



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



Interim Report 2015

Contents

Corporate Information	2
Financial and Operational Highlights	4
Management Discussion and Analysis	6
Corporate Governance and Other Information	24
Report on Review of Condensed Consolidated Financial Statements	30
Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income	32
Condensed Consolidated Statement of Financial Position	33
Condensed Consolidated Statement of Changes in Equity	35
Condensed Consolidated Statement of Cash Flows	37
Notes to the Condensed Consolidated Financial Statements	40



Corporate Information

BOARD OF DIRECTORS

Executive Directors

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

Non-executive Directors

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

Independent Non-executive Directors

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

SUPERVISORS

Mr. PAN Ning
Ms. NG Ellen Hoi Ying
Ms. CHAO Yanping

AUDIT COMMITTEE

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

REMUNERATION AND EVALUATION COMMITTEE

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

NOMINATION COMMITTEE

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

STRATEGY AND INVESTMENT COMMITTEE

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

COMPANY SECRETARY

Mr. GUO Binghe

ASSISTANT COMPANY SECRETARY

Ms. LEUNG Suet Lun

AUTHORIZED REPRESENTATIVES

Mr. CHE Jianxing
Mr. GUO Binghe

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As to the PRC law

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COMPLIANCE ADVISOR

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AUDITOR

Deloitte Touche Tohmatsu
Certified Public Accountants
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STOCK CODE

1528

COMPANY'S WEBSITE

www.chinaredstar.com

PRINCIPAL BANKERS

Industrial and Commercial Bank of China

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No. 24 Zhongshan Dongyi Road
Shanghai, PRC

Minsheng Bank

Shanghai South Branch
No. 550 Xujiahui Road
Shanghai, PRC

Bank of Communication

Shanghai West Branch
No. 350 Jiangning Road
Shanghai, PRC

Bank of China

Wuxi Xishan Branch
No. 82 Xiuhuzhong Road
Wuxi, PRC

Financial and Operational Highlights

FINANCIAL HIGHLIGHTS

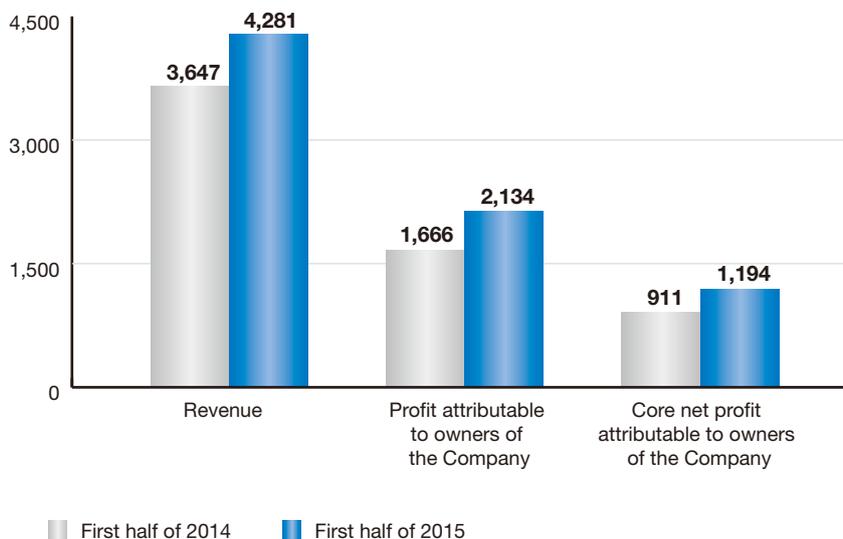
	Six months ended 30 June	
	2015	2014
	(in RMB million, except otherwise stated)	
	(Unaudited)	(Unaudited)
Revenue	4,281	3,647
Gross profit	3,178	2,600
Gross profit margin	74.2%	71.3%
Profit attributable to owners of the Company	2,134	1,666
Profit margin attributable to owners of the Company	49.9%	45.7%
Core net profit attributable to owners of the Company ⁽¹⁾	1,194	911
Core net profit margin attributable to owners of the Company ⁽²⁾	27.9%	25.0%
Earnings per share	RMB0.69	RMB0.56

Notes:

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

Key Financial Performance Indicators

In RMB million



OPERATIONAL HIGHLIGHTS

The following table sets forth certain operation data of Portfolio Shopping Malls (as defined in the prospectus of the Company dated 16 June 2015 (the “Prospectus”)) and Managed Shopping Malls (as defined in the Prospectus) in operation as at the dates indicated:

	As at 30 June 2015	As at 31 December 2014
Number of shopping malls	163	158
Operating area of shopping malls (sq. m.)	10,827,722	10,752,853
Number of Portfolio Shopping Malls	51	52
Operating area of Portfolio Shopping Malls (sq. m.)	3,974,073	4,033,458
Average occupancy rate of Portfolio Shopping Malls	97%	96%
Number of Managed Shopping Malls	112	106
Operating area of Managed Shopping Malls (sq. m.)	6,853,649	6,719,395
Average occupancy rate of Managed Shopping Malls	94%	96%

Management Discussion and Analysis

I. OVERVIEW

Centering on the strategic position of growing into “an omni-channel platform for the home improvement and furnishings industry”, Red Star Macalline Group Corporation Ltd. (“the Company”) and its subsidiaries (“the Group” or “we”) actively sought opportunities for market expansion and business development, took initiative to improve the operation and management standards, and obtained satisfactory results.

For the six months ended 30 June 2015 (“the Reporting Period”), the Group recorded a revenue of RMB4,281 million, representing an increase of 17.4% from RMB3,647 million for the same period of last year. Gross profit margin increased by 2.9% to 74.2% from 71.3% for the same period of last year. During the Reporting Period, core net profit attributable to owners of the Company amounted to RMB1,194 million, representing an increase of 31.1% from RMB911 million for the same period of 2014. As at the end of the Reporting Period, the Group’s bank balances and cash amounted to RMB9,136 million, of which cash and cash equivalents amounted to RMB9,066 million, representing an increase of RMB5,474 million from RMB3,592 million as at 31 December 2014. As at the end of the Reporting Period, the net gearing ratio⁽¹⁾ of the Group decreased to 21.6% from 30.9% of 31 December 2014.

Note:

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

To achieve the strategic positioning of growing into “an omni-channel platform for the home improvement and furnishings industry” of the Group, we aim to increase our market share and enhance our leading position in China’s home improvement and furnishings industry by promoting a series of strategic measures. We develop and optimize the shopping mall layout under the two-pronged business model of Portfolio Shopping Malls and Managed Shopping Malls. As at the end of the Reporting Period, we operated a total of 163 shopping malls with a nationwide coverage across 120 cities in 27 provinces, autonomous regions and municipalities, with a total operating area of shopping malls of 10,827,722 sq.m. We continuously improved the operation and management of shopping malls through tenant sourcing and management, operation management, marketing management and property management and proactively made efforts to develop new businesses by, for example, focusing on the construction of online to offline (“O2O”) business to provide customers with superior and omni-channel consumption experience; positioning as regional real estate developers, providing whole-process and all-platform supporting service of bulk procurement of light construction and furnishings materials (“Bulk Procurement”), as well as promoting pre-paid card business. We also achieved synergies by exploring commercial application of information technology through the “Star Cloud” information system and the “Smart Shopping Mall” project and optimizing human resources management to support the rapid growth of our businesses. In the future, we will continue to pursue our development goal of establishing the most superior and professional “omni-channel platform for the home improvement and furnishings industry” in China.

II. INDUSTRY ENVIRONMENT

In the first half of 2015, despite the complex and volatile domestic and overseas economic situation and constant economic downturn pressure, China's social and economic development, as a whole, remained in the reasonable region. Driven by a series of policies of stabilizing growth, adjusting structure, promoting reform, benefiting people's living and preventing risks, China is undergoing the "slow yet steady, steady towards better" development trend with the major monthly economic indicators rebounding steadily and increasing positive factors emerging.

According to the statistics of the National Bureau of Statistics and Shanghai Wind Information Co., Ltd. ("Wind Info"), in the first half of the year, China's gross domestic product ("GDP") grew by 7% on a year-on-year basis, while the national disposable income per capita increased by 9% on a year-on-year basis with an actual growth rate of 7.6%, after deducting price factors, which is 0.6 percentage points higher than the economic growth rate. During the same period, the accumulative value of total retail sales of social consumer goods increased by 10.4%, while the accumulative value of retail sales of furniture category and construction and decoration material categories increased by more than 18%, both on a year-on-year basis. On the one hand, the rapid growth of the national disposable income per capita contributed to the overall well performance in social consumer goods market; on the other hand, compared with the overall performance in social consumer goods market, the market performance of home improvement and furnishings industry was stronger, which indicated the increasing domestic demand for home improvement and furnishings. In addition, the proportion of reliance on refurbishment of housing stocks to sustain business operation is increasing in the home improvement and furnishings industry.

III. FINANCIAL REVIEW

1. Revenue

During the Reporting Period, the Group's revenue was RMB4,281 million, representing an increase of 17.4% from RMB3,647 million for the same period of 2014. The stable growth in our revenue was primarily due to an increase in revenue from our Owned/Leased Portfolio Shopping Malls and Managed Shopping Malls. During the Reporting Period, the increase in revenue from our Owned/Leased Portfolio Shopping Malls was due to our improvement in the operation and management of shopping malls. The increase in revenue from Managed Shopping Malls was due to an increase in contract management projects under the accelerated expansion of our contract management business. Revenue from sales of merchandise and related services decreased, which was due to our gradual adjustment of business structure according to our strategic plan.

The following table sets forth our revenue by business segment:

	Six months ended 30 June			
	2015 (RMB'000)	2015 %	2014 (RMB'000)	2014 %
Owned/Leased Portfolio				
Shopping Malls	2,576,513	60.2	2,378,092	65.1
Managed Shopping Malls	1,577,864	36.9	1,162,477	31.9
Sales of merchandise and related services	39,740	0.9	64,004	1.8
Others	86,565	2.0	42,334	1.2
Total	4,280,682	100.0	3,646,907	100.0

III. FINANCIAL REVIEW (continued)

2. Gross profit margin

During the Reporting Period, the Group's integrated gross profit margin was 74.2%, representing an increase of 2.9 percentage points from 71.3% for the same period of 2014. Among which, gross profit margin of our Owned/Leased Portfolio Shopping Malls was 76.4%, representing an increase of 5.0 percentage points from 71.4% for the same period of 2014, which was primarily because we optimized our resources allocation through reasonably control of the cost amid revenue growth.

