90	—	—
Shanghai Xinhua Chengcheng Asset Management Co., Ltd. (上海新華成城資產管理有限公司)	141,506.82	141.51	—	—
Kunming xingqin Business Management Co., Ltd. (昆明星琴商業管理有限公司)	76,030.00	76.03	—	—
Beijing xingqin Business Management Co., Ltd. (北京星琴商業管理有限公司)	20,000.00	20.00	—	—
Chengdu Wanfu Xingkai Business Management Co., Ltd. (成都萬福星凱商業管理有限公司)	20,000.00	20.00	—	—
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)	4,000.00	4.00	4,000.00	—
Handan Fengfengkuang District Royal Property Development Company Limited (邯鄲市峰峰礦區皇室房地產開發有限公司)	—	—	317,342,466.58	23,282,996.53

# Notes to the Financial Statements

For the year 2019 (RMB)

## X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

### 6. Amounts due from/to related parties (continued)

	2019		2018	
	Book balance	Bad debt allowance	Book balance	Bad debt allowance
<b>Other receivables (continued)</b>				
CHE Jianxing (車建興)	—	—	154,384,500.54	—
Wuhu Meihe Asset Management Company Limited (蕪湖美和資產管理有限公司)	—	—	10,000,000.00	776,099.88
Super Smart Home (Shanghai) Internet of Things Technology Co., Ltd. (超級智慧家(上海)物聯網科技有限公司)	—	—	10,008,958.35	776,099.88
Hangzhou Red Star Macalline Global Home Living Company Limited (杭州紅星美凱龍環球家居有限公司)	—	—	4,504,425.00	349,588.37
Shanghai Xingcheng Yijia Home Furnishings Co., Ltd. (上海星誠藝佳家居有限責任公司)	—	—	2,892,905.64	1,302,204.37
Xinghua Xingkai Home Furnishing Plaza Company Limited (興化市星凱家居生活廣場有限公司)	—	—	1,170,984.78	90,880.12
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)	—	—	37,877.00	2,939.63
Xuzhou Red Star Macalline Global Home Furnishings Plaza Co., Ltd. (徐州紅星美凱龍全球家居生活廣場有限公司)	—	—	32,944.17	2,556.80
Guangdong Sanweijia Information Technology Co., Ltd. (廣東三維家信息科技有限公司)	—	—	21,961.22	—
Shanghai Red Star Macalline Enterprise Operation and Management Co., Ltd. (上海紅星美凱龍企業經營管理有限公司)	—	—	6,642.00	—
Suzhou Supin Home Culture Co., Ltd. (蘇州市蘇品宅配文化有限公司) (Note 1)	—	—	3,093.00	285.16
Xuzhou Red Star Macalline International Home Furnishings City Co., Ltd. (徐州紅星美凱龍國際傢俱裝飾城有限公司)	—	—	1,912.38	—
	<b>195,240,119.90</b>	<b>15,321,709.70</b>	619,431,669.53	33,715,597.80

Note 1: In 2019 Suzhou Supin Furniture Co., Ltd. was renamed Suzhou Supin House Decoration Culture Co., Ltd.

## X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

### 6. Amounts due from/to related parties (continued)

	2019		2018	
	Book balance	Bad debt allowance	Book balance	Bad debt allowance
<b>Long term receivable</b>				
Hangzhou Red Star Macalline Global Home Living Company Limited (杭州紅星美凱龍環球家居有限公司)	332,148,745.00	3,321,487.45	218,144,320.00	2,181,443.20
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公司) (Note 1)	N/A	N/A	174,054,495.62	1,740,544.96
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)	25,100,000.00	251,000.00	27,500,000.00	275,000.00
Shaanxi Red Star Heji Home Shopping Plaza Company Limited (陝西紅星和記家居購物廣場有限公司)	—	—	31,340,000.00	313,400.00
	<b>357,248,745.00</b>	<b>3,572,487.45</b>	451,038,815.62	4,510,388.16
<b>Other non-current assets</b>				
Chengdu Red Star Macalline Real Estate Co., Ltd. (成都紅星美凱龍置業有限公司)	247,705,000.00	—	247,705,000.00	—
Shaanxi Red Star Heji Home Shopping Plaza Company Limited (陝西紅星和記家居購物廣場有限公司)	221,236,187.86	2,212,361.88	—	—
	<b>468,941,187.86</b>	<b>2,212,361.88</b>	247,705,000.00	—

Note 1: In January 2019, the Group acquired Nanchang Red Star Macalline Global Home Expo Center Co., Ltd. After the acquisition was completed, the Group holds 100% shares of Nanchang Red Star.

# Notes to the Financial Statements

For the year 2019 (RMB)

## X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

### 6. Amounts due from/to related parties (continued)

	2019	2018
<b>Other payables</b>		
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)	45,303,820.31	—
Chengdu Dongtai Shopping Mall Company Limited (成都東泰商城有限公司)	41,437,944.45	8,852.18
Shenyudao Cultural Tourism Holding Co., Ltd. (神玉島文化旅遊控股股份有限公司)	25,600,000.00	35,000,000.00
Greenland Group Chengdu Jinniu Real Estate Development Co., Ltd. (綠地集團成都金牛房地產開發有限公司)	6,176,810.43	5,029,569.72
Wuhan Zhengkai Logistics Co., Ltd. (武漢市正凱物流有限公司)	5,140,854.38	1,770,960.23
Xinghua Xingkai Home Furnishing Plaza Company Limited (興化市星凱家居生活廣場有限公司)	1,235,578.85	3,403,537.78
Hangzhou Nabel Ceramics Co., Ltd. and its branches (杭州諾貝爾陶瓷有限公司及其分公司)	1,136,494.00	—
LEAWOD door and window profiles company (四川良木道門窗型材有限公司)	630,000.00	30,000.00
Liaoning Cheng'an Construction Co., Ltd. (遼寧誠安建設有限公司)	434,020.50	600,676.43
Super Smart Home (Shanghai) Internet of Things Technology Co., Ltd. (超級智慧家(上海)物聯網科技有限公司)	285,000.00	—
SleepMaker (Hong Kong) Company Limited (深圳市朗樂福睡眠科技有限公司)	250,000.00	—
Chongqing Red Star Macalline Enterprise Development Co., Ltd (重慶紅星美凱龍企業發展有限公司)	199,956.99	7,870,158.00
Changzhou Red Star Furniture General Factory Co., Ltd. (常州市紅星傢俱總廠有限公司)	142,706.57	21,186.00
Hangzhou Nabel Group Co., Ltd. and its branches (杭州諾貝爾集團有限公司及其分公司)	127,514.47	—
Jiangsu Baili Aijia Home Technology Co., Ltd. (江蘇佰麗愛家家居科技有限公司)	94,000.00	110,371.00

## X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

### 6. Amounts due from/to related parties (continued)

	2019	2018
<b>Other payables (continued)</b>		
Klas International Home Living Company Limited (克拉斯國際家居有限公司)	66,300.00	40,000.00
Suzhou Supin Home Culture Co., Ltd. (蘇州市蘇品宅配文化有限公司)	40,015.32	115,615.32
Shenzhen Huasheng Home Furnishing Group Co., Ltd. (深圳華生大家居集團有限公司)	40,000.00	40,000.00
Yunnan Hongxing Meikailong Real Estate Co., Ltd. (雲南紅星美凱龍置業有限公司)	36,104.33	36,104.33
Yangzhou Kailong Consulting Co., Ltd. (揚州凱龍管理諮詢有限公司)	33,979.78	45,191.59
Shanghai Tianhe Smart Home Technology Company Ltd. (上海天合智能科技股份有限公司)	30,000.00	235,904.32
Hangzhou Feishi Bath & Kitchen Products Co., Ltd. (杭州菲氏浴廚用品有限公司)	20,000.00	—
Changzhou Yizhi Furniture Company Limited (常州市藝致傢俱有限公司)	18,000.00	18,000.00
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)	3,795.53	1,843.72
Xuzhou Red Star Macalline International Home Furnishings City Co., Ltd. (徐州紅星美凱龍國際傢俱裝飾城有限公司)	1,797.63	1,912.38
Shaanxi Hongrui Home Furnishings Plaza Co., Ltd. (陝西鴻瑞家居生活廣場有限公司)	257.58	56,962.54
Wuhu Minghui Business Management Co., Ltd. (蕪湖明輝商業管理有限公司)	162.90	149,320.69
Shanghai Red Star Macalline Enterprise Operation and Management Co., Ltd. (上海紅星美凱龍企業經營管理有限公司)	—	58,316,168.31
Shanghai Jiazhan Construction Engineering Company Limited (上海嘉展建築裝潢工程有限公司)	—	1,300,296.24



# Notes to the Financial Statements

For the year 2019 (RMB)

## X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

### 6. Amounts due from/to related parties (continued)

	2019	2018
<b>Other payables (continued)</b>		
Zhuzhou Red Star Xin An Ju Industrial Company Limited (株洲紅星新安居實業有限公司)	—	1,232,222.36
Super Smart Home (Shanghai) Internet of Things Technology Co., Ltd. (超級智慧家(上海)物聯網科技有限公司)	—	415,088.33
Business Division of Nanjing Pukou Lilicheng Furniture (南京市浦口區立力成傢俱經營部)	—	85,075.20
CHE Jianfang (車建芳)	—	70,150.00
QIAN Yumei (錢玉梅)	—	61,003.20
Xuzhou Red Star Macalline Global Home Furnishings Plaza Co., Ltd. (徐州紅星美凱龍全球家居生活廣場有限公司)	—	41,436.68
Shanghai Hongmei Real Estate Co., Ltd (上海洪美置業有限公司)	—	15,910.00
CAO Zhongmin (曹仲民)	—	12,000.00
	<b>128,485,114.02</b>	<b>116,135,516.55</b>

## X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

### 6. Amounts due from/to related parties (continued)

	2019	2018
<b>Advance from Customers</b>		
Hangzhou Nabel Ceramics Co., Ltd. and its branches (杭州諾貝爾陶瓷有限公司及其分公司)	458,908.98	—
Shengbao (Shanghai) Furniture Co., Ltd. (晟葆(上海)傢俱有限公司)	239,785.62	—
Zhengzhou Xingbo Real Estate Development Co., Ltd. (鄭州星鉑房地產開發有限公司)	210,000.00	—
Changzhou Red Star Furniture General Factory Co., Ltd. (常州市紅星傢俱總廠有限公司)	92,435.92	—
Greenland Group Chengdu Jinniu Real Estate Development Co., Ltd. (綠地集團成都金牛房地產開發有限公司)	—	577,040.25
Super Smart Home (Shanghai) Internet of Things Technology Co., Ltd. (超級智慧家(上海)物聯網科技有限公司)	—	471,522.23
Suzhou Supin Home Culture Co., Ltd. (蘇州市蘇品宅配文化有限公司)	—	108,000.00
Shaanxi Hongrui Home Furnishings Plaza Co., Ltd. (陝西鴻瑞家居生活廣場有限公司)	—	16,573.28
ZHANG Jianfang (張建芳)	—	4,051.02
	<b>1,001,130.52</b>	<b>1,177,186.78</b>
<b>Account Payable</b>		
Liaoning Cheng'an Construction Co., Ltd. (遼寧誠安建設有限公司)	43,522,109.91	12,272,932.21
Shanghai Jiazhan Construction Engineering Company Limited (上海嘉展建築裝潢工程有限公司)	29,020,042.08	19,801,237.74
Shanghai Zhidi Intelligent Technology Co., Ltd. (上海智諦智慧科技有限公司)	1,497,343.39	—
Changzhou Red Star Furniture General Factory Co., Ltd. (常州市紅星傢俱總廠有限公司)	748,612.50	341,500.50
	<b>74,788,107.88</b>	<b>32,415,670.45</b>
<b>Lease liabilities</b>		
Changzhou Red Star Home Furnishing City (常州市紅星裝飾城)	1,576,761.26	NA

# Notes to the Financial Statements

For the year 2019 (RMB)

## XI. COMMITMENTS AND CONTINGENCIES

### 1. Significant Commitments

	2019	2018
Contracted but not provisioned		
Capital commitments	<b>2,095,018,000.00</b>	3,310,000,000.00
Investment commitments	<b>647,700,000.00</b>	1,618,733,000.00
	<b>2,742,718,000.00</b>	4,928,733,000.00

### 2. Contingencies

As of the date of approval of the financial report, the Company has no significant contingencies that should be disclosed.

## XII. EVENTS AFTER THE BALANCE SHEET DATE

### 1. Evaluation of the impact of new coronavirus pneumonia

From January 2020, the novel coronavirus pneumonia epidemic ("nCov epidemic") continues to spread throughout the country. On January 31, 2020, the World Health Organization announced that the nCov epidemic would be listed as a public health emergency of international concern. In order to respond to the public health risks brought by the nCov epidemic, China has successively carried out prevention and control work related to the epidemic, including traffic control and the closure of public places.

In order to actively cooperate with the prevention and control of the nCov epidemic, the Group postponed the opening of all shopping malls in the Group until February 21, 2020 after the Chinese New Year holiday; at the same time, in order to support the development of tenants, on February 1st, 2020 On the 1st, the Group held the third interim meeting of the fourth session of the Board of Directors, and the "Proposal on Exemption of One-month Rent and Management Fees of Portfolio Shopping Malls Tenants" was considered and approved. The rent and management fee for a month of the year 2020 will help the relevant tenants to operate smoothly in the nCov epidemic.

The Group expects that the nCov epidemic and related prevention and control measures will have a certain impact on the operation of the Group. The degree of impact depends on the duration of the nCov epidemic and the implementation of regulatory policies. The Group will continue to pay close attention to and evaluate its impact on the Group's financial position and operating results. On the approval and reporting date of the financial statements, relevant assessments are still in progress.

## XII. EVENTS AFTER THE BALANCE SHEET DATE (CONTINUED)

### 2. Mid-term Notes

On 12 September 2018, the Company received the Notice for Acceptance of Registration (Zhong Shi Xie Zhu [2018] No. MTN506) issued by the National Association of Financial Market Institutional Investors (the “NAFMII”), expressing its consent for the registration of mid-term notes of the Company, with a registration amount of RMB5 billion. The registration amount will be valid for two years from the date of the Notice for Acceptance of Registration issued by the NAFMII. On 22 May 2019, in order to better play the role of non-financial corporate debt financing instruments on the Company’s overall capital use, after re-evaluating its debt financing instrument structure, the Company applied to the NAFMII for the reduction of the registration amount of the mid-term notes under the aforementioned Notice for Acceptance of Registration (Zhong Shi Xie Zhu [2018] No. MTN506). On 6 June 2019, the Group received the Letter in Relation to the Reduction of Registered Amount of Mid-Term Notes of Red Star Macalline Group Corporation Ltd. (Zhong Shi Xie Han [2019] No. 567) issued by the NAFMII approving the reduction of RMB3 billion from the registration amount of the mid-term notes of the Group. The remaining valid registration amount is RMB2 billion.

From 16 January 2020 to 17 January 2020, the issuance of the 2020 first tranche of midterm notes of the Company was completed with amount in total of RMB500 million with an interest rate of 5.70%. The term is 3 years and the redemption date is January 20, 2023.

### 3. Issuance of Corporate Bonds

As approved by the China Securities Regulatory Commission (Zheng Jian Xu Ke [2019] No. 628), Red Star Macalline Group Corporation Ltd. was granted the permission to publicly issue corporate bonds with the total nominal value of up to RMB4 billion to qualified investors, and such corporate bonds shall be issued in installments.

On 10 March 2020, Red Star Macalline Group Corporation Ltd. successfully issued the 2020 Corporate Bonds (first tranche), the actual issuance size was RMB500 million, with a coupon rate of 4.95% and term of 3 years.

# Notes to the Financial Statements

For the year 2019 (RMB)

## XII. EVENTS AFTER THE BALANCE SHEET DATE (CONTINUED)

### 4. Dividends Payment

The Company plan to distribute cash dividends of RMB898,150,000.00 (tax inclusive) in 2019, cash dividends of RMB2.53 (tax inclusive) per 10 shares, and issue one share per 10 shares by way of conversion of capital reserve to all shareholders, which is to distribute cash dividends of RMB898,150,000.00 (tax inclusive) in 2019 and capital reserve conversion of 355,000,000 shares. The proposed cash dividends account for 20.05% of the net profit attributable to shareholders of the listed company of the 2019 consolidated statements. Cash dividends are denominated and declared in RMB, paid to A-share shareholders in RMB, and paid to H-share shareholders in Hong Kong dollars. The Company's 2019 profit distribution proposal has been approved at the first meeting (regular) of the company's fourth session of the board of directors, which is still subject to the consideration and approval of Shareholders' general meeting.

## XIII. OTHER SIGNIFICANT EVENTS

### 1. Segment Reporting

#### Operating segment

For management purposes, the Group is organized into business units based on their products and services and has 5 reporting segments as follows:

- (1) Owned/Leased Portfolio Shopping Malls;
- (2) Managed Shopping Malls;
- (3) Construction and design;
- (4) Sales of merchandise and related services;
- (5) Others.

The management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance are evaluated based on the segment profits reported. It represents the indicator after adjustments have been made to total profit of continuing operation, and other than the exclusion of interest income, financial expenses, dividend income, gains from changes in fair value of financial instruments, and headquarters expenses, the indicator is consistent with the Group's total profit of continuing operation.

### XIII. OTHER SIGNIFICANT EVENTS (CONTINUED)

#### 1. Segment Reporting (continued)

##### Operating segment (continued)

2019

	Owned/Leased Portfolio		Construction and design	Sales of merchandise and related services		Unallocated item	Combination
	Shopping Malls	Managed Shopping Malls		Other			
External revenue	7,798,760,658.12	4,702,248,186.58	2,250,505,124.04	568,999,157.09	1,148,724,663.09	–	16,469,237,788.92
Inter-segment revenue							
<b>Total segment operating revenue</b>	<b>7,798,760,658.12</b>	<b>4,702,248,186.58</b>	<b>2,250,505,124.04</b>	<b>568,999,157.09</b>	<b>1,148,724,663.09</b>	<b>–</b>	<b>16,469,237,788.92</b>
Less: Cost of sales	1,654,802,504.45	1,624,820,375.85	1,459,522,282.78	440,190,913.00	556,274,935.42	–	5,735,611,011.50
Taxes and surcharges	365,419,038.76	36,811,335.76	13,773,217.88	1,645,111.21	11,391,898.15	–	429,040,601.76
Distribution and selling expenses	1,554,419,069.09	526,548,524.47	132,252.38	156,362,103.05	53,468,877.32	–	2,290,930,826.31
General and administrative expenses	664,743,614.99	520,034,159.13	111,734,987.44	112,569,449.10	342,784,504.93	–	1,751,866,715.59
Research and development expenses	–	–	–	–	–	38,206,412.50	38,206,412.50
Financial expenses	–	–	–	–	–	2,260,079,805.40	2,260,079,805.40
Add: Other income	–	–	–	–	–	104,900,495.94	104,900,495.94
Investment income	–	–	–	–	–	786,438,650.13	786,438,650.13
Gain on changes in fair value	–	–	–	–	–	1,632,073,263.93	1,632,073,263.93
Impairment losses of credit	–	–	–	–	–	(297,862,062.06)	(297,862,062.06)
Gain from disposal of assets	–	–	–	–	–	8,101,725.36	8,101,725.36
Operating profit/(loss)	3,559,376,430.83	1,994,033,791.37	665,342,383.56	(141,768,419.27)	184,804,447.27	(64,634,144.60)	6,197,154,489.16
Add: Non-operating income	–	–	–	–	–	46,074,966.28	46,074,966.28
Less: Non-operating expenses	–	–	–	–	–	40,151,435.89	40,151,435.89
<b>Total profit/(loss)</b>	<b>3,559,376,430.83</b>	<b>1,994,033,791.37</b>	<b>665,342,383.56</b>	<b>(141,768,419.27)</b>	<b>184,804,447.27</b>	<b>(58,710,614.21)</b>	<b>6,203,078,019.55</b>
Less: Income tax expenses	–	–	–	–	–	1,516,836,338.46	1,516,836,338.46
<b>Net profit/(loss)</b>	<b>3,559,376,430.83</b>	<b>1,994,033,791.37</b>	<b>665,342,383.56</b>	<b>(141,768,419.27)</b>	<b>184,804,447.27</b>	<b>(1,575,546,952.67)</b>	<b>4,686,241,681.09</b>

# Notes to the Financial Statements

For the year 2019 (RMB)

## XIII. OTHER SIGNIFICANT EVENTS (CONTINUED)

### 1. Segment Reporting (continued)

#### Operating segment (continued)

2018

	Owned/Leased Portfolio		Construction and design	Sales of merchandise and related services		Unallocated item	Combination
	Shopping Malls	Managed Shopping Malls		Other			
External revenue	7,167,976,016.22	4,176,778,594.26	1,479,553,020.36	466,289,187.59	949,195,682.01	–	14,239,792,500.44
Inter-segment revenue	–	–	–	–	–	–	–
<b>Total segment operating revenue</b>	<b>7,167,976,016.22</b>	<b>4,176,778,594.26</b>	<b>1,479,553,020.36</b>	<b>466,289,187.59</b>	<b>949,195,682.01</b>	<b>–</b>	<b>14,239,792,500.44</b>
Less: Cost of sales	1,607,276,015.02	1,655,852,601.31	995,054,981.41	309,325,890.09	246,190,333.24	–	4,813,699,821.07
Taxes and surcharges	339,809,034.92	31,054,622.13	4,511,494.10	1,201,533.26	10,793,289.82	–	387,369,974.23
Distribution and selling expenses	1,067,339,463.58	427,255,474.50	–	112,253,294.05	93,489,065.17	–	1,700,337,297.30
General and administrative expenses	559,774,169.55	404,918,084.17	107,799,959.14	115,456,405.50	303,012,792.44	–	1,490,961,410.80
Research and development expenses	–	–	–	–	–	43,165,869.51	43,165,869.51
Financial expenses	–	–	–	–	–	1,533,151,372.35	1,533,151,372.35
Add: Other income	–	–	–	–	–	111,159,889.42	111,159,889.42
Investment income	–	–	–	–	–	229,672,928.92	229,672,928.92
Gain on changes in fair value	–	–	–	–	–	1,767,009,613.56	1,767,009,613.56
Impairment losses of credit	–	–	–	–	–	(247,494,708.99)	(247,494,708.99)
Gain from disposal of assets	–	–	–	–	–	(656,552.23)	(656,552.23)
Operating profit/(loss)	3,593,777,333.15	1,657,697,812.15	372,186,585.71	(71,947,935.31)	295,710,201.34	283,373,928.82	6,130,797,925.86
Add: Non-operating income	–	–	–	–	–	38,512,766.67	38,512,766.67
Less: Non-operating expenses	–	–	–	–	–	149,990,961.12	149,990,961.12
<b>Total profit/(loss)</b>	<b>3,593,777,333.15</b>	<b>1,657,697,812.15</b>	<b>372,186,585.71</b>	<b>(71,947,935.31)</b>	<b>295,710,201.34</b>	<b>171,895,734.37</b>	<b>6,019,139,731.41</b>
Less: Income tax expenses	–	–	–	–	–	1,313,872,428.30	1,313,872,428.30
<b>Net profit/(loss)</b>	<b>3,593,777,333.15</b>	<b>1,657,697,812.15</b>	<b>372,186,585.71</b>	<b>(71,947,935.31)</b>	<b>295,710,201.34</b>	<b>(1,141,976,693.93)</b>	<b>4,705,447,303.11</b>

## XIII. OTHER SIGNIFICANT EVENTS (CONTINUED)

### 2. Leases

#### (1) As a lessor

The Group uses some houses and buildings for rent, and the lease period is usually 1-3 years, forming an operating lease. According to the lease contract, the rent needs to be adjusted every year according to the market rent status. In 2019, the Group's revenue from housing and building leases was RMB7,798,760,658.12, please refer to Note V.46. The leased houses and buildings are listed in investment properties, please refer to Note V.15.

#### Operating lease

The profit and loss related to operating leases are listed as follows:

	2019
Rental income	7,798,760,658.12

According to the lease contract signed with the lessee, minimum lease payment under irrevocable lease is as follows:

	2019
Within 1 year (including 1 year)	2,445,477,545.62
1 to 2 years (including 2 years)	59,385,558.27
2 to 3 years (including 3 years)	32,671,446.28
3 to 4 years (including 4 years)	15,384,663.59
4 to 5 years (including 5 years)	42,078.24
	2,552,961,292.00

For fixed assets rented out under operating leases, please refer to Note V.15.



# Notes to the Financial Statements

For the year 2019 (RMB)

## XIII. OTHER SIGNIFICANT EVENTS (CONTINUED)

### 2. Leases (continued)

#### (2) As a lessee

	2019
Interest expenses of lease liabilities	174,769,088.34
Short-term lease expenses included in the current profit and loss under simplified treatment	60,140,750.02
Revenue from subletting right-of-use assets	1,109,516,925.02
Total cash outflows related to leases	763,075,082.65

The leased assets leased by the Group include houses and buildings and other equipments used in the course of operation. The lease period of houses and buildings and other equipments is usually 3–30 years.

#### Potential future cash outflows not included in the measurement of lease liabilities

##### *Leases committed but not yet started*

Excepted future cash outflows of the leases committed by the Group but not yet started are as follows:

	2019
Within 1 year (including 1 year)	73,601,128.80
1 to 2 years (including 2 years)	102,781,148.40
2 to 3 years (including 3 years)	105,373,148.40
Over 3 years	1,820,479,300.52
	2,102,234,726.12

## XIII. OTHER SIGNIFICANT EVENTS (CONTINUED)

### 2. Leases (continued)

#### (2) As a lessee (continued)

##### Finance lease (only applicable for 2018)

As at 31 December 2018, the balance of unrecognized finance charge amounted to RMB510,862,254.59, was amortized over each period in the lease term adopting the effective interest method. According to the lease contract signed with the lessor, the minimum lease payment under irrevocable lease is as follows:

	2018
Within 1 year (including 1 year)	31,249,088.04
1 to 2 years (including 2 years)	31,249,088.04
2 to 3 years (including 3 years)	31,249,088.04
Over 3 years	840,847,393.11
	934,594,657.23

##### Significant operating lease (only applicable for 2018)

According to the lease contract signed with the lessor, minimum lease payment under irrevocable lease is as follows:

	2018
Within 1 year (including 1 year)	665,024,000.00
1 to 2 years (including 2 years)	677,663,000.00
2 to 3 years (including 3 years)	555,336,000.00
Over 3 years	5,808,486,000.00
	7,706,509,000.00

##### Other lease information

Right-of-use assets, please refer to notes V. 18; for simplified treatment of short-term leases and low-value asset leases, please refer to notes III. 27; lease liabilities, please refer to notes V. 35 and notes VIII.2.

# Notes to the Financial Statements

For the year 2019 (RMB)

## XIII. OTHER SIGNIFICANT EVENTS (CONTINUED)

### \*3. Remuneration of Directors and Supervisors

#### Remuneration of Directors

	2019	2018
Directors' fees	2,400,000.00	2,597,000.00
Salaries and allowances	8,730,000.00	13,127,000.00
Bonuses	4,634,255.00	7,181,000.00
Pensions	245,336.00	296,000.00
Social insurance and reserve funds other than pensions	257,910.85	266,000.00
	<b>16,267,501.85</b>	<b>23,467,000.00</b>

#### Executive directors

The remuneration of executive Directors is set out as follows:

2019	Directors' fees	Salaries and allowances	Bonuses	Pensions	Other social security fund	Total
CHE Jianxing	—	1,818,000.00	300,000.00	49,067.20	51,582.17	2,218,649.37
GUO Binghe	—	1,458,000.00	930,000.00	49,067.20	51,582.17	2,488,649.37
CHE Jianfang	—	2,418,000.00	381,600.00	49,067.20	51,582.17	2,900,249.37
JIANG Xiaozhong	—	1,818,000.00	2,680,400.00	49,067.20	51,582.17	4,599,049.37
	—	<b>7,512,000.00</b>	<b>4,292,000.00</b>	<b>196,268.80</b>	<b>206,328.68</b>	<b>12,206,597.48</b>

2018	Directors' fees	Salaries and allowances	Bonuses	Pensions	Other social security fund	Total
CHE Jianxing	—	3,418,000.00	—	50,000.00	45,000.00	3,513,000.00
ZHANG Qi	—	2,797,000.00	—	46,000.00	41,000.00	2,884,000.00
CHE Jianfang	—	2,418,000.00	2,163,000.00	50,000.00	45,000.00	4,676,000.00
JIANG Xiaozhong	—	1,818,000.00	3,580,000.00	50,000.00	45,000.00	5,493,000.00
GUO Binghe	—	1,458,000.00	943,000.00	50,000.00	45,000.00	2,496,000.00
	—	<b>11,909,000.00</b>	<b>6,686,000.00</b>	<b>246,000.00</b>	<b>221,000.00</b>	<b>19,062,000.00</b>

### XIII. OTHER SIGNIFICANT EVENTS (CONTINUED)

#### \*3. Remuneration of Directors and Supervisors (continued)

##### Non-executive directors

The remuneration of non-executive Directors is set out as follows

2019	Directors' fees	Salaries and allowances	Bonuses	Pensions	Social security fund	Total
CHEN Shuhong	—	1,218,000.00	342,255.00	49,067.20	51,582.17	1,660,904.37
XU Guofeng	—	—	—	—	—	—
Joseph Raymond Gagnon	—	—	—	—	—	—
ZHANG Qiqi	—	—	—	—	—	—
XU Hong	—	—	—	—	—	—
JING Jie	—	—	—	—	—	—
	—	1,218,000.00	342,255.00	49,067.20	51,582.17	1,660,904.37

2018	Directors' fees	Salaries and allowances	Bonuses	Pensions	Social security fund	Total
CHEN Shuhong	—	1,218,000.00	495,000.00	50,000.00	45,000.00	1,808,000.00
XU Guofeng	—	—	—	—	—	—
Joseph Raymond Gagnon	—	—	—	—	—	—
ZHANG Qiqi	—	—	—	—	—	—
	—	1,218,000.00	495,000.00	50,000.00	45,000.00	1,808,000.00

# Notes to the Financial Statements

For the year 2019 (RMB)

## XIII. OTHER SIGNIFICANT EVENTS (CONTINUED)

### \*3. Remuneration of Directors and Supervisors (continued)

#### Independent non-executive directors

	2019	2018
LI Zhenning (李振寧) (Note1)	—	550,000.00
Ding Yuan (丁遠) (Note 1)	—	733,000.00
LEE, Kwan Hung (李均雄)	600,000.00	600,000.00
QIAN Shizheng (錢世政)	600,000.00	600,000.00
ZHAO Chongyi (趙崇佚) (Note 2)	600,000.00	57,000.00
WANG Xiao (王嘯) (Note 2)	600,000.00	57,000.00
	<b>2,400,000.00</b>	<b>2,597,000.00</b>

Note 1: Resigned as an independent non-executive director of the Company on November 28, 2018.

Note 2: Appointed as an independent non-executive director of the Company on November 28, 2018.

There is no other remuneration payable to independent non-executive Directors for the year (2018: nil).

## XIII. OTHER SIGNIFICANT EVENTS (CONTINUED)

## \*3. Remuneration of Directors and Supervisors (continued)

## Remuneration of Supervisors

2019年	Supervisors' fees	Salaries and allowances	Bonuses	Pensions	Other social security fund	Total
PAN Ning (潘寧)	—	1,218,000.00	658,000.00	49,067.20	51,582.17	1,976,649.37
CHAO Yanping (巢艷萍)	—	600,000.00	377,102.01	49,067.20	51,582.17	1,077,751.38
CHEN Gang (陳崗)	180,000.00	—	—	—	—	180,000.00
ZHENG Hongtao (鄭洪濤)	180,000.00	—	—	—	—	180,000.00
WU Kaiying (吳凱盈)	—	—	—	—	—	—
	360,000.00	1,818,000.00	1,035,102.01	98,134.40	103,164.34	3,414,400.75

2018年	Supervisors' fees	Salaries and allowances	Bonuses	Pensions	Other social security fund	Total
PAN Ning (潘寧)	—	1,218,000.00	600,000.00	50,220.00	45,334.55	1,913,554.55
CHAO Yanping (巢艷萍)	—	710,400.00	231,369.00	50,220.00	45,334.55	1,037,323.55
CHEN Gang (陳崗)	180,000.00	—	—	—	—	180,000.00
ZHENG Hongtao (鄭洪濤)	180,000.00	—	—	—	—	180,000.00
WU Kaiying (吳凱盈)	—	—	—	—	—	—
	360,000.00	1,928,400.00	831,369.00	100,440.00	90,669.10	3,310,878.10

Pursuant to the remuneration system of the Company, the remuneration, allowances, benefits in kind and discretionary bonuses accrued for the executive directors are subject to the approval of the remuneration committee and the annual general meeting.

# Notes to the Financial Statements

For the year 2019 (RMB)

## XIII. OTHER SIGNIFICANT EVENTS (CONTINUED)

### \*4. The Five Highest Paid Employees of the Group During the Year

The five highest paid employees during the year included one directors (2018: three directors) and details of their remuneration are set out in Notes XIII. 3. Details of the remaining four non-directors of the highest paid employees (2018: two) are set out as follows:

	2019	2018
Salaries and allowances	<b>8,076,000.00</b>	3,456,000.00
Bonuses	<b>6,998,500.00</b>	3,419,047.49
Pensions	<b>147,201.44</b>	50,220.00
Social insurance and reserve funds other than pensions	<b>154,746.46</b>	45,334.55

The number of the non-directors and non-supervisors of highest paid employees whose pre-tax remuneration fell within the following bands is as follows:

	2019	2018
HK\$3,000,001 to HK\$3,500,000 (equivalent to RMB2,687,000 to RMB3,135,000)	—	1
HK\$3,500,001 to HK\$4,000,000 (equivalent to RMB3,135,000 to RMB3,583,000)	1	—
HK\$4,000,001 to HK\$4,500,000 (equivalent to RMB3,583,000 to RMB4,031,000)	2	—
HK\$4,500,001 to HK\$5,000,000 (equivalent to RMB4,031,000 to RMB4,479,000)	1	1

### \*5. Pension Plans

	2019	2018
Net contributions to pension plans	<b>281,063,651.08</b>	289,888,161.21

On 31 December 2019, the Group was not forced to waive its contributions to reduce its contributions to pension plan for future years.

### XIII. OTHER SIGNIFICANT EVENTS (CONTINUED)

#### \*6. Total Assets Less Current Liabilities

	31 December 2019 The Group	31 December 2018 The Group
Total assets	<b>122,294,418,558.66</b>	110,860,717,818.56
Less: current liabilities	<b>27,767,945,494.43</b>	25,313,806,916.61
Total assets less current liabilities	<b>94,526,473,064.23</b>	85,546,910,901.95

	31 December 2019 The Company	31 December 2018 The Company
Total assets	<b>53,950,039,772.09</b>	48,502,749,563.29
Less: current liabilities	<b>28,340,470,796.12</b>	24,206,702,337.56
Total assets less current liabilities	<b>25,609,568,975.97</b>	24,296,047,225.73

#### 7. Comparative Data

As mentioned in Note III. 34, and according to “Notice on the Amendment and Issuance of the Format of General Financial Statements for 2019” (Cai Kuai [2019] No. 6) and “Notice on the Amendment and Issuance of Consolidated Financial Statements Format (2019 Edition)” (Cai Kuai [2019] No. 16), the accounting treatment and presentation of certain items in the financial statements and the amount in the financial statements have been revised to meet the new requirements. Accordingly, some previous annual data have been adjusted and some comparative data have been reclassified and restated to meet the reporting and accounting treatment requirements for the current year.

#### 8. Other Important Transactions and Events that Affect Investors' Decisions

As of the approval date of the financial report, the Group has no other important transactions and events that have an impact on investors' decisions should be disclosed.



# Notes to the Financial Statements

For the year 2019 (RMB)

## XIV. NOTES TO THE MAJOR ITEMS IN FINANCIAL STATEMENTS OF THE COMPANY

### 1. Accounts Receivable

	31 December 2019	31 December 2018
Accounts receivable	1,283,376,758.63	1,517,778,273.71
Less: Bad debt allowance	909,070,574.54	940,816,218.89
	<b>374,306,184.09</b>	576,962,054.82

The movements on the allowance for bad debts in relation to accounts receivable are as follows:

	Opening balance	Opening balance (Note 1)	Provision for the current year	Reversal for the current year	Charge off for the current year	Write-off for the current year	Closing balance
2019	940,816,218.89	—	111,039,148.09	(23,458,125.78)	—	(119,326,666.66)	909,070,574.54
2018	688,235,179.47	177,334,527.94	90,246,511.48	(15,000,000.00)	—	—	940,816,218.89

Note 1: The influence to the opening balance of bad debts because of implementation of new financial instrument standards.