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

	Six months ended 30 June	
	2015	2014
Owned/Leased Portfolio Shopping Malls	76.4%	71.4%
Managed Shopping Malls	72.5%	72.9%
Sales of merchandise and related services	16.7%	20.1%
Others	68.5%	99.5%
Total	74.2%	71.3%

3. Selling and distribution expenses and administrative expenses

During the Reporting Period, the Group's selling and distribution expenses amounted to RMB555 million (accounting for 13.0% of the revenue), representing an increase of 21.7% from RMB456 million for the same period of 2014, primarily due to growing advertising and promotional expenses as a result of the increase in the number of shopping malls during the Reporting Period. Administrative expenses increased by 5.7% to RMB426 million from RMB403 million in the same period in 2014, accounting for 10.0% of the revenue, representing a decrease of 1.1 percentage points from 11.1% for the same period of 2014, primarily because we strengthened our control over daily office expenses and salary cost.

4. Finance costs

During the Reporting Period, the Group's finance costs amounted to RMB481 million, representing an increase of 6.9% from RMB450 million for the same period of 2014, primarily due to an increase in the Group's loan balance, and was partly offset by the improvement in fund utilization efficiency at the same time.

III. FINANCIAL REVIEW (continued)

5. Income tax expenses

During the Reporting Period, the Group's income tax expenses amounted to RMB838 million. The effective tax rate decreased to 27.1% from 27.8% for the same period of 2014 through effective tax planning.

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

During the Reporting Period, profit attributable to owners of the Company amounted to RMB2,134 million, representing an increase of 28.1% from RMB1,666 million for the same period of 2014; core net profit attributable to owners of the Company amounted to RMB1,194 million, representing an increase of 31.1% from RMB911 million for the same period of 2014. The above was a result of the blended contributions from the increase in our revenue and the simultaneous strengthening of cost control, increase in operational efficiency together with reasonable cost planning.

	Six months ended 30 June		Growth
	2015 (RMB'000)	2014 (RMB'000)	
Profit attributable to owners of the Company	2,134,108	1,665,992	28.1%
Profit margin attributable to owners of the Company	49.9%	45.7%	4.2%
Core net profit attributable to owners of the Company	1,194,028	910,568	31.1%
Core net profit margin attributable to owners of the Company	27.9%	25.0%	2.9%

During the Reporting Period, the Group's earnings per share was RMB0.69, comparing with RMB0.56 for the same period of 2014.

7. Trade receivables and other receivables

As at the end of the Reporting Period, trade receivables and other receivables of the Group amounted to RMB1,561 million, of which, trade receivables were RMB846 million, representing an increase of RMB252 million from the end of 2014, primarily due to an increase in our revenue from contract management business for the first half of the year.

III. FINANCIAL REVIEW (continued)

8. Investment properties

As at the end of the Reporting Period, the Group's investment properties amounted to RMB65,896 million, representing an increase of 4.7% from RMB62,966 million as at the end of 2014, due to an increase in the rent for our Owned Portfolio Shopping Malls and advancement of the construction progress of investment properties under development.

9. Capital expenditures

During the Reporting Period, the Group's capital expenditures amounted to RMB1,309 million, primarily due to advancement of the construction progress of investment properties under development.

10. Bank balances, cash and cash flow

As at the end of the Reporting Period, the Group's bank balances and cash were RMB9,136 million, of which, cash and cash equivalents were RMB9,066 million, representing an increase of RMB5,474 million from RMB3,592 million as at the end of 2014.

	Six months ended 30 June	
	2015 (RMB'000)	2014 (RMB'000)
Net cash from (used for) operating activities	1,585,596	1,196,934
Net cash from (used for) investment activities	(1,542,696)	(1,698,944)
Net cash from (used for) financing activities	5,430,771	91,678
Net increase/(decrease) in cash and cash equivalents	5,473,671	(410,332)

It was primarily due to net cash inflow from operational activities of RMB1,586 million, net cash outflow from investment activities of RMB1,543 million and net cash inflow from financing activities of RMB5,431 million in the first half year of 2015. The increase in net cash inflow from financing activities was primarily due to the net proceeds of approximately HK\$6.9 billion (equivalent to approximately RMB5.5 billion) arising from the global offering of H shares of the Group during the Reporting Period.

III. FINANCIAL REVIEW (continued)

11. Total borrowings and major debt ratio

As at the end of the Reporting Period, the total borrowings of the Group, comprising of bank and other borrowings and bonds, in aggregate amounted to RMB18,096 million, out of which RMB4,125 million was repayable within one year or on demand; RMB2,943 million was repayable within more than one year but not exceeding two years; RMB8,095 million was repayable within more than two years but not exceeding five years; and RMB2,933 million was repayable within more than five years. As at the end of the Reporting Period, RMB6,209 million were fixed-rate borrowings.

The following table sets out our major debt ratio:

	As at 30 June 2015	As at 31 December 2014
Asset-liability ratio ⁽¹⁾	46.8%	48.0%
Net gearing ratio	21.6%	30.9%

	For the six months ended 30 June 2015	2014
Interest expenses coverage ratio ⁽²⁾	3.56	3.43

Notes:

- (1) Asset-liability ratio is calculated as the total liabilities divided by total assets as at the end of each period.
- (2) Interest expense coverage ratio is our adjusted EBITDA divided by our interest expenses before capitalization for each period.

Adjusted EBITDA represents profit before tax, adding back finance costs, depreciation, amortization and impairment, further adjusted to exclude gains from increases in the fair value of investment properties, share of profit of associates, share of results of joint ventures, other gains and losses, other expenses and other income.

III. FINANCIAL REVIEW (continued)

12. Pledge of assets of the Company

As at the end of the Reporting Period, the Group had pledged investment properties with book value of RMB54,147 million and restricted bank deposits of RMB103 million for obtaining loans and providing guarantees.

13. Contingent liabilities

As at the end of the Reporting Period, the Group issued financial guarantees jointly with our partners to a bank in respect of a loan in the amount of up to RMB400 million which was granted to one of our joint ventures. As at 30 June 2015, the joint venture had utilized RMB180 million of such loan.

14. Material acquisitions and disposals

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

15. Future plans for major investments

Our future major investments are primarily capital expenditures in respect of acquisition and construction of investment properties (including through acquisition of subsidiaries). We expect to capitalize on secular growth trends in the home improvement and furnishings industry by strategically opening new shopping malls in selected cities in China with attractive market attributes. 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 RMB3,428 million, among which the held investment properties under development contracted for intended future investment accounts for RMB2,901 million and investment properties contracted for intended future acquisition accounts for RMB527 million. We will adhere to a prudent and rational financial management strategy, plan and arrange the investment and operating expenses based on the cash inflow, expand financing channels while maintain a reasonable financial condition and debt ratio level.

16. Foreign exchange risk

All income and almost all expenditure of the Group are in RMB. Currently we do not hedge foreign currency as the directors of the Company (the "Director(s)") believe that the Group's exposure to foreign exchange risk is minimal. The Group will consider hedging policies to deal with material foreign exchange risks where necessary.

IV. BUSINESS REVIEW

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

As at the end of the Reporting Period, we operated a total of 163 shopping malls with a nationwide coverage across 120 cities in 27 provinces, autonomous regions and municipalities, with a total operating area of 10,827,722 sq.m. Through the two-pronged development model of Portfolio and Managed Shopping Malls, we have occupied the properties in the core areas of Tier I Cities (as defined in the Prospectus) and Tier II Cities (as defined in the Prospectus), at the same time accumulated extensive experience in operation of shopping malls, constantly strengthened the brand value, and set a relatively high threshold for other companies planning to enter the industry.

During the Reporting Period, we continued to execute the policy of strategically distributing our Portfolio Shopping Malls to make sure that most of our Portfolio Shopping Malls are located in the core areas of Tier I and Tier II Cities, especially in municipalities. As at the end of the Reporting Period, we managed 51 Portfolio Shopping Malls in operation covering a total operating area of 3,974,073 sq.m. with an average occupancy rate of 97%. Among which, 17 Portfolio Shopping Malls were located in the four municipalities, which are Beijing, Shanghai, Tianjin and Chongqing, representing 33.3%. The operating area of the aforesaid Portfolio Shopping Malls was 1,460,600 sq.m, representing 36.8%. The same mall growth⁽¹⁾ during the Reporting Period was 6.2%. We closed one Portfolio Shopping Mall in March 2015, the operating area of which was 49,747 sq.m. We will continue to focus on the core areas of Tier I and Tier II Cities to distribute our Portfolio Shopping Malls strategically in future.

Note:

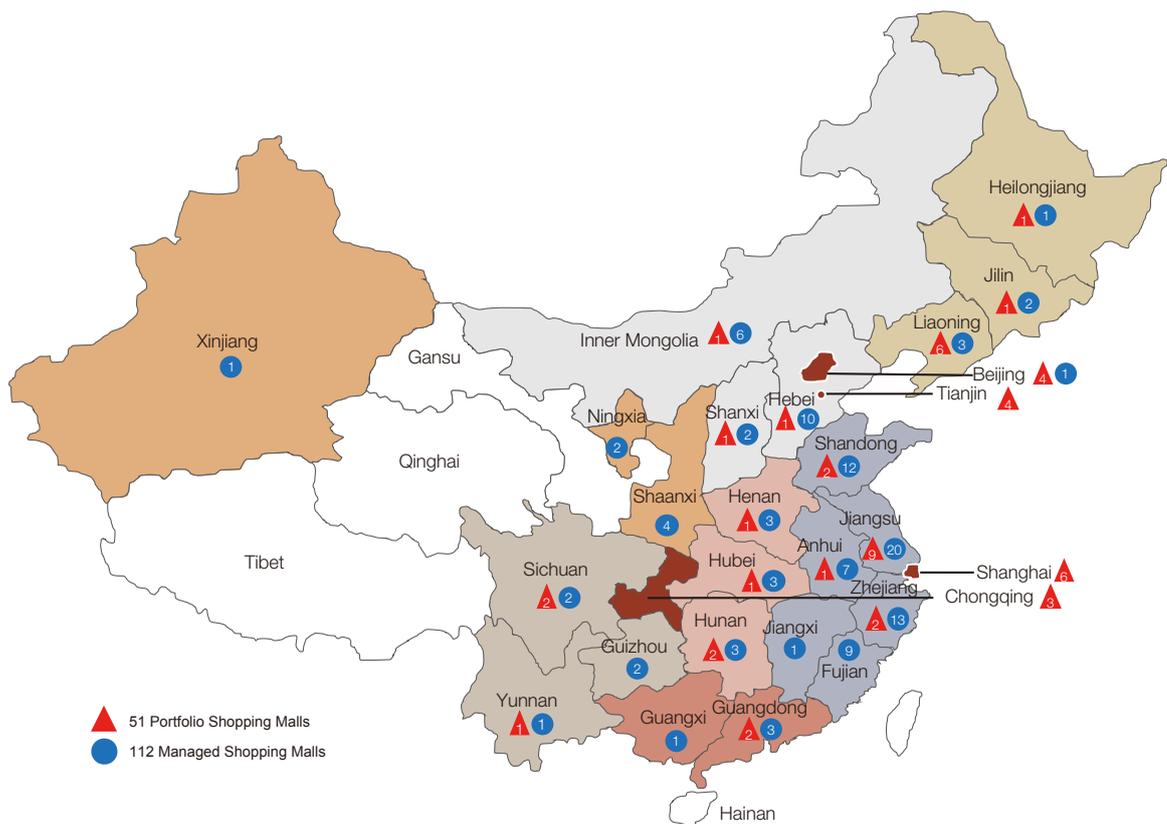
- (1) "Same mall growth" is the growth in income from operation for a particular accounting period compared with the same period last year for all Portfolio Shopping Malls that are in operation for at least 24 months as at the end of the second year and remain in operation.