	2019			
	Book balance		Bad debt allowance	
	Amount	Percentage (%)	Amount	Proportion (%)
Receivables for which bad debts are provided individually	783,003,620.06	61.01	777,003,620.06	99.23
Receivables for which bad debt allowance is provided by portfolio of credit risk characteristics	500,373,138.57	38.99	132,066,954.48	26.39
	<b>1,283,376,758.63</b>	<b>100.00</b>	<b>909,070,574.54</b>	<b>70.83</b>

## XIV. NOTES TO THE MAJOR ITEMS IN FINANCIAL STATEMENTS OF THE COMPANY (CONTINUED)

### 1. Accounts Receivable (continued)

	31 December 2018			
	Book balance		Bad debt allowance	
	Amount	Percentage (%)	Amount	Proportion (%)
Receivables for which bad debts are provided individually	886,000,865.46	58.37	806,961,654.65	91.08
Receivables for which bad debt allowance is provided by portfolio of credit risk characteristics	631,777,408.25	41.63	133,854,564.24	21.19
	1,517,778,273.71	100.00	940,816,218.89	61.99

The aging analysis of accounts receivable is as follows:

	31 December 2019	31 December 2018
Within 1 year	<b>172,585,476.58</b>	244,694,239.64
1 to 2 years	<b>138,675,103.83</b>	150,008,648.61
2 to 3 years	<b>144,958,648.62</b>	164,417,337.43
Over 3 years	<b>827,157,529.60</b>	958,658,048.03
	<b>1,283,376,758.63</b>	1,517,778,273.71
Less: Allowance for bad debts for accounts receivable	<b>909,070,574.54</b>	940,816,218.89
	<b>374,306,184.09</b>	576,962,054.82

# Notes to the Financial Statements

For the year 2019 (RMB)

## XIV. NOTES TO THE MAJOR ITEMS IN FINANCIAL STATEMENTS OF THE COMPANY (CONTINUED)

### 1. Accounts Receivable (continued)

As at 31 December 2019, the top five amount of accounts receivable which bad debts are provided individually are as follows:

	Book balance	Bad debt allowance Closing balance	ECL rate (%)	Reason for accruing bad debt
Changzhou Wujin Construction Engineering Co., Ltd. (常州市武進建設工程有限公司)	55,000,000.00	55,000,000.00	100.00	Expected account receivables cannot be recovered
Jiangsu Provincial Construction Group Co., Ltd (江蘇省建築工程集團有限公司)	26,000,000.00	23,000,000.00	88.46	Expected partial account receivables cannot be recovered
Guizhou Jinyuan Huafu Property Co., Ltd (貴州金源華府置業有限公司)	23,000,000.00	23,000,000.00	100.00	Expected account receivables cannot be recovered
Xuanwei Xintiandi Real Estate Development Co., Ltd (宣城市新天地房地產開發有限公司)	20,000,000.00	20,000,000.00	100.00	Expected account receivables cannot be recovered
Fujian vogu Investment Development Co., Ltd (福建沃谷投資發展有限公司)	17,000,000.00	17,000,000.00	100.00	Expected account receivables cannot be recovered

## XIV. NOTES TO THE MAJOR ITEMS IN FINANCIAL STATEMENTS OF THE COMPANY (CONTINUED)

### 1. Accounts Receivable (continued)

As at 31 December 2018, the top five amount of accounts receivable which bad debts are provided individually are as follows:

	Book balance	Bad debt allowance Closing balance	Proportion to total balance of Accounts receivable (%)	Reason for accruing bad debt
Changzhou Wujin Construction Engineering Co., Ltd. (常州市武進建設工程有限公司)	55,000,000.00	55,000,000.00	100.00	Expected account receivables cannot be recovered
Jiangsu Yancheng Erjian Group Co., Ltd (江蘇鹽城二建集團有限公司)	30,600,000.00	30,600,000.00	100.00	Expected account receivables cannot be recovered
Guizhou Jinyuan Huafu Real Estate Co., Ltd (貴州金源華府置業有限公司)	23,000,000.00	23,000,000.00	100.00	Expected account receivables cannot be recovered
Xuanwei Xintiandi Real Estate Development Co., Ltd (宣城市新天地房地產開發有限公司)	20,000,000.00	20,000,000.00	100.00	Expected account receivables cannot be recovered
Jiangsu Provincial Construction Group Co., Ltd (江蘇省建築工程集團有限公司)	26,000,000.00	23,000,000.00	88.46	Expected partial account receivables cannot be recovered

# Notes to the Financial Statements

For the year 2019 (RMB)

## XIV. NOTES TO THE MAJOR ITEMS IN FINANCIAL STATEMENTS OF THE COMPANY (CONTINUED)

### 1. Accounts Receivable (continued)

Our Company's accounts receivable for which bad debts are provided by aging analysis method are as follows:

	31 December 2019		
	Book balance expected to incur credit loss	ECL rate (%)	Lifetime ECL
Portfolio One: Brand consulting and management services for the early stage of project			
Within 1 year	26,300,000.00	8.96	2,356,480.00
1 to 2 years	88,440,000.00	13.99	12,372,756.00
2 to 3 years	75,000,000.00	19.57	14,677,500.00
3 to 4 years	65,890,000.00	26.83	17,678,287.00
4 to 5 years	30,050,000.00	53.11	15,959,555.00
5 to 6 years	41,540,000.00	69.67	28,940,918.00
Over 6 years	5,000,000.00	100.00	5,000,000.00
<b>Total</b>	<b>332,220,000.00</b>	<b>29.19</b>	<b>96,985,496.00</b>

	31 December 2019		
	Book balance expected to incur credit loss	ECL rate (%)	Lifetime ECL
Portfolio Three: Other consulting services			
Within 1 year	75,090,393.42	13.76	10,332,438.14
1 to 2 years	13,820,720.28	22.44	3,101,369.63
2 to 3 years	25,558,648.63	32.65	8,344,898.78
Over 3 years	11,400,000.00	100.00	11,400,000.00
<b>Total</b>	<b>125,869,762.33</b>	<b>26.36</b>	<b>33,178,706.55</b>

## XIV. NOTES TO THE MAJOR ITEMS IN FINANCIAL STATEMENTS OF THE COMPANY (CONTINUED)

### 1. Accounts Receivable (continued)

Name	31 December 2019		
	Book balance expected to incur credit loss	ECL rate (%)	Lifetime ECL
Portfolio Four: Rental and related income			
Within 1 year	4,916,252.54	4.50	221,231.36

Name	31 December 2019		
	Book balance expected to incur credit loss	ECL rate (%)	Lifetime ECL
Portfolio Five: Others			
Within 1 year	21,867,123.72	4.50	984,020.57
Over 1 year	15,499,999.98	4.50	697,500.00
Total	37,367,123.70	4.50	1,681,520.57

# Notes to the Financial Statements

For the year 2019 (RMB)

## XIV. NOTES TO THE MAJOR ITEMS IN FINANCIAL STATEMENTS OF THE COMPANY (CONTINUED)

### 1. Accounts Receivable (continued)

	31 December 2018		
	Book balance expected to incur credit loss	ECL rate (%)	Lifetime ECL
Portfolio One: Brand consulting and management services for the early stage of project			
Within 1 year	137,400,000.00	9.00	12,366,000.00
1 to 2 years	92,500,000.00	14.00	12,950,000.00
2 to 3 years	90,572,817.43	20.00	18,114,563.48
3 to 4 years	103,300,000.00	31.50	32,539,500.00
4 to 5 years	44,707,182.57	48.61	21,733,701.53
5 to 6 years	14,000,000.00	61.83	8,656,200.00
Over 6 years	5,500,000.00	100.00	5,500,000.00
	487,980,000.00	22.92	111,859,965.01
Portfolio Three: Other consulting services			
Within 1 year	54,004,038.02	10.28	5,551,615.11
1 to 2 years	30,808,648.63	17.65	5,437,726.48
2 to 3 years	11,494,520.00	35.61	4,093,198.57
Over 3 years	5,000,000.00	100	5,000,000.00
	101,307,206.65	19.82	20,082,540.16

## XIV. NOTES TO THE MAJOR ITEMS IN FINANCIAL STATEMENTS OF THE COMPANY (CONTINUED)

### 1. Accounts Receivable (continued)

Name	31 December 2018		
	Book balance expected to incur credit loss	ECL rate (%)	Lifetime ECL
Portfolio Four: Rental and related income			
Within 1 year	615,204.25	4.50	27,684.19

Name	31 December 2018		
	Book balance expected to incur credit loss	ECL rate (%)	Lifetime ECL
Portfolio Five: Others			
Within 1 year	25,174,997.37	4.50	1,132,874.88
Over 1 year	16,699,999.98	4.50	751,500.00
	41,874,997.35	4.50	1,884,374.88

During the period, the actual write-off account receivables is RMB119,326,666.66. During which, the important written-off account includes: Receivables from Jiangsu Yancheng Erjian Group Co., Ltd (江蘇鹽城二建集團有限公司) amount to RMB30,600,000.00 for other consulting services, written-off after approval of management due to unable to recover. Receivables from Jiangsu Jiangzhong Group Co., Ltd (江蘇江中集團有限公司) amount to RMB15,000,000.00 for other consulting services, written-off after approval of management due to unable to recover. Receivables from Nanning Runjia Real Estate Development Co., Ltd (南寧潤嘉房地產開發有限公司) amount to RMB18,666,666.67 for Brand consulting and management services for the early stage of project, written-off after approval of management due to unable to recover (2018: nil).



# Notes to the Financial Statements

For the year 2019 (RMB)

## XIV. NOTES TO THE MAJOR ITEMS IN FINANCIAL STATEMENTS OF THE COMPANY (CONTINUED)

### 1. Accounts Receivable (continued)

As at 31 December 2019, the top five accounts receivable were as follows:

	Closing balance	Proportion to total balance of accounts receivable (%)	Bad debt allowance Closing balance
Changzhou Wujin Construction Engineering Co., Ltd. (常州市武進建設工程有限公司)	55,000,000.00	4.29	55,000,000.00
Jiangsu Provincial Construction Group Co., Ltd. (江蘇省建築工程集團有限公司)	26,000,000.00	2.03	23,000,000.00
Guizhou Jinyuan Huafu Property Co., Ltd. (貴州金源華府置業有限公司)	23,000,000.00	1.79	23,000,000.00
Xuanwei Xintiandi Real Estate Development Co., Ltd. (宣威市新天地房地產開發有限公司)	20,000,000.00	1.56	20,000,000.00
Fujian vogu Investment Development Co., Ltd (福建沃谷投資發展有限公司)	17,000,000.00	1.32	17,000,000.00

### 2. Other Receivables

	31 December 2019	31 December 2018
Interest receivables	26,680,567.53	—
Dividend receivables	3,441,696,949.26	2,734,160,000.00
Other receivables	24,330,957,653.18	22,531,989,844.00
Total	27,799,335,169.97	25,266,149,844.00

## XIV. NOTES TO THE MAJOR ITEMS IN FINANCIAL STATEMENTS OF THE COMPANY (CONTINUED)

### 2. Other Receivables (continued)

#### Interest receivables

	31 December 2019	31 December 2018
Loan interest	26,680,567.53	—

#### Dividend receivables

	31 December 2019	31 December 2018
Red Star Macalline Home Furnishing Mall Management Company Limited (紅星美凱龍家居商場管理有限公司)	1,037,000,000.00	637,000,000.00
Shanghai Xingkai Chengpeng Business Management Company Limited (上海星凱程鵬企業管理有限公司)	608,856,949.26	976,000,000.00
(紅星美凱龍企業管理諮詢有限公司)	570,000,000.00	—
Red Star Xizhao Investment Company Limited (紅星喜兆投資有限公司)	360,000,000.00	—
Shanghai Red Star Macalline Global Home Furnishing Company Limited (上海紅星美凱龍全球家居有限公司)	352,000,000.00	210,000,000.00
Chongqing Red Star Macalline Shibo Home Living Plaza Company Limited (重慶紅星美凱龍世博家居生活廣場有限責任公司)	246,000,000.00	156,000,000.00
Shanghai Red Star Macalline Decorative Furniture Mall Co., Ltd (上海紅星美凱龍裝飾傢俱城有限公司)	121,440,000.00	83,660,000.00
Nanjing Mingdu Home Furnishing Plaza Company Limited (南京名都家居廣場有限公司)	62,400,000.00	31,200,000.00
Changzhou Macalline International Computer and Home Appliance City Company Limited (常州美凱龍國際電腦家電裝飾城有限公司)	36,000,000.00	55,500,000.00
Chengdu Dongtai Shopping Mall Company Limited (成都東泰商城有限公司)	31,000,000.00	—
Jinan Red Star Macalline Shibo Home Living Plaza Company Limited (濟南紅星美凱龍世博家居生活廣場有限公司)	8,000,000.00	—
Shanghai Jisheng Wellborn Global Home Furnishing Brand Management Company Limited (上海吉盛偉邦環球家居品牌管理有限公司)	6,000,000.00	6,000,000.00

# Notes to the Financial Statements

For the year 2019 (RMB)

## XIV. NOTES TO THE MAJOR ITEMS IN FINANCIAL STATEMENTS OF THE COMPANY (CONTINUED)

### 2. Other Receivables (continued)

#### Dividend receivables (continued)

	31 December 2019	31 December 2018
Changsha Red Star Macalline International Home Furnishing Art Expo Company Limited (長沙紅星美凱龍國際家居藝術博覽中心有限公司)	3,000,000.00	3,000,000.00
Shenyang Red Star Macalline Home Furnishing Company Limited (瀋陽紅星美凱龍家居有限公司)	—	126,000,000.00
Beijing Red Star Macalline Shibo Furniture Plaza Company Limited (北京紅星美凱龍世博傢俱廣場有限公司)	—	82,000,000.00
Wuxi Red Star International Home Furnishing Company Limited (無錫紅星美凱龍國際傢俱裝飾有限公司)	—	64,800,000.00
Beijing Red Star Macalline International Home Furnishing Plaza Company Limited (北京紅星美凱龍國際傢俱建材廣場有限公司)	—	55,000,000.00
Changzhou Worldwide Home Living and Furnishing Plaza Company Limited (常州世界傢俱家居廣場有限公司)	—	54,000,000.00
Chongqing Red Star Macalline Global Home Furnishing Plaza Company Limited (重慶紅星美凱龍環球家居生活廣場有限公司)	—	44,000,000.00
Shenyang Red Star Macalline Shibo Home Furnishing Company Limited (瀋陽紅星美凱龍世博家居有限公司)	—	39,000,000.00
Hangzhou Red Star Macalline Shibo Furniture Plaza Company Limited (杭州紅星美凱龍世博家居有限公司)	—	37,000,000.00
Nanjing Red Star International Home Furnishing Mall Company Limited (南京紅星國際傢俱裝飾城有限公司)	—	27,000,000.00
Changsha Red Star Macalline Home Furnishing Plaza Company Limited (長沙紅星美凱龍家居生活廣場有限公司)	—	23,000,000.00
Yangzhou Red Star Macalline International Home Furnishing Plaza Company Limited (揚州紅星美凱龍國際家居廣場有限公司)	—	15,000,000.00
Shanghai Red Star Macalline Kaiheng Household Company Limited (上海紅星美凱龍楷恆家居有限公司)	—	9,000,000.00
	<b>3,441,696,949.26</b>	<b>2,734,160,000.00</b>

## XIV. NOTES TO THE MAJOR ITEMS IN FINANCIAL STATEMENTS OF THE COMPANY (CONTINUED)

### 2. Other Receivables (continued)

The aging analysis of other receivables is as follows:

	31 December 2019	31 December 2018
Within 1 year	20,562,114,370.66	19,122,646,452.74
1 to 2 years	1,213,566,833.42	98,560,020.00
2 to 3 years	17,751,077.50	9,700,000.00
Over 3 years	3,210,026,923.19	3,975,629,242.67
	<b>25,003,459,204.77</b>	23,206,535,715.41
Less: Bad debt allowance for other receivables	<b>672,501,551.59</b>	674,545,871.41
	<b>24,330,957,653.18</b>	22,531,989,844.00

The movements of bad debt allowance for other receivables based on 12-month expected credit loss and the lifetime expected credit loss, respectively, are as follows:

	Stage 1 Expected credit losses in the next 12 months	Stage 2 Lifetime expected credit losses (No credit-impaired)	Stage 3 Lifetime expected credit losses (Credit- impaired)	Total
Balance on 1 January 2019	26,372,534.44	—	648,173,336.97	674,545,871.41
— Transfer to stage 2	—	—	—	—
— Transfer to stage 3	—	—	—	—
— Reverse to stage 2	—	—	—	—
— Reverse to stage 1	—	—	—	—
Provision during the period	32,911,394.16	—	—	32,911,394.16
Reversal during the period	—	—	—	—
Reclassification during this year (Note)	(34,955,713.98)	—	—	(34,955,713.98)
Balance on 31 December 2019	24,328,214.62	—	648,173,336.97	672,501,551.59

Note: During the period, reclass project-related borrowing from other receivables to other current assets including book balance amounted to RMB124,840,273.97 and bad debt allowance amounted to RMB34,955,713.98.

# Notes to the Financial Statements

For the year 2019 (RMB)

## XIV. NOTES TO THE MAJOR ITEMS IN FINANCIAL STATEMENTS OF THE COMPANY (CONTINUED)

### 2. Other Receivables (continued)

The movements of bad debt allowance for other receivables based on 12-month expected credit loss and the lifetime expected credit loss, respectively, are as follows (continue):

	Stage 1 Expected credit losses in the next 12 months	Stage 2 Lifetime expected credit losses (No credit-impaired)	Stage 3 Lifetime expected credit losses (Credit- impaired)	Total
Balance on 1 January 2018	22,625,422.87	—	569,649,239.60	592,274,662.47
— Transfer to stage 2	—	—	—	—
— Transfer to stage 3	—	—	—	—
— Reverse to stage 2	—	—	—	—
— Reverse to stage 1	—	—	—	—
Provision during the period	3,747,111.57	—	78,524,097.37	82,271,208.94
Reversal during the period	—	—	—	—
<b>Balance on 31 December 2018</b>	<b>26,372,534.44</b>	<b>—</b>	<b>648,173,336.97</b>	<b>674,545,871.41</b>

In 2019, bad debt allowance amounted to RMB32,911,394.16 (2018: RMB82,271,208.94) There was no recovered or reversed (2018: Nil).

No actual written-off of accounts receivable in 2019 (2018: Nil).

	31 December 2019	31 December 2018
Loan and advances		
— to related parties	<b>24,115,358,320.67</b>	22,366,052,429.26
— to third parties	<b>207,253,734.32</b>	111,360,710.12
Deposits	<b>5,110,828.38</b>	52,802,821.76
Others	<b>3,234,769.81</b>	1,773,882.86
	<b>24,330,957,653.18</b>	22,531,989,844.00

## XIV. NOTES TO THE MAJOR ITEMS IN FINANCIAL STATEMENTS OF THE COMPANY (CONTINUED)

### 2. Other Receivables (continued)

As at 31 December 2019, the top five entities with the largest amounts of other receivables are as follows:

	Closing balance	Proportion to the total amount of other receivables (%)	Nature	Aging	Bad debt allowance Closing balance
Shanghai Red Star Macalline Home Furnishing Design Expo Company Limited (上海紅星美凱龍家居藝術設計博覽有限公司)	1,613,404,986.91	6.45	Amounts due to and from subsidiaries	Within 2 years	129,552,550.73
Nanjing Mingdu Home Furnishing Plaza Company Limited (南京名都家居廣場有限公司)	991,660,970.93	3.97	Amounts due to and from subsidiaries	Within 2 years	—
Red Star Macalline Shibo (Tianjin) Home Furnishing Plaza Company Limited (紅星美凱龍世博(天津)家居生活廣場有限公司)	935,356,411.66	3.74	Amounts due to and from subsidiaries	Within 2 years	80,000,000.00
Tianjin Red Star Macalline World Trade Home Living Company Limited (天津紅星美凱龍世貿家居有限公司)	913,814,821.73	3.65	Amounts due to and from subsidiaries	Within 2 years	—
Yintai (Yongqing) New City Investment Co., Ltd. (銀泰(永清)新城投資有限公司)	750,385,131.93	3.00	Amounts due to and from subsidiaries	Within 1 year	—
<b>Total</b>	<b>5,204,622,323.16</b>	<b>20.81</b>			<b>209,552,550.73</b>

# Notes to the Financial Statements

For the year 2019 (RMB)

## XIV. NOTES TO THE MAJOR ITEMS IN FINANCIAL STATEMENTS OF THE COMPANY (CONTINUED)

### 2. Other Receivables (continued)

As at 31 December 2018, the top five entities with the largest amounts of other receivables are as follows:

	Closing balance	Proportion to the total amount of other receivables (%)	Nature	Aging	Bad debt allowance Closing balance
Nanjing Mingdu Home Furnishing Plaza Company Limited (南京名都家居廣場有限公司)	1,445,966,149.79	6.23	Amounts due to and from subsidiaries	Within 1 year	—
Shanghai Red Star Macalline Home Furnishing Design Expo Company Limited (上海紅星美凱龍家居藝術設計博覽有限公司)	985,216,304.45	4.25	Amounts due to and from subsidiaries	Within 1 year	129,552,550.73
Red Star Macalline Shibo (Tianjin) Home Furnishing Plaza Company Limited (紅星美凱龍世博(天津)家居生活廣場有限公司)	889,756,259.43	3.83	Amounts due to and from subsidiaries	Within 1 year	80,000,000.00
Wuhan Red Star Macalline Shibo Home Furnishing Plaza Development Company Limited (武漢紅星美凱龍世博家居廣場發展有限公司)	871,357,784.03	3.75	Amounts due to and from subsidiaries	Within 1 year	100,000,000.00
Shanghai Hongxin Oukai Home Furnishing Company Limited (上海虹欣歐凱家居有限公司)	782,329,717.28	3.37	Amounts due to and from subsidiaries	Within 1 year	—
	4,974,626,214.98	21.43			309,552,550.73

## XIV. NOTES TO THE MAJOR ITEMS IN FINANCIAL STATEMENTS OF THE COMPANY (CONTINUED)

### 3. Long-term Equity Investments

2019

	Opening balance	Increase/decrease during the year		Book value at the end of the year
		Increase in investment	Decrease in investment	
<b>Investments in subsidiaries</b>				
Changzhou World Furniture and Home Plaza Co., Ltd. (常州世界傢俱家居廣場有限公司)	15,447,913.31	—	—	15,447,913.31
Wuxi Red Star International Home Furnishing Company Limited (無錫紅星美凱龍國際傢俱裝飾有限公司)	47,998,405.33	—	—	47,998,405.33
Lianyungang Red Star International Home Furnishing Plaza Company Limited (連雲港紅星美凱龍國際家居廣場有限公司)	3,465,415.12	—	—	3,465,415.12
Nanjing Red Star International Home Furnishing Mall Company Limited (南京紅星國際傢俱裝飾城有限公司)	59,689,261.20	—	—	59,689,261.20
Nanjing Mingdu Home Furnishing Plaza Company Limited (南京名都家居廣場有限公司)	47,227,734.43	—	—	47,227,734.43
Shanghai Red Star Macalline Decorative Furniture Mall Co., Ltd (上海紅星美凱龍裝飾傢俱城有限公司)	136,115,702.30	160,000,000.00	—	296,115,702.30
Shanghai Red Star Macalline Global Home Furnishing Company Limited (上海紅星美凱龍全球家居有限公司)	138,455,620.20	—	—	138,455,620.20
Shanghai Hongxin Oukai Home Furnishing Company Limited (上海虹欣歐凱家居有限公司)	92,508,623.92	—	—	92,508,623.92
Shanghai Xinwei Property Company Limited (上海新偉置業有限公司)	272,756,078.13	—	—	272,756,078.13
Changsha Red Star Macalline Home Furnishing Plaza Company Limited (長沙紅星美凱龍家居生活廣場有限公司)	5,000,000.00	—	—	5,000,000.00
Changsha Red Star Macalline International Home Furnishing Art Expo Company Limited (長沙紅星美凱龍國際家居藝術博覽中心有限公司)	871,353.75	—	—	871,353.75
Jinan Red Star Macalline Shibo Home Living Plaza Company Limited (濟南紅星美凱龍世博家居生活廣場有限公司)	71,243,669.12	—	—	71,243,669.12



# Notes to the Financial Statements

For the year 2019 (RMB)

## XIV. NOTES TO THE MAJOR ITEMS IN FINANCIAL STATEMENTS OF THE COMPANY (CONTINUED)

### 3. Long-term Equity Investments (continued)

2019 (continued)

	Opening balance	Increase/decrease during the year		Book value at the end of the year
		Increase in investment	Decrease in investment	
<b>Investments in subsidiaries (continued)</b>				
Chengdu Red Star Macalline Shibo Home Living Plaza Company Limited (成都紅星美凱龍世博家居生活廣場有限責任公司)	30,275,655.03	—	—	30,275,655.03
Zhengzhou Red Star Macalline International Home Furnishing Company Limited (鄭州紅星美凱龍國際家居有限公司)	15,300,000.00	—	—	15,300,000.00
Shanghai Red Star Macalline Home Furnishing and Decorating Market Management Company Limited (上海紅星美凱龍傢俱裝飾市場經營管理有限公司)	1,349,876.56	—	—	1,349,876.56
Zhengzhou Red Star Macalline Global Home Living Plaza Management Company Limited (鄭州紅星美凱龍全球家居生活廣場經營管理有限公司)	510,000.00	—	—	510,000.00
Hangzhou Red Star Macalline Shibo Furniture Plaza Company Limited (杭州紅星美凱龍世博家居有限公司)	20,000,000.00	—	—	20,000,000.00
Shanghai Red Star Macalline Brand Management Company Limited (上海紅星美凱龍品牌管理有限公司)	5,000,000.00	—	—	5,000,000.00
Chongqing Red Star Macalline Global Home Furnishing Plaza Company Limited (重慶紅星美凱龍環球家居生活廣場有限責任公司)	10,000,000.00	—	—	10,000,000.00
Chongqing Red Star Macalline Shibo Home Living Plaza Company Limited (重慶紅星美凱龍世博家居生活廣場有限責任公司)	23,496,190.89	—	—	23,496,190.89
Wuhan Red Star Macalline Shibo Home Furnishing Plaza Development Company Limited (武漢紅星美凱龍世博家居廣場發展有限公司)	552,878,664.00	—	—	552,878,664.00
Shanghai Red Star Macalline Home Furnishing Design Expo Company Limited (上海紅星美凱龍家居藝術設計博覽有限公司)	445,000,000.00	—	—	445,000,000.00
Yantai Red Star Macalline Home Furnishing Company Limited (煙台紅星美凱龍家居有限公司)	192,120,000.00	—	—	192,120,000.00

## XIV. NOTES TO THE MAJOR ITEMS IN FINANCIAL STATEMENTS OF THE COMPANY (CONTINUED)

### 3. Long-term Equity Investments (continued)

2019 (continued)

	Opening balance	Increase/decrease during the year		Book value at the end of the year
		Increase in investment	Decrease in investment	
<b>Investments in subsidiaries (continued)</b>				
Shenyang Mingdu Home Furnishing Plaza Company Limited (瀋陽名都家居廣場有限公司)	153,000,000.00	—	—	153,000,000.00
Chongqing Red Star Macalline Expo Home Furnishing Plaza Company Limited (重慶紅星美凱龍博覽家居生活廣場有限責任公司)	280,000,000.00	—	—	280,000,000.00
Changsha Yinhong Home Furnishing Company Limited (長沙市銀紅家居有限公司)	249,990,049.97	—	—	249,990,049.97
Shanghai Jingdu Investment Company Limited (上海晶都投資有限公司)	5,100,000.00	—	—	5,100,000.00
Tianjin Red Star Macalline Home Furnishings Plaza Co., Ltd. (天津紅星美凱龍家居裝飾生活廣場有限公司)	424,878,664.00	—	—	424,878,664.00
Panjin Red Star Macalline Global Home Furnishings Plaza Co., Ltd. (盤錦紅星美凱龍全球家居生活廣場有限公司)	154,087,000.00	60,000,000.00	—	214,087,000.00
Shanghai Red Star Macalline Business Consulting Company Limited (上海紅星美凱龍商務諮詢有限公司)	650,000.00	—	—	650,000.00
Shenyang Red Star Macalline Home Furnishing Company Limited (瀋陽紅星美凱龍家居有限公司)	28,058,441.28	—	—	28,058,441.28
Shanghai Xingkai Chengpeng Business Management Company Limited (上海星凱程騰企業管理有限公司)	10,000,000.00	—	—	10,000,000.00
Shanghai Red Star Macalline Trading Company Limited (上海紅星美凱龍商貿有限公司)	50,000,000.00	—	—	50,000,000.00
Harbin Red Star Macalline Shibo Furniture Plaza Company Limited (哈爾濱紅星美凱龍世博家居廣場有限公司)	310,000,000.00	—	—	310,000,000.00
Chongqing Red Star Macalline Zhongkun Home Living Plaza Company Limited (重慶紅星美凱龍中坤家居生活廣場有限責任公司)	55,000,000.00	—	—	55,000,000.00
Zhongshan Red Star Macalline Shibo Furniture Plaza Company Limited (中山紅星美凱龍世博家居廣場有限公司)	149,939,332.00	—	—	149,939,332.00

# Notes to the Financial Statements

For the year 2019 (RMB)

## XIV. NOTES TO THE MAJOR ITEMS IN FINANCIAL STATEMENTS OF THE COMPANY (CONTINUED)

### 3. Long-term Equity Investments (continued)

2019 (continued)

	Increase/decrease during the year			Book value at the end of the year
	Opening balance	Increase in investment	Decrease in investment	
<b>Investments in subsidiaries (continued)</b>				
Shenyang Dadong Red Star Macalline Home Furnishing Company Limited (瀋陽大東紅星美凱龍傢俱建材市場有限公司)	3,000,000.00	—	—	3,000,000.00
Wuxi Red Star Macalline Home Furnishing Plaza Company Limited (無錫紅星美凱龍家居生活廣場有限公司)	534,818,797.96	—	—	534,818,797.96
Xi'an Red Star Macalline Home Furnishing Plaza Company Limited (西安紅星美凱龍家居生活廣場有限公司)	30,000,000.00	—	—	30,000,000.00
Daqing Red Star Macalline Shibo Furniture Company Limited (大慶紅星美凱龍世博家居有限公司)	70,000,000.00	—	—	70,000,000.00
Langfang Kaihong Home Living Plaza Company Limited (廊坊市凱宏家居廣場有限公司)	70,000,000.00	—	—	70,000,000.00
Wuhan Red Star Macalline Global Home Furnishing Plaza Development Company Limited (武漢紅星美凱龍環球家居廣場發展有限公司)	149,939,332.00	—	—	149,939,332.00
Beijing Century Kailong Business Investment Company Limited (北京世紀凱隆商業投資有限公司)	10,000,000.00	—	—	10,000,000.00
Tianjin Red Star Macalline Home Fashion Plaza Company Limited (天津紅星美凱龍時尚家居廣場有限公司)	5,000,000.00	—	—	5,000,000.00
Shanghai Red Star Ogloria Home Living Market Management Company Limited (上海紅星歐麗洛雅家居市場經營管理有限公司)	500,000.00	—	—	500,000.00
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)	349,848,330.00	—	—	349,848,330.00
Nanjing Red Star Macalline International Home Living Company Limited (南京紅星美凱龍國際家居有限責任公司)	764,016,993.00	—	—	764,016,993.00
Shanghai Xingyi Tonghui Business Service Company Limited (上海星易通匯商務服務有限公司)	150,000,000.00	—	—	150,000,000.00
Tianjin Red Star Macalline International Home Furnishing Expo Company Limited (天津紅星美凱龍國際家居博覽有限公司)	204,285,714.29	—	—	204,285,714.29

## XIV. NOTES TO THE MAJOR ITEMS IN FINANCIAL STATEMENTS OF THE COMPANY (CONTINUED)

### 3. Long-term Equity Investments (continued)

2019 (continued)

	Opening balance	Increase/decrease during the year		Book value at the end of the year
		Increase in investment	Decrease in investment	
<b>Investments in subsidiaries (continued)</b>				
Tianjin Red Star Macalline World Trade Home Furnishing Company Limited (天津紅星美凱龍世貿家居有限公司)	200,000,000.00	—	—	200,000,000.00
Harbin Red Star Macalline International Home Furnishing Company Limited (哈爾濱紅星美凱龍國際家居有限公司)	349,817,995.00	—	—	349,817,995.00
Changchun Red Star Macalline Shibo Home Living Plaza Company Limited (長春紅星美凱龍世博家居生活廣場有限公司)	397,600,000.00	—	—	397,600,000.00
Red Star Xizhao Investment Company Limited (紅星喜兆投資有限公司)	90,000,000.00	—	—	90,000,000.00
Red Star Macalline Home Furnishing Mall Management Company Limited (紅星美凱龍家居商場管理有限公司)	50,000,000.00	—	—	50,000,000.00
Yangzhou Red Star Macalline International Home Furnishing Plaza Company Limited (揚州紅星美凱龍國際家居廣場有限公司)	3,000,000.00	—	—	3,000,000.00
Shanghai Red Star Macalline Longmei Home Furnishing Market Management Company Limited (上海紅星美凱龍龍美家居市場經營管理有限公司)	1,000,000.00	—	—	1,000,000.00
Jiangsu Sunan Construction and Installation Engineering Co., Ltd. (江蘇蘇南建築安裝工程有限公司)	153,170,000.00	—	(153,170,000.00)	—
Shenyang Red Star Macalline Shibo Home Furnishing Company Limited (瀋陽紅星美凱龍世博家居有限公司)	81,443,441.90	—	—	81,443,441.90
Shanghai Red Star Macalline Bulk Purchasing of Construction and Furnishing Materials Trading Company (上海紅星美凱龍住建集採商貿有限公司)	10,000,000.00	—	—	10,000,000.00
Shenyang Red Star Macalline Home Living Expo Company Limited (瀋陽紅星美凱龍博覽家居有限公司)	50,000,000.00	—	—	50,000,000.00
Hohhot Red Star Macalline Shibo Home Furnishing Plaza Company Limited (蘭州紅星美凱龍世博家居廣場有限公司)	30,000,000.00	—	—	30,000,000.00

# Notes to the Financial Statements

For the year 2019 (RMB)

## XIV. NOTES TO THE MAJOR ITEMS IN FINANCIAL STATEMENTS OF THE COMPANY (CONTINUED)

### 3. Long-term Equity Investments (continued)

2019 (continued)

	Opening balance	Increase/decrease during the year		Book value at the end of the year
		Increase in investment	Decrease in investment	
<b>Investments in subsidiaries (continued)</b>				
Hohhot Red Star Macalline Shibo Home Furnishing Plaza Company Limited (呼和浩特市紅星美凱龍世博家居廣場有限責任公司)	123,280,264.00	—	—	123,280,264.00
Kunming Diken Trading Company Limited (昆明迪肯商貿有限公司)	177,690,900.00	—	—	177,690,900.00
Urumchi Red Star Macalline Shibo Furniture Plaza Company Limited (烏魯木齊紅星美凱龍家居世博廣場有限公司)	50,000,000.00	—	—	50,000,000.00
Dongguan Red Star Macalline Shibo Furniture Plaza Company Limited (東莞紅星美凱龍世博家居廣場有限公司)	70,000,000.00	—	—	70,000,000.00
Hohhot Red Star Macalline Shibo Home Furnishing Plaza Company Suzhou Industry Park Zhongxiang Meitong Storage Company Limited (蘇州工業園區中翔美通倉儲銷售有限公司)	160,934,831.46	—	—	160,934,831.46
Shanghai Xinghe Zhaipei Home Furnishing Service Company Limited (上海星和宅配家居服務有限公司)	20,000,000.00	18,000,000.00	—	38,000,000.00
Red Star Macalline Group (Shanghai) Logistics Company Limited (紅星美凱龍家居集團(上海)物流有限公司)	54,000,000.00	45,480,000.00	—	99,480,000.00
Shanghai Red Star Macalline Industrial Company Limited (上海紅星美凱龍實業有限公司)	206,841,181.40	—	—	206,841,181.40
Shanghai Red Star Macalline Xinglong Home Furnish Company Limited (上海紅星美凱龍星龍家居有限公司)	39,000,000.00	—	—	39,000,000.00
Hong Kong Red Star Macalline Global Home Furnishing Company Limited (香港紅星美凱龍全球家居有限公司)	112,839,554.51	—	—	112,839,554.51
Red Star Macalline (Shanghai) Business Management Company Limited (紅星美凱龍(上海)企業管理有限公司)	100,000,000.00	—	—	100,000,000.00
Changsha Red Star Macalline Jinxia Home Living Plaza Company Limited (長沙紅星美凱龍金霞家居生活廣場有限公司)	120,000,000.00	—	—	120,000,000.00
Shanghai Macalline Xinghe Asset Management Company Limited (上海美凱龍星荷資產管理有限公司)	10,000,000.00	—	—	10,000,000.00

## XIV. NOTES TO THE MAJOR ITEMS IN FINANCIAL STATEMENTS OF THE COMPANY (CONTINUED)

### 3. Long-term Equity Investments (continued)

2019 (continued)

	Opening balance	Increase/decrease during the year		Book value at the end of the year
		Increase in investment	Decrease in investment	
<b>Investments in subsidiaries (continued)</b>				
Anhui Tenghui Investment Group Hefei Company Limited (安徽騰輝投資集團合肥有限公司)	40,000,000.00	—	(40,000,000.00)	—
Beijing Red Star Macalline International Home Furnishing Plaza Company Limited (北京紅星美凱龍國際傢俱建材廣場有限公司)	344,780,641.87	—	—	344,780,641.87
Beijing Red Star Macalline Shibo Furniture Plaza Company Limited (北京紅星美凱龍世博傢俱廣場有限公司)	31,856,462.57	—	—	31,856,462.57
Beijing Macalline Home Furnishing Material Market Company Limited (北京美凱龍傢俱建材市場有限公司)	630,335.17	—	—	630,335.17
Red Star Macalline Shibo (Tianjin) Home Furnishing Plaza Company Limited (紅星美凱龍世博(天津)家居生活廣場有限公司)	230,851,821.21	—	—	230,851,821.21
Kunshan Red Star Macalline Global Home Furnishing Company Limited (昆山紅星美凱龍全球家居有限公司)	1,000,000.00	—	—	1,000,000.00
Tongxiang Red Star Macalline Shibo Home Furnishing Plaza Management Company Limited (桐鄉紅星美凱龍世博家居廣場管理有限公司)	500,000.00	—	—	500,000.00
Beijing Red Star Macalline Business Management Company Limited (北京紅星美凱龍企業經營管理有限公司)	2,700,000.00	—	—	2,700,000.00
Wuxi Red Star Macalline Business Management Company Limited (無錫紅星美凱龍經營管理有限公司)	700,000.00	—	—	700,000.00
Red Star Macalline Home Furnishing Group Finance Company Limited (紅星美凱龍家居集團財務有限責任公司)	270,000,000.00	300,000,000.00	—	570,000,000.00
Nanchang Red Star Macalline Global Home Furnishing Plaza Company Limited (南昌紅星美凱龍全球家居廣場有限公司)	15,300,000.00	—	—	15,300,000.00
Shanghai Xingyijia Business Management Co., Ltd. (上海星藝佳商業管理有限公司)	120,000.00	—	(120,000.00)	—

# Notes to the Financial Statements

For the year 2019 (RMB)

## XIV. NOTES TO THE MAJOR ITEMS IN FINANCIAL STATEMENTS OF THE COMPANY (CONTINUED)

### 3. Long-term Equity Investments (continued)

2019 (continued)

	Opening balance	Increase/decrease during the year		Book value at the end of the year
		Increase in investment	Decrease in investment	
<b>Investments in subsidiaries (continued)</b>				
Shanghai Jinshan Red Star Macalline Global Home Furnishing Company Limited (上海金山紅星美凱龍全球家居有限公司)	25,000,000.00	—	—	25,000,000.00
Suzhou Red Star Macalline Shibo Home Furnishing Plaza Company Limited (蘇州紅星美凱龍世博家居廣場有限公司)	151,611,912.79	—	—	151,611,912.79
Xining Red Star Macalline Shibo Home Furnishing Plaza Company Limited (西寧紅星美凱龍世博家居廣場有限公司)	247,162,700.00	—	—	247,162,700.00
Shanghai Yingtaifeisi Marketing Planning Co., Ltd. (上海英太翡思營銷策劃有限公司)	2,000,000.00	—	—	2,000,000.00
Shanghai Jisheng Wellborn Global Home Furnishing Brand Management Company Limited (上海吉盛偉邦環球家居品牌管理有限公司)	5,000,000.00	—	—	5,000,000.00
Shanghai Yumu Enterprise Management Company Limited (上海宇慕企業管理有限公司)	5,000,000.00	—	—	5,000,000.00
Shanghai Yuxu Enterprise Management Company Limited (上海宇煦企業管理有限公司)	5,000,000.00	—	—	5,000,000.00
Shanghai Yuzhu Enterprise Management Company Limited (上海宇築企業管理有限公司)	5,000,000.00	—	—	5,000,000.00
Shanghai Yuxiao Enterprise Management Company Limited (上海宇霄企業管理有限公司)	5,000,000.00	—	—	5,000,000.00
Shanghai Jiajinsuo Investment Holding Company Limited (上海家金所投資控股有限公司)	140,000,000.00	1.00	—	140,000,001.00
Red Star Macalline Glory Casa (Shanghai) Home Furnishing Company Limited (紅星美凱龍凱撒至尊(上海)家居有限公司)	200,000,000.00	—	—	200,000,000.00
Shanghai Red Star Ogloria Brand Management Company Limited (上海紅星歐麗洛雅品牌管理有限公司)	100,000.00	4,900,000.00	—	5,000,000.00
Chengdu Tianfu New District Red Star Macalline World Trade Home Furnishing Company Limited (成都天府新區紅星美凱龍世貿家居有限公司)	210,000,000.00	—	—	210,000,000.00
Shanghai Red Star Macalline Design Cloud Information Technology Company Limited (上海紅星美凱龍設計雲信息科技有限公司)	50,000,000.00	—	—	50,000,000.00

## XIV. NOTES TO THE MAJOR ITEMS IN FINANCIAL STATEMENTS OF THE COMPANY (CONTINUED)

### 3. Long-term Equity Investments (continued)

2019 (continued)

	Increase/decrease during the year			Book value at the end of the year
	Opening balance	Increase in investment	Decrease in investment	
<b>Investments in subsidiaries (continued)</b>				
Zhengzhou Red Star Macalline Shibo Home Furnishing Plaza Company Limited (鄭州紅星美凱龍世博家居有限公司)	5,500,000.00	—	—	5,500,000.00
Chongqing Red Star Macalline International Home Furnishing Plaza Company Limited (重慶紅星美凱龍國際家居生活廣場有限責任公司)	50,000,000.00	—	—	50,000,000.00
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)	69,976,000.00	—	—	69,976,000.00
Khorgos Red Star Yiming Venture Capital Company Limited (霍爾果斯紅星易鳴創業投資有限公司)	9,000,000.00	—	—	9,000,000.00
Khorgos Hongju Corporate Management Co., Ltd. (霍爾果斯紅居企業管理有限公司)	7,000,000.00	—	—	7,000,000.00
Shanghai Huojing Business Management Company Limited (上海或京商業管理有限公司)	6,500,000.00	—	(6,500,000.00)	—
Taiyuan Red Star Macalline Global Home Furnishing Plaza Company Limited (太原紅星美凱龍全球家居廣場有限公司)	5,100,000.00	—	—	5,100,000.00
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)	5,000,000.00	—	—	5,000,000.00
Tibet Red Star Macalline Business Management Company Limited (西藏紅星美凱龍企業管理有限公司)	51,000,000.00	212,350,000.00	—	263,350,000.00
Tianjin Jinrui Corporate Management Company Limited (天津津瑞企業管理有限公司)	1,220,000,000.00	—	—	1,220,000,000.00
Shanghai Huaixing Culture Development Co., Ltd. (上海懷星文化發展有限公司)	1,600,000.00	—	—	1,600,000.00
Kunshan Red Star Macalline Decoration Materials Company Limited (昆山紅星美凱龍裝飾材料有限公司)	50,428,227.57	59,639.14	—	50,487,866.71
Changzhou Meilong Trading Company Limited (常州美龍貿易有限公司)	30,000.00	—	—	30,000.00
Ningbo Red Star Macalline Home Shopping Plaza Company Limited (寧波紅星美凱龍家居購物廣場有限公司)	1.00	—	—	1.00



# Notes to the Financial Statements

For the year 2019 (RMB)

## XIV. NOTES TO THE MAJOR ITEMS IN FINANCIAL STATEMENTS OF THE COMPANY (CONTINUED)

### 3. Long-term Equity Investments (continued)

2019 (continued)

	Opening balance	Increase/decrease during the year		Book value at the end of the year
		Increase in investment	Decrease in investment	
<b>Investments in subsidiaries (continued)</b>				
Changzhou Macalline International Computer and Electronics Furnishing Plaza Co., Ltd (常州美凱龍國際電腦家電裝飾城有限公司)	(1,955,167.87)	—	—	(1,955,167.87)
Shanghai Red Star Macalline Home Furnishing Market Management Company Limited (上海紅星美凱龍家居市場經營管理有限公司)	(1,408,244.71)	—	—	(1,408,244.71)
Red Star Zhongying Investment Company Limited (紅星眾盈投資有限公司)	—	50,000,000.00	—	50,000,000.00
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)	—	282,159,500.00	(9,013,425.68)	273,146,074.32
Shanghai Red Star Macalline Financial Leasing Company Limited (上海紅星美凱龍融資租賃有限公司)	—	1,000,751,635.68	—	1,000,751,635.68
Shanghai Red Star Macalline Commercial Factoring Company Limited (上海紅星美凱龍商業保理有限公司)	—	206,060,071.54	—	206,060,071.54
Dalian Red Star Macalline Shibo Home Furnishing Plaza Company (大連紅星美凱龍世博家居廣場有限公司)	—	24,800,000.00	—	24,800,000.00
Nantong Hongmei Shibo Home Furnishing Plaza Company Limited (南通紅星美世博家居廣場有限公司)	—	150,000,000.00	—	150,000,000.00
Red Star Macalline (Zhejiang) Information Technology Co., Ltd. (紅星美凱龍(浙江)信息技術有限公司)	—	10,000,000.00	—	10,000,000.00
Qianzhi (Shanghai) Home Furnishing Co., Ltd. (乾智(上海)家居有限公司)	—	3,000,000.00	—	3,000,000.00
Nanning Red Star Macalline Shibo Home Furnishing Exhibition Centre Company Limited (南寧紅星美凱龍世博家居展覽中心有限公司)	—	50,000,000.00	—	50,000,000.00
Shanghai Yingtai Lijin Technology Co., Ltd. (上海英太利金科技有限公司)	—	4,800,000.00	—	4,800,000.00
Xi'an Comfort Meijia Housekeeping Service Co., Ltd. (西安舒適美佳家政服務有限責任公司)	—	1,852,500.00	—	1,852,500.00

## XIV. NOTES TO THE MAJOR ITEMS IN FINANCIAL STATEMENTS OF THE COMPANY (CONTINUED)

### 3. Long-term Equity Investments (continued)

2019 (continued)

	Increase/decrease during the year			Book value at the end of the year
	Opening balance	Increase in investment	Decrease in investment	
<b>Investments in subsidiaries (continued)</b>				
Changzhou Hongyang Home Furnishing Plaza Company Limited (常州紅陽家居生活廣場有限公司)	—	139,400,000.00	—	139,400,000.00
Shanghai Red Star Macalline Construction Decoration (Group) Co., Limited (上海紅星美凱龍建築裝飾(集團)有限公司)	—	2,000,000.00	—	2,000,000.00
Red Star Macalline Life Aesthetics Center Management Co., Ltd. (紅星美凱龍生活美學中心管理有限公司)	—	5,600,000.00	—	5,600,000.00
Wuhu Red Star Macalline World Trade Home Furnishing Plaza Company Limited (蕪湖紅星美凱龍世貿家居廣場有限公司)	—	27,527,706.09	—	27,527,706.09
Shanghai Macalline Decoration Engineering Group Co., Ltd. (上海美凱龍裝飾工程集團有限公司)	—	20,000,000.00	—	20,000,000.00
Betterhome Construction Technology Co., Ltd (家倍得建築科技有限 公司)	—	50,000,000.00	—	50,000,000.00
Red Star Home (Shanghai) Technology Co., Ltd. (紅星到家(上海)科技有限公司)	—	5,000,000.00	—	5,000,000.00
Xinsheng Property Management (Shanghai) Co., Ltd. (鑫生物業管理(上海)有限公司)	—	631,060,000.00	—	631,060,000.00
Shanghai Red Star Macalline Fanjia Information Service Co., LTD (上海紅星美凱龍泛家信息服務有限公司)	—	1,020,000.00	—	1,020,000.00
Foshan Junda Enterprise Management Co., Ltd. (佛山郡達企業管理有限公司)	—	540,607,000.00	—	540,607,000.00
	12,526,525,675.66	4,006,428,053.45	(208,803,425.68)	16,324,150,303.43

# Notes to the Financial Statements

For the year 2019 (RMB)

## XIV. NOTES TO THE MAJOR ITEMS IN FINANCIAL STATEMENTS OF THE COMPANY (CONTINUED)

### 3. Long-term Equity Investments (continued)

2019 (continued)

	Opening balance	Increase/decrease during the year				Book value of the end of the year	
		Increase in investment	Decrease in investment	Investment gain/loss under equity method	Cash dividend or profit declared Others		
<b>Joint ventures</b>							
Chengdu Dongtai Shopping Mall Company Limited (成都東泰商城有限公司)	898,298,330.42	—	—	27,764,145.77	(133,233,703.73)	—	792,828,772.46
Shanghai Mingyi Enterprise Development Co., Ltd. (上海名藝商業企業發展有限公司)	41,011,996.63	—	—	18,780,557.47	—	—	59,792,554.10
Shenzhen Red Star Macalline Business Management Company Limited (深圳紅星美凱龍商業管理有限公司)	174,031.72	1,200,000.00	—	(149,315.04)	—	—	1,224,716.68
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)	723,947.50	—	—	(723,947.50)	—	—	—
Baoxiang Red Star Macalline (Xiamen) Global Home Furnishing Plaza Company Limited (寶象紅星美凱龍(廈門)全球家居廣場有限公司)	—	15,000,000.00	—	(5,367,965.08)	—	—	9,632,034.92
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)	17,986,574.32	—	(17,986,574.32)	—	—	—	—
<b>Sub-total</b>	958,194,880.59	16,200,000.00	(17,986,574.32)	40,303,475.62	(133,233,703.73)	—	863,478,078.16

## XIV. NOTES TO THE MAJOR ITEMS IN FINANCIAL STATEMENTS OF THE COMPANY (CONTINUED)

### 3. Long-term Equity Investments (continued)

2019 (continued)

	Opening balance	Increase/decrease during the year					Book value of the end of the year
		Increase in investment	Decrease in investment	Investment gain/loss under equity method	Cash dividend or profit declared	Others	
<b>Associates</b>							
Shandong Inzone Green Home Co., Ltd. (山東銀座家居有限公司)	—	348,916,600.00	—	(452,256.42)	—	—	348,464,343.58
Zhejiang Mingdu Investment Company Limited (浙江名都投資有限公司)	165,300,000.00	—	—	—	—	—	165,300,000.00
Hangzhou Red Star Macalline Global Home Living Company Limited (杭州紅星美凱龍環球家居有限公司)	63,856,230.69	—	—	43,133,366.55	—	—	106,989,597.24
Meiwu 365 (Tianjin) Technology Company Limited (美屋三五(天津)科技有限公司)	17,116,874.25	—	—	(1,848,453.10)	—	—	15,268,421.15
Shanghai Jiazhan Construction Engineering Company Limited (上海嘉展建築裝潢工程有限公司)	7,634,822.89	—	—	189,763.11	—	—	7,824,586.00
Wuhan Zhengkai Logistics Co., Ltd. (武漢市正凱物流有限公司)	126,983,174.58	3,528,501.02	—	1,216,483.14	(1,836,000.00)	—	129,892,158.74
Shenyudao Cultural Tourism Holding Co., Ltd. (神玉島文化旅遊控股股份有限公司)	194,763,453.50	—	—	(9,126,832.22)	—	—	185,636,621.28
Shaanxi Red Star Heji Home Shopping Plaza Company Limited (陝西紅星和記家居購物廣場有限公司)	4,500,000.00	—	—	1,327,764.83	—	—	5,827,764.83

# Notes to the Financial Statements

For the year 2019 (RMB)

## XIV. NOTES TO THE MAJOR ITEMS IN FINANCIAL STATEMENTS OF THE COMPANY (CONTINUED)

### 3. Long-term Equity Investments (continued)

2019 (continued)

	Increase/decrease during the year						Book value of the end of the year
	Opening balance	Increase in investment	Decrease in investment	Investment gain/loss under equity method	Cash dividend or profit declared	Others	
Shenzhen Yatai Macalline Life Space Technology Co., Ltd. (深圳市亞泰美凱龍空間科技有限公司)	—	9,800,000.00	—	553,869.40	—	—	10,353,869.40
Qianzhi (Shanghai) Home Furnishing Co., Ltd. (乾智(上海)家居有限公司)	1,500,000.00	—	(1,500,000.00)	—	—	—	—
Shanghai Jinjiang United Purchasing Supply Chain Co., Ltd. (上海錦江聯採供應鏈有限公司)	—	30,000,000.00	—	(110.97)	—	—	29,999,889.03
<b>Sub-total</b>	581,654,555.91	392,245,101.02	(1,500,000.00)	34,993,594.32	(1,836,000.00)	—	1,005,557,251.25
<b>Total</b>	14,066,375,112.16	4,414,873,154.47	(228,290,000.00)	75,297,069.94	(135,069,703.73)	—	18,193,185,632.84

## XIV. NOTES TO THE MAJOR ITEMS IN FINANCIAL STATEMENTS OF THE COMPANY (CONTINUED)

### 3. Long-term Equity Investments (continued)

2018

	Opening balance	Increase/decrease during the year			Carrying amount at the end of the year
		Increase in investment	Decrease in investment	Investment gain/loss under equity method	
<b>Investments in subsidiaries</b>					
Changzhou Macalline International Computer and Electronics Furnishing Plaza Co., Ltd. (常州美凱龍國際電腦家電裝飾城有限公司)	(1,955,167.87)	—	—	—	(1,955,167.87)
Changzhou World Furniture and Home Plaza Co., Ltd. (常州世界傢俱家居廣場有限公司)	15,447,913.31	—	—	—	15,447,913.31
Wuxi Red Star International Home Furnishing Company Limited (無錫紅星美凱龍國際傢俱裝飾有限公司)	47,998,405.33	—	—	—	47,998,405.33
Lianyungang Red Star International Home Furnishing Plaza Company Limited (連雲港紅星美凱龍國際家居廣場有限公司)	3,465,415.12	—	—	—	3,465,415.12
Nanjing Red Star International Home Furnishing Mall Company Limited (南京紅星國際傢俱裝飾城有限公司)	59,689,261.20	—	—	—	59,689,261.20
Nanjing Mingdu Home Furnishing Plaza Company Limited (南京名都家居廣場有限公司)	47,227,734.43	—	—	—	47,227,734.43
Shanghai Red Star Macalline Decorative Furniture Mall Co., Ltd. (上海紅星美凱龍裝飾傢俱城有限公司)	136,115,702.30	—	—	—	136,115,702.30
Shanghai Red Star Macalline Global Home Furnishing Company Limited (上海紅星美凱龍全球家居有限公司)	138,455,620.20	—	—	—	138,455,620.20
Shanghai Hongxin Oukai Home Furnishing Company Limited (上海虹欣歐凱家居有限公司)	92,508,623.92	—	—	—	92,508,623.92
Shanghai Xinwei Property Company Limited (上海新偉置業有限公司)	272,756,078.13	—	—	—	272,756,078.13
Shanghai Red Star Macalline Home Furnishing Market Management Company Limited (上海紅星美凱龍家居市場經營管理有限公司)	(1,408,244.71)	—	—	—	(1,408,244.71)

# Notes to the Financial Statements

For the year 2019 (RMB)

## XIV. NOTES TO THE MAJOR ITEMS IN FINANCIAL STATEMENTS OF THE COMPANY (CONTINUED)

### 3. Long-term Equity Investments (Continued)

2018 (continued)

	Opening balance	Increase/decrease during the year			Carrying amount at the end of the year
		Increase in investment	Decrease in investment	Investment gain/loss under equity method	
<b>Investments in subsidiaries (continued)</b>					
Changsha Red Star Macalline Home Furnishing Plaza Company Limited (長沙紅星美凱龍家居生活廣場有限公司)	5,000,000.00	—	—	—	5,000,000.00
Changsha Red Star Macalline International Home Furnishing Art Expo Company Limited (長沙紅星美凱龍國際家居藝術博覽中心有限公司)	871,353.75	—	—	—	871,353.75
Jinan Red Star Macalline Shibo Home Living Plaza Company Limited (濟南紅星美凱龍世博家居生活廣場有限公司)	71,243,669.12	—	—	—	71,243,669.12
Chengdu Red Star Macalline Shibo Home Living Plaza Company Limited (成都紅星美凱龍世博家居生活廣場有限責任公司)	30,275,655.03	—	—	—	30,275,655.03
Zhengzhou Red Star Macalline International Home Furnishing Company Limited (鄭州紅星美凱龍國際家居有限公司)	15,300,000.00	—	—	—	15,300,000.00
Shanghai Red Star Macalline Home Furnishing and Decorating Market Management Company Limited (上海紅星美凱龍傢俱裝飾市場經營管理有限公司)	1,349,876.56	—	—	—	1,349,876.56
Zhengzhou Red Star Macalline Global Home Living Plaza Management Company Limited (鄭州紅星美凱龍全球家居生活廣場經營管理有限公司)	510,000.00	—	—	—	510,000.00
Hangzhou Red Star Macalline Shibo Furniture Plaza Company Limited (杭州紅星美凱龍世博家居有限公司)	20,000,000.00	—	—	—	20,000,000.00
Shanghai Red Star Macalline Brand Management Company Limited (上海紅星美凱龍品牌管理有限公司)	5,000,000.00	—	—	—	5,000,000.00
Chongqing Red Star Macalline Global Home Furnishing Plaza Company Limited (重慶紅星美凱龍環球家居生活廣場有限責任公司)	10,000,000.00	—	—	—	10,000,000.00

## XIV. NOTES TO THE MAJOR ITEMS IN FINANCIAL STATEMENTS OF THE COMPANY (CONTINUED)

### 3. Long-term Equity Investments (Continued)

2018 (continued)

	Opening balance	Increase/decrease during the year			Carrying amount at the end of the year
		Increase in investment	Decrease in investment	Investment gain/loss under equity method	
<b>Investments in subsidiaries (continued)</b>					
Chongqing Red Star Macalline Shibo Home Living Plaza Company Limited (重慶紅星美凱龍世博家居生活廣場有限責任公司)	23,496,190.89	—	—	—	23,496,190.89
Wuhan Red Star Macalline Shibo Home Furnishing Plaza Development Company Limited (武漢紅星美凱龍世博家居廣場發展有限公司)	552,878,664.00	—	—	—	552,878,664.00
Shanghai Red Star Macalline Home Furnishing Design Expo Company Limited (上海紅星美凱龍家居藝術設計博覽有限公司)	445,000,000.00	—	—	—	445,000,000.00
Yantai Red Star Macalline Home Furnishing Company Limited (煙台紅星美凱龍家居有限公司)	192,120,000.00	—	—	—	192,120,000.00
Shenyang Mingdu Home Furnishing Plaza Company Limited (瀋陽名都家居廣場有限公司)	153,000,000.00	—	—	—	153,000,000.00
Chongqing Red Star Macalline Expo Home Furnishing Plaza Company Limited (重慶紅星美凱龍博覽家居生活廣場有限責任公司)	280,000,000.00	—	—	—	280,000,000.00
Changsha Yinhong Home Furnishing Company Limited (長沙市銀紅家居有限公司)	249,990,049.97	—	—	—	249,990,049.97
Shanghai Jingdu Investment Company Limited (上海晶都投資有限公司)	5,100,000.00	—	—	—	5,100,000.00
Tianjin Red Star Macalline Home Furnishings Plaza Co., Ltd (天津紅星美凱龍家居裝飾生活廣場有限公司)	424,878,664.00	—	—	—	424,878,664.00
Panjin Red Star Macalline Global Home Furnishings Plaza Co., Ltd. (盤錦紅星美凱龍全球家居生活廣場有限公司)	94,087,000.00	60,000,000.00	—	—	154,087,000.00
Shanghai Red Star Macalline Business Consulting Company Limited (上海紅星美凱龍商務諮詢有限公司)	650,000.00	—	—	—	650,000.00



# Notes to the Financial Statements

For the year 2019 (RMB)

## XIV. NOTES TO THE MAJOR ITEMS IN FINANCIAL STATEMENTS OF THE COMPANY (CONTINUED)

### 3. Long-term Equity Investments (Continued)

2018 (continued)

	Opening balance	Increase/decrease during the year			Carrying amount at the end of the year
		Increase in investment	Decrease in investment	Investment gain/loss under equity method	
<b>Investments in subsidiaries (continued)</b>					
Shenyang Red Star Macalline Home Furnishing Company Limited (瀋陽紅星美凱龍家居有限公司)	28,058,441.28	—	—	—	28,058,441.28
Shanghai Xingkai Chengpeng Business Management Company Limited (上海星凱程鵬企業管理有限公司)	10,000,000.00	—	—	—	10,000,000.00
Shanghai Red Star Macalline Trading Company Limited (上海紅星美凱龍商貿有限公司)	50,000,000.00	—	—	—	50,000,000.00
Harbin Red Star Macalline Shibo Furniture Plaza Company Limited (哈爾濱紅星美凱龍世博家居廣場有限公司)	310,000,000.00	—	—	—	310,000,000.00
Chongqing Red Star Macalline Zhongkun Home Living Plaza Company Limited (重慶紅星美凱龍中坤家居生活廣場有限責任公司)	55,000,000.00	—	—	—	55,000,000.00
Zhongshan Red Star Macalline Shibo Furniture Plaza Company Limited (中山紅星美凱龍世博家居廣場有限公司)	149,939,332.00	—	—	—	149,939,332.00
Shenyang Dadong Red Star Macalline Home Furnishing Company Limited (瀋陽大東紅星美凱龍傢俱建材市場有限公司)	3,000,000.00	—	—	—	3,000,000.00
Wuxi Red Star Macalline Home Furnishing Plaza Company Limited (無錫紅星美凱龍家居生活廣場有限公司)	534,818,797.96	—	—	—	534,818,797.96
Xi'an Red Star Macalline Home Living Plaza Company Limited (西安紅星美凱龍家居生活廣場有限公司)	30,000,000.00	—	—	—	30,000,000.00
Daqing Red Star Macalline Shibo Furniture Company Limited (大慶紅星美凱龍世博家居有限公司)	70,000,000.00	—	—	—	70,000,000.00

## XIV. NOTES TO THE MAJOR ITEMS IN FINANCIAL STATEMENTS OF THE COMPANY (CONTINUED)

### 3. Long-term Equity Investments (Continued)

2018 (continued)

	Opening balance	Increase/decrease during the year			Carrying amount at the end of the year
		Increase in investment	Decrease in investment	Investment gain/loss under equity method	
<b>Investments in subsidiaries (continued)</b>					
Langfang Kaihong Home Living Plaza Company Limited (廊坊市凱宏家居廣場有限公司)	70,000,000.00	—	—	—	70,000,000.00
Wuhan Red Star Macalline Global Home Furnishing Plaza Development Company Limited (武漢紅星美凱龍環球 家居廣場發展有限公司)	149,939,332.00	—	—	—	149,939,332.00
Beijing Century Kailong Business Investment Company Limited (北京世紀凱隆商業投資有限公司)	10,000,000.00	—	—	—	10,000,000.00
Tianjin Red Star Macalline Home Fashion Plaza Company Limited (天津紅星美凱龍時尚家居廣場有限公司)	5,000,000.00	—	—	—	5,000,000.00
Shanghai Red Star Ogloria Home Living Market Management Company Limited (上海紅星歐麗洛雅 家居市場經營管理有限公司)	500,000.00	—	—	—	500,000.00
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)	349,848,330.00	—	—	—	349,848,330.00
Nanjing Red Star Macalline International Home Living Company Limited (南京紅星美凱龍國際家居有限 責任公司)	764,016,993.00	—	—	—	764,016,993.00
Shanghai Xingyi Tonghui Business Service Company Limited (上海星易通匯商務服務有限公司)	150,000,000.00	—	—	—	150,000,000.00
Tianjin Red Star Macalline International Home Furnishing Expo Company Limited (天津紅星美凱龍國際家居博覽 有限公司)	204,285,714.29	—	—	—	204,285,714.29
Tianjin Red Star Macalline World Trade Home Furnishing Company Limited (天津紅星美凱龍世貿家居有限公司)	200,000,000.00	—	—	—	200,000,000.00
Harbin Red Star Macalline International Home Furnishing Company Limited (哈爾濱紅星美凱龍國際家居 有限公司)	349,817,995.00	—	—	—	349,817,995.00

# Notes to the Financial Statements

For the year 2019 (RMB)

## XIV. NOTES TO THE MAJOR ITEMS IN FINANCIAL STATEMENTS OF THE COMPANY (CONTINUED)

### 3. Long-term Equity Investments (Continued)

2018 (continued)

	Opening balance	Increase/decrease during the year			Carrying amount at the end of the year
		Increase in investment	Decrease in investment	Investment gain/loss under equity method	
<b>Investments in subsidiaries (continued)</b>					
Changchun Red Star Macalline Shibo Home Living Plaza Company Limited (長春紅星美凱龍世博家居生活廣場有限公司)	47,600,000.00	350,000,000.00	—	—	397,600,000.00
Red Star Xizhao Investment Company Limited (紅星喜兆投資有限公司)	90,000,000.00	—	—	—	90,000,000.00
Red Star Macalline Home Furnishing Mall Management Company Limited (紅星美凱龍家居商場管理有限公司)	50,000,000.00	—	—	—	50,000,000.00
Yangzhou Red Star Macalline International Home Furnishing Plaza Company Limited (揚州紅星美凱龍國際家居廣場有限公司)	3,000,000.00	—	—	—	3,000,000.00
Shanghai Red Star Macalline Longmei Home Furnishing Market Management Company Limited (上海紅星美凱龍美家居市場經營管理有限公司)	1,000,000.00	—	—	—	1,000,000.00
Jiangsu Sunan Construction Company Limited (江蘇蘇南建築安裝工程有限公司)	53,170,000.00	100,000,000.00	—	—	153,170,000.00
Shenyang Red Star Macalline Shibo Home Furnishing Company Limited (瀋陽紅星美凱龍世博家居有限公司)	35,068,057.50	46,375,384.40	—	—	81,443,441.90
Shanghai Red Star Macalline Bulk Purchasing of Construction and Furnishing Materials Trading Company (上海紅星美凱龍住建集採商貿有限公司)	10,000,000.00	—	—	—	10,000,000.00
Shenyang Red Star Macalline Home Living Expo Company Limited (瀋陽紅星美凱龍博覽家居有限公司)	50,000,000.00	—	—	—	50,000,000.00
Lanzhou Red Star Macalline Shibo Home Furnishing Plaza Company Limited (蘭州紅星美凱龍世博家居廣場有限公司)	30,000,000.00	—	—	—	30,000,000.00
Shanghai Red Star Macalline Network Technology Company Limited (上海紅星美凱龍網絡技術有限公司)	81,500,000.00	—	(81,500,000.00)	—	—

## XIV. NOTES TO THE MAJOR ITEMS IN FINANCIAL STATEMENTS OF THE COMPANY (CONTINUED)

### 3. Long-term Equity Investments (Continued)

2018 (continued)

	Opening balance	Increase/decrease during the year			Carrying amount at the end of the year
		Increase in investment	Decrease in investment	Investment gain/loss under equity method	
<b>Investments in subsidiaries (continued)</b>					
Hohhot Red Star Macalline Shibo Home Furnishing Plaza Company Limited (呼和浩特市紅星美凱龍世博家居廣場有限責任公司)	123,280,264.00	—	—	—	123,280,264.00
Kunming Diken Trading Company Limited (昆明迪肯商貿有限公司)	177,690,900.00	—	—	—	177,690,900.00
Shanghai Red Star Macalline Decorating Public Network Technology Company Limited (上海紅星美凱龍裝修公網絡技術有限公司)	3,200,000.00	—	(3,200,000.00)	—	—
Urumchi Red Star Macalline Shibo Furniture Plaza Company Limited (烏魯木齊紅星美凱龍家居世博廣場有限公司)	50,000,000.00	—	—	—	50,000,000.00
Dongguan Red Star Macalline Shibo Furniture Plaza Company Limited (東莞紅星美凱龍世博家居廣場有限公司)	70,000,000.00	—	—	—	70,000,000.00
Suzhou Industry Park Zhongxiang Meitong Storage Company Limited (蘇州工業園區中翔美通倉儲銷售有限公司)	160,934,831.46	—	—	—	160,934,831.46
Shanghai Xinghe Zhaipei Home Furnishing Service Company Limited (上海星和宅配家居服務有限公司)	3,000,000.00	17,000,000.00	—	—	20,000,000.00
Red Star Macalline Group (Shanghai) Logistics Company Limited (紅星美凱龍家居集團(上海)物流有限公司)	40,886,820.00	13,113,180.00	—	—	54,000,000.00
Shanghai Red Star Macalline Industrial Company Limited (上海紅星美凱龍實業有限公司)	206,841,181.40	—	—	—	206,841,181.40
Shanghai Red Star Macalline Xinglong Home Furnish Company Limited (上海紅星美凱龍星龍家居有限公司)	39,000,000.00	—	—	—	39,000,000.00
Hong Kong Red Star Macalline Global Home Furnishing Company Limited (香港紅星美凱龍全球家居有限公司)	112,839,554.51	—	—	—	112,839,554.51

# Notes to the Financial Statements

For the year 2019 (RMB)

## XIV. NOTES TO THE MAJOR ITEMS IN FINANCIAL STATEMENTS OF THE COMPANY (CONTINUED)

### 3. Long-term Equity Investments (Continued)

2018 (continued)

	Opening balance	Increase/decrease during the year			Carrying amount at the end of the year
		Increase in investment	Decrease in investment	Investment gain/loss under equity method	
<b>Investments in subsidiaries (continued)</b>					
Red Star Macalline (Shanghai) Business Management Company Limited (紅星美凱龍(上海)企業管理有限公司)	100,000,000.00	—	—	—	100,000,000.00
Changsha Red Star Macalline Jinxia Home Living Plaza Company Limited (長沙紅星美凱龍金霞家居生活廣場有限公司)	120,000,000.00	—	—	—	120,000,000.00
Shanghai Macalline Xinghe Asset Management Company Limited (上海美凱龍星荷資產管理有限公司)	10,000,000.00	—	—	—	10,000,000.00
Anhui Tenghui Investment Group Hefei Company Limited (安徽騰輝投資集團合肥有限公司)	40,000,000.00	—	—	—	40,000,000.00
Beijing Red Star Macalline International Home Furnishing Plaza Company Limited (北京紅星美凱龍國際傢俱建材廣場有限公司)	344,780,641.87	—	—	—	344,780,641.87
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)	31,856,462.57	—	—	—	31,856,462.57
Beijing Macalline Home Furnishing Material Market Company Limited (北京美凱龍傢俱建材市場有限公司)	630,335.17	—	—	—	630,335.17
Red Star Macalline Shibo (Tianjin) Home Furnishing Plaza Company Limited (紅星美凱龍世博(天津)家居生活廣場有限公司)	230,851,821.21	—	—	—	230,851,821.21
Kunshan Red Star Macalline Global Home Furnishing Company Limited (昆山紅星美凱龍全球家居有限公司)	1,000,000.00	—	—	—	1,000,000.00
Tongxiang Red Star Macalline Shibo Home Furnishing Plaza Management Company Limited (桐鄉紅星美凱龍世博家居廣場管理有限公司)	500,000.00	—	—	—	500,000.00
Beijing Red Star Macalline Business Management Company Limited (北京紅星美凱龍企業經營管理有限公司)	2,700,000.00	—	—	—	2,700,000.00

## XIV. NOTES TO THE MAJOR ITEMS IN FINANCIAL STATEMENTS OF THE COMPANY (CONTINUED)

### 3. Long-term Equity Investments (Continued)

2018 (continued)

	Opening balance	Increase/decrease during the year			Carrying amount at the end of the year
		Increase in investment	Decrease in investment	Investment gain/loss under equity method	
<b>Investments in subsidiaries (continued)</b>					
Wuxi Red Star Macalline Business Management Company Limited (無錫紅星美凱龍經營管理有限公司)	700,000.00	—	—	—	700,000.00
Red Star Macalline Home Furnishing Group Finance Company Limited (紅星美凱龍家居集團財務有限責任公司)	270,000,000.00	—	—	—	270,000,000.00
Nanchang Red Star Macalline Global Home Furnishing Plaza Company Limited (南昌紅星美凱龍全球家居廣場有限公司)	15,300,000.00	—	—	—	15,300,000.00
Shanghai Xingyijia Business Management Co., Ltd. (上海星藝佳商業管理有限公司)	120,000.00	—	—	—	120,000.00
Shanghai Jinshan Red Star Macalline Global Home Furnishing Company Limited (上海金山紅星美凱龍全球家居有限公司)	25,000,000.00	—	—	—	25,000,000.00
Suzhou Red Star Macalline Shibo Home Furnishing Plaza Company Limited (蘇州紅星美凱龍世博家居廣場有限公司)	151,611,912.79	—	—	—	151,611,912.79
Xining Red Star Macalline Shibo Home Furnishing Plaza Company Limited (西寧紅星美凱龍世博家居廣場有限公司)	72,162,700.00	175,000,000.00	—	—	247,162,700.00
Shanghai Red Star Macalline Labour Dispatch Company Limited (上海紅星美凱龍勞務派遣有限公司)	2,000,000.00	—	—	—	2,000,000.00
Shanghai Jisheng Wellborn Global Home Furnishing Brand Management Company Limited (上海吉盛偉邦環球家居品牌管理有限公司)	5,000,000.00	—	—	—	5,000,000.00
Shanghai Yumu Enterprise Management Company Limited (上海宇慕企業管理有限公司)	5,000,000.00	—	—	—	5,000,000.00
Shanghai Yuxu Enterprise Management Company Limited (上海宇煦企業管理有限公司)	5,000,000.00	—	—	—	5,000,000.00

# Notes to the Financial Statements

For the year 2019 (RMB)

## XIV. NOTES TO THE MAJOR ITEMS IN FINANCIAL STATEMENTS OF THE COMPANY (CONTINUED)

### 3. Long-term Equity Investments (Continued)

2018 (continued)

	Opening balance	Increase/decrease during the year			Carrying amount at the end of the year
		Increase in investment	Decrease in investment	Investment gain/loss under equity method	
<b>Investments in subsidiaries (continued)</b>					
Shanghai Yuzhu Enterprise Management Company Limited (上海宇築企業管理有限公司)	5,000,000.00	—	—	—	5,000,000.00
Shanghai Yuxiao Business Management Company Limited (上海宇霄企業管理有限公司)	5,000,000.00	—	—	—	5,000,000.00
Shanghai Jijinsuo Investment Holding Company Limited (上海家金所投資控股有限公司)	140,000,000.00	—	—	—	140,000,000.00
Red Star Macalline Glory Casa (Shanghai) Home Furnishing Company Limited (紅星美凱龍凱撒至尊(上海)家居有限公司)	200,000,000.00	—	—	—	200,000,000.00
Shanghai Red Star Ogloria Brand Management Company Limited (上海紅星歐麗洛雅品牌管理有限公司)	—	100,000.00	—	—	100,000.00
Chengdu Tianfu New District Red Star Macalline World Trade Home Furnishing Company Limited (成都天府新區紅星美凱龍世貿家居有限公司)	—	210,000,000.00	—	—	210,000,000.00
Shanghai Red Star Macalline Design Cloud Information Technology Co., Ltd. (上海紅星美凱龍設計雲信息科技有限公司)	—	50,000,000.00	—	—	50,000,000.00
Zhengzhou Huashanghui Huarong Real Estate Co., Ltd. (鄭州華商匯華融置業有限公司)	—	5,500,000.00	—	—	5,500,000.00
Chongqing Red Star Macalline International Home Furnishing Plaza Company Limited (重慶紅星美凱龍國際家居生活廣場有限責任公司)	—	50,000,000.00	—	—	50,000,000.00
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)	—	69,976,000.00	—	—	69,976,000.00
Khorgos Red Star Yiming Venture Capital Company Limited (霍爾果斯紅星易鳴創業投資有限公司)	—	9,000,000.00	—	—	9,000,000.00

## XIV. NOTES TO THE MAJOR ITEMS IN FINANCIAL STATEMENTS OF THE COMPANY (CONTINUED)

### 3. Long-term Equity Investments (Continued)

2018 (continued)

	Increase/decrease during the year				Carrying amount at the end of the year
	Opening balance	Increase in investment	Decrease in investment	Investment gain/loss under equity method	
<b>Investments in subsidiaries (continued)</b>					
Khorgos Hongju Corporate Management Co., Ltd. (霍爾果斯紅居企業管理有限公司)	—	7,000,000.00	—	—	7,000,000.00
Shanghai Huojing Business Management Company Limited (上海或京商業管理有限公司)	—	6,500,000.00	—	—	6,500,000.00
Taiyuan Red Star Macalline Global Home Furnishing Plaza Company Limited (太原紅星美凱龍全球家居廣場有限公司)	—	5,100,000.00	—	—	5,100,000.00
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)	—	5,000,000.00	—	—	5,000,000.00
Tibet Macalline Business Management Company Limited (西藏紅星美凱龍企業管理有限公司)	—	51,000,000.00	—	—	51,000,000.00
Tianjin Jinrui Corporate Management Company Limited (天津津瑞企業管理有限公司)	—	1,220,000,000.00	—	—	1,220,000,000.00
Shanghai Huaixing Culture Company Limited (上海懷星文化發展有限公司)	—	1,600,000.00	—	—	1,600,000.00
Kunshan Red Star Macalline Decoration Materials Company Limited (昆山紅星美凱龍裝飾材料有限公司)	—	50,428,227.57	—	—	50,428,227.57
Changzhou Meilong Trading Company Limited (常州美龍貿易有限公司)	—	30,000.00	—	—	30,000.00
Ningbo Red Star Macalline Home Shopping Plaza Company Limited (寧波紅星美凱龍家居購物廣場有限公司)	—	1.00	—	—	1.00
Sub-total	10,108,502,882.69	2,502,722,792.97	(84,700,000.00)	—	12,526,525,675.66



# Notes to the Financial Statements

For the year 2019 (RMB)

## XIV. NOTES TO THE MAJOR ITEMS IN FINANCIAL STATEMENTS OF THE COMPANY (CONTINUED)

### 3. Long-term Equity Investments (Continued)

2018 (continued)

	Increase/decrease during the year				Carrying amount at the end of the year
	Opening balance	Increase in investment	Decrease in investment	Investment gain/loss under equity method	
<b>Joint ventures</b>					
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	—	—	(3,555,120.75)	723,947.50
Chengdu Dongtai Shopping Mall Company Limited (成都東泰商城有限公司)	802,517,821.98	—	—	95,780,508.44	898,298,330.42
Shanghai Mingyi Enterprise Development Co., Ltd. (上海名藝商業企業發展有限公司)	19,733,335.25	—	—	21,278,661.38	41,011,996.63
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	—	—	(9,013,425.68)	17,986,574.32
Shenzhen Red Star Macalline Business Management Company Limited (深圳紅星美凱龍商業管理有限公司)	—	180,000.00	—	(5,968.28)	174,031.72
Sub-total	853,530,225.48	180,000.00	—	104,484,655.11	958,194,880.59

## XIV. NOTES TO THE MAJOR ITEMS IN FINANCIAL STATEMENTS OF THE COMPANY (CONTINUED)

### 3. Long-term Equity Investments (Continued)

2018 (continued)

	Opening balance	Increase/decrease during the year			Carrying amount at the end of the year
		Increase in investment	Decrease in investment	Investment gain/loss under equity method	
<b>Associates</b>					
Zhejiang Mingdu Investment Company Limited (浙江名都投資有限公司)	165,300,000.00	—	—	—	165,300,000.00
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)	45,255,062.96	—	(45,255,062.96)	—	—
Wuhan Red Star Macalline Zhengda Logistics Company Limited (武漢紅星美凱龍正達物流有限公司)	—	—	—	—	—
Wuhan Zhengkai Logistics Co., Ltd. (武漢市正凱物 流有限公司)	127,000,000.00	—	—	(16,825.42)	126,983,174.58
Meiwu 365 (Tianjin) Technology Company Limited (美屋三五(天津)科技有限公司)	17,900,796.13	—	—	(783,921.88)	17,116,874.25
Shanghai Jiazhan Construction Engineering Company Limited (上海嘉展建築裝潢工程有限公司)	7,304,104.60	—	—	330,718.29	7,634,822.89
Shanghai Reyli Network Technology Company Limited (上海熱一網絡科技有限公司)	5,274,701.29	—	(5,000,000.00)	(274,701.29)	—
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	—	—	5,229,752.25	63,856,230.69
Shenyudao Cultural Tourism Holding Co., Ltd. (神玉島文化旅遊控股股份有限公司)	—	200,000,000.00	—	(5,236,546.50)	194,763,453.50
Qianzhi (Shanghai) Home Furnishing Co., Ltd. (乾智(上海)家居有限公司)	—	1,500,000.00	—	—	1,500,000.00
Shaanxi Red Star Heji Home Shopping Plaza Company Limited (陝西紅星和記家居購物廣場有限公司)	—	4,500,000.00	—	—	4,500,000.00
Sub-total	426,661,143.42	206,000,000.00	(50,255,062.96)	(751,524.55)	581,654,555.91
Total	11,388,694,251.59	2,708,902,792.97	(134,955,062.96)	103,733,130.56	14,066,375,112.16

# Notes to the Financial Statements

For the year 2019 (RMB)

## XIV. NOTES TO THE MAJOR ITEMS IN FINANCIAL STATEMENTS OF THE COMPANY (CONTINUED)

### 4. Revenue and Cost of Sales

	For the period from 1 January to 31 December 2019		For the period from 1 January to 31 December 2018	
	Revenue	Costs	Revenue	Costs
Principal business	1,600,697,246.76	375,459,858.64	1,733,807,905.19	357,146,747.26
Other business	343,787,483.36	—	213,257,842.68	—
	<b>1,944,484,730.12</b>	<b>375,459,858.64</b>	1,947,065,747.87	357,146,747.26

The revenue of sales set out as follows:

	2019	2018
Revenue from contracts with customers	1,162,844,860.32	1,162,847,601.74
Rental and related revenue	781,639,869.80	784,218,146.13
	<b>1,944,484,730.12</b>	1,947,065,747.87

## XIV. NOTES TO THE MAJOR ITEMS IN FINANCIAL STATEMENTS OF THE COMPANY (CONTINUED)

### 4. Revenue and Cost of Sales (Continued)

The breakdown of operating income from contracts with customers is as follows :

2019

Reporting segments	Entrusted Management related	Others	Total
Principal operating region			
Mainland China	577,084,184.30	585,760,676.02	1,162,844,860.32
Time of recognizing revenue			
Recognizing revenue at certain point			
Revenue from commercial management and consultation service for construction project	80,188,679.25	—	80,188,679.25
Other revenues	—	14,827,390.14	14,827,390.14
Recognize revenue within a period of time			
Revenue from the brand consulting and management service for the early stage of the project	40,742,339.31	—	40,742,339.31
Revenue from annual brand consulting and management service for the project	324,231,467.64	—	324,231,467.64
Revenue from commercial consultation fees and tenant sourcing commissions	131,921,698.10	—	131,921,698.10
Other revenues	—	570,933,285.88	570,933,285.88
	577,084,184.30	585,760,676.02	1,162,844,860.32

# Notes to the Financial Statements

For the year 2019 (RMB)

## XIV. NOTES TO THE MAJOR ITEMS IN FINANCIAL STATEMENTS OF THE COMPANY (CONTINUED)

### 4. Revenue and Cost of Sales (Continued)

2018

Reporting segments	Entrusted Management related	Others	Total
Principal operating region			
Mainland China	618,838,696.98	544,008,904.76	1,162,847,601.74
Time of recognizing revenue			
Recognizing revenue at certain point			
Other revenues	—	9,261,282.76	9,261,282.76
Recognize revenue within a period of time			
Revenue from the brand consulting and management service for the early stage of the project	309,897,178.13	—	309,897,178.13
Revenue from annual brand consulting and management service for the project	308,941,518.85	—	308,941,518.85
Other revenues	—	534,747,622.00	534,747,622.00
	618,838,696.98	544,008,904.76	1,162,847,601.74

## XIV. NOTES TO THE MAJOR ITEMS IN FINANCIAL STATEMENTS OF THE COMPANY (CONTINUED)

### 4. Revenue and Cost of Sales (Continued)

The revenue recognized in the current year included in the book value of contract liabilities at the beginning of this year is as follows:

	2019	2018
Brand consulting and management service for the early stage of the project	55,806,194.52	100,207,766.52
Annual brand consulting and management service for the project	117,824,295.00	109,421,712.13
Other	186,406,121.15	200,862,554.46
	<b>360,036,610.67</b>	410,492,033.11

The Company's Information in relation to the performance obligations is as follows:

#### Revenue from the brand consulting and management service for the early stage of the project

The Company performs the performance obligations when providing relevant service. The contract consideration is generally paid in a way as agreed in the contract and part of it generally needs to be paid before the performance obligations of the contract take place.