In addition, with a good reputation in the home improvement and furnishings industry and extensive experience in shopping mall development, tenant sourcing and operation management, we continued to rapidly develop Managed Shopping Malls in Tier III Cities (as defined in the Prospectus) and other cities. We have also established a strict screening and reviewing internal mechanism to ensure a steady and rapid development of our Managed Shopping Malls. As at the end of the Reporting Period, we had 112 Managed Shopping Malls in operation covering a total operating area of 6,853,649 sq.m., with an average occupancy rate of Managed Shopping Malls of 94%. Among which, 80 Managed Shopping Malls, representing 71.4%, were located at East and North China; the operating area of the aforesaid Managed Shopping Malls was 4,822,668 sq.m, representing 70.4%. During the Reporting Period, we opened 7 new Managed Shopping Malls with a total operating area of 277,058 sq.m., and closed one Managed Shopping Mall with an operating area of 109,052 sq.m.. As at the end of the Reporting Period, we had entered into agreement for 409 contracted pipeline Managed Shopping Malls, 215 of which have obtained the land use right. Along with the stable social and economic development of the country, the penetration and the progression of urbanisation strategy, and the stellar growth in disposable income per capita of the population, we will further speed up the development of Managed Shopping Malls business throughout the nation.

IV. BUSINESS REVIEW (continued)

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

Distribution map of Shopping Malls



IV. BUSINESS REVIEW (continued)

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

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

Color	Region ⁽¹⁾ (Municipality/ Administrative Region)	Portfolio Shopping Malls		Managed Shopping Malls	
		No.	Operating Area (m ²)	No.	Operating Area (m ²)
	Beijing	4	270,277	1	81,003
	Shanghai	6	626,789	0	0
	Tianjin	4	287,374	0	0
	Chongqing	3	276,160	0	0
	Northeast China	8	642,331	6	296,845
	North China (excl. Beijing, Tianjin)	3	173,334	18	1,090,921
	East China (excl. Shanghai)	14	1,033,941	62	3,731,747
	Central China	4	337,512	9	490,497
	South China	2	117,346	4	259,428
	Northwest China	0	0	7	531,701
	Southwest China (excl. Chongqing)	3	209,009	5	371,507
	Total		3,974,073		6,853,649

Note:

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

IV. BUSINESS REVIEW (continued)

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

We continued to improve the operation and management of our shopping malls through tenant sourcing and management, operation management, marketing management and property management.

The specific measures include: introducing international brands and constructing international pavilions to meet the increasing demands of consumers for imported home improvement and furnishings products; at the same time, developing multi-format operation to improve customers' integrative experience in shopping and purchasing; enhancing the level of rent management through category management; comprehensively promoting the projects of "word of mouth advertising" and "shopping malls health testing and evaluation system" to improve customer satisfaction; continually launching "leading green" campaigns to ensure consumers' home health; establishing membership service system to meet consumers' core values and propositions; actively promoting the Company as a "home furnishings expert"; expanding the channel by way of cross-industry interaction programs; advocating energy saving and environmental protection, and building green shopping malls.

2.1 Tenant sourcing management

Introducing international brands, constructing international pavilions and developing multi-format operation to meet the customers' needs of integrative shopping.

During the Reporting Period, we proactively introduced international brands, constructed international home furnishings pavilions in key cities including Beijing, Shanghai, Shenzhen and Chongqing, actively reserved and integrated upstream brand resources and incubated international brand distributors.

In addition, to enhance consumers' one-stop shopping and purchasing experience, we introduced interior design, home design, catering and other more diversified new businesses to our traditional home improvement and furnishings malls. Some shopping malls also introduced separate interior design pavilions and maintained a higher rent level in sourcing tenants for new shopping malls.

IV. BUSINESS REVIEW (continued)

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

2.2 Operational management

Enhancing rent level by category management

During the Reporting Period, we further implemented rent management by reasonably classifying operating areas in shopping malls based on product categories. With a lean and scientific rent management model, we achieved structural rent growth for some of our shopping malls.

Improved customer satisfaction by promoting the projects of “word of mouth advertising” and “shopping malls health testing and evaluation system”

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

Continually launching “leading green” campaigns to ensure consumers’ home health

We continued to launch campaigns for “leading green” brands, and initiated an overall quality management system for pre-sales, in-sales and after sales, to ensure the home health of each consumer. About 200 famous home furnishings brands had proactively participated in the campaigns during the Reporting Period. Our chain stores throughout the country provide “leading green brands of home improvement and furnishings” manual as professional guidance for consumers to buy healthy and environmental-friendly products. At the same time, “Green household consumption festival” campaigns were launched across our shopping malls on an ad-hoc basis.

IV. BUSINESS REVIEW (continued)

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

2.3 Marketing management

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

During the Reporting Period, we officially started M-Style Membership program to meet the core values and demands of customers. Through shopping malls, communities marketing, cross-industry interaction programs, WeChat promotion and other channels, we had recruited 2.1 million members who contributed to a total purchase amount of RMB7.1 billion. Through membership system, we effectively divided the customer base and improved members' sales conversion rate, total purchase volume and repurchase rate. We believed consumers are our core values. Through membership services, we made it easier for consumers to obtain the products they need and enjoy exclusive services, while enhanced our brand value and contributed to our business performance in the long run.

Focusing on brand promotion and actively promoting the Company as a "home furnishings expert"

We carried out large-scale promotional campaigns during festivals and holidays such as "March 15", "Lu Ban Cultural Festival", "The Two Days" and other holidays to promote the Company as a "home furnishings expert" and had a boosting effect on the sales growth of the tenant's goods. We also used micro-media platforms such as "WeChat" to maintain consumer diversion and brand promotion, and created public IDs and service IDs to provide different functions of brand promotion and membership services.

Expanding cross-industry channel and carrying out targeted marketing

We expanded the "channel" of home furnishings shopping malls through cross-sector interactions and a targeted marketing model. We cooperated with real estate developers, such as Jindi, Zhonghai Property in various shopping malls. In addition, we also actively explored the possibility of co-operating with a number of banks, home appliances manufacturers and social intermediary and agencies, so as to attract a large number of potential customers, and achieved a high conversion rate between potential customers and consumers. During the Reporting Period, we generated approximately 183,000 potential customers via cross-industry interaction and targeted marketing model.

IV. BUSINESS REVIEW (continued)

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

2.4 Property management

Advocating energy saving and environmental protection to build green shopping malls

We advocate energy saving and environmental protection. We leverage technology advancement and modern energy saving technology, improve energy saving management system, implement energy audit procedures and adopt different energy saving measures according to different conditions to build green shopping malls. During the Reporting Period, the electricity consumption in our 36 major shopping malls declined by 6.1% as compared with the same period in 2014.

3. New businesses: robust development

During the Reporting Period, all new business sectors had robust development. We focused on the construction of O2O platform to provide customers with omni-channel consumption experience; positioning as regional real estate developers, providing whole-process and all-platform Bulk Procurement supporting services; and developing pre-paid card business to achieve synergies in development with other businesses.

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

During the Reporting Period, we focused on constructing e-commerce channels centered on O2O platform and providing consumers with more convenient and instant online shopping guidance for their offline shopping, free renovation knowledge for learning, price discounts and service guarantee, in order to enhance consumers' repurchase rate. Besides, we greatly enhanced tenants' loyalty to us by providing them with settled-free online shops, one-to-one online services, targeted marketing and promotions and other services. It was easier for us to conduct in-depth analysis by using data collected via O2O platform, which can improve operational efficiency.

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

During the Reporting Period, relying on years of accumulated supplier resources, professional experience in home improvement and furnishings industry and advantages in group procurement bargaining power, our Bulk Procurement Division actively promoted Bulk Procurement businesses by cooperating with regional real estate developers, hotels, enterprises and institutions in providing whole-process and all-platform supporting service of "design — materials supply — construction — value added" to save their cost and meet their overall needs. We integrated the idea of "Internet +" into business development so as to achieve online and offline integration of Bulk Procurement business. We also connected Bulk Procurement business to Enterprise Resource Planning System (ERP) platform to achieve resources sharing.

IV. BUSINESS REVIEW (continued)

3. New businesses: robust development (continued)

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

During the Reporting Period, we issued pre-paid cards in the amount of approximately RMB1.28 billion, which brought an operating income of RMB16.8 million and boosted the sales of the shopping mall tenants' products. In addition to self-owned distribution channels, we focused more on promoting pre-paid card business through social network. We established good cooperation relationship with commercial banks and consumer financing companies to jointly promote home loan business. During the process, an in-depth interaction with developers and real estate agents was established. Pre-paid card business also brought good synergies with our Bulk Procurement, home design and other businesses and enhanced end-customers' loyalty to us.

4. Information technology: commercial application facilitates the operation development

During the Reporting Period, regarding information technology application, we continued to promote the Star Cloud, which was the first ERP used in the home improvement and furnishings industry. At present, there are 128 shopping malls which have been entirely linked to the Star Cloud. Through the Star Cloud, we can collect, analyze and utilize information regarding the customers, transactions and consumer behaviors by the "big data technology", so as to adopt more targeted and competitive operational strategies.

At the same time, we have been actively implementing an information technology project of "Smart Shopping Malls". At present, we have completed the infrastructure work concerning WIFI and positioning system in major shopping malls such as Shanghai Zhenbei Shopping Mall. The implementation of the "Smart Shopping Malls" project will further improve customers' shopping experience, enhance sales of the tenants and create value-added service income.