#### Revenue from annual brand consulting and management service for the project

The Company performs the performance obligations when providing relevant service. The contract consideration is generally paid in a way as agreed in the contract and part of it generally needs to be paid before the performance obligations of the contract take place.

#### Revenue from commercial management and consultation service for construction project

The Company fulfills the performance obligations when providing relevant service and obtaining the confirmation letter for relevant services issued by customers. The contract consideration is generally paid in a way as agreed in the contract and part of it generally needs to be paid before the performance obligations of the contract take place.

# Notes to the Financial Statements

For the year 2019 (RMB)

## XIV. NOTES TO THE MAJOR ITEMS IN FINANCIAL STATEMENTS OF THE COMPANY (CONTINUED)

### 4. Revenue and Cost of Sales (Continued)

#### Revenue from commercial consultation fees

The Company performs the performance obligations when providing relevant service. The contract consideration is generally paid in a way as agreed in the contract and part of it generally needs to be paid before the performance obligations of the contract take place.

#### Revenue from tenant sourcing commissions

The Company performs the performance obligations when providing relevant service. The contract consideration is generally paid in a way as agreed in the contract and part of it generally needs to be paid before the performance obligations of the contract take place.

#### Revenue from strategic consultation fees

The Company performs the performance obligations when providing relevant service. The contract consideration is generally paid in a way as agreed in the contract and part of it generally needs to be paid before the performance obligations of the contract take place.

The total transaction price of the performance obligations amortised to the end of the year which remained outstanding or partly outstanding was RMB5,157,601,567.58, of which RMB419,865,956.35 was estimated to be recognised as revenue in 2020.

### 5. Investment Income

	2019	2018
Gain on long-term equity investment based on cost method	2,477,932,267.01	1,914,190,837.86
Gain on long-term equity investment based on equity method	75,297,069.94	103,733,130.56
Investment gain on disposal of subsidiaries	542,103,443.26	(72,570,506.00)
Bonuses received from other equity instruments	4,622,001.49	2,523,405.48
Bonuses received from other non-current financial assets	1,864,144.88	—
Total	3,101,818,926.58	1,947,876,867.90

## XV. RELATED PARTIES AND RELATED PARTY TRANSACTIONS OF THE COMPANY

### 1. Other Related Parties of the Company

In addition to subsidiaries referred in Financial Reports VII, other related parties of the Company please refer to Financial Reports X.

### 2. Major Transactions between the Company and Related Parties

The following related party transactions are necessary for the development of the Company's business. The transactions between the Company and related parties are related to daily operations. The transactions follow the principles of openness, fairness and justice. The transactions between the both parties are settled at fair market prices.

#### (1) Related party goods and services transactions

##### *Purchase of goods and receipt of services*

	Details of related party transactions	2019	2018
Shanghai AI.Pure Intelligent Technology Co., Ltd. (上海智諦智能科技有限公司)	Purchase of goods	343,157.35	—
		343,157.35	—



# Notes to the Financial Statements

For the year 2019 (RMB)

## XV. RELATED PARTIES AND RELATED PARTY TRANSACTIONS OF THE COMPANY (CONTINUED)

### 2. Major Transactions between the Company and Related Parties (continued)

#### (1) Related party goods and services transactions (continued)

##### *Sale of goods and provision of services*

	Details of Transactions	2019	2018
Red Star Macalline Enterprise Management and Consulting Co., Ltd. (紅星美凱龍企業管理諮詢有限公司)	Provision of services	<b>77,584,187.32</b>	31,819,339.62
Red Star Macalline Chengdu Enterprise Management Consulting Company Limited (紅星美凱龍成都企業管理諮詢有限公司)	Provision of services	<b>72,862,388.31</b>	58,362,614.76
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)	Provision of services	<b>46,769,300.43</b>	24,122,300.09
Shenzhen Huasheng Home Furnishing Group Co., Ltd. (深圳華生大家居集團有限公司)	Provision of services	<b>2,358,490.56</b>	—
Zhejiang Zhongguang Electric Appliances Co., Ltd. (浙江中廣電器股份有限公司)	Provision of services	<b>1,650,943.38</b>	—
Hangzhou Nobel Ceramics Co., Ltd and its branches (杭州諾貝爾陶瓷有限公司及其分公司)	Provision of services	<b>1,375,786.16</b>	—
		<b>202,601,096.16</b>	114,304,254.47

## XV. RELATED PARTIES AND RELATED PARTY TRANSACTIONS OF THE COMPANY (CONTINUED)

### 2. Major Transactions between the Company and Related Parties (continued)

#### (1) Related party goods and services transactions (continued)

##### *Sale of goods and provision of services (continued)*

Details of Transactions		2019	2018
Jining Hongrui Real Estate Co., Ltd. (濟寧鴻瑞置業有限公司)	Brand management service	<b>5,983,238.68</b>	2,830,188.68
Greenland Group Chengdu Jinniu Real Estate Development Co., Ltd. (綠地集團成都金牛房地產開發 有限公司)	Brand management service	<b>3,773,584.91</b>	3,773,584.91
Xuzhou Red Star Macalline Global Home Furnishings Plaza Co., Ltd. (徐州紅星美凱龍全球家居生活 廣場有限公司)	Brand management service	<b>3,411,949.72</b>	3,510,380.04
Shaanxi Hongrui Home Furnishings Plaza Co., Ltd. (陝西鴻瑞家居生活 廣場有限公司)	Brand management service	<b>2,830,188.68</b>	2,830,188.68
Wuhu Minghui Business Management Co., Ltd. (蕪湖明輝商業管理 有限公司)	Brand management service	<b>2,830,188.68</b>	2,830,188.68
Wuhan Zhengkai Logistics Co., Ltd. (武漢市正凱物流有限公司)	Brand management service	<b>2,830,188.68</b>	2,830,188.68
Yangzhou Red Star Macalline Global Home Furnishings Plaza Property Co., Ltd (揚州紅星美凱龍全球 家居生活廣場置業有限公司)	Brand management service	<b>2,830,188.68</b>	1,886,792.45

# Notes to the Financial Statements

For the year 2019 (RMB)

## XV. RELATED PARTIES AND RELATED PARTY TRANSACTIONS OF THE COMPANY (CONTINUED)

### 2. Major Transactions between the Company and Related Parties (continued)

#### (1) Related party goods and services transactions (continued)

##### *Sale of goods and provision of services (continued)*

Details of Transactions	2019	2018
Xuzhou Red Star Macalline International Home Furnishings City Co., Ltd. (徐州紅星美凱龍國際傢俱裝飾城)	Brand management service	
	<b>2,091,195.00</b>	2,085,378.70
Xinghua Xingkai Home Furnishing Plaza Company Limited (興化市星凱家居生活廣場有限公司)	Brand management service	
	<b>1,415,094.34</b>	1,415,094.34
<b>Total</b>	<b>27,995,817.37</b>	23,991,985.16

Details of Transactions	2019	2018
Chengdu Dongtai Shopping Mall Company Limited (成都東泰商城有限公司)	Service income	
	<b>58,304.00</b>	67,886.24
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)	Service income	
	<b>4,134.50</b>	—
UIOT Super Smart Home (Shanghai) Co., Ltd. (超級智慧家(上海)物聯網科技有限公司)	Service income	
	<b>26.55</b>	—
<b>Total</b>	<b>62,465.05</b>	67,886.24

## XV. RELATED PARTIES AND RELATED PARTY TRANSACTIONS OF THE COMPANY (CONTINUED)

### 2. Major Transactions between the Company and Related Parties (continued)

#### (2) Leases with related parties

##### *As the lessor*

Type of leased assets	2019	2018
UIOT Super Smart Home (Shanghai) Co., Ltd. (超級智慧家(上海)物聯網科技有限公司) Shop(s) in shopping mall	143,122.85	—
Total	143,122.85	—

#### (3) Guarantees from related parties

##### *Receiving guarantees from related parties*

##### In 2019

	Amount of guarantees	Inception date of guarantee	Expiration date of guarantee	Whether guarantee has been performed
Nanjing Mingdu Home Furnishing Plaza Company Limited, Nanjing Red Star International Home Furnishing Mall Company Limited (南京名都家居廣場有限公司、南京紅星國際傢俱裝飾城有限公司) (Note 1)	1,454,475,000.00	04/09/2018	03/09/2033	No
Dongguan Red Star Macalline Shibo Furniture Plaza Company Limited, Zhongshan Red Star Macalline Shibo Furniture Plaza Company Limited (東莞紅星美凱龍世博家居廣場有限公司、中山紅星美凱龍世博家居廣場有限公司) (Note 2)	900,000,000.00	26/06/2019	26/06/2021	No

# Notes to the Financial Statements

For the year 2019 (RMB)

## XV. RELATED PARTIES AND RELATED PARTY TRANSACTIONS OF THE COMPANY (CONTINUED)

### 2. Major Transactions between the Company and Related Parties (continued)

#### (3) Guarantees from related parties (continued)

##### *Receiving guarantees from related parties (continued)*

In 2019 (continued)

	Amount of guarantees	Inception date of guarantee	Expiration date of guarantee	Whether guarantee has been performed
Shanghai Red Star Macalline Global Home Furnishing Company Limited (上海紅星美凱龍全球家居有限公司)	885,000,000.00	15/10/2019	14/04/2020	No
Red Star Macalline Shibo (Tianjin) Home Furnishing Plaza Company Limited (紅星美凱龍世博(天津)家居生活廣場有限公司) (Note 2)	864,427,700.00	29/05/2019	29/05/2020	No
Shanghai Xinwei Property Company Limited, Shanghai Shanhai Art Furniture Company Limited (上海新偉置業有限公司、上海山海藝術傢俱有限公司) (Note 2)	669,728,458.44	09/08/2019	25/01/2020	No
Chongqing Xingkaike Home Furnishing Company Limited (重慶星凱科家居有限公司) (Note 2)	658,800,000.00	25/06/2018	04/06/2025	No
Shanghai Red Star Macalline Global Home Furnishing Company Limited (上海紅星美凱龍全球家居有限公司) (Note 2)	480,000,000.00	06/11/2018	06/11/2021	No
Jinan Red Star Macalline Shibo Home Living Plaza Company Limited (濟南紅星美凱龍世博家居生活廣場有限公司) (Note 2)	440,000,000.00	27/07/2017	27/07/2020	No
Shanghai Red Star Macalline Home Furnishing Design Expo Company Limited (上海紅星美凱龍家居藝術設計博覽有限公司) (Note 2)	300,000,000.00	03/07/2019	25/06/2021	No

## XV. RELATED PARTIES AND RELATED PARTY TRANSACTIONS OF THE COMPANY (CONTINUED)

### 2. Major Transactions between the Company and Related Parties (continued)

#### (3) Guarantees from related parties (continued)

##### *Receiving guarantees from related parties (continued)*

In 2019 (continued)

	Amount of guarantees	Inception date of guarantee	Expiration date of guarantee	Whether guarantee has been performed
Red Star Macalline Holding Group Company Limited (紅星美凱龍控股集團有限公司)	157,000,000.00	10/07/2019	09/07/2020	No
Red Star Macalline Holding Group Company Limited (紅星美凱龍控股集團有限公司)	143,000,000.00	10/07/2019	09/07/2020	No
Jinan Red Star Macalline Shibo Home Living Plaza Company Limited (濟南紅星美凱龍世博家居生活廣場有限公司) (Note 2)	90,000,000.00	18/12/2017	18/12/2020	No
Shanghai Red Star Macalline Decorative Furniture Mall Co., Ltd, Ningbo Red Star Macalline Home Shopping Plaza Company Limited (上海紅星美凱龍裝飾傢俱城有限公司、寧波紅星美凱龍家居購物廣場有限公司) (Note 3)	Nil	3/9/2018	1/9/2023	Yes

*Note 1:* The loan is pledged by the account receivables from operating property and secured by investment property held by Nanjing Mingdu Home Furnishing Plaza Company Limited and is pledged by 40% equity Nanjing Mingdu Home Furnishing Plaza Company Limited held by Nanjing Red Star International Home Furnishing Company Limited.

*Note 2:* The loan is secured by all the investment property held by the guarantor.

*Note 3:* The loan is secured by investment real properties held by Shanghai Red Star Macalline Decorative Furniture Mall Co., Ltd. (上海紅星美凱龍裝飾傢俱城有限公司) and Ningbo Red Star Macalline Home Shopping Plaza Company Limited (寧波紅星美凱龍家居購物廣場有限公司).

# Notes to the Financial Statements

For the year 2019 (RMB)

## XV. RELATED PARTIES AND RELATED PARTY TRANSACTIONS OF THE COMPANY (CONTINUED)

### 2. Major Transactions between the Company and Related Parties (continued)

#### (3) Guarantees from related parties (continued)

##### *Receiving guarantees from related parties (continued)*

In 2018

	Amount of guarantees	Inception date of guarantee	Expiration date of guarantee	Whether guarantee has been performed
Nanjing Mingdu Home Furnishing Plaza Company Limited, Nanjing Red Star International Home Furnishing Mall Company Limited (南京名都家居廣場有限公司、南京紅星國際傢俱裝飾城有限公司) (Note 1)	1,532,047,000.00	04/09/2018	03/09/2033	No
Shanghai Xinwei Property Company Limited, Shanghai Shanhai Art Furniture Company Limited, Anhui Tenghui Investment Group Hefei Company Limited (上海新偉置業有限公司、上海山海藝術傢俱有限公司、安徽騰輝投資集團合肥有限公司) (Note 2)	1,200,000,000.00	10/07/2018	10/07/2019	No
Shanghai Red Star Macalline Global Home Furnishing Company Limited (上海紅星美凱龍全球家居有限公司) (Note 2)	1,000,000,000.00	06/11/2018	06/11/2019	No
Red Star Macalline Shibo (Tianjin) Home Furnishing Plaza Company Limited (紅星美凱龍世博(天津)家居生活廣場有限公司) (Note 2)	926,756,740.00	12/07/2018	04/06/2019	No
Jinan Red Star Macalline Shibo Home Living Plaza Company Limited (濟南紅星美凱龍世博家居生活廣場有限公司) (Note 2)	540,000,000.00	27/07/2017	27/07/2020	No

## XV. RELATED PARTIES AND RELATED PARTY TRANSACTIONS OF THE COMPANY (CONTINUED)

### 2. Major Transactions between the Company and Related Parties (continued)

#### (3) Guarantees from related parties (continued)

##### *Receiving guarantees from related parties (continued)*

	Amount of guarantees	Inception date of guarantee	Expiration date of guarantee	Whether guarantee has been performed
Shanghai Red Star Macalline Global Home Furnishing Company Limited (上海紅星美凱龍全球家居有限公司) (Note 2)	500,000,000.00	08/11/2018	06/11/2021	No
Red Star Macalline Holding Group Company Limited (紅星美凱龍控股集團有限公司)	285,000,000.00	26/07/2018	26/07/2019	No
Shanghai Red Star Macalline Decorative Furniture Mall Company Limited, Ningbo Red Star Macalline Home Shopping Plaza Company Limited (上海紅星美凱龍裝飾傢俱城有限公司、寧波紅星美凱龍家居購物廣場有限公司) (Note 3)	135,000,000.00	03/09/2018	01/09/2023	No
Jinan Red Star Macalline Shibo Home Living Plaza Company Limited (濟南紅星美凱龍世博家居生活廣場有限公司) (Note 2)	120,000,000.00	18/12/2017	18/12/2020	No

*Note 1:* The loan is pledged by the account receivables from operating property and secured by investment property held by Nanjing Mingdu Home Furnishing Plaza Company Limited and is pledged by 40% equity Nanjing Mingdu Home Furnishing Plaza Company Limited held by Nanjing Red Star International Home Furnishing Company Limited.

*Note 2:* The loan is secured by the guarantor's all investment property.

*Note 3:* The loan is secured by all the investment property held by Shanghai Red Star Macalline Decorative Furniture Mall Company Limited and Ningbo Red Star Macalline Home Shopping Plaza Company Limited.



# Notes to the Financial Statements

For the year 2019 (RMB)

## XV. RELATED PARTIES AND RELATED PARTY TRANSACTIONS OF THE COMPANY (CONTINUED)

### 2. Major Transactions between the Company and Related Parties (continued)

#### (3) Guarantees from related parties (continued)

##### *Rendering guarantees to related parties*

2019	Amount of guarantees	Inception date of guarantee	Expiration date of guarantee	Whether guarantee has been performed
Hong Kong Red Star Macalline Global Home Furnishing Company Limited (香港紅星美凱龍全球家居有限公司) (Note 1)	2,069,727,307.24	21/09/2017	20/09/2022	NO
Nanjing Red Star International Home Living Company Limited (南京紅星美凱龍國際家居有限責任公司) (Note 2)	757,878,042.26	14/03/2019	08/03/2034	NO
Shanghai Hongxin Oukai Home Living Company Limited (上海虹欣歐凱家居有限公司) (Note 3)	400,000,000.00	28/11/2019	29/11/2029	NO
Wuhan Red Star Macalline Global Home Furnishing Plaza Development Company Limited (武漢紅星美凱龍環球家居廣場發展有限公司) (Note 4)	288,000,000.00	19/05/2014	18/05/2020	NO
Shanghai Yuzhu Enterprise Management Company Limited (上海宇築企業管理有限公司)	283,500,000.00	14/06/2017	13/06/2024	NO
Shanghai Yumu Enterprise Management Company Limited (上海宇慕企業管理有限公司)	274,750,000.00	14/06/2017	13/06/2024	NO
Shanghai Yuxu Enterprise Management Company Limited (上海宇煦企業管理有限公司)	272,250,000.00	14/06/2017	13/06/2024	NO

## XV. RELATED PARTIES AND RELATED PARTY TRANSACTIONS OF THE COMPANY (CONTINUED)

### 2. Major Transactions between the Company and Related Parties (continued)

#### (3) Guarantees from related parties (continued)

##### *Rendering guarantees to related parties (continued)*

2019	Amount of guarantees	Inception date of guarantee	Expiration date of guarantee	Whether guarantee has been performed
Shanghai Yuxiao Enterprise Management Company Limited (上海宇霄企業管理有限公司)	271,250,000.00	14/06/2017	13/06/2024	NO
Urumchi Red Star Macalline Shibo Furniture Plaza Company Limited (烏魯木齊紅星美凱龍家居世博廣場有限公司) (Note 4)	259,700,000.00	28/04/2017	28/04/2022	NO
Changsha Red Star Macalline Jinxia Home Living Plaza Company Limited (長沙紅星美凱龍金霞家居生活廣場有限公司) (Note 4)	235,000,000.00	23/04/2018	23/04/2028	NO
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) (Note 2)	216,000,000.00	28/12/2018	28/12/2028	NO
Changsha Yinhong Home Furnishing Company Limited (長沙市銀紅家居有限公司) (Note 4)	200,000,000.00	03/03/2015	03/03/2025	NO
Langfang Kaihong Home Living Plaza Company Limited (廊坊市凱宏家居廣場有限公司) (Note 4)	194,000,000.00	14/02/2017	14/02/2027	NO
Kunming Diken Trading Company Limited (昆明迪肯商貿有限公司) (Note 4)	191,543,271.82	11/04/2018	11/04/2025	NO

# Notes to the Financial Statements

For the year 2019 (RMB)

## XV. RELATED PARTIES AND RELATED PARTY TRANSACTIONS OF THE COMPANY (CONTINUED)

### 2. Major Transactions between the Company and Related Parties (continued)

#### (3) Guarantees from related parties (continued)

##### *Rendering guarantees to related parties (continued)*

2019	Amount of guarantees	Inception date of guarantee	Expiration date of guarantee	Whether guarantee has been performed
Chongqing Red Star Macalline Logistics Company Limited (重慶紅星美凱龍物流有限公司) (Note 5)	119,504,050.16	02/01/2019	02/01/2030	NO
Shenyang Mingdu Home Furnishing Plaza Company Limited (瀋陽名都家居廣場有限公司) (Note 4)	60,660,000.00	17/08/2013	17/08/2021	NO
Tianjin Red Star Macalline Logistics Company Limited (天津紅星美凱龍物流有限公司) (Note 6)	52,835,159.32	13/09/2018	12/09/2021	NO
Daqing Red Star Macalline Shibo Furniture Company Limited (大慶紅星美凱龍世博家居有限公司) (Note 4)	36,000,000.00	27/05/2015	27/05/2021	NO
Zhongshan Red Star Macalline Shibo Furniture Plaza Company Limited (中山紅星美凱龍世博家居廣場有限公司) (Note 4)	Nil	31/10/2014	31/10/2022	YES
Dongguan Red Star Macalline Shibo Furniture Plaza Company Limited (東莞紅星美凱龍世博家居廣場有限公司)	Nil	12/01/2017	12/01/2022	YES

## XV. RELATED PARTIES AND RELATED PARTY TRANSACTIONS OF THE COMPANY (CONTINUED)

### 2. Major Transactions between the Company and Related Parties (continued)

#### (3) Guarantees from related parties (continued)

##### *Rendering guarantees to related parties (continued)*

*Note 1:* The US dollar bond is guaranteed by the Company's keepwell agreement.

*Note 2:* The loan is pledged by the account receivables from operating property and mortgaged by investment property held by the guaranteed party.

*Note 3:* The loan is pledged by 50% equity of the Company and the account receivables from operating property and mortgaged by investment property held by the guaranteed party.

*Note 4:* The loan is mortgaged by the guaranteed party's all investment property.

*Note 5:* The loan is pledged by the 100% equity of the guaranteed party held by Red Star Macalline (Shanghai) Business Management Company Limited, and is mortgaged with all its investment property held by the guaranteed party.

*Note 6:* The loan is provided by Suzhou Kinetic Home Furnishing Co., Ltd. with joint liability guarantee, and is mortgaged by all the investment property held by the guaranteed party.

# Notes to the Financial Statements

For the year 2019 (RMB)

## XV. RELATED PARTIES AND RELATED PARTY TRANSACTIONS OF THE COMPANY (CONTINUED)

### 2. Major Transactions between the Company and Related Parties (continued)

#### (3) Guarantees from related parties (continued)

##### *Rendering guarantees to related parties (continued)*

2018

	Amount of guarantees	Inception date of guarantee	Expiration date of guarantee	Whether guarantee has been performed
Haier Consume Financing Company Limited (海爾消費金融有限公司) (Note 1)	Nil	08/11/2016	08/11/2019	YES
Hong Kong Red Star Macalline Global Home Furnishing Company Limited (香港紅星美凱龍全球家居有限公司) (Note 2)	2,028,377,647.84	21/09/2017	20/09/2022	NO
Shanghai Red Star Macalline Home Living Design Expo Company Limited (上海紅星美凱龍家居藝術設計博覽有限公司) (Note 3)	1,136,000,000.00	25/05/2017	25/05/2032	NO
Urumchi Red Star Macalline Shibo Furniture Plaza Company Limited (烏魯木齊紅星美凱龍家居世博廣場有限公司) (Note 4)	333,900,000.00	28/04/2017	28/04/2022	NO
Wuhan Red Star Macalline Global Home Living Plaza Development Company Limited (武漢紅星美凱龍環球家居廣場發展有限公司) (Note 4)	304,000,000.00	19/05/2014	18/05/2020	NO
Shanghai Yuzhu Enterprise Management Company Limited (上海宇築企業管理有限公司)	299,700,000.00	14/06/2017	13/06/2024	NO

## XV. RELATED PARTIES AND RELATED PARTY TRANSACTIONS OF THE COMPANY (CONTINUED)

### 2. Major Transactions between the Company and Related Parties (continued)

#### (3) Guarantees from related parties (continued)

##### *Rendering guarantees to related parties (continued)*

2018

	Amount of guarantees	Inception date of guarantee	Expiration date of guarantee	Whether guarantee has been performed
Shanghai Yumu Enterprise Management Company Limited (上海宇慕企業管理有限公司)	290,450,000.00	14/06/2017	13/06/2024	NO
Shanghai Yuxu Enterprise Management Company Limited (上海宇煦企業管理有限公司)	287,750,000.00	14/06/2017	13/06/2024	NO
Shanghai Yuxiao Enterprise Management Company Limited (上海宇霄企業管理有限公司)	286,750,000.00	14/06/2017	13/06/2024	NO
Changsha Yinhong Home Furnishing Company Limited (長沙市銀紅家居有限公司) (Note 4)	275,000,000.00	03/03/2015	03/03/2025	NO
Langfang Kaihong Home Living Plaza Company Limited (廊坊市凱宏家居廣場有限公司) (Note 4)	210,500,000.00	14/02/2017	14/02/2027	NO
Changsha Red Star Macalline Jinxia Home Living Plaza Company Limited (長沙紅星美凱龍金霞家居生活廣場有限公司) (Note 4)	200,000,000.00	23/04/2018	23/04/2028	NO
Shenyang Mingdu Home Furnishing Plaza Company Limited (瀋陽名都家居廣場有限公司) (Note 4)	138,520,000.00	17/08/2013	17/08/2021	NO
Kunming Diken Trading Company Limited (昆明迪肯商貿有限公司) (Note 4)	106,520,000.00	11/04/2018	11/04/2025	NO

# Notes to the Financial Statements

For the year 2019 (RMB)

## XV. RELATED PARTIES AND RELATED PARTY TRANSACTIONS OF THE COMPANY (CONTINUED)

### 2. Major Transactions between the Company and Related Parties (continued)

#### (3) Guarantees from related parties (continued)

##### *Rendering guarantees to related parties (continued)*

2018

	Amount of guarantees	Inception date of guarantee	Expiration date of guarantee	Whether guarantee has been performed
Zhongshan Red Star Macalline Shibo Home Living Plaza Company Limited (中山紅星美凱龍世博家居廣場有限公司) (Note 4)	88,120,000.00	31/10/2014	31/10/2022	NO
Daqing Red Star Macalline Shibo Furniture Company Limited (大慶紅星美凱龍世博家居有限公司) (Note 4)	66,000,000.00	27/05/2015	27/05/2021	NO
Tianjin Red Star Macalline Logistics Company Limited (天津紅星美凱龍物流有限公司) (Note 5)	46,218,935.00	13/09/2018	12/09/2021	NO
Dongguan Red Star Macalline Shibo Furniture Plaza Company Limited (東莞紅星美凱龍世博家居廣場有限公司)	35,000,000.00	12/01/2017	12/01/2022	NO

*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, our associated company, to Haier Group Finance Co., Ltd. for a term of 3 years. The borrowings were fully repaid in 2018.

*Note 2:* The US dollar bond is guaranteed by the company's keepwell agreement.

*Note 3:* The loan is pledged by the account receivables from operating property and mortgaged by investment property held by the guarantor. As of December 31, 2019, the guarantee has been revoked.

*Note 4:* The loan is mortgaged by the guarantor's all investment property.

*Note 5:* The loan is provided by Suzhou Kinetic Home Furnishing Co., Ltd. with joint liability guarantee, and is mortgaged by all the investment property held by the guarantor.

## XV. RELATED PARTIES AND RELATED PARTY TRANSACTIONS OF THE COMPANY (CONTINUED)

### 2. Major Transactions between the Company and Related Parties (continued)

#### (4) Loans and borrowings of the related parties

For the period from 1 January to 31 December 2019

Related party	Opening balance of 2019	Lending amount	Closing balance of 2019	Other instructions
<b>Lending</b>				
Shanghai Red Star Macalline Home Living Design Expo Company Limited (上海紅星美凱龍家居藝術設計博覽有限公司)	985,216,304.45	628,188,682.46	1,613,404,986.91	Non fixed term
Nanjing Mingdu Home Living Plaza Company Limited (南京名都家居廣場有限公司)	1,445,373,131.26	(454,779,844.60)	990,593,286.66	Non fixed term
Red Star Macalline Shibo (Tianjin) Home Living Plaza Company Limited (紅星美凱龍世博(天津)家居生活廣場有限公司)	889,756,259.43	45,600,152.23	935,356,411.66	Non fixed term
Tianjin Red Star Macalline World Trade Home Living Company Limited (天津紅星美凱龍世貿家居有限公司)	751,293,593.38	162,521,228.35	913,814,821.73	Non fixed term
Yintai (Yongqing) New City Investment Co., Ltd. (銀泰(永清)新城投資有限公司)	305,935,444.44	444,449,687.49	750,385,131.93	Non fixed term
Shanghai Macalline Decoration Engineering Group Co., Ltd. (上海美凱龍裝飾工程集團有限公司)	—	735,393,442.26	735,393,442.26	Non fixed term
Shenyang Mingdu Home Furnishing Plaza Company Limited (瀋陽名都家居廣場有限公司)	638,959,505.06	80,060,000.00	719,019,505.06	Non fixed term
Urumchi Red Star Macalline Shibo Furniture Plaza Company Limited (烏魯木齊紅星美凱龍家居世博廣場有限公司)	547,339,704.61	156,254,312.45	703,594,017.06	Non fixed term



# Notes to the Financial Statements

For the year 2019 (RMB)

## XV. RELATED PARTIES AND RELATED PARTY TRANSACTIONS OF THE COMPANY (CONTINUED)

### 2. Major Transactions between the Company and Related Parties (continued)

#### (4) Loans and borrowings of the related parties (continued)

Related party	Opening balance of 2019	Lending amount	Closing balance of 2019	Other instructions
Wuhan Red Star Macalline Shibo Home Living Plaza Development Company Limited (武漢紅星美凱龍世博家居廣場發展有限公司)	871,357,784.03	(231,097,915.97)	640,259,868.06	Non fixed term
Wuhan Red Star Macalline Global Home Living Plaza Development Company Limited (武漢紅星美凱龍環球家居廣場發展有限公司)	521,347,136.01	72,513,073.79	593,860,209.80	Non fixed term
Shanghai Yuxu Enterprise Management Company Limited (上海宇煦企業管理有限公司)	271,513,761.22	302,851,371.33	574,365,132.55	Non fixed term
Haerbin Red Star Macalline Shibo Home Living Plaza Company Limited (哈爾濱紅星美凱龍世博家居廣場有限公司)	403,835,337.50	114,906,963.41	518,742,300.91	Non fixed term
Shanghai Red Star Macalline Industrial Company Limited (上海紅星美凱龍實業有限公司)	261,792,273.58	246,058,037.47	507,850,311.05	Non fixed term
Changzhou Hongyang Home Living Plaza Company Limited (常州紅陽家居生活廣場有限公司)	426,559,400.00	52,200,000.00	478,759,400.00	Non fixed term
Tianjin Red Star Macalline Home Living and Decorating Plaza Company Limited (天津紅星美凱龍家居飾生活廣場有限公司)	456,962,310.29	18,385,079.15	475,347,389.44	Non fixed term
Zhengzhou Red Star Macalline Shibo Home Furnishing Company Limited (鄭州紅星美凱龍世博家居有限公司)	380,550,000.00	72,522,592.40	453,072,592.40	Non fixed term

## XV. RELATED PARTIES AND RELATED PARTY TRANSACTIONS OF THE COMPANY (CONTINUED)

### 2. Major Transactions between the Company and Related Parties (continued)

#### (4) Loans and borrowings of the related parties (continued)

Related party	Opening balance of 2019	Lending amount	Closing balance of 2019	Other instructions
Shanghai Hongxin Oukai Home Living Company Limited (上海虹欣歐凱家居有限公司)	782,329,717.28	(351,550,425.94)	430,779,291.34	Non fixed term
Chengdu Tianfu New District Red Star Macalline World Trade Home Furnishing Company Limited (成都天府新區紅星美凱龍世貿家居有限公司)	609,831,771.98	(195,838,350.21)	413,993,421.77	Non fixed term
Dongguan Red Star Macalline Shibo Furniture Plaza Company Limited (東莞紅星美凱龍世博家居廣場有限公司)	203,254,109.08	207,779,668.48	411,033,777.56	Non fixed term
Shanghai Yumu Enterprise Management Company Limited (上海宇慕企業管理有限公司)	282,930,625.54	124,629,934.65	407,560,560.19	Non fixed term
Lanzhou Red Star Macalline Shibo Home Living Plaza Company Limited (蘭州紅星美凱龍世博家居廣場有限公司)	384,330,312.22	19,636,158.82	403,966,471.04	Non fixed term
Shanghai Yuxiao Enterprise Management Company Limited (上海宇霄企業管理有限公司)	271,802,375.13	121,500,184.05	393,302,559.18	Non fixed term
Chongqing Red Star Macalline International Home Furnishing Plaza Company Limited (重慶紅星美凱龍國際家居生活廣場有限責任公司)	325,566,333.33	63,352,779.17	388,919,112.50	Non fixed term
Shanghai Yuzhu Enterprise Management Company Limited (上海宇築企業管理有限公司)	280,469,377.11	103,220,006.71	383,689,383.82	Non fixed term

# Notes to the Financial Statements

For the year 2019 (RMB)

## XV. RELATED PARTIES AND RELATED PARTY TRANSACTIONS OF THE COMPANY (CONTINUED)

### 2. Major Transactions between the Company and Related Parties (continued)

#### (4) Loans and borrowings of the related parties (continued)

Related party	Opening balance of 2019	Lending amount	Closing balance of 2019	Other instructions
Ningbo Red Star Macalline Home Shopping Plaza Company Limited (寧波紅星美凱龍家居購物廣場有限公司)	479,199,153.43	(106,575,068.89)	372,624,084.54	Non fixed term
Haikou Tangong Industrial Limited (海口檀宮實業有限公司)	—	362,278,175.83	362,278,175.83	Non fixed term
Chengdu Red Star Macalline Tianfu Expo Home Furnishing Plaza Company Limited (成都紅星美凱龍天府世博家居廣場有限公司)	331,500,000.00	—	331,500,000.00	2017/11/14–2022/8/12, interest rate: 6.00%
Chengdu Tianfu New District Red Star Macalline World Trade Home Furnishing Company Limited (成都天府新區紅星美凱龍世貿家居有限公司)	331,500,000.00	—	331,500,000.00	2017/11/14–2022/8/12, interest rate: 6.00%
Hangzhou Red Star Macalline Global Home Living Company Limited (杭州紅星美凱龍環球家居有限公司)	222,648,745.00	109,500,000.00	332,148,745.00	Non fixed term
Foshan Junda Enterprise Management Co., Ltd. (佛山郡達企業管理有限公司)	—	330,442,657.54	330,442,657.54	Non fixed term
Red Star Macalline Glory Casa (Shanghai) Home Furnishing Company Limited (紅星美凱龍凱撒至尊(上海)家居有限公司)	150,009,284.45	176,032,353.34	326,041,637.79	Non fixed term
Chengdu Red Star Macalline Tianfu Expo Home Furnishing Plaza Company Limited (成都紅星美凱龍天府世博家居廣場有限公司)	264,866,810.26	49,821,365.35	314,688,175.61	Non fixed term

## XV. RELATED PARTIES AND RELATED PARTY TRANSACTIONS OF THE COMPANY (CONTINUED)

### 2. Major Transactions between the Company and Related Parties (continued)

#### (4) Loans and borrowings of the related parties (continued)

Related party	Opening balance		Closing balance		Other instructions
	of 2019	Lending amount	of 2019		
Daqing Red Star Macalline Shibo Furniture Company Limited (大慶紅星美凱龍世博家居有限公司)	243,001,172.27	56,785,394.05	299,786,566.32		Non fixed term
Nanning Red Star Macalline Shibo Home Furnishing Exhibition Centre Company Limited (南寧紅星美凱龍世博家居展覽中心有限公司)	—	281,860,311.25	281,860,311.25		Non fixed term
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)	376,024,466.55	(97,562,572.22)	278,461,894.33		Non fixed term
Shenyang Red Star Macalline Home Living Expo Company Limited (瀋陽紅星美凱龍博覽家居有限公司)	258,650,750.54	2,225,771.10	260,876,521.64		Non fixed term
Red Star Zhongying Investment Company Limited (紅星眾盈投資有限公司)	241,684,304.56	12,832,470.44	254,516,775.00		Non fixed term
Suzhou Red Star Macalline Shibo Home Furnishing Plaza Company Limited (蘇州紅星美凱龍世博家居廣場有限公司)	226,298,622.06	19,190,000.00	245,488,622.06		Non fixed term
Hohhot Red Star Macalline Shibo Home Furnishing Plaza Company Limited (呼和浩特市紅星美凱龍世博家居廣場有限責任公司)	207,070,248.67	33,473,963.66	240,544,212.33		Non fixed term
Kunshan Red Star Macalline Decoration Materials Company Limited (昆山紅星美凱龍裝飾材料有限公司)	151,563,866.67	79,783,579.99	231,347,446.66		Non fixed term

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For the year 2019 (RMB)

## XV. RELATED PARTIES AND RELATED PARTY TRANSACTIONS OF THE COMPANY (CONTINUED)

### 2. Major Transactions between the Company and Related Parties (continued)

#### (4) Loans and borrowings of the related parties (continued)

Related party	Opening balance of 2019	Lending amount	Closing balance of 2019	Other instructions
Shanghai Hongmei E-Commerce Company Limited (上海紅美電子商務有限公司)	148,092,436.81	70,999,700.00	219,092,136.81	Non fixed term
Beijing Century Europe and America Business Investment Company Limited (北京世紀歐美商業投資有限公司)	190,546,506.81	20,149,085.14	210,695,591.95	Non fixed term
Khorgos Red Star Yiming Venture Capital Company Limited (霍爾果斯紅星易鳴創業投資有限公司)	4,015,555.56	190,079,777.78	194,095,333.34	Non fixed term
Khorgos Yarui Venture Capital Company Limited (霍爾果斯雅睿創業投資有限公司)	188,015,011.67	4,998,759.16	193,013,770.83	Non fixed term
Chongqing Red Star Macalline Zhongkun Home Living Plaza Company Limited (重慶紅星美凱龍中坤家居生活廣場有限責任公司)	179,710,946.67	11,348,375.00	191,059,321.67	Non fixed term
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)	—	186,769,430.35	186,769,430.35	Non fixed term
Kunming Diken Trading Company Limited (昆明迪肯商貿有限公司)	—	179,963,188.45	179,963,188.45	2019/7/9–2020/9/26, interest rate: 6.09%
Red Star Macalline (Shanghai) Business Management Company Limited (紅星美凱龍(上海)企業管理有限公司)	213,891,034.44	(42,668,701.73)	171,222,332.71	Non fixed term

## XV. RELATED PARTIES AND RELATED PARTY TRANSACTIONS OF THE COMPANY (CONTINUED)

### 2. Major Transactions between the Company and Related Parties (continued)

#### (4) Loans and borrowings of the related parties (continued)

Related party	Opening balance		Closing balance		Other instructions
	of 2019	Lending amount	of 2019		
Shanghai Red Star Macalline Trading Company Limited (上海紅星美凱龍商貿有限公司)	123,439,885.00	47,029,744.73	170,469,629.73		Non fixed term
Changsha Red Star Macalline Jinxia Home Living Plaza Company Limited (長沙紅星美凱龍金霞家居生活廣場有限公司)	126,044,841.67	43,744,564.06	169,789,405.73		Non fixed term
Panjin Red Star Macalline Global Home Living Plaza Company Limited (盤錦紅星美凱龍全球家居生活廣場有限公司)	209,742,755.56	(47,712,903.39)	162,029,852.17		Non fixed term
Shanghai Xinwei Home Purchasing Company Limited (上海新偉置業有限公司)	—	158,908,275.34	158,908,275.34		Non fixed term
Shanghai Laicheng Enterprise Management Limited (上海賽程企業管理有限公司)	—	156,512,835.42	156,512,835.42		Non fixed term
Chongqing Red Star Macalline Logistics Company Limited (重慶紅星美凱龍物流有限公司)	176,804,337.78	(25,453,198.49)	151,351,139.29		Non fixed term
Shanghai Jinshan Red Star Macalline Global Home Furnishing Company Limited (上海金山紅星美凱龍全球家居有限公司)	110,242,294.44	37,192,639.94	147,434,934.38		Non fixed term
Xining Red Star Macalline Shibo Home Furnishing Plaza Company Limited (西寧紅星美凱龍世博家居廣場有限公司)	138,900,000.00	—	138,900,000.00		2017/11/14–2022/8/12, interest rate: 6.00%
Kunming Diken Trading Company Limited (昆明迪肯商貿有限公司)	101,716,380.81	36,061,453.42	137,777,834.23		Non fixed term

# Notes to the Financial Statements

For the year 2019 (RMB)

## XV. RELATED PARTIES AND RELATED PARTY TRANSACTIONS OF THE COMPANY (CONTINUED)

### 2. Major Transactions between the Company and Related Parties (continued)

#### (4) Loans and borrowings of the related parties (continued)

Related party	Opening balance of 2019	Lending amount	Closing balance of 2019	Other instructions
Wuhu Red Star Macalline World Trade Home Living Plaza Company Limited (蕪湖紅星美凱龍世貿家居廣場有限公司)	—	133,609,521.31	133,609,521.31	Non fixed term
Beijing Xingkai Jingzhou Furniture Plaza Company Limited (北京星凱京洲傢俱廣場有限公司)	121,554,141.92	11,953,624.30	133,507,766.22	Non fixed term
Zhongshan Red Star Macalline Shibo Home Living Plaza Company Limited (中山紅星美凱龍世博家居廣場有限公司)	42,735,740.48	89,662,211.42	132,397,951.90	Non fixed term
Shanghai Mingyi Enterprise Development Co., Ltd. (上海名藝商業企業發展有限公司)	112,200,000.50	19,400,000.00	131,600,000.50	Non fixed term
Changsha Yinhong Home Furnishing Company Limited (長沙市銀紅家居有限公司)	105,772,209.20	21,226,152.04	126,998,361.24	Non fixed term
Xining Red Star Macalline Shibo Home Furnishing Plaza Company Limited (西寧紅星美凱龍世博家居廣場有限公司)	94,022,385.28	30,762,253.34	124,784,638.62	Non fixed term
Anhui Shengshi Dingtong Logistics Company Limited (安徽盛世鼎通物流有限公司)	118,166,938.33	6,448,333.33	124,615,271.66	Non fixed term
Taiyuan Red Star Macalline Global Home Furnishing Plaza Company Limited (太原紅星美凱龍全球家居廣場有限公司)	—	122,125,970.00	122,125,970.00	Non fixed term
Chongqing Red Star Macalline Shibo Home Living Plaza Company Limited (重慶紅星美凱龍世博家居生活廣場有限責任公司)	7,864,647.54	113,818,363.06	121,683,010.60	Non fixed term

## XV. RELATED PARTIES AND RELATED PARTY TRANSACTIONS OF THE COMPANY (CONTINUED)

### 2. Major Transactions between the Company and Related Parties (continued)

#### (4) Loans and borrowings of the related parties (continued)

Related party	Opening balance		Closing balance	
	of 2019	Lending amount	of 2019	Other instructions
Chongqing Red Star Macalline Expo Home Living Plaza Company Limited (重慶紅星美凱龍博覽家居生活廣場有限責任公司)	87,004,157.80	31,507,432.36	118,511,590.16	Non fixed term
Shanghai Jingdu Investment Company Limited (上海晶都投資有限公司)	110,534,933.93	4,765,918.05	115,300,851.98	Non fixed term
Jinan Red Star Macalline Shibo Home Living Plaza Company Limited (濟南紅星美凱龍世博家居生活廣場有限公司)	65,708,191.42	41,906,398.41	107,614,589.83	Non fixed term
Yantai Red Star Macalline Home Living Company Limited (煙臺紅星美凱龍家居有限公司)	128,373,535.54	(20,801,721.57)	107,571,813.97	Non fixed term
Shanghai Red Star Macalline Exhibition Service Company Limited (上海紅星美凱龍展覽服務有限公司)	66,475,296.21	32,181,039.21	98,656,335.42	Non fixed term
Ganzhou Red Star Macalline Shibo Furniture Plaza Company Limited (贛州紅星美凱龍世博家居廣場有限公司)	—	96,985,674.08	96,985,674.08	Non fixed term
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)	340,699,777.78	(249,202,638.61)	91,497,139.17	Non fixed term
Shanghai Red Star Macalline Yuejia Network Technology Company Limited (上海紅星美凱龍悅家互聯網科技有限公司)	119,189,215.65	(31,387,907.33)	87,801,308.32	Non fixed term



# Notes to the Financial Statements

For the year 2019 (RMB)

## XV. RELATED PARTIES AND RELATED PARTY TRANSACTIONS OF THE COMPANY (CONTINUED)

### 2. Major Transactions between the Company and Related Parties (continued)

#### (4) Loans and borrowings of the related parties (continued)

Related party	Opening balance of 2019	Lending amount	Closing balance of 2019	Other instructions
Shanghai Xingkai Chengpeng Business Management Company Limited (上海星凱程鵬企業管理有限公司)	—	73,705,860.05	73,705,860.05	Non fixed term
Shanghai Jiajinsuo Investment Holding Company Limited (上海家金所投資控股有限公司)	80,909,000.00	(8,774,000.00)	72,135,000.00	Non fixed term
Shanghai Xingjia Home Decorating Material Company Limited (上海星家裝飾建材有限公司)	70,650,000.00	—	70,650,000.00	Non fixed term
Tianjin Red Star Macalline Home Fashion Plaza Company Limited (天津紅星美凱龍時尚家居廣場有限公司)	54,559,655.10	—	54,559,655.10	Non fixed term
Hefei Red Star Macalline Logistics Company Limited (合肥紅星美凱龍物流有限公司)	49,468,941.53	2,895,666.67	52,364,608.20	Non fixed term
Shanghai Red Star Macalline Assets Management Company Limited (上海紅星美凱龍資產管理有限公司)	91,296,000.00	(40,179,333.34)	51,116,666.66	Non fixed term
Shanghai Jisheng Wellborn Global Home Living Brand Management Company Limited (上海吉盛偉邦環球家居品牌管理有限公司)	167,482,869.94	(116,710,610.51)	50,772,259.43	Non fixed term
Nantong Longmei International Home Furnishing Plaza Co., Ltd. (南通龍美國際家居生活廣場有限公司)	—	49,126,005.09	49,126,005.09	Non fixed term
Shanghai Jianliu Enterprise Management Co., Ltd (上海簡柳企業管理有限公司)	—	48,103,201.67	48,103,201.67	Non fixed term

## XV. RELATED PARTIES AND RELATED PARTY TRANSACTIONS OF THE COMPANY (CONTINUED)

### 2. Major Transactions between the Company and Related Parties (continued)

#### (4) Loans and borrowings of the related parties (continued)

Related party	Opening balance of 2019	Lending amount	Closing balance of 2019	Other instructions
Red Star Macalline Global (Beijing) Home Furnishing Plaza Company Limited (紅星美凱龍環球(北京) 傢俱建材廣場有限公司)	48,790,963.64	(2,306,270.36)	46,484,693.28	Non fixed term
Shaanxi Red Star Macalline Logistics Company Limited (陝西紅星美凱龍物流有限 公司)	1,002,444.44	44,346,310.84	45,348,755.28	Non fixed term
Shanghai Youmei Home Living Company Limited (上海悠 美家居有限公司)	45,395,456.79	(1,000,000.00)	44,395,456.79	Non fixed term
Jilin Red Star Macalline Logistics Company Limited (吉林紅星美凱龍物流有限 公司)	—	42,037,230.00	42,037,230.00	Non fixed term
Nantong Hongmei Shibo Home Furnishing Plaza Company Limited (南通紅 美世博家居廣場有限公司)	157,562,222.22	(117,213,549.52)	40,348,672.70	Non fixed term
Shanghai Red Star Macalline Decorating Public Network Technology Company Limited (上海紅星美凱龍 裝修公網絡技術有限公司)	38,087,111.12	2,190,000.00	40,277,111.12	Non fixed term
Beijing Red Star Macalline Shibo Home Furnishing Plaza Company Limited (北京紅星美凱龍世博傢俱 建材廣場有限公司)	80,000,000.00	(40,000,000.00)	40,000,000.00	Non fixed term
Baotou Red Star Macalline Home Living Plaza Company Limited (包頭紅 星美凱龍家居生活廣場 有限責任公司)	38,189,779.63	135,000.00	38,324,779.63	Non fixed term

# Notes to the Financial Statements

For the year 2019 (RMB)

## XV. RELATED PARTIES AND RELATED PARTY TRANSACTIONS OF THE COMPANY (CONTINUED)

### 2. Major Transactions between the Company and Related Parties (continued)

#### (4) Loans and borrowings of the related parties (continued)

Related party	Opening balance of 2019	Lending amount	Closing balance of 2019	Other instructions
Shaanxi Red Star Heji Home Shopping Plaza Company Limited (陝西紅星和記家居購物廣場有限公司)	—	36,339,041.62	36,339,041.62	2019/6/27–2022/9/5, interest rate: 10%
Baoxiang Red Star Macalline (Xiamen) Global Home Furnishing Plaza Company Limited (寶象紅星美凱龍(廈門)全球家居廣場有限公司)	—	35,500,000.00	35,500,000.00	Non fixed term
Shaanxi Red Star Heji Home Shopping Plaza Company Limited (陝西紅星和記家居購物廣場有限公司)	31,340,000.00	3,168,345.20	34,508,345.20	Non fixed term
Shanghai Red Star Ogloria Brand Management Company Limited (上海紅星歐麗洛雅品牌管理有限公司)	—	32,385,216.66	32,385,216.66	Non fixed term
Shanghai enliu Enterprise Management Co., Ltd (上海蕙柳企業管理有限公司)	—	31,580,567.33	31,580,567.33	Non fixed term
Nanchang Red Star Macalline Global Home Furnishing Plaza Company Limited (南昌紅星美凱龍全球家居廣場有限公司)	10,165,138.89	20,854,678.60	31,019,817.49	Non fixed term
Shenyang Dadong Red Star Macalline Home Furnishing Company Limited (瀋陽大東紅星美凱龍傢俱建材市場有限公司)	11,618,364.12	19,373,386.99	30,991,751.11	Non fixed term
Wuxi Red Star Macalline Home Living Plaza Company Limited (無錫紅星美凱龍家居生活廣場有限公司)	—	28,284,764.80	28,284,764.80	Non fixed term

## XV. RELATED PARTIES AND RELATED PARTY TRANSACTIONS OF THE COMPANY (CONTINUED)

### 2. Major Transactions between the Company and Related Parties (continued)

#### (4) Loans and borrowings of the related parties (continued)

Related party	Opening balance of 2019	Lending amount	Closing balance of 2019	Other instructions
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)	27,500,000.00	(2,400,000.00)	25,100,000.00	Non fixed term
hanghai Red Star Macalline Design Cloud Information Technology Company Limited (上海紅星美凱龍設計雲信息科技有限公司)	—	23,448,962.79	23,448,962.79	Non fixed term
Shanghai Dingshi Enterprise Management Partnership (Limited Partnership)(上海鼎識企業管理合夥企業(有限合夥))	41,622,222.22	(18,690,000.00)	22,932,222.22	Non fixed term
Shanghai BetterHome Industrial Limited (上海家倍得實業有限公司)	—	20,208,333.33	20,208,333.33	Non fixed term
Qianzhi (Shanghai) Home Furnishing Co., Ltd. (乾智(上海)家居有限公司)	—	14,401,166.66	14,401,166.66	Non fixed term
Zhengzhou Juankai Enterprise Management Consultation Company Limited (鄭州雋鎧企業管理諮詢有限公司)	12,536,279.70	—	12,536,279.70	Non fixed term
Shanghai Hongmei Network Technology Company Limited (上海紅美網絡科技有限公司)	4,500,000.00	6,400,000.00	10,900,000.00	Non fixed term
Xi'an Red Star Macalline Home Living Plaza Company Limited (西安紅星美凱龍家居生活廣場有限公司)	10,240,642.23	—	10,240,642.23	Non fixed term
Beijing Century Kailong Business Investment Company Limited (北京世紀凱隆商業投資有限公司)	9,213,457.81	474,697.23	9,688,155.04	Non fixed term

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For the year 2019 (RMB)

## XV. RELATED PARTIES AND RELATED PARTY TRANSACTIONS OF THE COMPANY (CONTINUED)

### 2. Major Transactions between the Company and Related Parties (continued)

#### (4) Loans and borrowings of the related parties (continued)

Related party	Opening balance		Closing balance	
	of 2019	Lending amount	of 2019	Other instructions
Changchun Red Star Macalline Shibo Home Living Plaza Company Limited (長春紅星美凱龍世博家居生活廣場有限公司)	423,972,748.84	(415,000,000.00)	8,972,748.84	Non fixed term
Chongqing Red Star Ogloria Home Furnishing Company Limited (重慶紅星歐麗洛雅家居有限公司)	909,800.00	6,929,930.75	7,839,730.75	Non fixed term
Quzhou Red Star Macalline Shibo Market Management Service Company Limited (衢州紅星美凱龍世博市場管理服務有限公司)	7,422,683.33	—	7,422,683.33	Non fixed term
Chengdu Changyi Red Star Macalline Home Living Market Management Company Limited (成都長益紅星美凱龍家居市場經營管理有限公司)	—	6,355,215.13	6,355,215.13	Non fixed term
Changshu Red Star Macalline Global Home Living Company Limited (常熟紅星美凱龍全球家居有限公司)	5,723,922.25	234,153.44	5,958,075.69	Non fixed term
Shanghai Red Star Macalline International Trading Company Limited (上海紅星美凱龍國際貿易有限公司)	5,552,555.56	223,055.55	5,775,611.11	Non fixed term
Guangzhou Red Star Macalline Home Furnishing Building Material Co., Ltd. (廣州紅星美凱龍家居建材有限公司)	500,000.00	5,212,916.67	5,712,916.67	Non fixed term

## XV. RELATED PARTIES AND RELATED PARTY TRANSACTIONS OF THE COMPANY (CONTINUED)

### 2. Major Transactions between the Company and Related Parties (continued)

#### (4) Loans and borrowings of the related parties (continued)

Related party	Opening balance of 2019	Lending amount	Closing balance of 2019	Other instructions
Shanghai Red Star Macalline Longmei Hong Living Company Limited (上海紅星美凱龍美家居市場經營管理有限公司)	5,050,555.56	169,965.27	5,220,520.83	Non fixed term
Shanghai Huaixing Culture Development Co., Ltd. (上海懷星文化發展有限公司)	1,605,433.33	3,470,091.67	5,075,525.00	Non fixed term
Shanghai Hezhu Enterprise Management Partnership (Limited Partnership) (上海合祝企業管理合夥企業(有限合夥))	4,162,222.22	243,333.33	4,405,555.55	Non fixed term
Shanghai Juzun Enterprise Management Partnership (Limited Partnership) (上海聚尊企業管理合夥企業(有限合夥))	4,162,222.22	243,333.33	4,405,555.55	Non fixed term
Shaanxi Red Star Heji Home Shopping Plaza Company Limited (陝西紅星和記家居購物廣場有限公司)		3,800,000.00	3,800,000.00	Non fixed term
Tibet Red Star Macalline Business Management Company Limited (西藏紅星美凱龍企業管理有限公司)	65,021.67	3,045,554.15	3,110,575.82	Non fixed term
Shanghai Red Star Macalline Bulk Purchasing of Construction and Furnishing Materials Trading Company Limited (上海紅星美凱龍住建集採商貿有限公司)	—	2,842,133.33	2,842,133.33	Non fixed term

# Notes to the Financial Statements

For the year 2019 (RMB)

## XV. RELATED PARTIES AND RELATED PARTY TRANSACTIONS OF THE COMPANY (CONTINUED)

### 2. Major Transactions between the Company and Related Parties (continued)

#### (4) Loans and borrowings of the related parties (continued)

Related party	Opening balance of 2019	Lending amount	Closing balance of 2019	Other instructions
Shanghai Red Star Macalline Commercial Factoring Company Limited (上海紅星美凱龍商業保理有限公司)	471,938,861.10	(469,194,351.26)	2,744,509.84	Non fixed term
Shanghai Jiliang Enterprise Management Partnership (Limited Partnership) (上海集量企業管理合夥企業(有限合夥))	2,081,111.10	121,666.67	2,202,777.77	Non fixed term
Guangzhou Red Star Macalline Market Management Company Limited (廣州紅星美凱龍市場經營管理有限公司)	—	1,921,540.06	1,921,540.06	Non fixed term
Xi'an Red Star Macalline Shibo Home Furnishing Company Limited (西安紅星美凱龍世博家居有限公司)	1,650,000.00	—	1,650,000.00	Non fixed term
Guizhou Red Star Macalline Logistics Company Limited (貴州紅星美凱龍物流有限公司)	160,142.22	1,323,873.09	1,484,015.31	Non fixed term
Chengdu Red Star Macalline Xinnan Business Management Company Limited Gaoxin Branch (成都紅星美凱龍新南商業管理有限公司高新分公司)	950,000.00	—	950,000.00	Non fixed term
Shanghai Lihao Creative Design Co., Ltd. (上海麗浩創意設計有限公司)	—	910,950.00	910,950.00	Non fixed term
Red Star Macalline Life Aesthetics Center Management Co., Ltd. (紅星美凱龍生活美學中心管理有限公司)	—	756,888.00	756,888.00	Non fixed term

## XV. RELATED PARTIES AND RELATED PARTY TRANSACTIONS OF THE COMPANY (CONTINUED)

### 2. Major Transactions between the Company and Related Parties (continued)

#### (4) Loans and borrowings of the related parties (continued)

Related party	Opening balance of 2019	Lending amount	Closing balance of 2019	Other instructions
Red Star Macalline Group (Shanghai) Logistics Company Limited (紅星美 凱龍家居集團(上海)物流 有限公司)	93,666.67	441,959.69	535,626.36	Non fixed term
Suzhou Industry Park Red Star Macalline Home Furnishing Company Limited (蘇州工業園區紅星 美凱龍家居有限公司)	42,455,971.05	(42,334,862.40)	121,108.65	Non fixed term
Foshan Red Star Macalline Home Furnishing Plaza Company Limited (佛山紅 星美凱龍家居生活廣場有 限公司)	—	103,939.17	103,939.17	Non fixed term
Shanghai Red Star Macalline Brand Management Company Limited Liu'an Yingbin Branch (上海紅星美 凱龍品牌管理有限公司六安 迎賓分公司)	—	5,482.00	5,482.00	Non fixed term
Shanghai Ersai Enterprise Management Consultation Company Limited (上海邇賽 企業管理有限公司)	—	5,023.56	5,023.56	Non fixed term
Changsha Red Star Macalline International Home Living Art Expo Company Limited (長沙紅星美凱龍國際家居 藝術博覽中心有限公司)	—	4,624.79	4,624.79	Non fixed term
Shanghai Red Star Macalline Financial Leasing Company Limited (上海紅星美凱龍融 資租賃有限公司)	247,695,777.77	(247,695,777.77)	—	Non fixed term



# Notes to the Financial Statements

For the year 2019 (RMB)

## XV. RELATED PARTIES AND RELATED PARTY TRANSACTIONS OF THE COMPANY (CONTINUED)

### 2. Major Transactions between the Company and Related Parties (continued)

#### (4) Loans and borrowings of the related parties (continued)

Related party	Opening balance of 2019	Lending amount	Closing balance of 2019	Other instructions
Nanjing Red Star International Home Living Company Limited (南京紅星美凱龍國際家居有限責任公司)	224,031,406.70	(224,031,406.70)	—	Non fixed term
Urumchi Red Star Macalline Shibo Furniture Plaza Company Limited (烏魯木齊紅星美凱龍家居世博廣場有限公司)	198,900,000.00	(198,900,000.00)	—	2017/11/14–2022/8/12, interest rate: 6.00%
Beijing Red Star Macalline International Home Furnishing Plaza Company Limited (北京紅星美凱龍國際傢俱建材廣場有限公司)	193,398,918.16	(193,398,918.16)	—	Non fixed term
Red Star Macalline Home Furnishing Mall Management Company Limited (紅星美凱龍家居商場管理有限公司)	148,743,448.48	(148,743,448.48)	—	Non fixed term
Shanghai Mengsheng Industrial Co., Ltd. (上海夢晟實業有限公司)	100,278,780.56	(100,278,780.56)	—	Non fixed term
Changsha Red Star Macalline Shibo Home Furnishing Plaza Company Limited (長沙紅星美凱龍世博家居生活廣場有限公司)	59,873,611.11	(59,873,611.11)	—	Non fixed term
Shanghai Red Star Macalline Xinglong Home Furnish Company Limited (上海紅星美凱龍星龍家居有限公司)	56,777,347.19	(56,777,347.19)	—	Non fixed term
Wuhu Meihe Asset Management Company Limited (蕪湖美和資產管理有限公司)	10,000,000.00	(10,000,000.00)	—	2018/8/28–2019/2/27, interest free

## XV. RELATED PARTIES AND RELATED PARTY TRANSACTIONS OF THE COMPANY (CONTINUED)

### 2. Major Transactions between the Company and Related Parties (continued)

#### (4) Loans and borrowings of the related parties (continued)

Related party	Opening balance		Closing balance	
	of 2019	Lending amount	of 2019	Other instructions
Langfang Kaihong Home Living Plaza Company Limited (廊坊市凱宏家居廣場有限公司)	4,708,471.96	(4,708,471.96)	—	Non fixed term
Shanghai Juqin Enterprise Management Partnership (Limited Partnership) (上海聚欽企業管理合夥企業 (有限合夥))	3,737,300.00	(3,737,300.00)	—	Non fixed term
Shanghai Jici Enterprise Management Partnership (Limited Partnership) (上海集慈企業管理合夥企業 (有限合夥))	3,737,300.00	(3,737,300.00)	—	Non fixed term
Shanghai Fanju Network Technology Company Limited (上海泛居網絡科技有限公司)	2,111,433.33	(2,111,433.33)	—	Non fixed term
Shanghai Anjia Network Technology Company Limited (上海安家網絡科技有限公司)	422,820.65	(422,820.65)	—	Non fixed term
Shanghai Red Star Macalline Brand Management Company Limited Handan Branch (上海紅星美凱龍品牌管理有限公司邯鄲分公司)	11,909.65	(11,909.65)	—	Non fixed term
<b>Total</b>	<b>22,528,803,142.25</b>	<b>3,376,821,430.20</b>	<b>25,905,624,572.45</b>	

# Notes to the Financial Statements

For the year 2019 (RMB)

## XV. RELATED PARTIES AND RELATED PARTY TRANSACTIONS OF THE COMPANY (CONTINUED)

### 2. Major Transactions between the Company and Related Parties (continued)

#### (4) Loans and borrowings of the related parties (continued)

Related party	Opening balance of 2019	Lending amount	Closing balance of 2019	Other instructions
<b>Borrowing</b>				
Red Star Macalline Chengdu Enterprise Management Consulting Company Limited (紅星美凱龍成都企業管理諮詢有限公司)	1,205,380,616.68	542,238,929.48	1,747,619,546.16	Non fixed term
Beijing Red Star Macalline International Home Furnishing Plaza Company Limited (北京紅星美凱龍國際傢俱建材廣場有限公司)	—	1,736,539,571.12	1,736,539,571.12	Non fixed term
Beijing Red Star Macalline Shibo Furniture Plaza Company Limited (北京紅星美凱龍世博傢俱廣場有限公司)	2,219,783,553.03	(1,197,131,218.15)	1,022,652,334.88	Non fixed term
Hong Kong Red Star Macalline Global Home Furnishing Company Limited (香港紅星美凱龍全球家居有限公司)	1,037,147,609.46	(16,877,271.88)	1,020,270,337.58	Non fixed term
Shenyang Red Star Macalline Home Living Company Limited (瀋陽紅星美凱龍家居有限公司)	1,290,208,708.90	(273,651,221.06)	1,016,557,487.84	Non fixed term
Shanghai Red Star Macalline Financial Leasing Company Limited (上海紅星美凱龍融資租賃有限公司)	—	899,855,883.33	899,855,883.33	Non fixed term
Changzhou Worldwide Home Living and Furnishing Plaza Company Limited (常州世界傢俱家居廣場有限公司)	897,833,743.56	(81,645,759.06)	816,187,984.50	Non fixed term

## XV. RELATED PARTIES AND RELATED PARTY TRANSACTIONS OF THE COMPANY (CONTINUED)

### 2. Major Transactions between the Company and Related Parties (continued)

#### (4) Loans and borrowings of the related parties (continued)

Related party	Opening balance		Closing balance	
	of 2019	Lending amount	of 2019	Other instructions
Jiangsu SuNan Construction and Installation Engineering Co., Ltd (江蘇蘇南建築安裝工程有限公司)	190,744,239.64	625,297,408.31	816,041,647.95	Non fixed term
Shanghai Shanhai Art Furniture Company Limited (上海山海藝術家俱有限公司)	749,116,925.74	(13,260,797.37)	735,856,128.37	Non fixed term
Red Star Macalline Enterprise Management Consulting Co., Ltd. (紅星美凱龍企業管理諮詢有限公司)	360,650,449.30	358,342,170.54	718,992,619.84	Non fixed term
Red Star Macalline Chengdu Business Management Company Limited (紅星美凱龍成都商業管理有限公司)	574,471,917.50	143,666,992.98	718,138,910.48	Non fixed term
Chongqing Red Star Macalline Global Home Furnishing Plaza Company Limited (重慶紅星美凱龍環球家居生活廣場有限責任公司)	120,526,351.49	519,084,509.53	639,610,861.02	Non fixed term
Zhengzhou Red Star Macalline International Home Furnishing Company Limited (鄭州紅星美凱龍國際家居有限公司)	54,782,326.95	554,134,535.43	608,916,862.38	Non fixed term
Shanghai Red Star Macalline Decorative Furniture Mall Co., Ltd (上海紅星美凱龍裝飾傢俱城有限公司)	397,709,750.01	185,882,333.33	583,592,083.34	Non fixed term
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)	382,751,234.12	158,763,965.42	541,515,199.54	Non fixed term

# Notes to the Financial Statements

For the year 2019 (RMB)

## XV. RELATED PARTIES AND RELATED PARTY TRANSACTIONS OF THE COMPANY (CONTINUED)

### 2. Major Transactions between the Company and Related Parties (continued)

#### (4) Loans and borrowings of the related parties (continued)

Related party	Opening balance of 2019	Lending amount	Closing balance of 2019	Other instructions
Changzhou Macalline International Computer and Home Appliance City Company Limited (常州美凱龍國際電腦家電裝飾城有限公司)	447,755,085.43	(13,728,428.04)	434,026,657.39	Non fixed term
Shenyang Red Star Macalline Shibo Home Furnishing Company Limited (瀋陽紅星美凱龍世博家居有限公司)	551,058,761.83	(160,560,695.93)	390,498,065.90	Non fixed term
Chengdu Red Star Macalline Shibo Home Living Plaza Company Limited (成都紅星美凱龍世博家居生活廣場有限責任公司)	275,161,009.31	50,553,052.01	325,714,061.32	Non fixed term
Wuxi Red Star Macalline International Home Furnishing Company Limited (無錫紅星美凱龍國際傢俱裝飾有限公司)	128,067,091.57	151,683,043.77	279,750,135.34	Non fixed term
Shanghai Red Star Macalline Brand Management Company Limited (上海紅星美凱龍品牌管理有限公司)	320,493,773.62	(49,440,585.34)	271,053,188.28	Non fixed term
Red Star Xizhao Investment Company Limited (紅星喜兆投資有限公司)	163,531,591.14	103,140,089.41	266,671,680.55	Non fixed term
Tianjin Red Star Macalline International Home Living Expo Company Limited (天津紅星美凱龍國際家居博覽有限公司)	159,739,329.84	20,604,394.25	180,343,724.09	Non fixed term
Shanghai Xingyi Tonghui Business Service Company Limited (上海星易通匯商務服務有限公司)	33,082,325.05	110,924,328.17	144,006,653.22	Non fixed term

## XV. RELATED PARTIES AND RELATED PARTY TRANSACTIONS OF THE COMPANY (CONTINUED)

### 2. Major Transactions between the Company and Related Parties (continued)

#### (4) Loans and borrowings of the related parties (continued)

Related party	Opening balance		Closing balance	
	of 2019	Lending amount	of 2019	Other instructions
Shanghai Red Star Macalline Global Home Living Company Limited (上海紅星美凱龍全球家居有限公司)	190,814,366.67	(59,388,925.00)	131,425,441.67	Non fixed term
Shanghai Red Star Macalline Construction Management and Design Company Limited (上海紅星美凱龍建築設計有限公司)	121,396,018.67	1,107,390.45	122,503,409.12	Non fixed term
Harbin Red Star Macalline International Home Furnishing Company Limited (哈爾濱紅星美凱龍國際家居有限公司)	117,714,113.89	3,639,791.67	121,353,905.56	Non fixed term
Shanghai Red Star Macalline Home Living Market Management Company Limited (上海紅星美凱龍家居市場經營管理有限公司)	263,699,647.72	(147,232,224.43)	116,467,423.29	Non fixed term
Shanghai Red Star Macalline Global Home Design Expo Company Limited (上海紅星美凱龍環球家居設計博覽有限公司)	147,481,769.44	(44,909,376.44)	102,572,393.00	Non fixed term
Dalian Red Star Macalline Shibo Home Furnishing Plaza Company Limited (大連紅星美凱龍世博家居廣場有限公司)	243,552,021.94	(145,888,597.79)	97,663,424.15	Non fixed term
Nanjing Red Star International Home Living Company Limited (南京紅星美凱龍國際家居有限責任公司)	—	91,122,868.72	91,122,868.72	Non fixed term
Chengdu Red Star Ogioria Brand Management Company Limited (成都紅星歐麗洛雅品牌管理有限公司)	73,581,256.11	5,412,719.88	78,993,975.99	Non fixed term

# Notes to the Financial Statements

For the year 2019 (RMB)

## XV. RELATED PARTIES AND RELATED PARTY TRANSACTIONS OF THE COMPANY (CONTINUED)

### 2. Major Transactions between the Company and Related Parties (continued)

#### (4) Loans and borrowings of the related parties (continued)

Related party	Opening balance of 2019	Lending amount	Closing balance of 2019	Other instructions
Kunming Red Star Macalline Shibo Furniture Plaza Company Limited (昆明紅星美凱龍世博家居廣場有限公司)	20,055,000.00	34,226,538.89	54,281,538.89	Non fixed term
Red Star Ogloria Enterprise Management Company Limited (紅星歐麗洛雅企業管理有限公司)	63,355,322.62	(12,701,861.48)	50,653,461.14	Non fixed term
Chongqing Xingkaike Home Furnishing Company Limited (重慶星凱科家居有限公司)	25,472,399.65	22,332,030.21	47,804,429.86	Non fixed term
Chengdu Dongtai Shopping Mall Company Limited (成都東泰商城有限公司)	—	41,437,944.45	41,437,944.45	2019/5/21– 2020/12/31
Hangzhou Red Star Macalline Shibo Home Living Company Limited (杭州紅星美凱龍世博家居有限公司)	30,099,061.11	8,347,416.67	38,446,477.78	Non fixed term
Red Star Macalline Home Living Mall Management Company Limited (紅星美凱龍家居商場管理有限公司)	—	34,584,620.88	34,584,620.88	Non fixed term
Nanjing Red Star International Home Furnishing Company Limited (南京紅星國際傢俱裝飾城有限公司)	15,041,708.33	11,958,291.67	27,000,000.00	Non fixed term
Shenyudao Cultural Tourism Holding Co., Ltd. (神玉島文化旅遊控股股份有限公司)	35,000,000.00	(9,400,000.00)	25,600,000.00	2018/11/5– 2018/12/31

## XV. RELATED PARTIES AND RELATED PARTY TRANSACTIONS OF THE COMPANY (CONTINUED)

### 2. Major Transactions between the Company and Related Parties (continued)

#### (4) Loans and borrowings of the related parties (continued)

Related party	Opening balance		Closing balance		Other instructions
	of 2019	Lending amount	of 2019		
Shanghai Red Star Macalline Business Consulting Company Limited (上海紅星美凱龍商務諮詢有限公司)	129,738,399.72	(104,435,660.43)	25,302,739.29		Non fixed term
Shanghai Xingyijia Business Management Co., Ltd. (上海星藝佳商業管理有限公司)	—	20,609,777.78	20,609,777.78		Non fixed term
Shanghai Red Star Macalline Kaiheng Household Company Limited (上海紅星美凱龍楷恒家居有限公司)	20,055,611.11	167,383.33	20,222,994.44		Non fixed term
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)	17,859,900.00	190,850.00	18,050,750.00		Non fixed term
Yangzhou Red Star Macalline International Home Living Plaza Company Limited (揚州紅星美凱龍國際家居廣場有限公司)	27,075,075.00	(9,513,501.11)	17,561,573.89		Non fixed term
Shanghai Anjia Network Technology Company Limited (上海安家網絡科技有限公司)	—	15,263,079.24	15,263,079.24		Non fixed term
Shanghai Macalline Xinghe Asset Management Company Limited (上海美凱龍星荷資產管理有限公司)	15,041,708.33	133,500.01	15,175,208.34		Non fixed term
Lianyungang Red Star Macalline International Home Living Plaza Company Limited (連雲港紅星美凱龍國際家居廣場有限公司)	13,579,225.55	113,373.04	13,692,598.59		Non fixed term



# Notes to the Financial Statements

For the year 2019 (RMB)

## XV. RELATED PARTIES AND RELATED PARTY TRANSACTIONS OF THE COMPANY (CONTINUED)

### 2. Major Transactions between the Company and Related Parties (continued)

#### (4) Loans and borrowings of the related parties (continued)

Related party	Opening balance		Closing balance		Other instructions
	of 2019	Lending amount	of 2019		
Shanghai Red Star Macalline Home Furnishing and Decorating Market Management Company Limited (上海紅星美凱龍傢俱裝飾市場經營管理有限公司)	15,000,000.00	(5,000,000.00)	10,000,000.00		Non fixed term
Beijing Macalline Home Furnishing Market Company Limited (北京美凱龍傢俱建材市場有限公司)	20,000,000.00	(10,000,000.00)	10,000,000.00		Non fixed term
Langfang Kaihong Home Living Plaza Company Limited (廊坊市凱宏家居廣場有限公司)	—	3,933,575.71	3,933,575.71		Non fixed term
Shanghai Mengsheng Industrial Co., Ltd. (上海夢晟實業有限公司)	—	2,406,885.89	2,406,885.89		Non fixed term
Shanghai Red Star Macalline Brand Management Company Limited Kunming Branch (上海紅星美凱龍品牌管理有限公司昆明分公司)	2,005,561.11	16,744.44	2,022,305.55		Non fixed term
Shanghai Interface Marketing Planning Co., Ltd (上海英太翡思營銷策劃有限公司)	2,005,561.11	15,737.54	2,021,298.65		Non fixed term
Changsha Red Star Macalline Home Living Plaza Company Limited (長沙紅星美凱龍家居生活廣場有限公司)	42,141,004.20	(40,662,755.82)	1,478,248.38		Non fixed term
Shanghai Red Star Macalline Brand Management Company Limited Baotou Branch (上海紅星美凱龍品牌管理有限公司包頭分公司)	—	500,000.00	500,000.00		Non fixed term

## XV. RELATED PARTIES AND RELATED PARTY TRANSACTIONS OF THE COMPANY (CONTINUED)

### 2. Major Transactions between the Company and Related Parties (continued)

#### (4) Loans and borrowings of the related parties (continued)

Related party	Opening balance		Closing balance	
	of 2019	Lending amount	of 2019	Other instructions
Shanghai Red Star Macalline Xinglong Home Furnish Company Limited (上海紅星美凱龍星龍家居有限公司)	—	45,818.99	45,818.99	Non fixed term
Shanghai Betterhome Decoration Engineering Co., Ltd. (上海家倍得裝飾工程有限公司)	53,300.00	(8,392.55)	44,907.45	Non fixed term
Shanghai Xingyijia Business Management Co., Ltd Yunyan Branch (上海星藝佳商業管理有限公司雲岩分公司)	—	3,972.22	3,972.22	Non fixed term
Shanghai Xinwei Property Company Limited (上海新偉置業有限公司)	472,135,485.79	(472,135,485.79)	—	Non fixed term
Chengdu Changyi Red Star Macalline Home Living Market Management Company Limited (成都長益紅星美凱龍家居市場經營管理有限公司)	102,829,503.43	(102,829,503.43)	—	Non fixed term
Shanghai Red Star Macalline Design Cloud Information Technology Company Limited (上海紅星美凱龍設計雲信息科技有限公司)	41,085,494.44	(41,085,494.44)	—	Non fixed term
Shanghai Xingkai Chengpeng Business Management Company Limited (上海星凱程鵬企業管理有限公司)	40,078,750.74	(40,078,750.74)	—	Non fixed term
Beijing Red Star Macalline Business Management Company Limited (北京紅星美凱龍企業經營管理有限公司)	20,000,000.00	(20,000,000.00)	—	Non fixed term

# Notes to the Financial Statements

For the year 2019 (RMB)