IV. BUSINESS REVIEW (continued)

5. Human resources management policies: efficiently support the Group's growth

During the Reporting Period, our human resources policies were strictly in line with our strategies and achieved success in a number of areas, such as optimizing employment performance, employee motivation and talent development and support etc.

In terms of performance optimization of the entire workforce, we brought the performance management to the highest possible level of day-to-day work, and such performance management was envisaged to be systematic covering the entire workforce on a day-to-day basis, such performance management became an important management tool for managers at all levels and greatly increased employees' enthusiasm and vigour so as to achieve better performance.

In terms of employee motivation, we streamlined the administrative structure to improve employee efficiency, constantly optimized the remuneration structure, increased performance-based bonus incentives and provided remunerations to the frontline department and business department.

In terms of talent development, we recruited elite graduates via the "Star Power" program, retained talents through the "Elite Plan" program and put forward the "New Youth" plan to encourage and reward innovations and discover innovative talents.

In terms of talent support, we have adopted a series of measures for talent recruitment and manpower allocation and set up a "new business development team", organized management teams and core professional teams for new businesses, in order to facilitate the growth of new businesses.

As at 30 June 2015, we had 15,512 employees in total. With the expansion of business scale of the Group, our salary costs increased by 16% from RMB669 million for the same period of 2014 to RMB776 million for the Reporting Period. Meanwhile, we emphasized on salary cost control, and salary costs-to-revenue ratio decreased slightly from 18.3% for the same period of 2014 to 18.1% for the Reporting Period.

V. PROSPECTS

We will continue to be committed to our development goal of growing into China's leading and most professional "omni-channel platform for the home improvement and furnishings industry" in the second half of 2015 and afterward:

1. Continue to implement the two-pronged business model of Portfolio and Managed Shopping Malls and develop and optimize the network of shopping malls.
2. As a platform operator, we get hold of the two important ends of shopping mall operation: aiming at consumer-end, we will focus on constructing O2O platform and continue to develop M-Style Membership program, to provide customers with superior and omni-channel consumption experience; aiming at manufacturer-and-distributor end, we will continue to closely cooperate with home furnishings brands and will establish a green alliance, in order to enhance interaction within the industry.
3. Actively seek suitable investment and merger and acquisition targets and deeply integrate into upstream and downstream resources of the home furnishings industry, in order to enlarge our scale of operation and enhance our strength.
4. Vigorously develop relevant products and services, including consumer and vendor financing, logistics and delivery services, home design and decoration services and Bulk Procurement business.

Corporate Governance and Other Information

The Company was incorporated in China on 6 January 2011 as a sino-foreign joint stock limited company under the Company Law of the PRC. The Company's H shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited ("Stock Exchange") on 26 June 2015 ("Listing Date").

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

From the Listing Date to 26 August 2015 (the "Date of this Report") other than deviation from code provision A.2.1 of the Corporate Governance Code, our Company has complied with the provisions of the Corporate Governance Code ("Corporate Governance Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited ("Listing Rules"), which sets out principles of good corporate governance in relation to, among other matters, the Directors, the chairman and chief executive officer, board composition, the appointment, re-election and removal of directors, their responsibilities and remuneration and communications with shareholders. Our Directors are satisfied that sufficient corporate governance measures have been put in place to manage conflicts of interest between our Group and our Controlling Shareholders (as defined under the Listing Rules) and/or Directors to protect the interest of our minority shareholders.

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

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

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

COMPLIANCE WITH MODEL CODE

The Company has adopted a code of conduct regarding Directors' and supervisors' of the Company (the "Supervisors") securities transactions on terms as required under the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") as set out in Appendix 10 to the Hong Kong Listing Rules. Specific enquiries were made to all Directors and Supervisors who had confirmed that they had complied with all the provisions and standards set out in the Model Code from the Listing Date to the Date of this Report.

AUDIT COMMITTEE AND REVIEWING INTERIM RESULTS

We have established an Audit Committee (“Audit Committee”) with written terms of reference in compliance with the Listing Rules, the primary duties of which are to assist our Board by providing an independent view of the effectiveness of the financial reporting process, managing internal control and risk management systems of our Group, overseeing the audit process and performing other duties and responsibilities as assigned by our Board. The Audit Committee consists of three independent non-executive Directors, namely Mr. DING Yuan, Mr. LI Zhenning and Mr. ZHOU Qinye. Mr. DING Yuan, who holds the appropriate professional qualifications as required under Rules 3.10(2) and 3.21 of the Listing Rules, serves as the chairman of the Audit Committee.

The Audit Committee and external auditors have reviewed and confirmed the Group’s interim results announcement for the six months ended 30 June 2015, 2015 interim report and the unaudited condensed consolidated interim financial statements for the six months ended 30 June 2015.

THE BOARD, THE BOARD OF SUPERVISORS AND COMMITTEES

From the Listing Date to the Date of this Report, no change was made to the composition of the Board, Board of Supervisors, Strategy and Investment Committee, Audit Committee, Remuneration and Evaluation Committee and Nomination Committee, which was consistent with the contents as set out in the Prospectus.

CHANGES IN DIRECTORS’, SUPERVISORS’ AND CHIEF EXECUTIVES’ INFORMATION

There had been no change in the information of the Directors, Supervisors and chief executives from the Listing Date to the Date of this Report.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

The Group did not purchase, sell or redeem any listed securities of the Company from the Listing Date to the Date of this Report.

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

As at 30 June 2015, the interests or short positions of our Directors, Supervisors or chief executives in the shares, underlying shares and debentures of the Company or any associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (“SFO”)) (a) which will have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO) or (b) which will be required, pursuant to Section 352 of the SFO, to be recorded in the register referred to therein or (c) which will be required to be notified to the Company and the Stock Exchange pursuant to the Listing Rules were as follows:

Corporate Governance and Other Information

(i) Interests in our Company

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

Note:

- As at 30 June 2015, the Company had 3,623,917,038 issued shares in total, comprising of 2,561,103,969 domestic shares and 1,062,813,069 H shares.
- Mr. CHE Jianxing indirectly holds 68.44% of the issued shares in total of our Company through his 92% direct interest in Shanghai Red Star Macalline Investment Company Limited (上海紅星美凱龍投資有限公司) ("RSI", a limited liability company incorporated in the PRC) and is deemed to be interested in the 2,480,315,772 domestic shares held by RSI for the purpose of the SFO.
- Ms. CHEN Shuhong is the spouse of Mr. CHE Jianxing. Under the SFO, Ms. CHEN Shuhong is deemed to be interested in the same number of shares in which Mr. CHE Jianxing is interested.

(ii) Interests in Associated Corporation

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

Corporate Governance and Other Information

Note:

- (1) RSI is the investment holding company of the Company, which is held as to 92% by Mr. CHE Jianxing and as to 8% by Mr. CHE Jianxing's sister, Ms. CHE Jianfang and therefore an "associated corporation" of the Company within the meaning of Part XV of the SFO. As at 30 June 2015, RSI held 2,480,315,772 domestic shares of the Company which accounted for approximately 68.44% of the total issued shares of the Company. Of which 135,910,236 shares held by RSI (representing approximately 3.75% of the total number of issued shares of the Company) are subject to the charge granted by RSI in favor of AVIC Capital Co., Ltd. (中航信託股份有限公司). 372,870,460 shares held by RSI (representing approximately 10.29% of the total number of issued shares of the Company) are subject to the charge granted by RSI in favor of Shanghai Pudong Development Bank Co. Ltd. Putuo Branch (上海浦東發展銀行股份有限公司普陀支行). For further details of the charges, see the section headed "Share Charges by the Controlling Shareholders" in the Prospectus.

Save as disclosed above, as at 30 June 2015, none of our Directors, Supervisors or chief executives 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 Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO) or (b) which will be required, pursuant to Section 352 of the SFO, to be recorded in the register referred to therein or (c) which will be required to be further notified to the Company and the Stock Exchange pursuant to the Model Code.

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

As at 30 June 2015, 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 (not our Directors, Supervisors or chief executive) 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	Type of Shares	Name of interest	Number of underlying shares held	Approximate percentage in relevant class of Shares ⁽¹⁾	Approximate percentage in total share capital ⁽¹⁾
RSI	Domestic Shares	Beneficial owner	2,480,315,772 (Long position)	96.85%	68.44%
Morgan Stanley	H Shares	Interest of controlled corporation	88,095,440 (Long position)	8.28%	2.43%
			81,538,200 (Short position)	7.67%	2.25%
Candlewood Investment SRL ⁽²⁾	H Shares	Beneficial owner	338,054,924 (Long position)	31.81%	9.33%
Warburg Pincus Real Estate I, L.P. ⁽²⁾	H Shares	Interest of controlled corporation	338,054,924 (Long position)	31.81%	9.33%
Springwood Investment SRL ⁽³⁾	H Shares	Beneficial owner	181,170,145 (Long position)	17.05%	5.00%
WPRE I Redstar, L.P. ⁽³⁾	H Shares	Interest of controlled corporation	181,170,145 (Long position)	17.05%	5.00%

Corporate Governance and Other Information

Name of shareholders	Type of Shares	Name of interest	Number of underlying shares held	Approximate percentage in relevant class of Shares ⁽¹⁾	Approximate percentage in total share capital ⁽¹⁾
WPRE Redstar Manager LLC ⁽³⁾	H Shares	Interest of controlled corporation	181,170,145 (Long position)	17.05%	5.00%
Warburg Pincus Real Estate I GP, LLC ⁽⁴⁾	H Shares	Interest of controlled corporation	519,225,069 (Long position)	48.85%	14.33%
Warburg Pincus Partners, L.P. ⁽⁴⁾	H Shares	Interest of controlled corporation	519,225,069 (Long position)	48.85%	14.33%
Warburg Pincus Partners GP LLC ⁽⁴⁾	H Shares	Interest of controlled corporation	519,225,069 (Long position)	48.85%	14.33%
Warburg Pincus & Co. ⁽⁴⁾	H Shares	Interest of controlled corporation	519,225,069 (Long position)	48.85%	14.33%
Falcon Edge Global Master Fund, LP ⁽⁵⁾	H Shares	Beneficial owner	58,358,400 (Long position)	5.49%	1.61%
Falcon Edge General Partner, LP ⁽⁵⁾	H Shares	Interest of controlled corporation	58,358,400 (Long position)	5.49%	1.61%
Falcon Edge (Cayman) GP, Ltd. ⁽⁵⁾	H Shares	Interest of controlled corporation	58,358,400 (Long position)	5.49%	1.61%
Richard Gerson ⁽⁵⁾	H Shares	Interest of controlled corporation	58,358,400 (Long position)	5.49%	1.61%

Note:

- On 30 June 2015, our Company had 3,623,917,038 issued shares in total, comprising of 2,561,103,969 domestic shares and 1,062,813,069 H shares.
- Candlewood Investment SRL ("Candlewood") is a society with restricted liability incorporated in Barbados with Warburg Pincus Real Estate I, L.P. ("WPRE I") as its sole quota-holder. The 338,054,924 H shares held by them were in respect of the same interest.