## XV. RELATED PARTIES AND RELATED PARTY TRANSACTIONS OF THE COMPANY (CONTINUED)

### 2. Major Transactions between the Company and Related Parties (continued)

#### (4) Loans and borrowings of the related parties (continued)

Related party	Opening balance of 2019	Lending amount	Closing balance of 2019	Other instructions
Wuxi Red Star Macalline Home Living Plaza Company Limited (無錫紅星美凱龍家居生活 廣場有限公司)	5,535,675.68	(5,535,675.68)	—	Non fixed term
Shanghai Red Star Macalline Bulk Purchasing of Construction and Furnishing Materials Trading Company Limited (上海紅星美凱龍住建集採 商貿有限公司)	2,005,561.11	(2,005,561.11)	—	Non fixed term
Related party	Opening balance	Lending amount	Closing balance	Other instructions
Changsha Red Star Macalline International Home Living Art Expo Company Limited (長沙紅星美凱龍國際家居 藝術博覽中心有限公司)	195,375.21	(195,375.21)	—	Non fixed term
<b>Total</b>	<b>13,895,680,272.85</b>	<b>3,378,978,400.48</b>	<b>17,274,658,673.33</b>	

## XV. RELATED PARTIES AND RELATED PARTY TRANSACTIONS OF THE COMPANY (CONTINUED)

### 2. Major Transactions between the Company and Related Parties (continued)

#### (4) Loans and borrowings of the related parties (continued)

For the period from 1 January to 31 December 2018

Related party	Opening balance of 2018	Lending amount	Closing balance of 2018	Other instructions
<b>Lending</b>				
Nanjing Mingdu Home Living Plaza Company Limited (南京名都家居廣場有限公司)	—	1,445,373,131.26	1,445,373,131.26	Non fixed term
Shanghai Red Star Macalline Home Living Design Expo Company Limited (上海紅星美凱龍家居藝術設計博覽有限公司)	694,030,004.07	291,186,300.38	985,216,304.45	Non fixed term
Red Star Macalline Shibo (Tianjin) Home Living Plaza Company Limited (紅星美凱龍世博(天津)家居生活廣場有限公司)	879,499,259.66	10,256,999.77	889,756,259.43	Non fixed term
Wuhan Red Star Macalline Shibo Home Living Plaza Development Company Limited (武漢紅星美凱龍世博家居廣場發展有限公司)	668,742,429.66	202,615,354.37	871,357,784.03	Non fixed term
Shanghai Hongxin Oukai Home Living Company Limited (上海虹欣歐凱家居有限公司)	703,291,355.41	79,038,361.87	782,329,717.28	Non fixed term
Tianjin Red Star Macalline World Trade Home Living Company Limited (天津紅星美凱龍世貿家居有限公司)	605,677,892.50	145,615,700.88	751,293,593.38	Non fixed term
Shenyang Mingdu Home Furnishing Plaza Company Limited (瀋陽名都家居廣場有限公司)	566,179,505.06	72,780,000.00	638,959,505.06	Non fixed term
Chengdu Tianfu New District Red Star Macalline World Trade Home Furnishing Company Limited (成都天府新區紅星美凱龍世貿家居有限公司)	478,980,368.82	130,851,403.16	609,831,771.98	Non fixed term

# Notes to the Financial Statements

For the year 2019 (RMB)

## XV. RELATED PARTIES AND RELATED PARTY TRANSACTIONS OF THE COMPANY (CONTINUED)

### 2. Major Transactions between the Company and Related Parties (continued)

#### (4) Loans and borrowings of the related parties (continued)

Related party	Opening balance of 2018	Lending amount	Closing balance of 2018	Other instructions
Anhui Tenghui Investment Group Hefei Company Limited (安徽騰輝投資集團合肥有限公司)	548,097,110.25	32,263,529.84	580,360,640.09	Non fixed term
Urumchi Red Star Macalline Shibo Furniture Plaza Company Limited (烏魯木齊紅星美凱龍家居世博廣場有限公司)	304,140,685.89	243,199,018.72	547,339,704.61	Non fixed term
Wuhan Red Star Macalline Global Home Living Plaza Development Company Limited (武漢紅星美凱龍環球家居廣場發展有限公司)	497,319,509.37	24,027,626.64	521,347,136.01	Non fixed term
Ningbo Red Star Macalline Home Shopping Plaza Company Limited (寧波紅星美凱龍家居購物廣場有限公司)	—	479,199,153.43	479,199,153.43	Non fixed term
Shanghai Red Star Macalline Commercial Factoring Company Limited (上海紅星美凱龍商業保理有限公司)	—	471,938,861.10	471,938,861.10	Non fixed term
Tianjin Red Star Macalline Home Living and Decorating Plaza Company Limited (天津紅星美凱龍家居飾生活廣場有限公司)	342,154,633.17	114,807,677.12	456,962,310.29	Non fixed term
Changzhou Hongyang Home Living Plaza Company Limited (常州紅陽家居生活廣場有限公司)	441,559,400.00	(15,000,000.00)	426,559,400.00	Non fixed term
Changchun Red Star Macalline Shibo Home Living Plaza Company Limited (長春紅星美凱龍世博家居生活廣場有限公司)	450,972,748.84	(27,000,000.00)	423,972,748.84	Non fixed term

## XV. RELATED PARTIES AND RELATED PARTY TRANSACTIONS OF THE COMPANY (CONTINUED)

### 2. Major Transactions between the Company and Related Parties (continued)

#### (4) Loans and borrowings of the related parties (continued)

Related party	Opening balance of 2018	Lending amount	Closing balance of 2018	Other instructions
Haerbin Red Star Macalline Shibo Home Living Plaza Company Limited (哈爾濱 紅星美凱龍世博家居廣場 有限公司)	244,002,521.06	159,832,816.44	403,835,337.50	Non fixed term
Lanzhou Red Star Macalline Shibo Home Living Plaza Company Limited (蘭州紅 星美凱龍世博家居廣場有 限公司)	335,048,807.56	49,281,504.66	384,330,312.22	Non fixed term
Zhengzhou Red Star Macalline Shibo Home Furnishing Company Limited (鄭州紅星美凱龍世 博家居有限公司)	—	380,550,000.00	380,550,000.00	Non fixed term
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)	—	376,024,466.55	376,024,466.55	Non fixed term
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)	205,329,541.58	135,370,236.20	340,699,777.78	Non fixed term
Chengdu Red Star Macalline Tianfu Expo Home Furnishing Plaza Company Limited (成都紅星美凱龍天 府世博家居廣場有限公司)	334,152,000.00	(2,652,000.00)	331,500,000.00	2017/11/14– 2022/8/12, interest rate: 6.00%
Chengdu Tianfu New District Red Star Macalline World Trade Home Furnishing Company Limited (成都天 府新區紅星美凱龍世貿家 居有限公司)	334,152,000.00	(2,652,000.00)	331,500,000.00	2017/11/14– 2022/8/12, interest rate: 6.00%

# Notes to the Financial Statements

For the year 2019 (RMB)

## XV. RELATED PARTIES AND RELATED PARTY TRANSACTIONS OF THE COMPANY (CONTINUED)

### 2. Major Transactions between the Company and Related Parties (continued)

#### (4) Loans and borrowings of the related parties (continued)

Related party	Opening balance of 2018	Lending amount	Closing balance of 2018	Other instructions
Chongqing Red Star Macalline International Home Furnishing Plaza Company Limited (重慶紅星美凱龍國際家居生活廣場有限責任公司)	155,344,444.44	170,221,888.89	325,566,333.33	Non fixed term
Yintai (Yongqing) New City Investment Co., Ltd. (銀泰(永清)新城投資有限公司)	—	305,935,444.44	305,935,444.44	Non fixed term
Shanghai Yumu Enterprise Management Company Limited (上海宇慕企業管理有限公司)	242,875,924.18	40,054,701.36	282,930,625.54	Non fixed term
Shanghai Yuzhu Enterprise Management Company Limited (上海宇築企業管理有限公司)	238,690,268.01	41,779,109.10	280,469,377.11	Non fixed term
Shanghai Yuxiao Enterprise Management Company Limited (上海宇霄企業管理有限公司)	228,715,147.26	43,087,227.87	271,802,375.13	Non fixed term
Shanghai Yuxu Enterprise Management Company Limited (上海宇煦企業管理有限公司)	230,051,359.53	41,462,401.69	271,513,761.22	Non fixed term
Chengdu Red Star Macalline Tianfu Expo Home Furnishing Plaza Company Limited (成都紅星美凱龍天府世博家居廣場有限公司)	95,850,006.73	169,016,803.53	264,866,810.26	Non fixed term
Shanghai Red Star Macalline Industrial Company Limited (上海紅星美凱龍實業有限公司)	328,204,449.86	(66,412,176.28)	261,792,273.58	Non fixed term
Shenyang Red Star Macalline Home Living Expo Company Limited (瀋陽紅星美凱龍博覽家居有限公司)	256,548,244.13	2,102,506.41	258,650,750.54	Non fixed term

## XV. RELATED PARTIES AND RELATED PARTY TRANSACTIONS OF THE COMPANY (CONTINUED)

### 2. Major Transactions between the Company and Related Parties (continued)

#### (4) Loans and borrowings of the related parties (continued)

Related party	Opening balance of 2018	Lending amount	Closing balance of 2018	Other instructions
Shanghai Red Star Macalline Financial Leasing Company Limited (上海紅星美凱龍融 資租賃有限公司)	—	247,695,777.77	247,695,777.77	Non fixed term
Daqing Red Star Macalline Shibo Furniture Company Limited (大慶紅星美凱龍世 博家居有限公司)	201,550,042.58	41,451,129.69	243,001,172.27	Non fixed term
Red Star Zhongying Investment Company Limited (紅星眾盈投資有限 公司)	101,537.89	241,582,766.67	241,684,304.56	Non fixed term
Suzhou Red Star Macalline Shibo Home Furnishing Plaza Company Limited (蘇 州紅星美凱龍世博家居廣 場有限公司)	347,226,704.66	(120,928,082.60)	226,298,622.06	Non fixed term
Nanjing Red Star International Home Living Company Limited (南京紅星美凱龍國 際家居有限責任公司)	30,991,873.12	193,039,533.58	224,031,406.70	Non fixed term
Hangzhou Red Star Macalline Global Home Living Company Limited (杭州 紅星美凱龍環球家居有限 公司)	218,144,320.00	4,504,425.00	222,648,745.00	Non fixed term
Red Star Macalline (Shanghai) Business Management Company Limited (紅星 美凱龍(上海)企業管理 有限公司)	68,872,521.11	145,018,513.33	213,891,034.44	Non fixed term
Panjin Red Star Macalline Global Home Living Plaza Company Limited (盤錦 紅星美凱龍全球家居生活 廣場有限公司)	169,652,127.22	40,090,628.34	209,742,755.56	Non fixed term



# Notes to the Financial Statements

For the year 2019 (RMB)

## XV. RELATED PARTIES AND RELATED PARTY TRANSACTIONS OF THE COMPANY (CONTINUED)

### 2. Major Transactions between the Company and Related Parties (continued)

#### (4) Loans and borrowings of the related parties (continued)

Related party	Opening balance of 2018	Lending amount	Closing balance of 2018	Other instructions
Hohhot Red Star Macalline Shibo Home Furnishing Plaza Company Limited (呼和浩特市紅星美凱龍世 博家居廣場有限責任公司)	190,028,582.03	17,041,666.64	207,070,248.67	Non fixed term
Dongguan Red Star Macalline Shibo Furniture Plaza Company Limited (東莞 紅星美凱龍世博家居廣場 有限公司)	187,478,686.86	15,775,422.22	203,254,109.08	Non fixed term
Urumchi Red Star Macalline Shibo Furniture Plaza Company Limited (烏魯木 齊紅星美凱龍家居世博廣 場有限公司)	200,491,200.00	(1,591,200.00)	198,900,000.00	2017/11/14– 2022/8/12, interest rate: 6.00%
Beijing Red Star Macalline International Home Furnishing Plaza Company Limited (北京紅星美凱龍國 際傢俱建材廣場有限公司)	—	193,398,918.16	193,398,918.16	Non fixed term
Beijing Century Europe and America Business Investment Company Limited (北京世紀歐美商業 投資有限公司)	174,622,831.88	15,923,674.93	190,546,506.81	Non fixed term
Khorgos Yarui Venture Capital Company Limited (霍爾果 斯雅睿創業投資有限公司)	—	188,015,011.67	188,015,011.67	Non fixed term
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 公司)	84,970,532.70	96,182,597.48	181,153,130.18	2017/7/20– 2018/6/18, interest rate: 4.35%

## XV. RELATED PARTIES AND RELATED PARTY TRANSACTIONS OF THE COMPANY (CONTINUED)

### 2. Major Transactions between the Company and Related Parties (continued)

#### (4) Loans and borrowings of the related parties (continued)

Related party	Opening balance of 2018	Lending amount	Closing balance of 2018	Other instructions
Chongqing Red Star Macalline Zhongkun Home Living Plaza Company Limited (重慶紅星美凱龍中坤家居 生活廣場有限責任公司)	172,306,308.89	7,404,637.78	179,710,946.67	Non fixed term
Chongqing Red Star Macalline Logistics Company Limited (重慶紅星美凱龍物流有限 公司)	206,477,777.78	(29,673,440.00)	176,804,337.78	Non fixed term
Shanghai Jisheng Wellborn Global Home Living Brand Management Company Limited (上海吉盛偉邦環球 家居品牌管理有限公司)	—	167,482,869.94	167,482,869.94	Non fixed term
Nantong Hongmei Shibo Home Furnishing Plaza Company Limited (南通紅 美世博家居廣場有限公司)	—	157,562,222.22	157,562,222.22	Non fixed term
Kunshan Red Star Macalline Decoration Materials Company Limited (昆山 紅星美凱龍裝飾材料有限 公司)	—	151,563,866.67	151,563,866.67	Non fixed term
Red Star Macalline Glory Casa (Shanghai) Home Furnishing Company Limited (紅星美凱龍凱撒 至尊(上海)家居有限公司)	—	150,009,284.45	150,009,284.45	Non fixed term
Red Star Macalline Home Living Mall Management Company Limited (紅星 美凱龍家居商場管理有限 公司)	414,754,101.25	(266,010,652.77)	148,743,448.48	Non fixed term
Shanghai Hongmei E-Commerce Company Limited (上海紅美電子商務 有限公司)	65,360,036.81	82,732,400.00	148,092,436.81	Non fixed term

# Notes to the Financial Statements

For the year 2019 (RMB)

## XV. RELATED PARTIES AND RELATED PARTY TRANSACTIONS OF THE COMPANY (CONTINUED)

### 2. Major Transactions between the Company and Related Parties (continued)

#### (4) Loans and borrowings of the related parties (continued)

Related party	Opening balance of 2018	Lending amount	Closing balance of 2018	Other instructions
Xining Red Star Macalline Shibo Home Furnishing Plaza Company Limited (西寧紅星美凱龍世博家居 廣場有限公司)	200,491,200.00	(61,591,200.00)	138,900,000.00	2017/11/14– 2022/8/12, interest rate: 6.00%
Yantai Red Star Macalline Home Living Company Limited (煙臺紅星美凱龍 家居有限公司)	321,147,239.93	(192,773,704.39)	128,373,535.54	Non fixed term
Changsha Red Star Macalline Jinxia Home Living Plaza Company Limited (長沙紅 星美凱龍金霞家居 生活廣場有限公司)	24,191,458.31	101,853,383.36	126,044,841.67	Non fixed term
Shanghai Red Star Macalline Trading Company Limited (上海紅星美凱龍商貿有限 公司)	—	123,439,885.00	123,439,885.00	Non fixed term
Beijing Xingkai Jingzhou Furniture Plaza Company Limited (北京星凱京洲傢俱 廣場有限公司)	119,878,110.35	1,676,031.57	121,554,141.92	Non fixed term
Shanghai Red Star Macalline Yuejia Network Technology Company Limited (上海紅 星美凱龍悅家互聯網科技 有限公司)	46,572,170.10	72,617,045.55	119,189,215.65	Non fixed term
Anhui Shengshi Dingtong Logistics Company Limited (安徽盛世鼎通物流有限 公司)	211,431,649.44	(93,264,711.11)	118,166,938.33	Non fixed term
Shanghai Mingyi Enterprise Development Co., Ltd. (上海名藝商業企業發展 有限公司)	105,400,000.50	6,800,000.00	112,200,000.50	Non fixed term
Shanghai Jingdu Investment Company Limited (上海 晶都投資有限公司)	106,301,136.71	4,233,797.22	110,534,933.93	Non fixed term

## XV. RELATED PARTIES AND RELATED PARTY TRANSACTIONS OF THE COMPANY (CONTINUED)

### 2. Major Transactions between the Company and Related Parties (continued)

#### (4) Loans and borrowings of the related parties (continued)

Related party	Opening balance		Closing balance		Other instructions
	of 2018	Lending amount	of 2018		
Shanghai Jinshan Red Star Macalline Global Home Furnishing Company Limited (上海金山紅星美凱龍全球家居有限公司)	495,000,000.00	(384,757,705.56)	110,242,294.44		Non fixed term
Changsha Yinhong Home Furnishing Company Limited (長沙市銀紅家居有限公司)	47,816,421.09	57,955,788.11	105,772,209.20		Non fixed term
Kunming Diken Trading Company Limited (昆明迪肯商貿有限公司)	75,706,483.27	26,009,897.54	101,716,380.81		Non fixed term
Shanghai Mengsheng Industrial Co., Ltd. (上海夢晟實業有限公司)	—	100,278,780.56	100,278,780.56		Non fixed term
Xining Red Star Macalline Shibo Home Furnishing Plaza Company Limited (西寧紅星美凱龍世博家居廣場有限公司)	247,742,167.43	(153,719,782.15)	94,022,385.28		Non fixed term
Shanghai Red Star Macalline Assets Management Company Limited (上海紅星美凱龍資產管理有限公司)	81,302,444.45	9,993,555.55	91,296,000.00		Non fixed term
Chongqing Red Star Macalline Expo Home Living Plaza Company Limited (重慶紅星美凱龍博覽家居生活廣場有限責任公司)	66,705,245.32	20,298,912.48	87,004,157.80		Non fixed term
Shanghai Jiajinsuo Investment Holding Company Limited (上海家金所投資控股有限公司)	50,671,555.55	30,237,444.45	80,909,000.00		Non fixed term
Beijing Red Star Macalline Shibo Home Furnishing Plaza Company Limited (北京紅星美凱龍世博傢俱建材廣場有限公司)	—	80,000,000.00	80,000,000.00		Non fixed term

# Notes to the Financial Statements

For the year 2019 (RMB)

## XV. RELATED PARTIES AND RELATED PARTY TRANSACTIONS OF THE COMPANY (CONTINUED)

### 2. Major Transactions between the Company and Related Parties (continued)

#### (4) Loans and borrowings of the related parties (continued)

Related party	Opening balance of 2018	Lending amount	Closing balance of 2018	Other instructions
Shanghai Xingjia Home Decorating Material Company Limited (上海 星家裝飾建材有限公司)	70,650,000.00	—	70,650,000.00	Non fixed term
Shanghai Red Star Macalline Exhibition Service Company Limited (上海紅星美凱龍 展覽服務有限公司)	—	66,475,296.21	66,475,296.21	Non fixed term
Jinan Red Star Macalline Shibo Home Living Plaza Company Limited (濟南 紅星美凱龍世博家居生活 廣場有限公司)	—	65,708,191.42	65,708,191.42	2017/7/20– 2018/6/18, interest rate: 4.35%
Changsha Red Star Macalline Shibo Home Living Plaza Company Limited (長沙 紅星美凱龍世博家居生活 廣場有限公司)	35,140,116.67	24,733,494.44	59,873,611.11	Non fixed term
Shanghai Red Star Macalline Xinglong Home Furnish Company Limited (上海 紅星美凱龍星龍家居有限 公司)	—	56,777,347.19	56,777,347.19	Non fixed term
Tianjin Red Star Macalline Home Fashion Plaza Company Limited (天津 紅星美凱龍時尚家居廣場 有限公司)	54,119,655.10	440,000.00	54,559,655.10	Non fixed term
Hefei Red Star Macalline Logistics Company Limited (合肥紅星美凱龍物流有限 公司)	17,447,580.41	32,021,361.12	49,468,941.53	Non fixed term
Red Star Macalline Global (Beijing) Home Furnishing Plaza Company Limited (紅星美凱龍環球(北京) 傢俱建材廣場有限公司)	76,330,090.67	(27,539,127.03)	48,790,963.64	Non fixed term

## XV. RELATED PARTIES AND RELATED PARTY TRANSACTIONS OF THE COMPANY (CONTINUED)

### 2. Major Transactions between the Company and Related Parties (continued)

#### (4) Loans and borrowings of the related parties (continued)

Related party	Opening balance of 2018	Lending amount	Closing balance of 2018	Other instructions
Shanghai Youmei Home Living Company Limited (上海悠美家居有限公司)	44,095,456.79	1,300,000.00	45,395,456.79	Non fixed term
Zhongshan Red Star Macalline Shibo Home Living Plaza Company Limited (中山紅星美凱龍世博家居廣場有限公司)	42,726,338.72	9,401.76	42,735,740.48	Non fixed term
Suzhou Industry Park Red Star Macalline Home Furnishing Company Limited (蘇州工業園區紅星美凱龍家居有限公司)	40,905,321.86	1,550,649.19	42,455,971.05	Non fixed term
Shanghai Dingshi Enterprise Management Partnership (Limited Partnership) (上海鼎識企業管理合夥企業有限合夥)	40,000,000.00	1,622,222.22	41,622,222.22	2017/11/14–2022/8/12, interest rate: 6.00%
Baotou Red Star Macalline Home Living Plaza Company Limited (包頭紅星美凱龍家居生活廣場有限責任公司)	37,324,838.84	864,940.79	38,189,779.63	Non fixed term
Shanghai Red Star Macalline Decorating Public Network Technology Company Limited (上海紅星美凱龍裝修公網絡技術有限公司)	46,454,888.89	(8,367,777.77)	38,087,111.12	Non fixed term
Shaanxi Red Star Heji Home Shopping Plaza Company Limited (陝西紅星和記家居購物廣場有限公司)	—	31,340,000.00	31,340,000.00	Non fixed term

# Notes to the Financial Statements

For the year 2019 (RMB)

## XV. RELATED PARTIES AND RELATED PARTY TRANSACTIONS OF THE COMPANY (CONTINUED)

### 2. Major Transactions between the Company and Related Parties (continued)

#### (4) Loans and borrowings of the related parties (continued)

Related party	Opening balance of 2018	Lending amount	Closing balance of 2018	Other instructions
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)	22,500,000.00	5,000,000.00	27,500,000.00	Non fixed term
Zhengzhou Juankai Enterprise Management Consultation Company Limited (鄭州雋 鎧企業管理諮詢有限公司)	—	12,536,279.70	12,536,279.70	Non fixed term
Shenyang Dadong Red Star Macalline Home Furnishing Company Limited (瀋陽大 東紅星美凱龍傢俱建材市 場有限公司)	27,917,941.11	(16,299,576.99)	11,618,364.12	Non fixed term
Xi'an Red Star Macalline Home Living Plaza Company Limited (西安 紅星美凱龍家居生活廣場 有限公司)	10,240,642.23	—	10,240,642.23	Non fixed term
Nanchang Red Star Macalline Global Home Furnishing Plaza Company Limited (南昌紅星美凱龍全球家居 廣場有限公司)	1,028,968.89	9,136,170.00	10,165,138.89	Non fixed term
Wuhu Meihe Asset Management Company Limited (蕪湖美和資產管理 有限公司)	—	10,000,000.00	10,000,000.00	Non fixed term
Beijing Century Kailong Business Investment Company Limited (北京世 紀凱隆商業投資有限公司)	8,694,158.45	519,299.36	9,213,457.81	Non fixed term
Shanghai Huojing Business Management Company Limited (上海或京商業管理 有限公司)	—	8,000,000.00	8,000,000.00	Non fixed term

## XV. RELATED PARTIES AND RELATED PARTY TRANSACTIONS OF THE COMPANY (CONTINUED)

### 2. Major Transactions between the Company and Related Parties (continued)

#### (4) Loans and borrowings of the related parties (continued)

Related party	Opening balance		Closing balance	
	of 2018	Lending amount	of 2018	Other instructions
Chongqing Red Star Macalline Shibo Home Living Plaza Company Limited (重慶 紅星美凱龍世博家居生活 廣場有限責任公司)	—	7,864,647.54	7,864,647.54	Non fixed term
Quzhou Red Star Macalline Shibo Market Management Service Company Limited (衢州紅星美凱龍世博市場 管理服務有限公司)	7,422,683.33	—	7,422,683.33	Non fixed term
Changzhou Jiapindao Home Furnishing and Decorating Company Limited (常州家 頻道家居飾品有限公司)	6,432,742.22	389,291.12	6,822,033.34	Non fixed term
Changshu Red Star Macalline Global Home Living Company Limited (常熟 紅星美凱龍全球家居有限 公司)	5,508,608.75	215,313.50	5,723,922.25	Non fixed term
Shanghai Red Star Macalline International Trading Company Limited (上海 紅星美凱龍國際貿易有限 公司)	—	5,552,555.56	5,552,555.56	Non fixed term
Shanghai Red Star Macalline Longmei Home Furnishing Market Management Company Limited (上海 紅星美凱龍龍美家居市場 經營管理有限公司)	—	5,050,555.56	5,050,555.56	Non fixed term
Langfang Kaihong Home Living Plaza Company Limited (廊坊市凱宏家居廣 場有限公司)	21,239,521.29	(16,531,049.33)	4,708,471.96	Non fixed term
Shanghai Hongmei Network Technology Company Limited (上海紅美網絡科技 有限公司)	—	4,500,000.00	4,500,000.00	Non fixed term



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For the year 2019 (RMB)

## XV. RELATED PARTIES AND RELATED PARTY TRANSACTIONS OF THE COMPANY (CONTINUED)

### 2. Major Transactions between the Company and Related Parties (continued)

#### (4) Loans and borrowings of the related parties (continued)

Related party	Opening balance of 2018	Lending amount	Closing balance of 2018	Other instructions
Shanghai Hezhu Enterprise Management Partnership (Limited Partnership) (上海合祝企業管理合夥企業(有限合夥))	4,000,000.00	162,222.22	4,162,222.22	Non fixed term
Shanghai Juzun Enterprise Management Partnership (Limited Partnership) (上海聚尊企業管理合夥企業(有限合夥))	4,000,000.00	162,222.22	4,162,222.22	Non fixed term
Khorgos Red Star Yiming Venture Capital Company Limited (霍爾果斯紅星易鳴創業投資有限公司)	—	4,015,555.56	4,015,555.56	Non fixed term
Shanghai Jici Enterprise Management Partnership (Limited Partnership) (上海集慈企業管理合夥企業(有限合夥))	—	3,737,300.00	3,737,300.00	Non fixed term
Shanghai Juqin Enterprise Management Partnership (Limited Partnership) (上海聚欽企業管理合夥企業(有限合夥))	—	3,737,300.00	3,737,300.00	Non fixed term
Shanghai Fanju Network Technology Company Limited (上海泛居網絡科技有限公司)	—	2,111,433.33	2,111,433.33	Non fixed term
Shanghai Jiliang Enterprise Management Partnership (Limited Partnership) (上海集量企業管理合夥企業(有限合夥))	2,000,000.00	81,111.10	2,081,111.10	Non fixed term
Wuhan Red Star Macalline Global Home Furnishing Plaza Development Company Limited (武漢紅星美凱龍全球家居廣場發展有限公司)	801,536.11	1,177,101.12	1,978,637.23	Non fixed term

## XV. RELATED PARTIES AND RELATED PARTY TRANSACTIONS OF THE COMPANY (CONTINUED)

### 2. Major Transactions between the Company and Related Parties (continued)

#### (4) Loans and borrowings of the related parties (continued)

Related party	Opening balance		Closing balance	
	of 2018	Lending amount	of 2018	Other instructions
Xi'an Red Star Macalline Shibo Home Furnishing Company Limited (西安 紅星美凱龍世博家居有 限公司)	—	1,650,000.00	1,650,000.00	Non fixed term
Shanghai Huaixing Culture Development Co., Ltd. (上 海懷星文化發展有限公司)	—	1,605,433.33	1,605,433.33	Non fixed term
Shaanxi Red Star Macalline Logistics Company Limited (陝西紅星美凱龍物流有 限公司)	—	1,002,444.44	1,002,444.44	Non fixed term
Chengdu Red Star Macalline Xinnan Business Management Company Limited Gaoxin Branch (成都紅星美凱龍新南商業 管理有限公司高新分公司)	—	950,000.00	950,000.00	Non fixed term
Chongqing Red Star Ogloria Home Furnishing Company Limited (重慶紅星歐麗洛雅 家居有限公司)	—	909,800.00	909,800.00	Non fixed term
Guangzhou Red Star Macalline Home Furnishing Building Material Co., Ltd. (廣州紅星美凱龍家居建材 有限公司)	—	500,000.00	500,000.00	Non fixed term
Shanghai Anjia Network Technology Company Limited (上海安家網絡科技 有限公司)	415,920.65	6,900.00	422,820.65	Non fixed term
Guizhou Red Star Macalline Logistics Company Limited (貴州紅星美凱龍物流有 限公司)	—	160,142.22	160,142.22	Non fixed term
Red Star Macalline Group (Shanghai) Logistics Company Limited (紅星美 凱龍家居集團(上海)物流 有限公司)	—	93,666.67	93,666.67	Non fixed term

# Notes to the Financial Statements

For the year 2019 (RMB)

## XV. RELATED PARTIES AND RELATED PARTY TRANSACTIONS OF THE COMPANY (CONTINUED)

### 2. Major Transactions between the Company and Related Parties (continued)

#### (4) Loans and borrowings of the related parties (continued)

Related party	Opening balance of 2018	Lending amount	Closing balance of 2018	Other instructions
Tibet Red Star Macalline Business Management Company Limited (西藏 紅星美凱龍企業管理有限 公司)	—	65,021.67	65,021.67	Non fixed term
Shanghai Red Star Macalline Brand Management Company Limited Handan Branch (上海紅星美凱龍 品牌管理有限公司邯鄲 分公司)	—	11,909.65	11,909.65	Non fixed term
Shanghai Xingkai Chengpeng Business Management Company Limited (上海星 凱程鵬企業管理有限公司)	1,147,945,032.57	(1,147,945,032.57)	—	Non fixed term
Red Star Xizhao Investment Company Limited (紅星 喜兆投資有限公司)	415,348,619.74	(415,348,619.74)	—	Non fixed term
Shanghai Xinwei Property Company Limited (上海新 偉置業 有限公司)	305,754,344.74	(305,754,344.74)	—	Non fixed term
Shanghai Shanhai Art Furniture Company Limited (上海山海藝術家俱有限 公司)	81,907,332.43	(81,907,332.43)	—	Non fixed term
Changzhou Worldwide Home Living and Furnishing Plaza Company Limited (常州世 界傢俱家居廣場有限公司)	77,444,622.60	(77,444,622.60)	—	Non fixed term
Shanghai Red Star Macalline Home Furnishing City Company Limited (上海 紅星美凱龍裝飾傢俱城 有限公司)	24,416,903.15	(24,416,903.15)	—	Non fixed term

## XV. RELATED PARTIES AND RELATED PARTY TRANSACTIONS OF THE COMPANY (CONTINUED)

### 2. Major Transactions between the Company and Related Parties (continued)

#### (4) Loans and borrowings of the related parties (continued)

Related party	Opening balance of 2018	Lending amount	Closing balance of 2018	Other instructions
Shanghai Xinghe Zhaipei Home Furnishing Service Company Limited (上海星 和宅配家居服務有限公司)	20,282,377.78	(20,282,377.78)	—	Non fixed term
Changzhou Macalline International Computer and Home Appliance City Company Limited (常州美 凱龍國際電腦家電裝飾城 有限公司)	9,352,633.02	(9,352,633.02)	—	Non fixed term
Shanghai Red Star Macalline Brand Management Company Limited Taiyuan Changfeng Branch (上海紅 星美凱龍品牌管理有限公 司太原長風分公司)	1,413,844.44	(1,413,844.44)	—	Non fixed term
Shanghai Red Star Macalline Brand Management Company Limited Nanjing Hexi Branch (上海紅星美凱 龍品牌管理有限公司南京 河西分公司)	57,400.00	(57,400.00)	—	Non fixed term
Shanghai Red Star Macalline Brand Management Company Limited Yangzhou Branch (上海紅 星美凱龍品牌管理有限公 司揚州分公司)	9,005.00	(9,005.00)	—	Non fixed term
Shanghai Red Star Macalline Brand Management Company Limited Datong Dongxin Branch (上海紅星 美凱龍品牌管理有限公 司大同東信分公司)	6,139.40	(6,139.40)	—	Non fixed term
<b>Total</b>	<b>18,054,331,350.12</b>	<b>5,252,786,232.97</b>	<b>23,307,117,583.09</b>	

# Notes to the Financial Statements

For the year 2019 (RMB)

## XV. RELATED PARTIES AND RELATED PARTY TRANSACTIONS OF THE COMPANY (CONTINUED)

### 2. Major Transactions between the Company and Related Parties (continued)

#### (4) Loans and borrowings of the related parties (continued)

Related party	Opening balance of 2018	Lending amount	Closing balance of 2018	Other instructions
<b>Borrowing</b>				
Beijing Red Star Macalline Shibo Furniture Plaza Company Limited (北京 紅星美凱龍世博傢俱廣場 有限公司)	296,675,114.31	1,923,108,438.72	2,219,783,553.03	Non fixed term
Shenyang Red Star Macalline Home Living Company Limited (瀋陽紅星美凱龍 家居有限公司)	1,315,985,988.42	(25,777,279.52)	1,290,208,708.90	Non fixed term
Red Star Macalline Chengdu Enterprise Management Consulting Company Limited (紅星美凱龍成都企 業管理諮詢有限公司)	657,750,000.00	547,630,616.68	1,205,380,616.68	Non fixed term
Hong Kong Red Star Macalline Global Home Furnishing Company Limited (香港紅星美凱龍全 球家居有限公司)	1,045,472,000.00	(8,324,390.54)	1,037,147,609.46	Non fixed term
Changzhou Worldwide Home Living and Furnishing Plaza Company Limited (常州世 界傢俱家居廣場有限公司)	—	897,833,743.56	897,833,743.56	Non fixed term
Shanghai Shanhai Art Furniture Company Limited (上海山海藝術傢俱有限 公司)	—	749,116,925.74	749,116,925.74	Non fixed term
Red Star Macalline Chengdu Business Management Company Limited (紅星 美凱龍成都商業管理有限 公司)	114,551,003.79	459,920,913.71	574,471,917.50	Non fixed term

## XV. RELATED PARTIES AND RELATED PARTY TRANSACTIONS OF THE COMPANY (CONTINUED)

### 2. Major Transactions between the Company and Related Parties (continued)

#### (4) Loans and borrowings of the related parties (continued)

Related party	Opening balance		Closing balance	
	of 2018	Lending amount	of 2018	Other instructions
Shenyang Red Star Macalline Shibo Home Furnishing Company Limited (瀋陽紅星美凱龍世博家居有限公司)	54,048,364.51	497,010,397.32	551,058,761.83	Non fixed term
Shanghai Xinwei Home Purchasing Company Limited (上海新偉置業有限公司)	—	472,135,485.79	472,135,485.79	Non fixed term
Changzhou Macalline International Computer and Home Appliance City Company Limited (常州美凱龍國際電腦家電裝飾城有限公司)	—	447,755,085.43	447,755,085.43	Non fixed term
Shanghai Red Star Macalline Home Furnishing City Company Limited (上海紅星美凱龍裝飾傢俱城有限公司)	—	397,709,750.01	397,709,750.01	Non fixed term
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)	360,947,654.82	21,803,579.30	382,751,234.12	Non fixed term
Red Star Macalline Enterprise Management Consulting Co., Ltd. (紅星美凱龍企業管理諮詢有限公司)	456,879,480.16	(96,229,030.86)	360,650,449.30	Non fixed term
Shanghai Red Star Macalline Brand Management Company Limited (上海紅星美凱龍品牌管理有限公司)	143,439,154.59	177,054,619.03	320,493,773.62	Non fixed term
Chengdu Red Star Macalline Shibo Home Living Plaza Company Limited (成都紅星美凱龍世博家居生活廣場有限責任公司)	194,931,695.79	80,229,313.52	275,161,009.31	Non fixed term

# Notes to the Financial Statements

For the year 2019 (RMB)

## XV. RELATED PARTIES AND RELATED PARTY TRANSACTIONS OF THE COMPANY (CONTINUED)

### 2. Major Transactions between the Company and Related Parties (continued)

#### (4) Loans and borrowings of the related parties (continued)

Related party	Opening balance of 2018	Lending amount	Closing balance of 2018	Other instructions
Shanghai Red Star Macalline Home Living Market Management Company Limited (上海紅星美凱龍家居市場經營管理有限公司)	328,574,287.31	(64,874,639.59)	263,699,647.72	Non fixed term
Dalian Red Star Macalline Shibo Home Furnishing Plaza Company Limited (大連紅星美凱龍世博家居廣場有限公司)	188,365,334.06	55,186,687.88	243,552,021.94	Non fixed term
Shanghai Red Star Macalline Global Home Living Company Limited (上海紅星美凱龍全球家居有限公司)	236,207.86	190,578,158.81	190,814,366.67	Non fixed term
Jiangsu Sunan Construction Company Limited (江蘇蘇南建築安裝工程有限公司)	20,393,109.25	170,351,130.39	190,744,239.64	Non fixed term
Red Star Xizhao Investment Company Limited (紅星喜兆投資有限公司)	—	163,531,591.14	163,531,591.14	Non fixed term
Tianjin Red Star Macalline International Home Living Expo Company Limited (天津紅星美凱龍國際家居博覽有限公司)	186,577,588.65	(26,838,258.81)	159,739,329.84	Non fixed term
Shanghai Red Star Macalline Global Home Design Expo Company Limited (上海紅星美凱龍環球家居設計博覽有限公司)	11,443.60	147,470,325.84	147,481,769.44	Non fixed term
Shanghai Red Star Macalline Business Consulting Company Limited (上海紅星美凱龍商務諮詢有限公司)	51,038,419.72	78,699,980.00	129,738,399.72	Non fixed term

## XV. RELATED PARTIES AND RELATED PARTY TRANSACTIONS OF THE COMPANY (CONTINUED)

### 2. Major Transactions between the Company and Related Parties (continued)

#### (4) Loans and borrowings of the related parties (continued)

Related party	Opening balance		Closing balance	
	of 2018	Lending amount	of 2018	Other instructions
Wuxi Red Star Macalline International Home Furnishing Company Limited (無錫紅星美凱龍國際傢俱裝飾有限公司)	109,191,524.01	18,875,567.56	128,067,091.57	Non fixed term
Shanghai Dingsheng Construction Management and Design Company Limited (上海紅星美凱龍建築設計有限公司)	66,336,364.67	55,059,654.00	121,396,018.67	Non fixed term
Chongqing Red Star Macalline Global Home Living Plaza Company Limited (重慶紅星美凱龍環球家居生活廣場有限責任公司)	56,419,195.48	64,107,156.01	120,526,351.49	Non fixed term
Ha'erbin Red Star Macalline International Home Living Company Limited (哈爾濱紅星美凱龍國際家居有限公司)	161,358,455.14	(43,644,341.25)	117,714,113.89	Non fixed term
Chengdu Changyi Red Star Macalline Home Living Market Management Company Limited (成都長益紅星美凱龍家居市場經營管理有限公司)	99,791,906.93	3,037,596.50	102,829,503.43	Non fixed term
Chengdu Red Star Ogloria Brand Management Company Limited (成都紅星歐麗洛雅品牌管理有限公司)	21,258,162.50	52,323,093.61	73,581,256.11	Non fixed term
Red Star Ogloria Enterprise Management Company Limited (紅星歐麗洛雅企業管理有限公司)	51,318,629.22	12,036,693.40	63,355,322.62	Non fixed term



# Notes to the Financial Statements

For the year 2019 (RMB)

## XV. RELATED PARTIES AND RELATED PARTY TRANSACTIONS OF THE COMPANY (CONTINUED)

### 2. Major Transactions between the Company and Related Parties (continued)

#### (4) Loans and borrowings of the related parties (continued)

Related party	Opening balance of 2018	Lending amount	Closing balance of 2018	Other instructions
Zhengzhou Red Star Macalline International Home Living Company Limited (鄭州紅星美凱龍 國際家居有限公司)	86,443,558.68	(31,661,231.73)	54,782,326.95	Non fixed term
Changsha Red Star Macalline Home Living Plaza Company Limited (長沙紅星美凱龍家居生活 廣場有限公司)	33,071,493.08	9,069,511.12	42,141,004.20	Non fixed term
hanghai Red Star Macalline Design Cloud Information Technology Company Limited (上海紅星美凱龍設 計雲信息科技有限公司)	—	41,085,494.44	41,085,494.44	Non fixed term
Shanghai Xingkai Chengpeng Business Management Company Limited (上海星 凱程鵬企業管理有限公司)	—	40,078,750.74	40,078,750.74	Non fixed term
Shenyudao Cultural Tourism Holding Co., Ltd. (神玉島文 化旅遊控股股份有限公司)	—	35,000,000.00	35,000,000.00	05/11/2018– 31/12/2018 Interest-free
Shanghai Xingyi Tonghui Business Service Company Limited (上海星易通匯商務 服務有限公司)	67,326,774.04	(34,244,448.99)	33,082,325.05	Non fixed term
Hangzhou Red Star Macalline Shibo Home Living Company Limited (杭州紅 星美凱龍世博家居有限 公司)	—	30,099,061.11	30,099,061.11	Non fixed term
Yangzhou Red Star Macalline International Home Living Plaza Company Limited (揚 州紅星美凱龍國際家居廣 場有限公司)	7,046,230.56	20,028,844.44	27,075,075.00	Non fixed term

## XV. RELATED PARTIES AND RELATED PARTY TRANSACTIONS OF THE COMPANY (CONTINUED)

### 2. Major Transactions between the Company and Related Parties (continued)

#### (4) Loans and borrowings of the related parties (continued)

Related party	Opening balance		Closing balance	
	of 2018	Lending amount	of 2018	Other instructions
Chongqing Xingkaike Home Furnishing Company Limited (重慶星凱科家居有限公司)	—	25,472,399.65	25,472,399.65	Non fixed term
Shanghai Red Star Macalline Kaiheng Household Company Limited (上海紅星美凱龍楷恒家居有限公司)	—	20,055,611.11	20,055,611.11	Non fixed term
Kunming Red Star Macalline Shibo Furniture Plaza Company Limited (昆明紅星美凱龍世博家居廣場有限公司)	—	20,055,000.00	20,055,000.00	Non fixed term
Beijing Red Star Macalline Business Management Company Limited (北京紅星美凱龍企業經營管理有限公司)	—	20,000,000.00	20,000,000.00	Non fixed term
Beijing Macalline Home Furnishing Market Company Limited (北京美凱龍傢俱建材市場有限公司)	—	20,000,000.00	20,000,000.00	Non fixed term
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)	—	17,859,900.00	17,859,900.00	Non fixed term
Nanjing Red Star International Home Furnishing Company Limited (南京紅星國際傢俱裝飾城有限公司)	86,377.34	14,955,330.99	15,041,708.33	Non fixed term
Shanghai Macalline Xinghe Asset Management Company Limited (上海美凱龍星荷資產管理有限公司)	—	15,041,708.33	15,041,708.33	Non fixed term

# Notes to the Financial Statements

For the year 2019 (RMB)

## XV. RELATED PARTIES AND RELATED PARTY TRANSACTIONS OF THE COMPANY (CONTINUED)

### 2. Major Transactions between the Company and Related Parties (continued)

#### (4) Loans and borrowings of the related parties (continued)

Related party	Opening balance of 2018	Lending amount	Closing balance of 2018	Other instructions
Shanghai Red Star Macalline Home Furnishing and Decorating Market Management Company Limited (上海紅星美凱龍傢俱裝飾市場經營管理有限公司)	—	15,000,000.00	15,000,000.00	Non fixed term
Lianyungang Red Star Macalline International Home Living Plaza Company Limited (連雲港紅星美凱龍國際家居廣場有限公司)	13,678,669.96	(99,444.41)	13,579,225.55	Non fixed term
Wuxi Red Star Macalline Home Living Plaza Company Limited (無錫紅星美凱龍家居生活廣場有限公司)	56,926,788.76	(51,391,113.08)	5,535,675.68	Non fixed term
Shanghai Red Star Macalline Brand Management Company Limited Kunming Branch (上海紅星美凱龍品牌管理有限公司昆明分公司)	2,005,438.89	122.22	2,005,561.11	Non fixed term
Shanghai Red Star Macalline Bulk Purchasing of Construction and Furnishing Materials Trading Company Limited (上海紅星美凱龍住建集採商貿有限公司)	2,005,438.89	122.22	2,005,561.11	Non fixed term
Shanghai interface marketing planning Co., Ltd (上海英太翫思營銷策劃有限公司)	—	2,005,561.11	2,005,561.11	Non fixed term
Changsha Red Star Macalline International Home Living Art Expo Company Limited (長沙紅星美凱龍國際家居藝術博覽中心有限公司)	295,375.21	(100,000.00)	195,375.21	Non fixed term

## XV. RELATED PARTIES AND RELATED PARTY TRANSACTIONS OF THE COMPANY (CONTINUED)

### 2. Major Transactions between the Company and Related Parties (continued)

#### (4) Loans and borrowings of the related parties (continued)

Related party	Opening balance		Closing balance	
	of 2018	Lending amount	of 2018	Other instructions
Shanghai Betterhome Decoration Engineering Co., Ltd. (上海家倍得裝飾工程有限公司)	53,300.00	—	53,300.00	Non fixed term
Zhengzhou Juankai Enterprise Management Consultation Company Limited (鄭州雋鎧企業管理諮詢有限公司)	2,648,300,000.00	(2,648,300,000.00)	—	Non fixed term
Beijing Red Star Macalline International Home Furnishing Plaza Company Limited (北京紅星美凱龍國際傢俱建材廣場有限公司)	310,666,920.51	(310,666,920.51)	—	Non fixed term
Shanghai Red Star Macalline Xinglong Home Furnish Company Limited (上海紅星美凱龍星龍家居有限公司)	81,359,525.69	(81,359,525.69)	—	Non fixed term
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)	67,182,202.78	(67,182,202.78)	—	Non fixed term
Jinan Red Star Macalline Shibo Home Living Plaza Company Limited (濟南紅星美凱龍世博家居生活廣場有限公司)	57,121,589.68	(57,121,589.68)	—	Non fixed term
Nanjing Mingdu Home Living Plaza Company Limited (南京名都家居廣場有限公司)	53,841,676.55	(53,841,676.55)	—	Non fixed term
Shanghai Red Star Macalline Trading Company Limited (上海紅星美凱龍商貿有限公司)	24,029,569.31	(24,029,569.31)	—	Non fixed term

# Notes to the Financial Statements

For the year 2019 (RMB)

## XV. RELATED PARTIES AND RELATED PARTY TRANSACTIONS OF THE COMPANY (CONTINUED)

### 2. Major Transactions between the Company and Related Parties (continued)

#### (4) Loans and borrowings of the related parties (continued)

Related party	Opening balance		Closing balance	
	of 2018	Lending amount	of 2018	Other instructions
Chongqing Red Star Macalline Shibo Home Living Plaza Company Limited (重慶紅星美凱龍世博家居生活廣場有限責任公司)	711,815.67	(711,815.67)	—	Non fixed term
Red Star Macalline Glory Casa (Shanghai) Home Furnishing Company Limited (紅星美凱龍凱撒至尊(上海)家居有限公司)	112,184.72	(112,184.72)	—	Non fixed term
Shanghai Red Star Macalline Brand Management Company Limited Qingdao Branch (上海紅星美凱龍品牌管理有限公司青島分公司)	2,612.28	(2,612.28)	—	Non fixed term
<b>Total</b>	<b>9,493,818,627.39</b>	<b>4,401,861,645.46</b>	<b>13,895,680,272.85</b>	

#### (5) Equity transfer to related parties

On December 31, 2019, Red Star Macalline Group Corporation Ltd. transferred 65% of the equity of Shanghai Huojing Business Management Company Limited to Red Star Macalline Holding Group Company Limited at a transfer price of RMB6,500,000.00.

On December 31, 2019, Red Star Macalline Group Corporation Ltd. transferred 100% equity of Anhui Tenghui Investment Group Hefei Company Limited to Shanghai AEGEAN Outlets Commercial Management Co., Ltd. at a transfer price of RMB1.00.

## XV. RELATED PARTIES AND RELATED PARTY TRANSACTIONS OF THE COMPANY (CONTINUED)

### 3. Amounts due from/to related parties

	31 December 2019		31 December 2018	
	Book balance	Bad debt allowance	Book balance	Bad debt allowance
<b>Accounts receivables</b>				
Shanghai Jiazhan Construction Engineering Company Limited (上海嘉展建築裝潢工程有限公司)	13,000,000.00	13,000,000.00	13,000,000.00	13,000,000.00
Shenzhen Huasheng Home Furnishing Group Co., Ltd. (深圳華生大家居集團有限公司)	3,166,666.66	142,500.00	666,666.66	30,000.00
Wuhu Minghui Business Management Co.,Ltd. (蕪湖明輝商業管理有限公司)	2,315,753.42	318,647.67	—	—
Zhejiang Zhongguang Electric Appliances Co., Ltd. (浙江中廣電器股份有限公司)	1,749,997.71	78,749.90	—	—
<b>Total</b>	<b>20,232,417.79</b>	<b>13,539,897.57</b>	13,666,666.66	13,030,000.00

# Notes to the Financial Statements

For the year 2019 (RMB)

## XV. RELATED PARTIES AND RELATED PARTY TRANSACTIONS OF THE COMPANY (CONTINUED)

### 3. Amounts due from/to related parties (continued)

	31 December 2019		31 December 2018	
	Book balance	Bad debt allowance	Book balance	Bad debt allowance
<b>Other receivables</b>				
Shanghai Red Star Macalline Home Living Design Expo Company Limited (上海紅星美凱龍家居藝術設計博覽有限公司)	1,613,404,986.91	129,552,550.73	985,216,304.45	129,552,550.73
Nanjing Mingdu Home Living Plaza Company Limited (南京名都家居廣場有限公司)	991,660,970.93	—	1,445,966,149.79	—
Red Star Macalline Shibo (Tianjin) Home Living Plaza Company Limited (紅星美凱龍世博(天津)家居生活廣場有限公司)	935,356,411.66	80,000,000.00	889,756,259.43	80,000,000.00
Tianjin Red Star Macalline World Trade Home Living Company Limited (天津紅星美凱龍世貿家居有限公司)	913,814,821.73	—	751,293,593.38	—
Yintai (Yongqing) New City Investment Co., Ltd. (銀泰(永清)新城投資有限公司)	750,385,131.93	—	305,935,444.44	—
Shanghai Macalline Decoration Engineering Group Co., Ltd. (上海美凱龍裝飾工程集團有限公司)	735,393,442.26	—	—	—
Shenyang Mingdu Home Furnishing Plaza Company Limited (瀋陽名都家居廣場有限公司)	719,019,505.06	—	638,959,505.06	—

## XV. RELATED PARTIES AND RELATED PARTY TRANSACTIONS OF THE COMPANY (CONTINUED)

### 3. Amounts due from/to related parties (continued)

	31 December 2019		31 December 2018	
	Book balance	Bad debt allowance	Book balance	Bad debt allowance
Urumchi Red Star Macalline Shibo Furniture Plaza Company Limited (烏魯木齊紅星美凱龍家居世博廣場有限公司)	703,594,017.06	—	547,339,704.61	—
Wuhan Red Star Macalline Shibo Home Living Plaza Development Company Limited (武漢紅星美凱龍世博家居廣場發展有限公司)	640,259,868.06	100,000,000.00	1,531,357,784.03	100,000,000.00
Wuhan Red Star Macalline Global Home Living Plaza Development Company Limited (武漢紅星美凱龍環球家居廣場發展有限公司)	593,860,209.80	—	521,347,136.01	—
Shanghai Yuxu Enterprise Management Company Limited (上海宇煦企業管理有限公司)	574,365,132.55	—	271,513,761.22	—
Haerbin Red Star Macalline Shibo Home Living Plaza Company Limited (哈爾濱紅星美凱龍世博家居廣場有限公司)	518,742,300.91	—	403,835,337.50	—
Shanghai Red Star Macalline Industrial Company Limited (上海紅星美凱龍實業有限公司)	507,850,311.05	—	261,792,273.58	—
Changzhou Hongyang Home Living Plaza Company Limited (常州紅陽家居生活廣場有限公司)	478,759,400.00	—	426,559,400.00	—



# Notes to the Financial Statements

For the year 2019 (RMB)

## XV. RELATED PARTIES AND RELATED PARTY TRANSACTIONS OF PARENT COMPANY (CONTINUED)

### 3. Amounts due from/to related parties (continued)

	31 December 2019		31 December 2018	
	Book balance	Bad debt allowance	Book balance	Bad debt allowance
Tianjin Red Star Macalline Home Living and Decorating Plaza Company Limited (天津紅星美凱龍家居生活廣場有限公司)	475,347,389.44	—	456,962,310.29	—
Zhengzhou Red Star Macalline Shibo Home Furnishing Company Limited (鄭州紅星美凱龍世博家居有限公司)	453,072,592.40	—	380,550,000.00	—
Shanghai Hongxin Oukai Home Living Company Limited (上海虹欣歐凱家居有限公司)	430,779,291.34	—	782,329,717.28	—
Chengdu Tianfu New District Red Star Macalline World Trade Home Furnishing Company Limited (成都天府新區紅星美凱龍世貿家居有限公司)	413,993,421.77	—	609,831,771.98	—
Dongguan Red Star Macalline Shibo Furniture Plaza Company Limited (東莞紅星美凱龍世博家居廣場有限公司)	411,033,777.56	—	203,254,109.08	—
Shanghai Yumu Enterprise Management Company Limited (上海宇慕企業管理有限公司)	407,560,560.19	—	282,930,625.54	—
Lanzhou Red Star Macalline Shibo Home Living Plaza Company Limited (蘭州紅星美凱龍世博家居廣場有限公司)	403,966,471.04	—	384,330,312.22	—

## XV. RELATED PARTIES AND RELATED PARTY TRANSACTIONS OF PARENT COMPANY (CONTINUED)

### 3. Amounts due from/to related parties (continued)

	31 December 2019		31 December 2018	
	Book balance	Bad debt allowance	Book balance	Bad debt allowance
Shanghai Yuxiao Enterprise Management Company Limited (上海宇霄企業管理有限公司)	393,302,559.18	—	271,802,375.13	—
Chongqing Red Star Macalline International Home Furnishing Plaza Company Limited (重慶紅星美凱龍國際家居生活廣場有限公司)	388,919,112.50	—	325,566,333.33	—
Shanghai Yuzhu Enterprise Management Company Limited (上海宇築企業管理有限公司)	383,689,383.82	—	280,469,377.11	—
Ningbo Red Star Macalline Home Shopping Plaza Company Limited (寧波紅星美凱龍家居購物廣場有限公司)	372,624,084.54	—	479,199,153.43	—
Haikou Tangong Industrial Limited (海口檀宮實業有限公司)	362,278,175.83	—	—	—
Suzhou Industry Park Red Star Macalline Home Furnishing Company Limited (蘇州工業園區紅星美凱龍家居有限公司)	350,121,108.65	—	42,455,971.05	—
Foshan Junda Enterprise Management Co., Ltd. (佛山郡達企業管理有限公司)	330,442,657.54	—	—	—
Red Star Macalline Glory Casa (Shanghai) Home Furnishing Company Limited (紅星美凱龍凱撒至尊(上海)家居有限公司)	326,041,637.79	—	150,009,284.45	—

# Notes to the Financial Statements

For the year 2019 (RMB)

## XV. RELATED PARTIES AND RELATED PARTY TRANSACTIONS OF PARENT COMPANY (CONTINUED)

### 3. Amounts due from/to related parties (continued)

	31 December 2019		31 December 2018	
	Book balance	Bad debt allowance	Book balance	Bad debt allowance
Chengdu Red Star Macalline Tianfu Expo Home Furnishing Plaza Company Limited (成都紅 星美凱龍天府世博家居廣場有 限公司)	314,688,175.61	—	264,866,810.26	—
Daqing Red Star Macalline Shibo Furniture Company Limited (大慶紅星美凱龍世博家居有限 公司)	299,786,566.32	—	243,001,172.27	—
Nanning Red Star Macalline Shibo Home Furnishing Exhibition Centre Company Limited (南寧 紅星美凱龍世博家居展覽中心 有限公司)	281,860,311.25	—	—	—
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)	279,207,097.11	—	376,207,097.11	—
Shenyang Red Star Macalline Home Living Expo Company Limited (瀋陽紅星美凱龍博覽家 居有限公司)	260,876,521.64	—	258,650,750.54	—
Red Star Zhongying Investment Company Limited (紅星眾盈投 資有限公司)	254,516,775.00	—	241,684,304.56	—
Suzhou Red Star Macalline Shibo Home Furnishing Plaza Company Limited (蘇州紅星美 凱龍世博家居廣場有限公司)	245,488,622.06	—	226,298,622.06	—

## XV. RELATED PARTIES AND RELATED PARTY TRANSACTIONS OF PARENT COMPANY (CONTINUED)

### 3. Amounts due from/to related parties (continued)

	31 December 2019		31 December 2018	
	Book balance	Bad debt allowance	Book balance	Bad debt allowance
Hohhot Red Star Macalline Shibo Home Furnishing Plaza Company Limited (呼和浩特市 紅星美凱龍世博家居廣場有限 責任公司)	240,544,212.33	—	207,070,248.67	—
Kunshan Red Star Macalline Decoration Materials Company Limited (昆山紅星美凱龍裝飾材 料有限公司)	231,347,446.66	—	151,563,866.67	—
Shanghai Hongmei E-Commerce Company Limited (上海紅美電 子商務有限公司)	219,092,136.81	—	148,092,436.81	—
Beijing Century Europe and America Business Investment Company Limited (北京世紀歐 美商業投資有限公司)	210,695,591.95	—	190,546,506.81	—
Wuxi Red Star Macalline International Home Furnishing Company Limited (無錫紅星美 凱龍國際傢俱裝飾有限公司)	203,000,000.00	—	203,000,000.00	—
Khorgos Red Star Yiming Venture Capital Company Limited (霍爾果斯紅星易鳴創業投資 有限公司)	194,095,333.34	—	4,015,555.56	—
Khorgos Yarui Venture Capital Company Limited (霍爾果斯雅 睿創業投資有限公司)	193,013,770.83	—	188,015,011.67	—

# Notes to the Financial Statements

For the year 2019 (RMB)

## XV. RELATED PARTIES AND RELATED PARTY TRANSACTIONS OF PARENT COMPANY (CONTINUED)

### 3. Amounts due from/to related parties (continued)

	31 December 2019		31 December 2018	
	Book balance	Bad debt allowance	Book balance	Bad debt allowance
Chongqing Red Star Macalline Zhongkun Home Living Plaza Company Limited (重慶紅星美凱龍中坤家居生活廣場有限責任公司)	191,059,321.67	—	179,710,946.67	—
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)	186,769,430.35	—	—	—
Red Star Macalline (Shanghai) Business Management Company Limited (紅星美凱龍(上海)企業管理有限公司)	171,222,332.71	—	213,891,034.44	—
Shanghai Red Star Macalline Trading Company Limited (上海紅星美凱龍商貿有限公司)	170,469,629.73	—	123,439,885.00	—
Changsha Red Star Macalline Jinxia Home Living Plaza Company Limited (長沙紅星美凱龍金霞家居生活廣場有限公司)	169,789,405.73	—	126,044,841.67	—
Shanghai Xinwei Home Purchasing Company Limited (上海新偉置業有限公司)	164,501,978.31	—	68,362,535.90	—
Panjin Red Star Macalline Global Home Living Plaza Company Limited (盤錦紅星美凱龍全球家居生活廣場有限公司)	162,029,852.17	—	209,742,755.56	—

## XV. RELATED PARTIES AND RELATED PARTY TRANSACTIONS OF PARENT COMPANY (CONTINUED)

### 3. Amounts due from/to related parties (continued)

	31 December 2019		31 December 2018	
	Book balance	Bad debt allowance	Book balance	Bad debt allowance
Shanghai Laicheng Enterprise Management Limited (上海賽程企業管理有限公司)	156,512,835.42	—	—	—
Chongqing Red Star Macalline Logistics Company Limited (重慶紅星美凱龍物流有限公司)	151,351,139.29	—	176,804,337.78	—
Shanghai Jinshan Red Star Macalline Global Home Furnishing Company Limited (上海金山紅星美凱龍全球家居有限公司)	147,434,934.38	—	110,242,294.44	—
Kunming Diken Trading Company Limited (昆明迪肯商貿有限公司)	137,777,834.23	—	101,716,380.81	—
Wuhu Red Star Macalline World Trade Home Living Plaza Company Limited (蕪湖紅星美凱龍世貿家居廣場有限公司)	133,609,521.31	—	—	—
Beijing Xingkai Jingzhou Furniture Plaza Company Limited (北京星凱洲傢俱廣場有限公司)	133,507,766.22	17,874,886.21	121,554,141.92	17,874,886.21
Zhongshan Red Star Macalline Shibo Home Living Plaza Company Limited (中山紅星美凱龍世博家居廣場有限公司)	132,397,951.90	—	112,735,740.48	—
Shanghai Mingyi Enterprise Development Co., Ltd. (上海名藝商業企業發展有限公司)	131,600,000.50	6,580,000.03	112,200,000.50	5,610,000.03

# Notes to the Financial Statements

For the year 2019 (RMB)

## XV. RELATED PARTIES AND RELATED PARTY TRANSACTIONS OF PARENT COMPANY (CONTINUED)

### 3. Amounts due from/to related parties (continued)

	31 December 2019		31 December 2018	
	Book balance	Bad debt allowance	Book balance	Bad debt allowance
Changsha Yinhong Home Furnishing Company Limited (長沙市銀紅家居有限公司)	126,998,361.24	—	105,772,209.20	—
Xining Red Star Macalline Shibo Home Furnishing Plaza Company Limited (西寧紅星美凱龍世博家居廣場有限公司)	124,784,638.62	—	94,022,385.28	—
Anhui Shengshi Dingtong Logistics Company Limited (安徽盛世鼎通物流有限公司)	124,615,271.66	—	118,166,938.33	—
Taiyuan Red Star Macalline Global Home Furnishing Plaza Company Limited (太原紅星美凱龍全球家居廣場有限公司)	122,125,970.00	—	—	—
Chongqing Red Star Macalline Shibo Home Living Plaza Company Limited (重慶紅星美凱龍世博家居生活廣場有限公司)	121,683,010.60	—	8,050,468.32	—
Chongqing Red Star Macalline Expo Home Living Plaza Company Limited (重慶紅星美凱龍博覽家居生活廣場有限公司)	118,511,590.16	30,772,151.83	87,004,157.80	30,772,151.83
Shanghai Jingdu Investment Company Limited (上海晶都投資有限公司)	115,300,851.98	—	110,534,933.93	—

## XV. RELATED PARTIES AND RELATED PARTY TRANSACTIONS OF PARENT COMPANY (CONTINUED)

### 3. Amounts due from/to related parties (continued)

	31 December 2019		31 December 2018	
	Book balance	Bad debt allowance	Book balance	Bad debt allowance
Jinan Red Star Macalline Shibo Home Living Plaza Company Limited (濟南紅星美凱龍世博家居生活廣場有限公司)	107,614,589.83	—	65,708,191.42	—
Yantai Red Star Macalline Home Living Company Limited (煙臺紅星美凱龍家居有限公司)	107,571,813.97	—	328,373,535.54	—
Shanghai Red Star Macalline Exhibition Service Company Limited (上海紅星美凱龍展覽服務有限公司)	98,656,335.42	—	66,475,296.21	—
Ganzhou Red Star Macalline Shibo Furniture Plaza Company Limited (贛州紅星美凱龍世博家居廣場有限公司)	96,985,674.08	—	—	—
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)	91,497,139.17	—	340,699,777.78	—
Shanghai Red Star Macalline Yuejia Network Technology Company Limited (上海紅星美凱龍悅家互聯網科技有限公司)	87,801,308.32	—	119,189,215.65	—
Shanghai Xingkai Chengpeng Business Management Company Limited (上海星凱程鵬企業管理有限公司)	74,000,000.00	—	44,001,380.26	—
Shanghai Jiajinsuo Investment Holding Company Limited (上海家金所投資控股有限公司)	72,135,000.00	—	80,909,000.00	—



# Notes to the Financial Statements

For the year 2019 (RMB)

## XV. RELATED PARTIES AND RELATED PARTY TRANSACTIONS OF PARENT COMPANY (CONTINUED)

### 3. Amounts due from/to related parties (continued)

	31 December 2019		31 December 2018	
	Book balance	Bad debt allowance	Book balance	Bad debt allowance
Shanghai Xingjia Home Decorating Material Company Limited (上海星家裝飾建材有限公司)	70,650,000.00	61,811,558.73	70,650,000.00	61,811,558.73
Tianjin Red Star Macalline Home Fashion Plaza Company Limited (天津紅星美凱龍時尚家居廣場有限公司)	54,559,655.10	50,219,635.10	54,559,655.10	50,219,635.10
Hefei Red Star Macalline Logistics Company Limited (合肥紅星美凱龍物流有限公司)	52,364,608.20	—	49,468,941.53	—
Shanghai Red Star Macalline Assets Management Company Limited (上海紅星美凱龍資產管理有限公司)	51,116,666.66	—	91,296,000.00	—
Shanghai Jisheng Wellborn Global Home Living Brand Management Company Limited (上海吉盛偉邦環球家居品牌管理有限公司)	50,772,259.43	—	167,482,869.94	—
Nantong Longmei International Home Furnishing Plaza Co., Ltd. (南通龍美國際家居生活廣場有限公司)	49,126,005.09	—	—	—
Shanghai Jianliu Enterprise Management Co., Ltd. (上海簡柳企業管理有限公司)	48,103,201.67	—	—	—

## XV. RELATED PARTIES AND RELATED PARTY TRANSACTIONS OF PARENT COMPANY (CONTINUED)

### 3. Amounts due from/to related parties (continued)

	31 December 2019		31 December 2018	
	Book balance	Bad debt allowance	Book balance	Bad debt allowance
Red Star Macalline Global (Beijing) Home Furnishing Plaza Company Limited (紅星美凱龍 環球(北京)傢俱建材廣場有限 公司)	46,484,693.28	—	48,790,963.64	—
Shaanxi Red Star Macalline Logistics Company Limited (陝西紅星美凱龍物流有限 公司)	45,348,755.28	—	1,002,444.44	—
Shanghai Youmei Home Living Company Limited (上海悠美 家居有限公司)	44,395,456.79	—	45,395,456.79	—
Jilin Red Star Macalline Logistics Company Limited (吉林紅星 美凱龍物流有限公司)	42,037,230.00	—	—	—
Nantong Hongmei Shibo Home Furnishing Plaza Company Limited (南通紅美世博家居 廣場有限公司)	40,348,672.70	—	157,562,222.22	—
Shanghai Red Star Macalline Decorating Public Network Technology Company Limited (上海紅星美凱龍裝修公網路 技術有限公司)	40,277,111.12	—	38,087,111.12	—
Beijing Red Star Macalline Shibo Home Furnishing Plaza Company Limited (北京紅星 美凱龍世博傢俱建材廣場有限 公司)	40,000,000.00	—	80,000,000.00	—

# Notes to the Financial Statements

For the year 2019 (RMB)

## XV. RELATED PARTIES AND RELATED PARTY TRANSACTIONS OF PARENT COMPANY (CONTINUED)

### 3. Amounts due from/to related parties (continued)

	31 December 2019		31 December 2018	
	Book balance	Bad debt allowance	Book balance	Bad debt allowance
Baotou Red Star Macalline Home Living Plaza Company Limited (包頭紅星美凱龍家居生活廣場有限責任公司)	38,324,779.63	20,674,970.00	38,189,779.63	20,674,970.00
Shanghai Red Star Macalline Business Consulting Company Limited (上海紅星美凱龍商務諮詢有限公司)	36,322,971.00	—	—	—
Baoxiang Red Star Macalline (Xiamen) Global Home Furnishing Plaza Company Limited (寶象紅星美凱龍(廈門)全球家居廣場有限公司)	35,500,000.00	2,683,603.06	—	—
Shanghai Red Star Ogloria Brand Management Company Limited (上海紅星歐麗洛雅品牌管理有限公司)	32,385,216.66	—	—	—
Shanghai enliu Enterprise Management Co., Ltd (上海蔥柳企業管理有限公司)	31,580,567.33	—	—	—
Nanchang Red Star Macalline Global Home Furnishing Plaza Company Limited (南昌紅星美凱龍全球家居廣場有限公司)	31,019,817.49	—	10,165,138.89	—
Shenyang Dadong Red Star Macalline Home Furnishing Company Limited (瀋陽大東紅星美凱龍傢俱建材市場有限公司)	30,991,751.11	20,000,000.00	11,618,364.12	20,000,000.00

## XV. RELATED PARTIES AND RELATED PARTY TRANSACTIONS OF PARENT COMPANY (CONTINUED)

### 3. Amounts due from/to related parties (continued)

	31 December 2019		31 December 2018	
	Book balance	Bad debt allowance	Book balance	Bad debt allowance
Wuxi Red Star Macalline Home Living Plaza Company Limited (無錫紅星美凱龍家居生活廣場有限公司)	28,284,764.80	—	30,000,000.00	—
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)	25,000,000.00	—	—	—
hanghai Red Star Macalline Design Cloud Information Technology Company Limited (上海紅星美凱龍設計雲信息科技有限公司)	23,448,962.79	—	—	—
Shanghai Dingshi Enterprise Management Partnership (Limited Partnership) (上海鼎識企業管理合夥企業(有限合伙))	22,932,222.22	—	41,622,222.22	—
Shanghai Shanhai Art Furniture Company Limited (上海山海藝術家俱有限公司)	21,574,680.63	—	—	—
Shanghai BetterHome Industrial Limited (上海家倍得實業有限公司)	20,208,333.33	—	—	—
Qianzhi (Shanghai) Home Furnishing Co., Ltd. (乾智(上海)家居有限公司)	14,401,166.66	—	—	—

# Notes to the Financial Statements

For the year 2019 (RMB)

## XV. RELATED PARTIES AND RELATED PARTY TRANSACTIONS OF PARENT COMPANY (CONTINUED)

### 3. Amounts due from/to related parties (continued)

	31 December 2019		31 December 2018	
	Book balance	Bad debt allowance	Book balance	Bad debt allowance
Zhengzhou Juankai Enterprise Management Consultation Company Limited (鄭州雋鎧企業管理諮詢有限公司)	12,536,279.70	—	12,536,279.70	—
Tianjin Red Star Macalline International Home Living Expo Company Limited (天津紅星美凱龍國際家居博覽有限公司)	11,556,000.00	—	433,617,605.89	—
Shanghai Hongmei Network Technology Company Limited (上海紅美網絡科技有限公司)	10,900,000.00	—	4,500,000.00	—
Xi'an Red Star Macalline Home Living Plaza Company Limited (西安紅星美凱龍家居生活廣場有限公司)	10,240,642.23	—	10,240,642.23	—
Beijing Century Kailong Business Investment Company Limited (北京世紀凱隆商業投資有限公司)	9,688,155.04	—	9,213,457.81	—
Dalian Red Star Macalline Shibo Home Furnishing Plaza Company Limited (大連紅星美凱龍世博家居廣場有限公司)	9,665,437.90	—	—	—
Changchun Red Star Macalline Shibo Home Living Plaza Company Limited (長春紅星美凱龍世博家居生活廣場有限公司)	8,972,748.84	—	423,972,748.84	—

## XV. RELATED PARTIES AND RELATED PARTY TRANSACTIONS OF PARENT COMPANY (CONTINUED)

### 3. Amounts due from/to related parties (continued)

	31 December 2019		31 December 2018	
	Book balance	Bad debt allowance	Book balance	Bad debt allowance
Nanjing Red Star International Home Living Company Limited (南京紅星美凱龍國際家居有限公司)	8,104,435.28	—	224,031,406.70	—
Chongqing Red Star Ogloria Home Furnishing Company Limited (重慶紅星歐麗洛雅家居有限公司)	7,839,730.75	—	909,800.00	—
Quzhou Red Star Macalline Shibo Market Management Service Company Limited (衢州紅星美凱龍世博市場管理服務有限公司)	7,422,683.33	7,350,000.00	7,422,683.33	7,350,000.00
Chengdu Changyi Red Star Macalline Home Living Market Management Company Limited (成都長益紅星美凱龍家居市場經營管理有限公司)	7,071,678.68	—	—	—
Changshu Red Star Macalline Global Home Living Company Limited (常熟紅星美凱龍全球家居有限公司)	5,958,075.69	—	5,723,922.25	—
Shanghai Red Star Macalline International Trading Company Limited (上海紅星美凱龍國際貿易有限公司)	5,775,611.11	—	5,552,555.56	—
Guangzhou Red Star Macalline Home Furnishing Building Material Co., Ltd. (廣州紅星美凱龍家居建材有限公司)	5,712,916.67	—	500,000.00	—

# Notes to the Financial Statements

For the year 2019 (RMB)

## XV. RELATED PARTIES AND RELATED PARTY TRANSACTIONS OF PARENT COMPANY (CONTINUED)

### 3. Amounts due from/to related parties (continued)

	31 December 2019		31 December 2018	
	Book balance	Bad debt allowance	Book balance	Bad debt allowance
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)	5,265,234.65	1,378,169.01	16,809,957.01	1,549,807.77
Shanghai Red Star Macalline Longmei Hong Living Company Limited (上海紅星美凱龍龍美家居市場經營管理有限公司)	5,220,520.83	—	5,050,555.56	—
Red Star Macalline Chengdu Business Management Company Limited (紅星美凱龍成都商業管理有限公司)	5,160,341.09	—	5,067,936.01	—
Shanghai Huaixing Culture Development Co., Ltd. (上海懷星文化發展有限公司)	5,075,525.00	—	1,605,433.33	—
Shanghai Hezhu Enterprise Management Partnership (Limited Partnership) (上海合祝企業管理合夥企業(有限合伙))	4,405,555.55	—	4,162,222.22	—
Shanghai Juzun Enterprise Management Partnership (Limited Partnership) (上海聚尊企業管理合夥企業(有限合伙))	4,405,555.55	—	4,162,222.22	—

## XV. RELATED PARTIES AND RELATED PARTY TRANSACTIONS OF PARENT COMPANY (CONTINUED)

### 3. Amounts due from/to related parties (continued)

	31 December 2019		31 December 2018	
	Book balance	Bad debt allowance	Book balance	Bad debt allowance
Red Star Macalline Home Living Mall Management Company Limited (紅星美凱龍家居商場管理有限公司)	3,406,379.12	—	148,743,448.48	—
Tibet Red Star Macalline Business Management Company Limited (西藏紅星美凱龍企業管理有限公司)	3,110,575.82	—	65,021.67	—
Shanghai Red Star Macalline Bulk Purchasing of Construction and Furnishing Materials Trading Company Limited (上海紅星美凱龍住建集採商貿有限公司)	3,000,000.00	—	—	—
Shanghai Red Star Macalline Commercial Factoring Company Limited (上海紅星美凱龍商業保理有限公司)	2,744,509.84	—	471,938,861.10	—
Shanghai Jiliang Enterprise Management Partnership (Limited Partnership) (上海集量企業管理合夥企業(有限合伙))	2,202,777.77	—	2,081,111.10	—
Guangzhou Red Star Macalline Market Management Company Limited (廣州紅星美凱龍市場經營管理有限公司)	1,921,540.06	—	—	—
Red Star Xizhao Investment Company Limited (紅星喜兆投資有限公司)	1,828,319.45	—	—	—



# Notes to the Financial Statements

For the year 2019 (RMB)

## XV. RELATED PARTIES AND RELATED PARTY TRANSACTIONS OF PARENT COMPANY (CONTINUED)

### 3. Amounts due from/to related parties (continued)

	31 December 2019		31 December 2018	
	Book balance	Bad debt allowance	Book balance	Bad debt allowance
Xi'an Red Star Macalline Shibo Home Furnishing Company Limited (西安紅星美凱龍世博家居有限公司)	1,650,000.00	—	1,650,000.00	—
Shanghai Xingyi Tonghui Business Service Company Limited (上海星易通匯商務服務有限公司)	1,600,000.00	—	—	—
Guizhou Red Star Macalline Logistics Company Limited (貴州紅星美凱龍物流有限公司)	1,484,015.31	—	160,142.22	—
Shanghai Red Star Macalline Global Home Design Expo Company Limited (上海紅星美凱龍環球家居設計博覽有限公司)	1,127,607.00	—	—	—
Chengdu Red Star Macalline Xinnan Business Management Company Limited Gaoxin Branch (成都紅星美凱龍新南商業管理有限公司高新分公司)	950,000.00	—	950,000.00	—
Shanghai Lihao Creative Design Co., Ltd. (上海麗浩創意設計有限公司)	910,950.00	—	—	—
Red Star Macalline Life Aesthetics Center Management Co., Ltd. (紅星美凱龍生活美學中心管理有限公司)	756,888.00	—	—	—

## XV. RELATED PARTIES AND RELATED PARTY TRANSACTIONS OF PARENT COMPANY (CONTINUED)

### 3. Amounts due from/to related parties (continued)

	31 December 2019		31 December 2018	
	Book balance	Bad debt allowance	Book balance	Bad debt allowance
Shanghai Mengsheng Industrial Co., Ltd. (上海夢晟實業有限公司)	672,114.11	—	100,278,780.56	—
Red Star Macalline Group (Shanghai) Logistics Company Limited (紅星美凱龍家居集團(上海)物流有限公司)	535,626.36	—	93,666.67	—
Foshan Red Star Macalline Home Furnishing Plaza Company Limited (佛山紅星美凱龍家居生活廣場有限公司)	103,939.17	—	—	—
Shanghai Betterhome Decoration Engineering Co., Ltd. (上海家倍得裝飾工程有限公司)	8,392.55	—	—	—
Shanghai Red Star Macalline Brand Management Company Limited Liu'an Yingbin Branch (上海紅星美凱龍品牌管理有限公司六安迎賓分公司)	5,482.00	—	—	—
Shanghai Ersai Enterprise Management Consultation Company Limited (上海邇賽企業管理有限公司)	5,023.56	—	—	—
Changsha Red Star Macalline International Home Furnishing Art Expo Company Limited Yingbin Branch (長沙紅星美凱龍國際家居藝術博覽中心迎賓分公司)	4,624.79	—	—	—

# Notes to the Financial Statements

For the year 2019 (RMB)

## XV. RELATED PARTIES AND RELATED PARTY TRANSACTIONS OF PARENT COMPANY (CONTINUED)

### 3. Amounts due from/to related parties (continued)

	31 December 2019		31 December 2018	
	Book balance	Bad debt allowance	Book balance	Bad debt allowance
Langfang Kaihong Home Living Plaza Company Limited (廊坊市凱宏家居廣場有限公司)	1,337.50	—	5,038,031.40	—
Beijing Red Star Macalline Shibo Furniture Plaza Company Limited (北京紅星美凱龍世博傢俱廣場有限公司)	353.64	—	2,469,443,210.03	—
Beijing Red Star Macalline International Home Furnishing Plaza Company Limited (北京紅星美凱龍國際傢俱建材廣場有限公司)	—	—	2,133,800,000.00	—
Changzhou Worldwide Home Living and Furnishing Plaza Company Limited (常州世界傢俱家居廣場有限公司)	—	—	945,179,108.72	—
Zhengzhou Red Star Macalline International Home Living Company Limited (鄭州紅星美凱龍國際家居有限公司)	—	—	860,000,000.00	—
Anhui Tenghui Investment Group Hefei Company Limited (安徽騰輝投資集團合肥有限公司)	—	—	580,360,640.09	—
Changzhou Macalline International Computer and Home Appliance City Company Limited (常州美凱龍國際電腦家電裝飾城有限公司)	—	—	414,045,145.69	—