277,136,972 shares out of the 338,054,924 H shares held by Candlewood are subject to the charge granted by Candlewood in favor of Bank of China Limited Macau Branch. For further details of the share charge, see the section headed "Share Charge by Candlewood and Springwood" in the Prospectus.
- Springwood Investment SRL ("Springwood") is a society with restricted liability incorporated in Barbados, which is directly owned by WPRE I Redstar, L.P. ("WPRE I Redstar") and indirectly wholly owned by WPRE Redstar Manager LLC. The 181,170,145 H shares held by them were in respect of the same interest.

161,759,059 shares out of the 181,170,145 H shares held by Springwood are subject to the charge granted by Springwood in favor of Bank of China Limited Macau Branch in February 2015. For further details of the share charge, see the section headed "Share Charge by Candlewood and Springwood" in the Prospectus.
- Each of Candlewood and Springwood is a wholly owned subsidiary of Warburg Pincus Real Estate I GP, LLC ("WPRE I GP, LLC"), therefore, WPRE I GP, LLC is deemed to be indirectly interested in an aggregate of 519,225,069 H shares in our Company held by Candlewood and Springwood. As the total issued share capital of WPRE I GP, LLC is directly held by Warburg Pincus Partners, L.P. ("WPP LP") and indirectly held by Warburg Pincus Partners GP LLC ("WPP GP LLC") and Warburg Pincus & Co. ("WP Co"), respectively, each of WPP LP, WPP GP LLC and WP Co is deemed to be interested in an aggregate of 519,225,069 H shares held by Candlewood and Springwood.
- Falcon Edge Global Master Fund, LP ("Falcon Edge Fund") is an investment fund organized as an exempted limited partnership under the laws of the Cayman Islands. Each of Falcon Edge General Partner, LP, Falcon Edge (Cayman) GP, Ltd. and Richard Gerson is the shareholder of Falcon Edge Fund and is deemed to be interested in 58,358,400 H shares. The 58,358,400 H shares held by them were in respect of the same interest.

INTERIM DIVIDENDS

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2015.

EVENTS AFTER THE REPORTING PERIOD

The Company's initial public offering ("IPO") of H shares was completed and the H shares of the Company were listed on the Main Board of the Stock Exchange on 26 June 2015. As disclosed in the Prospectus, approximately HK\$887 million and approximately HK\$551 million (being the additional net proceeds due to the offer price being fixed higher than the mid-point of the offer price range and no exercise of over-allotment option) were intended to be used to refinance nine specified loan facilities of the subsidiaries of the Group. However, based on the communication between the Company and the relevant PRC regulatory authority, the Company learnt that the transfer of IPO proceeds to our subsidiaries in the PRC instead of the Company will be subject to complex and time-consuming registration process with uncertain outcome. To improve the efficiency and effect of the utilization of the IPO proceeds, the Board resolved on 31 July 2015 to change the intended use of part of the IPO proceeds in the amount of approximately HK\$1,438 million to refinance our existing indebtedness, including our six loan facilities with outstanding principal amounts of approximately RMB90 million at Ping An Bank, RMB60 million at Ping An Bank, RMB400 million at Bank of Communications, RMB250 million at China Minsheng Bank, RMB250 million at China CITIC Bank and RMB1,400 million at China Minsheng Bank as at the Date of this Report, with maturities of December 2015, March 2016, June 2016, June 2016, March 2017 and December 2017, respectively, and the effective interest rate of 7.0%, 6.6875%, 6.0%, 6.9756%, 6.90% and 6.8750%.

On 31 July 2015, the Board resolved to propose (1) the issue of corporate bonds with aggregate principal of no more than RMB10,000 million in the PRC; and (2) obtaining approval from the shareholders the general mandate to handle the issue of bonds with aggregate principal of no more than RMB4,000 million or equivalent in foreign currencies as well as related matters. These proposals are subject to the Company's shareholders' approval at the extraordinary general meeting which will be convened on 21 September 2015.

MATERIAL LEGAL LITIGATION

For the six months ended 30 June 2015, the Group did not have any material legal litigation or arbitration events. The Directors also are not aware of any material legal litigation or claim which is pending or threatened against the Group.

Report on Review of Condensed Consolidated Financial Statements

Deloitte.
德勤

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TO THE BOARD OF DIRECTORS OF RED STAR MACALLINE GROUP CORPORATION LTD.

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

INTRODUCTION

We have reviewed the condensed consolidated financial statements of Red Star Macalline Group Corporation Ltd. (the “Company”) and its subsidiaries (collectively referred to as the “Group”) set out on pages 32 to 72, which comprises the condensed consolidated statement of financial position as at 30 June 2015 and the related condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six months then ended, and certain explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 “Interim Financial Reporting” (“IAS 34”) issued by the International Accounting Standards Board. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with IAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” (“HKSRE 2410”) issued by the Hong Kong Institute of Certified Public Accountants. A review of these condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Report on Review of Condensed Consolidated Financial Statements

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.

Without qualifying our review conclusion, we draw attention to the fact that the condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six months ended 30 June 2014 and the relevant explanatory notes included in these condensed consolidated financial statements have not been reviewed in accordance with HKSRE 2410.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

26 August 2015

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2015

	NOTES	Six months ended 30 June	
		2015 RMB'000 (Unaudited)	2014 RMB'000 (Unaudited)
Revenue	4	4,280,682	3,646,907
Cost of sales and services		(1,102,887)	(1,046,719)
Gross profit		3,177,795	2,600,188
Other income	5	40,793	67,605
Changes in fair value of investment properties		1,395,938	1,172,064
Other gains and losses	6	(31,570)	(62,878)
Selling and distribution expenses		(555,452)	(456,192)
Administrative expenses		(426,087)	(403,415)
Other expenses	7	(58,963)	(11,292)
Share of profit of associates		8,474	6,509
Share of results of joint ventures		26,946	6,398
Finance costs	8	(481,217)	(449,984)
Profit before tax	9	3,096,657	2,469,003
Income tax expense	10	(838,303)	(686,140)
Profit and total comprehensive income for the period		2,258,354	1,782,863
Profit and total comprehensive income for the period attributable to:			
Owners of the Company		2,134,108	1,665,992
Non-controlling interests		124,246	116,871
		2,258,354	1,782,863
EARNINGS PER SHARE			
— Basic and diluted (RMB)	12	0.69	0.56

Condensed Consolidated Statement of Financial Position

At 30 June 2015

	NOTES	At 30 June 2015 RMB'000 (Unaudited)	At 31 December 2014 RMB'000 (Audited)
Non-current Assets			
Investment properties	13	65,896,000	62,966,000
Property, plant and equipment	14	337,138	362,452
Intangible assets		548,881	548,916
Interests in associates		224,861	216,387
Interests in joint ventures		727,256	699,310
Available-for-sale investments		192,310	192,310
Loan receivables		115,000	45,000
Deferred tax assets	15	338,156	323,226
Restricted bank deposits	18	88,056	49,472
Other non-current assets	16	1,540,686	1,389,340
		70,008,344	66,792,413
Current Assets			
Inventories		27,566	38,495
Loan receivables		130,000	99,810
Trade and other receivables	17	1,561,027	1,292,239
Tax recoverable		43,907	22,895
Restricted bank deposits	18	15,217	7,180
Bank balances and cash	19	9,136,064	3,664,860
		10,913,781	5,125,479
Current Liabilities			
Trade and other payables	20	5,683,291	5,103,558
Rental and service fee received in advance		1,735,109	2,107,893
Tax liabilities		224,738	285,338
Bank and other borrowings	21	3,525,662	2,325,523
Bonds		599,420	597,681
		11,768,220	10,419,993
Net Current Liabilities		(854,439)	(5,294,514)
Total Assets Less Current Liabilities		69,153,905	61,497,899

Condensed Consolidated Statement of Financial Position

At 30 June 2015

	NOTES	At 30 June 2015 RMB'000 (Unaudited)	At 31 December 2014 RMB'000 (Audited)
Non-current liabilities			
Deferred tax liabilities	15	10,152,860	9,719,525
Bank and other borrowings	21	11,106,477	9,083,476
Bonds		2,864,883	2,861,317
Obligations under finance leases		350,304	351,758
Deferred income		197,031	198,498
Other non-current liabilities	22	1,452,524	1,870,232
		26,124,079	24,084,806
Net assets			
		43,029,826	37,413,093
Capital and reserves			
Share capital	23	3,623,917	3,000,000
Share premium		5,617,001	234,616
Reserves		29,880,176	30,210,376
Equity attributable to owners of the Company			
		39,121,094	33,444,992
Non-controlling interests		3,908,732	3,968,101
Total equity			
		43,029,826	37,413,093

Condensed consolidated financial statement set out on pages 32 to 72 had been approved and authorized for issue by the Board of Directors on 26 August 2015.

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2015

	Share capital	Share premium	Statutory surplus reserve	Merge reserve	Share options reserve	Other reserves	Retained earnings	Equity attributable to owners of the Company	Non-controlling interests	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2015 (Audited)	3,000,000	234,616	846,467	(182,045)	169,331	4,141	29,372,482	33,444,992	3,968,101	37,413,093
Profit and total comprehensive income for the period	–	–	–	–	–	–	2,134,108	2,134,108	124,246	2,258,354
Dividends (note 11)	–	–	–	–	–	–	(2,490,000)	(2,490,000)	–	(2,490,000)
Dividends declared to a non-controlling shareholder of a subsidiary	–	–	–	–	–	–	–	–	(65,500)	(65,500)
Issue of H shares (note 23)	543,588	5,029,741	–	–	–	–	–	5,573,329	–	5,573,329
Share issued (note 23)	80,329	352,644	–	–	–	–	–	432,973	–	432,973
Capital injection by non-controlling shareholders of subsidiaries	–	–	–	–	–	–	–	–	44,550	44,550
Acquisition of a subsidiary (note 24)	–	–	–	–	–	–	–	–	101,375	101,375
Acquisition of other interests in subsidiaries	–	–	–	–	–	25,692	–	25,692	(128,563)	(102,871)
Deemed distribution to non-controlling shareholders of subsidiaries (note)	–	–	–	–	–	–	–	–	(135,477)	(135,477)
At 30 June 2015 (Unaudited)	3,623,917	5,617,001	846,467	(182,045)	169,331	29,833	29,016,590	39,121,094	3,908,732	43,029,826

Note:

In June 2015, the Group completed the repurchase of the transferred shopping mall held by 瀋陽晶森宏普房產開發有限公司 Shenyang Jingsen Hongpu Property Development Company Limited (“Shenyang Jingsen”). The change of the net assets of the transferred shopping mall attributable to non-controlling interests arising from the repurchase (which mainly represented payables due to related parties) was recognised as deemed distribution to non-controlling shareholders of subsidiaries.

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2015

	Share capital RMB'000	Share premium RMB'000	Statutory surplus reserve RMB'000	Merge reserve RMB'000	Share options reserve RMB'000	Other reserves RMB'000	Retained earnings RMB'000	Equity attributable to owners of the Company RMB'000	Non- controlling interests RMB'000	Total RMB'000
At 1 January 2014 (Audited)	3,000,000	234,616	635,947	(77,408)	169,331	3,075	26,670,085	30,635,646	3,842,943	34,478,589
Profit and total comprehensive income for the period	—	—	—	—	—	—	1,665,992	1,665,992	116,871	1,782,863
Dividends (note 11)	—	—	—	—	—	—	(720,000)	(720,000)	—	(720,000)
Dividends declared to non-controlling shareholders of subsidiaries	—	—	—	—	—	—	—	—	(36,455)	(36,455)
Capital injection by non-controlling shareholders of subsidiaries	—	—	—	—	—	—	—	—	4,250	4,250
Disposal of subsidiaries	—	—	—	—	—	—	—	—	(90,468)	(90,468)
Acquisition of other interests in subsidiaries	—	—	—	—	—	1,346	—	1,346	(12,852)	(11,506)
Deemed distribution to ultimate controlling shareholder	—	—	—	(54,637)	—	—	—	(54,637)	—	(54,637)
At 30 June 2014 (Unaudited)	3,000,000	234,616	635,947	(132,045)	169,331	4,421	27,616,077	31,528,347	3,824,289	35,352,636

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2015

	Six months ended 30 June	
	2015	2014
	RMB'000 (Unaudited)	RMB'000 (Unaudited)
OPERATING ACTIVITIES		
Profit before tax	3,096,657	2,469,003
Adjustments for:		
Finance costs	481,217	449,984
Interest income	(27,838)	(25,086)
Share of profit of associates	(8,474)	(6,509)
Share of results of joint ventures	(26,946)	(6,398)
Depreciation of property, plant and equipment	59,199	59,958
Amortisation of intangible assets	12,029	3,528
Allowance provided for doubtful debts	29,782	46,962
Changes in fair value of investment properties	(1,395,938)	(1,172,064)
Gain on disposal of property, plant and equipment	(3,705)	(678)
Loss on disposal of subsidiaries	—	14,897
Operating cash flows before movements in working capital	2,215,983	1,833,597
Decrease (increase) in inventories	10,929	(8,535)
Increase in trade and other receivables	(279,246)	(168,942)
Decrease in other non-current assets	2,567	759
(Decrease) increase in rental and service fee received in advance	(372,784)	114,571
Increase in trade and other payables	476,573	15,286
Increase (decrease) in other non-current liabilities	33,084	(133,465)
Cash generated from operations	2,087,106	1,653,271
Income tax paid	(501,510)	(456,337)
NET CASH FROM OPERATING ACTIVITIES	1,585,596	1,196,934

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2015

	Six months ended 30 June	
	2015	2014
	RMB'000 (Unaudited)	RMB'000 (Unaudited)
INVESTING ACTIVITIES		
Interest received	27,838	25,086
Assets-related government grants received	—	12,132
Dividends received from an associate	—	10,800
Payments for investment properties, property, plant and equipment, and intangible assets	(1,386,397)	(1,642,134)
Placement of loan receivables	(100,190)	(100,110)
Proceeds on disposal of property, plant and equipment	7,414	3,111
Net cash inflow on acquisition of a subsidiary	485	—
Prepayments for acquisition of a subsidiary	—	(62,191)
Payments for establishment of a joint venture	(1,000)	—
Net cash outflow on disposal of subsidiaries	—	(4,118)
Proceeds on disposal of available-for-sale investments	—	7,500
Placement of bank deposits with original maturity over three months	(10,633)	(13,114)
Withdrawal of bank deposits with original maturity over three months	13,100	2,557
Payment of pledged bank deposits	(46,921)	(7,048)
Withdrawal of pledged bank deposits	300	28,160
Advance to related parties and third parties	(134,257)	(157,659)
Repayment from related parties and third parties	87,565	198,084
NET CASH USED IN INVESTING ACTIVITIES	(1,542,696)	(1,698,944)

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2015

	Six months ended 30 June	
	2015	2014
	RMB'000 (Unaudited)	RMB'000 (Unaudited)
FINANCING ACTIVITIES		
Issue of H shares	5,782,298	—
Listing expense paid	(208,969)	—
Share issued	432,973	—
Proceeds from new borrowings raised	4,284,180	2,320,000
Repayment of borrowings	(1,061,040)	(1,159,893)
Capital injection by non-controlling shareholders of subsidiaries	44,550	4,250
Acquisition of additional interests in subsidiaries	(102,871)	(11,506)
Interest paid	(488,974)	(418,065)
Dividends paid	(2,490,000)	(573,895)
Deemed distribution to ultimate controlling shareholder	—	(54,637)
Dividends paid to non-controlling shareholders of subsidiaries	(14,100)	(41,255)
Advance from related parties and third parties	28,773	19,087
Repayment to related parties and third parties	(254,198)	(120,000)
Deposits arising from counter guarantee agreements received from related parties	—	127,592
Deposits arising from counter guarantee agreements repaid to related parties	(521,851)	—
NET CASH FROM FINANCING ACTIVITIES	5,430,771	91,678
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	5,473,671	(410,332)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	3,592,404	3,804,925
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD, represented by bank balances and cash (note 19)	9,066,075	3,394,593

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2015

1. GENERAL

The Company was incorporated in the People's Republic of China (the "PRC") on 6 January 2011 as a sino-foreign joint stock limited company under the PRC laws upon the conversion of 上海紅星美凱龍企業管理有限公司 Shanghai Red Star Macalline Enterprise Management Company Limited (formerly known as 上海紅星美凱龍家居飾品有限公司 Shanghai Red Star Macalline Home Furnishing Company Limited), a company with limited liability incorporated in the PRC. The parent and ultimate holding company of the Company is RSM Investment. The ultimate controlling shareholder is Mr. Che Jianxing.

The Company's H shares were listed on the Main Board of the Stock Exchange on 26 June 2015.

The Group is principally engaged in operating and managing home furnishings shopping malls.

The condensed consolidated financial statements are presented in Renminbi ("RMB"), which is also the functional currency of the Group.

2. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34 ("IAS 34") "Interim Financial Reporting" issued by the International Accounting Standards Board (the "IASB") as well as the applicable disclosure requirements of Appendix 16 to the Listing Rules.

The Group's current liabilities exceed its current assets at the end of the Reporting Period. Taking into account the available facilities from bank and non-bank financial institutions and cash flows from operations, the directors of the Company believe that the Group will continue to operate as a going concern and consequently, the condensed consolidated financial statements has been prepared on a going concern basis.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2015

3. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for investment properties, which are measured at fair values.

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2015 are the same as those followed in the preparation of the Group's consolidated financial statements for the three years ended 31 December 2012, 2013 and 2014 set out in the prospectus in connection with the initial public offering and the listing of the H shares of the Company on the Main Board of the Stock Exchange, which conform to International Financial Reporting Standards ("IFRSs").

During the Reporting Period, the Group has applied, for the first time, certain amendments to IFRSs issued by the IASB that are mandatorily effective for the current interim period.

The application of these amendments to IFRSs during the Reporting Period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

4. REVENUE AND SEGMENT INFORMATION

Segment revenues and results

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

	Owned/ leased portfolio shopping malls RMB'000	Managed shopping malls RMB'000	Sales of merchandise and related services RMB'000	Other RMB'000	Total RMB'000
Period ended 30 June 2015					
Segment revenue					
— from external customers	2,576,513	1,577,864	39,740	86,565	4,280,682
Segment result	1,325,016	855,006	(49,999)	39,945	2,169,968
Period ended 30 June 2014					
Segment revenue					
— from external customers	2,378,092	1,162,477	64,004	42,334	3,646,907
Segment result	1,137,125	602,827	(71,041)	36,722	1,705,633

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2015

4. REVENUE AND SEGMENT INFORMATION (continued)

No segment assets and liabilities, and other segment information are presented as they were not regularly provided to the chief operating decision maker for the purpose of resource allocation and performance assessment.

Reconciliations of segment revenues and results

	Six months ended 30 June	
	2015	2014
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Revenue		
Segment revenue and consolidated revenue	4,280,682	3,646,907

	Six months ended 30 June	
	2015	2014
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Profit		
Segment result	2,169,968	1,705,633
Interest income	27,838	25,086
Dividends from unlisted equity investments	5,965	—
Government grants	3,688	26,953
Compensation received and receivable	3,302	15,566
Changes in fair value of investment properties	1,395,938	1,172,064
Net foreign exchange loss	(959)	—
Gain on disposal of property, plant and equipment	3,705	678
Loss on disposal of subsidiaries	—	(14,897)
Compensation paid and payable	(28,557)	(11,229)
Central administrative expenses	(38,434)	(13,774)
Share of profit of associates	8,474	6,509
Share of results of joint ventures	26,946	6,398
Finance costs	(481,217)	(449,984)
Consolidated profit before tax	3,096,657	2,469,003

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2015

5. OTHER INCOME

	Six months ended 30 June	
	2015	2014
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Interest income on:		
– bank deposit	14,837	14,912
– other loans and receivables	13,001	10,174
Total interest income	27,838	25,086
Dividends from unlisted equity investments	5,965	—
Government grants	3,688	26,953
Compensation received and receivable	3,302	15,566
	40,793	67,605

6. OTHER GAINS AND LOSSES

	Six months ended 30 June	
	2015	2014
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Allowance on doubtful receivables, net	(29,782)	(46,962)
Net foreign exchange losses	(959)	—
Gain on disposal of property, plant and equipment	3,705	678
Loss on disposal of subsidiaries	—	(14,897)
Others	(4,534)	(1,697)
	(31,570)	(62,878)

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2015

7. OTHER EXPENSES

	Six months ended 30 June	
	2015	2014
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Donations	403	63
Compensation paid and payable	28,557	11,229
Listing expense	30,003	—
	58,963	11,292