## XV. RELATED PARTIES AND RELATED PARTY TRANSACTIONS OF PARENT COMPANY (CONTINUED)

### 3. Amounts due from/to related parties (continued)

	31 December 2019		31 December 2018	
	Book balance	Bad debt allowance	Book balance	Bad debt allowance
Shanghai Red Star Macalline Financial Leasing Company Limited (上海紅星美凱龍融資租賃有限公司)	—	—	247,695,777.77	—
Changsha Red Star Macalline Shibo Home Living Plaza Company Limited (長沙紅星美凱龍世博家居生活廣場有限公司)	—	—	59,873,611.11	—
Shanghai Red Star Macalline Xinglong Home Furnish Company Limited (上海紅星美凱龍星龍家居有限公司)	—	—	56,988,000.00	—
Shanghai Red Star Macalline Home Furnishing City Company Limited (上海紅星美凱龍裝飾傢俱城有限公司)	—	—	24,500,000.00	—
Shenyang Red Star Macalline Home Living Company Limited (瀋陽紅星美凱龍家居有限公司)	—	—	12,486,279.45	—
Wuhu Meihe Asset Management Company Limited (蕪湖美和資產管理有限公司)	—	—	10,000,000.00	776,099.88
Shanghai Huojing Business Management Company Limited (上海或京商業管理有限公司)	—	—	8,000,000.00	—

# Notes to the Financial Statements

For the year 2019 (RMB)

## XV. RELATED PARTIES AND RELATED PARTY TRANSACTIONS OF PARENT COMPANY (CONTINUED)

### 3. Amounts due from/to related parties (continued)

	31 December 2019		31 December 2018	
	Book balance	Bad debt allowance	Book balance	Bad debt allowance
Changzhou Jiapindao Home Furnishing and Decorating Company Limited (常州家頻道家居飾品有限公司)	—	—	6,822,033.34	—
Hangzhou Red Star Macalline Global Home Living Company Limited (杭州紅星美凱龍環球家居有限公司)	—	—	4,504,425.00	349,588.37
Shanghai Juqin Enterprise Management Partnership (Limited Partnership) (上海聚欽企業管理合夥企業(有限合伙))	—	—	3,737,300.00	—
Shanghai Jici Enterprise Management Partnership (Limited Partnership) (上海集慈企業管理合夥企業(有限合伙))	—	—	3,737,300.00	—
Shanghai Fanju Network Technology Company Limited (上海泛居網路科技有限公司)	—	—	2,111,433.33	—
Wuhan Red Star Macalline Global Home Furnishing Plaza Development Company Limited (武漢紅星美凱龍全球家居廣場發展有限公司)	—	—	1,978,637.23	—
Shanghai Anjia Network Technology Company Limited (上海安家網路科技有限公司)	—	—	422,820.65	—

## XV. RELATED PARTIES AND RELATED PARTY TRANSACTIONS OF PARENT COMPANY (CONTINUED)

### 3. Amounts due from/to related parties (continued)

	31 December 2019		31 December 2018	
	Book balance	Bad debt allowance	Book balance	Bad debt allowance
Chengdu Red Star Macalline Logistics Company Limited (成都紅星美凱龍物流有限公司)	—	—	13,333.33	—
Shanghai Red Star Macalline Brand Management Company Limited Handan Branch (上海紅星美凱龍品牌管理有限公司邯鄲分公司)	—	—	11,909.65	—
<b>Total</b>	<b>25,184,733,916.29</b>	<b>528,897,524.70</b>	<b>30,246,609,389.16</b>	<b>526,541,248.65</b>

# Notes to the Financial Statements

For the year 2019 (RMB)

## XV. RELATED PARTIES AND RELATED PARTY TRANSACTIONS OF PARENT COMPANY (CONTINUED)

### 3. Amounts due from/to related parties (continued)

	31 December 2019		31 December 2018	
	Book balance	Bad debt allowance	Book balance	Bad debt allowance
<b>Dividend receivables</b>				
Red Star Macalline Home Living Mall Management Company Limited (紅星美凱龍家居商場管理有限公司)	1,037,000,000.00	—	637,000,000.00	—
Shanghai Xingkai Chengpeng Business Management Company Limited (上海星凱程鵬企業管理有限公司)	608,856,949.26	—	976,000,000.00	—
Red Star Macalline Enterprise Management Consulting Co., Ltd. (紅星美凱龍企業管理諮詢有限公司)	570,000,000.00	—	—	—
Red Star Xizhao Investment Company Limited (紅星喜兆投資有限公司)	360,000,000.00	—	—	—
Shanghai Red Star Macalline Global Home Living Company Limited (上海紅星美凱龍全球家居有限公司)	352,000,000.00	—	210,000,000.00	—
Chongqing Red Star Macalline Shibo Home Living Plaza Company Limited (重慶紅星美凱龍世博家居生活廣場有限責任公司)	246,000,000.00	—	156,000,000.00	—
Shanghai Red Star Macalline Home Furnishing City Company Limited (上海紅星美凱龍裝飾傢俱城有限公司)	121,440,000.00	—	83,660,000.00	—

## XV. RELATED PARTIES AND RELATED PARTY TRANSACTIONS OF PARENT COMPANY (CONTINUED)

### 3. Amounts due from/to related parties (continued)

	31 December 2019		31 December 2018	
	Book balance	Bad debt allowance	Book balance	Bad debt allowance
Nanjing Mingdu Home Living Plaza Company Limited (南京名都家居廣場有限公司)	62,400,000.00	—	31,200,000.00	—
Changzhou Macalline International Computer and Home Appliance City Company Limited (常州美凱龍國際電腦家電裝飾城有限公司)	36,000,000.00	—	55,500,000.00	—
Chengdu Dongtai Shopping Mall Company Limited (成都東泰商城有限公司)	31,000,000.00	—	—	—
Jinan Red Star Macalline Shibo Home Living Plaza Company Limited (濟南紅星美凱龍世博家居生活廣場有限公司)	8,000,000.00	—	—	—
Shanghai Jisheng Wellborn Global Home Living Brand Management Company Limited (上海吉盛偉邦環球家居品牌管理有限公司)	6,000,000.00	—	6,000,000.00	—
Changsha Red Star Macalline International Home Living Art Expo Company Limited (長沙紅星美凱龍國際家居藝術博覽中心有限公司)	3,000,000.00	—	3,000,000.00	—
Shenyang Red Star Macalline Home Living Company Limited (瀋陽紅星美凱龍家居有限公司)	—	—	126,000,000.00	—



# Notes to the Financial Statements

For the year 2019 (RMB)

## XV. RELATED PARTIES AND RELATED PARTY TRANSACTIONS OF PARENT COMPANY (CONTINUED)

### 3. Amounts due from/to related parties (continued)

	31 December 2019		31 December 2018	
	Book balance	Bad debt allowance	Book balance	Bad debt allowance
Beijing Red Star Macalline Shibo Furniture Plaza Company Limited (北京紅星美凱龍世博傢俱廣場有限公司)	—	—	82,000,000.00	—
Wuxi Red Star Macalline International Home Furnishing Company Limited (無錫紅星美凱龍國際傢俱裝飾有限公司)	—	—	64,800,000.00	—
Beijing Red Star Macalline International Home Furnishing Plaza Company Limited (北京紅星美凱龍國際傢俱建材廣場有限公司)	—	—	55,000,000.00	—
Changzhou Worldwide Home Living and Furnishing Plaza Company Limited (常州世界傢俱家居廣場有限公司)	—	—	54,000,000.00	—
Chongqing Red Star Macalline Global Home Furnishing Plaza Company Limited (重慶紅星美凱龍環球家居生活廣場有限公司)	—	—	44,000,000.00	—
Shenyang Red Star Macalline Shibo Home Furnishing Company Limited (瀋陽紅星美凱龍世博家居有限公司)	—	—	39,000,000.00	—
Hangzhou Red Star Macalline Shibo Home Living Company Limited (杭州紅星美凱龍世博家居有限公司)	—	—	37,000,000.00	—

## XV. RELATED PARTIES AND RELATED PARTY TRANSACTIONS OF PARENT COMPANY (CONTINUED)

### 3. Amounts due from/to related parties (continued)

	31 December 2019		31 December 2018	
	Book balance	Bad debt allowance	Book balance	Bad debt allowance
Nanjing Red Star International Home Furnishing Company Limited (南京紅星國際傢俱裝飾城有限公司)	—	—	27,000,000.00	—
Changsha Red Star Macalline Home Living Plaza Company Limited (長沙紅星美凱龍家居生活廣場有限公司)	—	—	23,000,000.00	—
Yangzhou Red Star Macalline International Home Living Plaza Company Limited (揚州紅星美凱龍國際家居廣場有限公司)	—	—	15,000,000.00	—
Shanghai Red Star Macalline Kaiheng Household Company Limited (上海紅星美凱龍楷恒家居有限公司)	—	—	9,000,000.00	—
<b>Total</b>	<b>3,441,696,949.26</b>	<b>—</b>	<b>2,734,160,000.00</b>	<b>—</b>

# Notes to the Financial Statements

For the year 2019 (RMB)

## XV. RELATED PARTIES AND RELATED PARTY TRANSACTIONS OF PARENT COMPANY (CONTINUED)

### 3. Amounts due from/to related parties (continued)

	2019		2018	
	Book balance	Bad debt allowance	Book balance	Bad debt allowance
<b>Long-term receivables</b>				
Hangzhou Red Star Macalline Global Home Living Company Limited (杭州紅星美凱龍環球家居有限公司)	332,148,745.00	3,321,487.45	218,144,320.00	2,181,443.20
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)	25,100,000.00	251,000.00	27,500,000.00	275,000.00
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公司)	—	—	174,054,495.62	1,740,544.96
Shaanxi Red Star Heji Home Shopping Plaza Company Limited (陝西紅星和記家居購物廣場有限公司)	—	—	31,340,000.00	313,400.00
<b>Total</b>	<b>357,248,745.00</b>	<b>3,572,487.45</b>	<b>451,038,815.62</b>	<b>4,510,388.16</b>

## XV. RELATED PARTIES AND RELATED PARTY TRANSACTIONS OF PARENT COMPANY (CONTINUED)

### 3. Amounts due from/to related parties (continued)

	2019		2018	
	Book balance	Bad debt allowance	Book balance	Bad debt allowance
<b>Other non-current assets</b>				
Chengdu Red Star Macalline Tianfu Expo Home Furnishing Plaza Company Limited (成都紅星美凱龍天 府世博家居廣場有限公司)	331,500,000.00	—	331,500,000.00	—
Chengdu Tianfu New District Red Star Macalline World Trade Home Furnishing Company Limited (成都天府 新區紅星美凱龍世貿家居有 限公司)	331,500,000.00	—	331,500,000.00	—
Chengdu Red Star Macalline Real Estate Co., Ltd. (成都 紅星美凱龍置業有限公司)	247,705,000.00	—	247,705,000.00	—
Kunming Diken Trading Company Limited (昆明迪肯 商貿有限公司)	179,565,152.35	—	—	—
Xining Red Star Macalline Shibo Home Furnishing Plaza Company Limited (西寧紅星美凱龍世博家居廣 場有限公司)	138,900,000.00	—	138,900,000.00	—

# Notes to the Financial Statements

For the year 2019 (RMB)

## XV. RELATED PARTIES AND RELATED PARTY TRANSACTIONS OF PARENT COMPANY (CONTINUED)

### 3. Amounts due from/to related parties (continued)

	2019		2018	
	Book balance	Bad debt allowance	Book balance	Bad debt allowance
Shaanxi Red Star Heji Home Shopping Plaza Company Limited (陝西紅星和記家居購物廣場有限公司)	71,236,187.86	712,361.88	—	—
Urumchi Red Star Macalline Shibo Furniture Plaza Company Limited (烏魯木齊紅星美凱龍家居世博廣場有限公司)	—	—	198,900,000.00	—
<b>Total</b>	<b>1,300,406,340.21</b>	<b>712,361.88</b>	1,248,505,000.00	—

	2019	2018
<b>Other non-current assets</b>		
Red Star Macalline Chengdu Enterprise Management Consulting Company Limited (紅星美凱龍成都企業管理諮詢有限公司)	1,747,619,546.16	1,205,380,616.68
Beijing Red Star Macalline International Home Furnishing Plaza Company Limited (北京紅星美凱龍國際傢俱建材廣場有限公司)	1,736,539,571.12	1,940,401,081.84
Beijing Red Star Macalline Shibo Furniture Plaza Company Limited (北京紅星美凱龍世博傢俱廣場有限公司)	1,022,652,688.52	4,689,226,763.06
Hong Kong Red Star Macalline Global Home Furnishing Company Limited (香港紅星美凱龍全球家居有限公司)	1,020,270,337.58	1,037,147,609.46
Shenyang Red Star Macalline Home Living Company Limited (瀋陽紅星美凱龍家居有限公司)	1,016,557,487.84	1,302,694,988.35
Shanghai Red Star Macalline Financial Leasing Company Limited (上海紅星美凱龍融資租賃有限公司)	899,855,883.33	—
Changzhou Worldwide Home Living and Furnishing Plaza Company Limited (常州世界傢俱家居廣場有限公司)	816,187,984.50	1,843,012,852.28
Jiangsu Sunan Construction Company Limited (江蘇蘇南建築安裝工程有限公司)	816,041,647.95	190,744,239.64

## XV. RELATED PARTIES AND RELATED PARTY TRANSACTIONS OF PARENT COMPANY (CONTINUED)

### 3. Amounts due from/to related parties (continued)

	2019	2018
Shanghai Shanhai Art Furniture Company Limited (上海山海藝術家俱有限公司)	757,430,809.00	749,116,925.74
Red Star Macalline Chengdu Business Management Company Limited (紅星美凱龍成都商業管理有限公司)	723,299,251.57	579,539,853.51
Red Star Macalline Enterprise Management Consulting Co., Ltd. (紅星美凱龍企業管理諮詢有限公司)	718,992,619.84	360,650,449.30
Chongqing Red Star Macalline Global Home Living Plaza Company Limited (重慶紅星美凱龍環球家居生活廣場有限責任公司)	639,610,861.02	120,526,351.49
Zhengzhou Red Star Macalline International Home Living Company Limited (鄭州紅星美凱龍國際家居有限公司)	608,916,862.38	914,782,326.95
Shanghai Red Star Macalline Home Furnishing City Company Limited (上海紅星美凱龍裝飾傢俱城有限公司)	583,592,083.34	422,209,750.01
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)	566,515,199.54	382,751,234.12
Wuxi Red Star Macalline International Home Furnishing Company Limited (無錫紅星美凱龍國際傢俱裝飾有限公司)	482,750,135.34	331,067,091.57
Changzhou Macalline International Computer and Home Appliance City Company Limited (常州美凱龍國際電腦家電裝飾城有限公司)	434,026,657.39	861,800,231.12
Shenyang Red Star Macalline Shibo Home Furnishing Company Limited (瀋陽紅星美凱龍世博家居有限公司)	390,498,065.90	551,058,761.83
Suzhou Industry Park Red Star Macalline Home Furnishing Company Limited (蘇州工業園區紅星美凱龍家居有限公司)	350,000,000.00	—
Chengdu Red Star Macalline Shibo Home Living Plaza Company Limited (成都紅星美凱龍世博家居生活廣場有限責任公司)	325,714,061.32	275,161,009.31
Shanghai Red Star Macalline Brand Management Company Limited (上海紅星美凱龍品牌管理有限公司)	271,053,188.28	320,493,773.62
Red Star Xizhao Investment Company Limited (紅星喜兆投資有限公司)	268,500,000.00	163,531,591.14
Tianjin Red Star Macalline International Home Living Expo Company Limited (天津紅星美凱龍國際家居博覽有限公司)	191,899,724.09	593,356,935.73
Shanghai Xingyi Tonghui Business Service Company Limited (上海星易通匯商務服務有限公司)	145,606,653.22	33,082,325.05
Shanghai Red Star Macalline Global Home Living Company Limited (上海紅星美凱龍全球家居有限公司)	131,425,441.67	190,814,366.67

# Notes to the Financial Statements

For the year 2019 (RMB)

## XV. RELATED PARTIES AND RELATED PARTY TRANSACTIONS OF PARENT COMPANY (CONTINUED)

### 3. Amounts due from/to related parties (continued)

	2019	2018
Shanghai Dingsheng Construction Management and Design Company Limited (上海紅星美凱龍建築設計有限公司)	122,503,409.12	121,396,018.67
Harbin Red Star Macalline International Home Furnishing Company Limited (哈爾濱紅星美凱龍國際家居有限公司)	121,353,905.56	117,714,113.89
Shanghai Red Star Macalline Home Living Market Management Company Limited (上海紅星美凱龍家居市場經營管理有限公司)	116,467,423.29	263,699,647.72
Dalian Red Star Macalline Shibo Home Furnishing Plaza Company Limited (大連紅星美凱龍世博家居廣場有限公司)	107,328,862.05	243,552,021.94
Shanghai Red Star Macalline Global Home Design Expo Company Limited (上海紅星美凱龍環球家居設計博覽有限公司)	103,700,000.00	147,481,769.44
Nanjing Red Star International Home Living Company Limited (南京紅星美凱龍國際家居有限責任公司)	99,227,304.00	—
Chengdu Red Star Ogloria Brand Management Company Limited (成都紅星歐麗洛雅品牌管理有限公司)	78,993,975.99	73,581,256.11
Shanghai Red Star Macalline Business Consulting Company Limited (上海紅星美凱龍商務諮詢有限公司)	61,625,710.29	129,738,399.72
Kunming Red Star Macalline Shibo Furniture Plaza Company Limited (昆明紅星美凱龍世博家居廣場有限公司)	54,281,538.89	20,055,000.00
Red Star Ogloria Enterprise Management Company Limited (紅星歐麗洛雅企業管理有限公司)	50,653,461.14	63,355,322.62
Chongqing Xingkaike Home Furnishing Company Limited (重慶星凱科家居有限公司)	47,804,429.86	25,472,399.65
Chengdu Dongtai Shopping Mall Company Limited (成都東泰商城有限公司)	41,437,944.45	—
Hangzhou Red Star Macalline Shibo Home Living Company Limited (杭州紅星美凱龍世博家居有限公司)	38,446,477.78	30,099,061.11
Red Star Macalline Home Living Mall Management Company Limited (紅星美凱龍家居商場管理有限公司)	37,991,000.00	—
Nanjing Red Star International Home Furnishing Company Limited (南京紅星國際傢俱裝飾城有限公司)	27,000,000.00	15,041,708.33
Shenyudao Cultural Tourism Holding Co., Ltd. (神玉島文化旅遊控股股份有限公司)	25,600,000.00	35,000,000.00
Shanghai Xingyijia Business Management Co., Ltd. (上海星藝佳商業管理有限公司)	20,609,777.78	—

## XV. RELATED PARTIES AND RELATED PARTY TRANSACTIONS OF PARENT COMPANY (CONTINUED)

### 3. Amounts due from/to related parties (continued)

	2019	2018
Shanghai Red Star Macalline Kaiheng Household Company Limited (上海紅星美凱龍楷恒家居有限公司)	20,222,994.44	20,055,611.11
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)	18,050,750.00	17,859,900.00
Yangzhou Red Star Macalline International Home Living Plaza Company Limited (揚州紅星美凱龍國際家居廣場有限公司)	17,561,573.89	27,075,075.00
Shanghai Anjia Network Technology Company Limited (上海安家網路科技有限公司)	15,263,079.24	—
Shanghai Macalline Xinghe Asset Management Company Limited (上海美凱龍星荷資產管理有限公司)	15,175,208.34	15,041,708.33
Lianyungang Red Star Macalline International Home Living Plaza Company Limited (連雲港紅星美凱龍國際家居廣場有限公司)	13,692,598.59	13,579,225.55
Beijing Macalline Home Furnishing Market Company Limited (北京美凱龍傢俱建材市場有限公司)	10,000,000.00	20,000,000.00
Shanghai Red Star Macalline Home Furnishing and Decorating Market Management Company Limited (上海紅星美凱龍傢俱裝飾市場經營管理有限公司)	10,000,000.00	15,000,000.00
Shanghai Xinwei Home Purchasing Company Limited (上海新偉置業有限公司)	5,593,702.97	540,498,021.69
Langfang Kaihong Home Living Plaza Company Limited (廊坊市凱宏家居廣場有限公司)	3,934,913.21	329,559.44
Shanghai Mengsheng Industrial Co., Ltd. (上海夢晟實業有限公司)	3,079,000.00	—
Shanghai Red Star Macalline Brand Management Company Limited Kunming Branch (上海紅星美凱龍品牌管理有限公司昆明分公司)	2,022,305.55	2,005,561.11
Shanghai interface marketing planning Co., Ltd (上海英太翡思行銷策劃有限公司)	2,021,298.65	2,005,561.11
Changsha Red Star Macalline Home Living Plaza Company Limited (長沙紅星美凱龍家居生活廣場有限公司)	1,478,248.38	42,141,004.20
Nanjing Mingdu Home Living Plaza Company Limited (南京名都家居廣場有限公司)	1,067,684.27	593,018.53
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)	745,202.78	182,630.56



# Notes to the Financial Statements

For the year 2019 (RMB)

## XV. RELATED PARTIES AND RELATED PARTY TRANSACTIONS OF PARENT COMPANY (CONTINUED)

### 3. Amounts due from/to related parties (continued)

	2019	2018
Chengdu Changyi Red Star Macalline Home Living Market Management Company Limited (成都長益紅星美凱龍家居市場經營管理有限公司)	716,463.55	102,829,503.43
Shanghai Red Star Macalline Brand Management Company Limited Baotou Branch (上海紅星美凱龍品牌管理有限公司包頭分公司)	500,000.00	—
Shanghai Xingkai Chengpeng Business Management Company Limited (上海星凱程鵬企業管理有限公司)	294,139.95	84,080,131.00
Shanghai Red Star Macalline Bulk Purchasing of Construction and Furnishing Materials Trading Company Limited (上海紅星美凱龍住建集採商貿有限公司)	157,866.67	2,005,561.11
Shanghai Betterhome Decoration Engineering Co., Ltd. (上海家倍得裝飾工程有限公司)	53,300.00	53,300.00
Shanghai Red Star Macalline Xinglong Home Furnish Company Limited (上海紅星美凱龍星龍家居有限公司)	45,818.99	210,652.81
Shanghai Xingyijia Business Management Co., Ltd Yunyan Branch (上海星藝佳商業管理有限公司雲岩分公司)	3,972.22	—
Wuhan Red Star Macalline Shibo Home Living Plaza Development Company Limited (武漢紅星美凱龍世博家居廣場發展有限公司)	—	660,000,000.00
Yantai Red Star Macalline Home Living Company Limited (煙臺紅星美凱龍家居有限公司)	—	200,000,000.00
Zhongshan Red Star Macalline Shibo Home Living Plaza Company Limited (中山紅星美凱龍世博家居廣場有限公司)	—	70,000,000.00
Shanghai Red Star Macalline Design Cloud Information Technology Company Limited (上海紅星美凱龍設計雲信息科技有限公司)	—	41,085,494.44
Wuxi Red Star Macalline Home Living Plaza Company Limited (無錫紅星美凱龍家居生活廣場有限公司)	—	35,535,675.68
Beijing Red Star Macalline Business Management Company Limited (北京紅星美凱龍企業經營管理有限公司)	—	20,000,000.00
Changsha Red Star Macalline International Home Living Art Expo Company Limited (長沙紅星美凱龍國際家居藝術博覽中心有限公司)	—	195,375.21
Chongqing Red Star Macalline Shibo Home Living Plaza Company Limited (重慶紅星美凱龍世博家居生活廣場有限責任公司)	—	185,820.78
<b>Total</b>	<b>17,962,262,102.79</b>	<b>22,277,286,238.76</b>

# Supplementary Information

For the year ended 31 December 2019 (RMB)

## 1. Statement of Non-Recurring Profit or Loss

	Amount in 2019
Gain or loss on disposal of non-current assets, Including the written off part of the asset impairment provision	8,101,725.36
Government grants credited to profit or loss for the current period (exclusive of those that are closely related to the operation of enterprise and received in a certain amount or fixed quantity in conformity with the common standards of the state)	104,900,495.94
Funds-use income received from non-financial enterprises and credited to the profit or loss for the current period	183,069,575.56
Gains derived from the excess of the attributable fair value of net identifiable assets of the investee upon acquisition of the investment over the cost of investment of acquisition of subsidiaries, associates and joint ventures	2,940,219.22
Gains or losses on changes in fair values derived from 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, except for effective hedging operations related to the normal operations of the Company	103,174,667.90
Reverse of the impairment allowance for accounts receivables and contract assets tested for impairment individually	27,169,499.36
Gain or loss arising from changes in fair value of investment properties measured subsequently at fair value	1,600,693,492.00
Non-operating income and expenses other than the above items	2,983,311.17
The value-added portion of investment gains from investment properties valuation of associates and joint ventures attributable to the enterprise	8,533,962.26
Investment gain on disposal of subsidiaries	149,065,813.49
Investment gain derived from converting associates and joint ventures to other equity instrument investments	251,948,143.37
Investment gain on disposal of associates	49,509,818.23
Investment gain derived from acquiring associates and joint ventures to subsidiaries	126,390,153.07
Impact on income tax	(674,520,532.27)
Impact on non-controlling interests (after tax)	(77,900,947.36)
	1,866,059,397.30

## Supplementary Information

For the year ended 31 December 2019 (RMB)

### 1. Statement of Non-Recurring Profit or Loss (continued)

Non-recurring profit or loss is recognized by our Group in accordance with the requirements of Explanatory Announcement No. 1 on Information Disclosure by Companies Offering Securities to the Public — Non-recurring Profit or Loss (CSRC Announcement [2008] No. 43).

### 2. Return on Net Assets and Earnings per Share

2019

	Weighted average return on net assets (%)	Earnings per Basic share	Diluted
Net profit attributable to shareholders of ordinary shares of the Company	10.25	1.26	N/A
Net profit attributable to shareholders of ordinary shares of the Company, after deducting non-recurring gains and losses	6.11	0.74	N/A

2018

	Weighted average return on net assets (%)	Earnings per Basic share	Diluted
Net profit attributable to shareholders of ordinary shares of the Company	10.63	1.20	N/A
Net profit attributable to shareholders of ordinary shares of the Company, after deducting non-recurring gains and losses	6.23	0.68	N/A

The Group has no diluted potential ordinary shares.

# Five-Year Financial Summary

	For the year ended 31 December				
	2019 RMB'000	2018 RMB'000	2017 RMB'000	2016 RMB'000	2015 RMB'000
Revenue	<b>16,469,238</b>	14,239,793	10,959,513	9,436,082	8,756,120
Net profits	<b>4,686,242</b>	4,705,447	4,278,014	3,673,442	4,369,755
— Owners of the Company	<b>4,479,682</b>	4,477,411	4,077,898	3,397,183	4,098,068
— Non-controlling interests	<b>206,560</b>	228,036	200,116	276,259	271,687
Earnings per share					
— Basic (RMB)	<b>1.26</b>	1.20	1.13	0.94	1.22
— Diluted (RMB)	<b>N/A</b>	N/A	N/A	N/A	N/A

	As at 31 December				
	2019 RMB'000	2018 RMB'000	2017 RMB'000	2016 RMB'000	2015 RMB'000
— Non-current assets	<b>108,339,973</b>	95,142,125	82,447,132	72,739,319	75,328,818
— Current assets	<b>13,954,445</b>	15,718,593	14,567,492	8,796,085	7,860,755
Total Assets	<b>122,294,419</b>	110,860,718	97,014,624	81,535,404	83,189,573
— Current liabilities	<b>27,767,945</b>	25,313,807	22,716,747	13,542,202	10,622,807
— Non-current liabilities	<b>45,541,623</b>	40,251,085	30,365,903	28,072,429	27,298,562
Total liabilities	<b>73,309,568</b>	65,564,892	53,082,651	41,614,631	37,921,369
Net assets	<b>48,984,850</b>	45,295,826	43,931,973	39,920,773	45,268,204
Total Equity	<b>48,984,850</b>	45,295,826	43,931,973	39,920,773	45,268,204
— Equity attributable to owners of the Company	<b>45,714,638</b>	41,714,061	40,426,772	36,565,852	41,144,559
— Non-controlling interests	<b>3,270,212</b>	3,581,765	3,505,201	3,354,921	4,123,645

The financial summary for the years 2019, 2018, 2017 and 2016 were extracted from the Consolidated Financial Statements prepared in accordance with the CASBE, while the financial summary for the year 2015 was extracted from the consolidated financial statements of the Group for the corresponding reporting period prepared in accordance with the IFRSs.

# Definitions

“A Share(s)”	the ordinary share(s) issued by the Company pursuant to the A Share Offering, with a nominal value of RMB1.00 each, which is/are listed on the Shanghai Stock Exchange and traded in RMB
“AGM”	the annual general meeting of the Company proposed to be convened on Thursday, 18 June 2020
“Articles of Association”	articles of association of the Company (as amended from time to time)
“Associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Audit Committee”	Audit Committee of the Board of Directors
“Board” or “Board of Directors”	the board of directors of the Company
“Changzhou Macalline”	Changzhou Macalline International Computer and Electronics Furnishing Plaza Co., Ltd.** (常州美凱龍國際電腦家電裝飾城有限公司), a limited liability company established in the PRC, which is a direct wholly-owned subsidiary of our Company
“Changzhou RSHFC”	Changzhou Red Star Home Furnishing City** (常州市紅星裝飾城), a limited liability company established in the PRC on 13 November 1998, which is directly wholly-owned by Mr. CHE Jianxing
“Chengdu Property”	Chengdu Red Star Macalline Real Estate Co., Ltd.** (成都紅星美凱龍置業有限公司), a limited liability company established in the PRC on 27 October 2009, which is indirectly wholly-owned by RSED
“China” or “PRC”	the People’s Republic of China, except where the context requires, references in this annual report to the PRC or China do not apply to Hong Kong, Macau Special Administrative Region and Taiwan
“Close Associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Company” or “Our Company” or “Red Star Macalline”	Red Star Macalline Group Corporation Ltd. (紅星美凱龍家居集團股份有限公司), a sino-foreign joint stock limited company established in the PRC, the H Shares of which are listed and traded on the Main Board of the Hong Kong Stock Exchange, and the A Shares of which are listed and traded on the Shanghai Stock Exchange
“Company Law”	the Company Law of the People’s Republic of China (中華人民共和國公司法)
“Connected Person(s)”	has the meaning ascribed thereto under the Listing Rules
“Consolidated Financial Statements”	the audited consolidated financial statements of the Group for the year ended 31 December 2019
“Controlling Shareholder(s)” or “our Controlling Shareholder(s)”	has the meaning ascribed thereto under the Listing Rules, and unless the context otherwise requires, refers to Mr. CHE and RSM Holding

“Corporate Governance Code”	the Corporate Governance Code set out in Appendix 14 to the Listing Rules
“CSRC”	the China Securities Regulatory Commission
“Director(s)”	director(s) of the Company
“Domestic Shares”	ordinary shares issued by our Company, with a Renminbi-denominated nominal value of RMB1.00 each, which are subscribed for and paid up in Renminbi
“GDP”	gross domestic product; except as otherwise specified, all references to GDP growth rates are to real as opposed to nominal rates of GDP growth
“Global Offering”	the initial public offering of the H Shares whereby the H Shares were listed on the Main Board of Hong Kong Stock Exchange on 26 June 2015
“Greenland Jinniu”	Greenland Group Chengdu Jinniu Real Estate Development Co., Ltd.** (綠地集團成都金牛房地產開發有限公司), a limited liability company established in the PRC, which is our Connected Person and indirectly held as to 50% by Greenland Group Chengdu Property Co., Ltd. and 50% by Chengdu Property
“Group”	the Company and its subsidiaries
“H Share(s)”	overseas-listed foreign invested ordinary share(s) with a nominal value of RMB1.00 each in the share capital of the Company, which is/are listed and traded on the Hong Kong Stock Exchange
“HK\$” or “HK dollars”	the lawful currency of Hong Kong
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“IFRSs”	International Financial Reporting Standards
“Jining Hongrui”	Jining Hongrui Real Estate Co., Ltd.** (濟寧鴻瑞置業有限公司), a limited liability company established in the PRC, which is our Connected Person and directly held as to 40.2% by Ms. QIAN Yumei, 26.8% by Ms. ZHANG Jianfang and 33% by Jiangsu Kerui Property Management Corporation** (江蘇可瑞資產管理有限公司), an independent third party
“Listing”	listing of the H Shares on the Main Board of the Hong Kong Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Main Board”	the stock exchange (excluding the option market) operated by the Hong Kong Stock Exchange which is independent from and operated in parallel with the GEM of the Hong Kong Stock Exchange

## Definitions

“Managed Shopping Mall(s)”	shopping mall(s) managed by us under contract management agreements
“Model Code”	Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules
“MOF”	the Ministry of Finance of the PRC
“Mr. CHE”	Mr. CHE Jianxing
“Nomination Committee”	Nomination Committee of the Board of Directors
“Other Cities”	for the purpose of this annual report only, cities at prefecture-level, excluding Tier I Cities, Tier II Cities and Tier III Cities
“Portfolio Shopping Mall(s)”	all of the following shopping malls: (i) shopping malls in which all or a majority of the operating areas are owned by us; (ii) the repurchased shopping malls (other than Chengdu Jinniu Shopping Mall); (iii) shopping malls leased by us; (iv) shopping malls for which we operate and consolidate their results of operation and pay the relevant property owners a fixed amount of annual fees; and (v) shopping malls held by us and associates or joint venture partners and operated by us. For further details, please refer to the Prospectus of the Company
“Project Company”	project companies holding certain managed shopping mall companies, and each of them being a “Project Company”
“Red Star Furniture Group”	Red Star Furniture Group Co., Ltd.** (紅星傢俱集團有限公司), formerly known as Changzhou Red Star Furniture Group Company** (常州紅星傢俱集團公司), a company established in the PRC on 27 June 1994, which is held as to 45% by Mr. CHE Jianxing, 45% by Changzhou RSHFC and 10% by Ms. CHE Jianfang
“Remuneration and Evaluation Committee”	Remuneration and Evaluation Committee of the Board of Directors
“Reporting Period”	the period from 1 January 2019 to 31 December 2019
“Repurchase Agreement”	the repurchase agreement dated 23 October 2015 entered into between the Company and Chengdu Property
“RMB”	Renminbi, the lawful currency of the PRC

“RSED”	Chongqing Red Star Macalline Enterprise Development Co., Ltd.** (重慶紅星美凱龍企業發展有限公司) (formerly known as “Shanghai Red Star Macalline Enterprise Development Co., Ltd.” (上海紅星美凱龍企業發展有限公司)), a limited liability company established in the PRC on 11 June 2010, which is held as to 70.15% by RSM Holding, 14% by Millbranch Investment SRL, an affiliate of Warburg Pincus LLC, 8.08% by Candlewood Investment SRL, 4.72% by Springwood Investment SRL, 0.81% by Lianyungang Fairbay Infrastructure Construction Company Limited, 0.37% by Shanghai Hongmei, 1.66% by Shanghai Meilong Assets Management Company Limited** (上海美龍資產管理有限公司) and 0.22% by Shanghai Xingkai Business Administration Company Limited** (上海興凱企業管理有限公司)
“RSM Holding”	Red Star Macalline Holding Group Company Limited** (紅星美凱龍控股集團有限公司) (formerly known as “Shanghai Red Star Macalline Investment Company Limited” (上海紅星美凱龍投資有限公司)), a limited liability company established in the PRC and is a Controlling Shareholder of our Company, which is held as to 92% by Mr. CHE Jianxing and 8% by Ms. CHE Jianfang
“SFO”	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong
“Shaanxi Hongrui”	Shaanxi Hongrui Home Furnishing Plaza Co., Ltd.** (陝西鴻瑞家居生活廣場有限公司), a limited liability company established in the PRC, which is our Connected Person and held as to 39.6% by Ms. QIAN Yumei, 26.4% by Ms. ZHANG Jianfang and 34% by Jiangsu Kerui Property Management Corporation** (江蘇可瑞資產管理有限公司) and YAN Xiaojing, each of them being an independent third party
“Shanghai Hongmei”	Shanghai Hongmei Investment Management Center (Limited Partnership)** (上海洪美投資管理中心(有限合夥)), a limited partnership established in the PRC on 27 February 2012, which is a Shareholder of our Company and holds approximately 0.35% of the issued Shares of our Company
“Share(s)”	Share(s) of the Company, including both Domestic Share(s) and H Share(s)
“Shareholder(s)”	the holder(s) of the shares of the Company
“Strategy and Investment Committee”	Strategy and Investment Committee of the Board of Directors
“Supervisor(s)”	member(s) of the Supervisory Committee of the Company
“Supervisory Committee”	the Supervisory Committee of the Company
“Tier I Cities”	for the purpose of this annual report, Shanghai, Beijing, Guangzhou and Shenzhen



## Definitions

“Tier II Cities”	for the purpose of this annual report, Chongqing, Tianjin, Suzhou, Hangzhou, Zhengzhou, Changsha, Urumqi, Ningbo, Chengdu, Lanzhou, Nanjing, Nanning, Nanchang, Xiamen, Hefei, Hohhot, Harbin, Dalian, Taiyuan, Kunming, Wuxi, Qingdao, Xi’an, Changchun, Shijiazhuang, Wuhan, Shenyang, Jinan, Wenzhou, Fuzhou, Guiyang, Foshan, Dongguan and Haikou
“Tier III Cities”	for the purpose of this annual report, Daqing, Zhongshan, Yancheng, Baotou, Taizhou, Pingdingshan, Jilin, Anyang, Jiangmen, Chifeng, Xingtai, Zhoukou, Yichang, Yueyang, Songyuan, Jinhua, Handan, Xinyang, Baoding, Nantong, Nanyang, Xianyang, Weihai, Liuzhou, Quanzhou, Luoyang, Maoming, Tangshan, Xuzhou, Guilin, Zhuzhou, Tai’an, Taizhou, Zhuhai, Changzhou, Changde, Huai’an, Zibo, Liaocheng, Tongliao, Chenzhou, Langfang, Huizhou, Zhanjiang, Huzhou, Jiaozuo, Ordos, Heze, Xinxiang, Yulin, Jiaxing, Zhangzhou, Dezhou, Anshan, Hengyang, Xiangyang, Dongying, Linyi, Yangzhou, Zaozhuang, Cangzhou, Jining, Binzhou, Weifang, Yantai, Shaoxing, Wuhu, Xuchang, Ganzhou, Lianyungang, Zhenjiang, Yinchuan, Lhasa, Xining and Shangqiu
“Xingyi Tonghui”	Shanghai Xingyi Tonghui Business Service Company Limited** (上海星易通匯商務服務有限公司), a limited liability company established in the PRC and a direct wholly-owned subsidiary of our Company
“Xuzhou RSHFC”	Xuzhou Red Star Macalline International Home Furnishing City Co., Ltd.** (徐州紅星美凱龍國際傢俱裝飾城有限公司), a limited liability company established in the PRC, which is our Connected Person and directly held as to 50% by Mr. CHE Jianlin, 25% by Mr. CHE Jianguo and 25% by ZHOU Lichen and WANG Lili, each of them being an independent third party
“Xuzhou RSHFP”	Xuzhou Red Star Macalline Global Home Furnishing Plaza Co., Ltd.** (徐州紅星美凱龍全球家居生活廣場有限公司), a limited liability company established in the PRC, which is our Connected Person and held as to 75% by Mr. CHE Jianlin and 25% by Mr. CHE Jianguo
“Yangzhou RSHFP”	Yangzhou Red Star Macalline Global Home Furnishings Plaza Property Co., Ltd.** (揚州紅星美凱龍全球家居生活廣場置業有限公司), a limited liability company established in the PRC, which is our Connected Person and directly held as to 95% by Mr. CHE Jianlin and 5% by YAN Xiaojing, an independent third party
“Prospectus”	the prospectus of the Company dated 16 June 2015

\*\* For identification only



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