8. FINANCE COSTS

	Six months ended 30 June	
	2015	2014
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Interest on bank and other borrowings		
— wholly repayable within five years	406,587	355,655
— not wholly repayable within five years	89,210	72,185
Interest on finance leases	11,662	11,756
Interest on bonds	129,368	87,080
	636,827	526,676
Total borrowing costs	636,827	526,676
Less: amount capitalised in the cost of qualifying assets	(155,610)	(76,692)
	481,217	449,984

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2015

9. PROFIT BEFORE TAX

Profit before tax has been arrived at after charging (crediting):

	Six months ended 30 June	
	2015	2014
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Depreciation of property, plant and equipment	59,199	59,958
Amortisation of intangible assets	12,029	3,528
Allowance for doubtful receivables, net	29,782	46,962
Cost of inventories sold recognized as expense	21,532	35,367

10. INCOME TAX EXPENSE

	Six months ended 30 June	
	2015	2014
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current tax: — PRC enterprise income tax	418,284	359,682
Under provision in prior year: — PRC enterprise income tax	1,614	9,901
Deferred Tax	418,405	316,557
	838,303	686,140

The Company and all of its subsidiaries are in the PRC. Under the Law of People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the Company and its PRC subsidiaries is 25% except for certain subsidiaries which are under the Western China Development Plan and were approved to enjoy the preferential tax rate of 15% in accordance with the EIT LAW and relevant regulations during the current interim period and the comparative period.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2015

11. DIVIDENDS

	Six months ended 30 June	
	2015	2014
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Dividends recognised as distributions during the period		
– 2014 Final (RMB0.83 per share)	2,490,000	–
– 2013 Final (RMB0.24 per share)	–	720,000
	2,490,000	720,000

During the Reporting Period, the Company has declared a final dividend of RMB0.83 per share in respect of the year ended 31 December 2014 to the owners of the Company. The aggregate amount of the final dividend declared amounted to RMB2,490,000,000. The directors of the Company have determined that no dividend will be paid in respect of the current interim period.

12. EARNINGS PER SHARE

The calculation of basic and diluted earnings per share for the six months ended 30 June 2015 and 2014 is based on the following data:

	Six months ended 30 June	
	2015	2014
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Earning for the purpose of basic and diluted earnings per share (profit for the period attributable to owners of the Company)	2,134,108	1,665,992
Weighted average number of ordinary shares (2014: number of ordinary shares) for the purpose of basic and diluted earnings per share	3,076,705,000	3,000,000,000

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

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2015

13. INVESTMENT PROPERTIES

	Completed investment properties RMB'000	Investment properties under development RMB'000	Total RMB'000
Fair Value			
At 1 January 2014 (Audited)	50,530,000	7,660,000	58,190,000
Additions	225,236	2,727,486	2,952,722
Transfer	3,980,000	(3,980,000)	—
Change in fair value recognized in profit or loss	1,503,764	911,514	2,415,278
Disposal of a subsidiary	—	(592,000)	(592,000)
At 1 January 2015 (Audited)	56,239,000	6,727,000	62,966,000
Additions	144,740	1,110,741	1,255,481
Acquisition of a subsidiary (note 24)	—	278,581	278,581
Change in fair value recognized in profit or loss	772,260	623,678	1,395,938
At 30 June 2015 (Unaudited)	57,156,000	8,740,000	65,896,000

The investment properties are all situated on the land under medium-term lease in the PRC. The fair values of the Group's investment properties at the end of the reporting period were valued by Jones Lang LaSalle, a firm of independent qualified professional valuers not connected with the Group, who have appropriate qualifications and recent experiences in the valuation of similar properties in the relevant locations.

The valuation of completed investment properties has been arrived at with adoption of income approach by the rental income of the property derived from the existing lease and achievable in the existing market with due allowance for the reversionary income potential of the leases, which have been then capitalized to determine the market value at an appropriate capitalization rate.

The valuation of certain investment properties at an early development stage has been arrived at by direct comparison approach assuming sale of the property interests in their existing state with the benefit of immediate vacant possession and by making reference to comparable sales transactions as available in the relevant market.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2015

13. INVESTMENT PROPERTIES (continued)

The valuation of other investment properties under development has been arrived at with adoption of residual approach which assumed that they will be developed and completed in accordance with the latest development proposal. In arriving at the opinion of value, making reference to comparable evidence as available in the relevant market and have also taken into account the accrued construction cost and professional fees relevant to the stage of construction as at the valuation date and the remainder of the cost and fees expected to be incurred for completing the development.

In estimating the fair value of the properties, the highest and best use of the properties is their current use.

The following table gives information about how the fair values of these investment properties are determined (in particular, the valuation techniques and inputs used), as well as the fair value hierarchy into which the fair value measurements are categorized based on the degree to which the inputs to the fair value measurements is observable.

At 30 June 2015 (unaudited)

Investment properties held by the Group in the condensed consolidated statement of financial position	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Range
Completed investment Properties	Level 3	Income approach	Market rent per square meter per month (leased floor area)*	RMB31 to RMB323
		The key inputs are: Market rent per square meter per month; Capitalization rate	Capitalization rate**	5.5% to 8.0%
Certain investment properties at an early development stage	Level 3	Direct comparison approach	Price of the land per square meter (gross floor area)***	RMB388 to RMB3,846
Other investment properties under development	Level 3	Residual approach	Market rent per square meter per month (leased floor area)*	RMB38 to RMB98
		The key inputs are: Market rent per square meter per month; Capitalization rate	Capitalization rate**	6.5% to 7.0%

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2015

13. INVESTMENT PROPERTIES (continued)

At 31 December 2014 (audited)

Investment properties held by the Group in the condensed consolidated statement of financial position	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Range
Completed investment properties	Level 3	Income approach	Market rent per square meter per month (leased floor area)*	RMB30 to RMB314
		The key inputs are: Market rent per square meter per month; Capitalization rate	Capitalization rate**	5.5% to 8.0%
Certain investment properties at an early development stage	Level 3	Direct comparison approach	Price of the land per square meter (gross floor area)***	RMB388 to RMB3,765
Other investment properties under development	Level 3	Residual approach	Market rent per square meter per month (leased floor area)*	RMB57
		The key inputs are: Market rent per square meter per month; Capitalization rate	Capitalization rate**	6.5%

* A slight increase in the market rent per square meter per month (leased floor area) used would result in a significant increase in the fair value measurement of the investment properties, and vice versa.

** A slight increase in the capitalization rate used would result in a significant decrease in the fair value measurement of the investment properties, and vice versa.

*** A slight increase in the price of the land per square meter (gross floor area) used would result in a significant increase in the fair value measurement of the investment properties, and vice versa.

There were no transfers into or out of Level 3 during the current interim period.

The unrealised gain on property revaluation amounting to RMB1,395,938,000 and RMB1,172,064,000 was recognised in profit or loss during the current interim period and the comparative period, respectively.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2015

13. INVESTMENT PROPERTIES (continued)

The Group has pledged investment properties of approximately RMB57,147,000,000 and RMB54,208,000,000 at 30 June 2015 and 31 December 2014 to secure bank and other borrowing granted to the Group as set out in note 21 and bank and other borrowing granted to certain related parties as set out in note 27.

The Group was in process of obtaining the relevant ownership property certificates for the investment properties under development with carrying amounts of RMB4,469,000,000 and RMB5,520,000,000 as at 30 June 2015 and 31 December 2014, respectively. In the opinion of the directors of the Company, the relevant property ownership certificates can be obtained in due time without incurring significant costs.

The Group has not obtained the relevant land use right certificates and ownership property certificates for investment properties in respect of the transferred shopping malls held by each of 雲南紅星美凱龍置業有限公司 Yunnan Red Star Macalline Property Company Limited (“Yunnan Property”), 大連紅星美凱龍投資發展有限公司 Dalian Red Star Macalline Investment Development Company Limited (“Dalian Investment”) and 上海星龍房地產開發有限公司 Shanghai Xinglong Property Development Company Limited (“Xinglong Property”), which amounted to RMB3,352,000,000 and RMB3,292,000,000 as at 30 June 2015 and 31 December 2014, respectively. In the opinion of the directors of the Company, the relevant land use right certificates and property ownership certificates can be obtained in due time after the splits of relevant entities without incurring significant costs.

The Group had not obtained relevant land use right certificate and ownership property certificate for investment properties in respect of the transferred shopping mall held by Shenyang Jingsen, which amounted to RMB1,608,000,000 as at 31 December 2014. In June 2015, the Group obtained the relevant land use right certificate and ownership property certificate upon the completion of repurchase of this transferred shopping mall.

Save the transferred shopping malls as disclosed above, the Group has not obtained relevant land use right certificates and ownership property certificates for certain investment properties, of which the relevant certificates are held by 上海紅星美凱龍企業發展有限公司 Shanghai Red Star Macalline Enterprise Development Company Limited (“RSM Enterprise Development”) and its subsidiaries, joint ventures and associates (collectively refer to as “RSM Enterprise Development Group”), amounting to RMB4,148,000,000 and RMB4,624,000,000 as at 30 June 2015 and 31 December 2014, respectively. In the opinion of the Directors, the relevant certificates can be obtained in due time without incurring significant costs.

One shopping mall was situated on the land which is for scientific research and design use. The carrying amount of the investment property in respect of this shopping mall was RMB1,692,000,000 and RMB1,661,000,000 as at 30 June 2015 and 31 December 2014, respectively.

14. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2015, the Group acquired equipment at an aggregate cost of RMB41,686,000 (six months ended 30 June 2014: RMB62,000,000).

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2015

15. DEFERRED TAX ASSETS

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

	Debt restructure within the Group RMB'000	Investment properties RMB'000	Unpaid staff welfare and other expenses RMB'000	Allowance for bad debts RMB'000	Deferred income RMB'000	Unrealised profit RMB'000	Tax losses RMB'000	Other RMB'000	Total RMB'000
At 1 January 2014 (audited)	—	(9,062,481)	180,953	22,934	34,262	4,748	70,508	30,378	(8,718,698)
Credit (charge) to profit or loss	55,451	(817,847)	30,489	13,505	2,048	14,484	20,392	(7,328)	(688,806)
Disposal of a subsidiary	—	14,815	(1,904)	—	—	—	(1,464)	(242)	11,205
At 31 December 2014 (audited)	55,451	(9,865,513)	209,538	36,439	36,310	19,232	89,436	22,808	(9,396,299)
(Charge) credit to profit or loss	—	(471,101)	54,034	8,510	(260)	(6,972)	(6,100)	3,484	(418,405)
At 30 June 2015 (unaudited)	55,451	(10,336,614)	263,572	44,949	36,050	12,260	83,336	26,292	(9,814,704)

For the purpose of presentation in the condensed consolidated statements of financial position, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purpose:

	At 30 June 2015 RMB'000 (Unaudited)	At 31 December 2014 RMB'000 (Audited)
Deferred tax assets	338,156	323,226
Deferred tax liabilities	(10,152,860)	(9,719,525)
	(9,814,704)	(9,396,299)

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2015

16. OTHER NON-CURRENT ASSETS

	At 30 June 2015 RMB'000 (Unaudited)	At 31 December 2014 RMB'000 (Audited)
Prepayment for acquisition of land use rights	284,236	284,236
Prepayment for construction of investment properties, and property, plant and equipment	675,118	428,397
Prepayment for acquisition of investment properties	39,220	49,156
Prepayment for acquisition of a subsidiary (note 24)	—	62,191
Amounts due from non-controlling shareholders of subsidiaries (note a)	55,000	55,000
Amount due from a former subsidiary (note b)	48,199	41,041
Amount due from a related party (note 27)	61,812	96,752
Deposits paid for construction of investment properties	136,079	134,308
Deposits paid under medium term operating lease	45,278	45,264
Preliminary development cost (note c)	139,225	133,909
Others	56,519	59,086
	1,540,686	1,389,340

Notes:

- (a) The amount represents amounts due from 陝西煒華實業有限公司 Shaanxi Weihua Industrial Company Limited, which were unsecured, interest free and repayable on demand. In the opinion of the directors of the Company, the amounts are to be settled after twelve months from the end of the reporting period and were therefore classified as non-current assets.
- (b) The amount represents amounts due from a former subsidiary that has been disposed in April 2014. The amount is unsecured, interest free and repayable on demand. In the opinion of the directors of the Company, the amounts are to be settled after twelve months from the end of the reporting period and is therefore classified as non-current assets.
- (c) The amount represents the preliminary development cost incurred for the project situated on one parcel of land, of which the relevant land use right certificate is held by a non-controlling shareholder of a subsidiary. Pursuant to the agreement entered into between the Group and this non-controlling shareholder, the relevant land use right certificate would be transferred to the Group as the capital contribution by the non-controlling shareholder.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2015

17. TRADE AND OTHER RECEIVABLES

	At 30 June 2015 RMB'000 (Unaudited)	At 31 December 2014 RMB'000 (Audited)
Trade receivables		
— due from third parties	971,460	701,206
— due from related parties (note 27)	11,533	10,445
Less: allowance for doubtful debts	(137,075)	(117,283)
	845,918	594,368
Bills receivable	6,100	38,970
	852,018	633,338
Prepayments to third parties	127,648	117,441
Prepayments to related parties	—	55,150
Other taxes recoverable	41,497	40,159
Amounts due from third parties (note a)	192,637	178,139
Amounts due from non-controlling shareholders of subsidiaries (note a)	144,691	90,301
Amounts due from related parties (note 27)	87,341	82,257
Deposits	60,010	64,880
Proceeds to be collected on behalf of the tenants (note b)	50,948	45,064
Other	34,050	22,163
Less: allowance for doubtful debts	(29,813)	(36,653)
	709,009	658,901
	1,561,027	1,292,239

Notes:

- (a) The amounts are unsecured, interest free and repayable on demand.
- (b) The Group collects the proceeds from the sale of merchandise by the tenants and remit the proceeds within settlement periods (normally seven days) as pre-agreed with the tenants. The amounts represent the proceeds to be collected on behalf of the tenants from certain banks in the PRC as the customers pay through credit card.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2015

17. TRADE AND OTHER RECEIVABLES (continued)

The following is an aged analysis of bills receivables and trade receivables net of allowance for doubtful debts presented based on the date of recognition of revenue at the end of each reporting period:

	At 30 June 2015 RMB'000 (Unaudited)	At 31 December 2014 RMB'000 (Audited)
Less than 1 year	584,814	536,373
1–2 years	239,436	78,938
2–3 years	17,518	14,245
Over 3 years	10,250	3,782
	852,018	633,338

The Group has not granted any credit period to its customers. The Group recognises allowance for doubtful debts based on estimated irrecoverable amounts determined by reference to past default experience of the counterparty and an analysis of the counterparty's current financial position.

18. RESTRICTED BANK DEPOSITS

	At 30 June 2015 RMB'000 (Unaudited)	At 31 December 2014 RMB'000 (Audited)
Deposits pledged for banking facilities (including bank borrowings) granted to the Group (note a)	103,273	56,652
Analysed for reporting purposes as:		
Non-current (note b)	88,056	49,472
Current	15,217	7,180
	103,273	56,652

Notes:

- (a) The amounts represent bank deposits denominated in RMB pledged to banks as securities for certain banking facilities (including bank borrowings) granted to the Group.
- (b) Deposits pledged as securities for bank borrowings granted to the Group that are not expected to be released within twelve months after the end of the reporting period are classified as non-current assets.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2015

18. RESTRICTED BANK DEPOSITS (continued)

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

	At 30 June 2015 %	At 31 December 2014 %
	(Unaudited)	(Audited)
Range of interest rate per annum	2.85–3.25	2.85–3.25

19. BANK BALANCES AND CASH

	At 30 June 2015 RMB'000 (Unaudited)	At 31 December 2014 RMB'000 (Audited)
Cash	9,014	12,156
Bank deposits with original maturity within three months or less	9,057,061	3,580,248
Cash and cash equivalents	9,066,075	3,592,404
Bank deposits with original maturity over three months	69,989	72,456
Bank balances and cash	9,136,064	3,664,860

The bank balances carry prevailing market interest rates as follows:

	At 30 June 2015 %	At 31 December 2014 %
	(Unaudited)	(Audited)
Range of interest rate per annum	0.35–3.25	0.35–3.25

Bank balances and cash as at 30 June 2015 and 31 December 2014 were mainly denominated in RMB which is not a freely convertible currency in the international market. The exchange rate of RMB is determined by the government of the PRC and the remittance of these funds out of the PRC is subject to exchange restrictions imposed by the government of the PRC.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2015

20. TRADE AND OTHER PAYABLES

	At 30 June 2015 RMB'000 (Unaudited)	At 31 December 2014 RMB'000 (Audited)
Trade payables (note a)	221,666	180,171
Staff cost payables	257,668	389,068
Dividends payable to non-controlling shareholders of subsidiaries	55,000	3,600
Other tax payables	137,054	107,815
Interests payables	213,152	69,150
Consideration payable for acquisition of a subsidiary (note 24)	115,500	—
Amounts due to third parties (note b)	381,794	436,367
Amounts due to non-controlling shareholders of subsidiaries (note b)	142,019	150,413
Amounts due to related parties (note 27)	171,688	279,478
Construction costs payables	483,472	531,674
Proceeds collected on behalf of the tenants (note c)	1,040,225	738,912
Deposit received from the tenants	1,541,236	1,377,784
Received in advance arising from pre-paid cards (note d)	43,007	127,325
Intention deposit received (note e)	401,496	400,890
Accrued rental and other expenses	372,993	223,038
Other	105,321	87,873
	5,461,625	4,923,387
	5,683,291	5,103,558

Notes:

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

	At 30 June 2015 RMB'000 (Unaudited)	At 31 December 2014 RMB'000 (Audited)
Less than 1 year	208,265	163,827
1–2 years	5,839	8,589
2–3 years	5,697	6,100
Above 3 years	1,865	1,655
	221,666	180,171

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2015

20. TRADE AND OTHER PAYABLES (continued)

Notes: (continued)

- (b) The amounts are unsecured, interest free and repayable on demand.
- (c) The amounts represent the proceeds (from the sale of merchandise by the tenants) collected on behalf of the tenants and will be remitted within settlement periods (normally seven days) as pre-agreed with the tenants.
- (d) In 2013, the Group were approved by Shanghai Municipal Commission of Commerce to issue single-purpose pre-paid cards. The proceeds of pre-paid cards will be transferred to the tenants within settlement periods (normally seven days) once the customers purchase merchandise in the shopping malls.
- (e) The amounts represent the intention deposits received from customers before the formal contract management arrangements were entered into. The amounts will be deemed as initiation and entrance fees received in advance upon the formal arrangements are entered into, or remitted upon the termination of the collaboration.

21. BANK AND OTHER BORROWINGS

	At 30 June 2015 RMB'000 (Unaudited)	At 31 December 2014 RMB'000 (Audited)
Bank loans, secured (note a)	12,186,209	9,970,829
Bank loans, unsecured (note b)	1,344,410	114,700
Other loans, secured (note a, c)	1,101,520	1,323,470
	14,632,139	11,408,999

Notes:

- (a) Bank and other loans were secured by certain investment properties and bank deposits of the Group, details of which are set out in notes 13 and 18, respectively.

Bank and other loans of RMB3,618,539,000 and RMB3,429,487,000 as at 30 June 2015 and 31 December 2014, respectively were also guaranteed by certain related parties, details of which are set out in note 27(c).

- (b) The balances as at 30 June 2015 and 31 December 2014 are not guaranteed.

- (c) The other loans as at 30 June 2015 and 31 December 2014 mainly represented the entrusted debt investment from certain independent third parties with a principle of RMB1,200,000,000, which is secured by certain investment properties of the Group, carried fixed interest rate of 7.59% per annum, and is repayable by installments at the end of each quarter starting from 2014, and will be mature on 28 November 2023.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2015

21. BANK AND OTHER BORROWINGS (continued)

	At 30 June 2015 RMB'000 (Unaudited)	At 31 December 2014 RMB'000 (Audited)
Fixed-rate borrowings	2,744,631	1,703,470
Variable-rate borrowings	11,887,508	9,705,529
	14,632,139	11,408,999
The borrowings are repayable:		
Within one year or on demand	3,525,662	2,325,523
More than one year, but not exceeding two years	2,447,407	1,727,965
More than two years, but not exceeding five years	5,726,101	4,163,599
More than five years	2,932,969	3,191,912
	14,632,139	11,408,999
Less: Amount due within one year shown under current liabilities	3,525,662	2,325,523
Amount due after one year	11,106,477	9,083,476

The ranges of effective interest rates (which are also equal to contracted interest rates) on the Group's borrowings are as follows:

	At 30 June 2015 %	At 31 December 2014 %
	(Unaudited)	(Audited)
Fixed rate bank borrowings	6.15–7.80	6.15–7.80
Floating rate bank borrowings	5.35–8.64	5.89–8.64

The floating rate bank borrowings are arranged at the interest rate based on benchmark interest rates of the People's Bank of China.

The Group's bank and other borrowings are denominated in RMB.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2015

22. OTHER NON-CURRENT LIABILITIES

	At 30 June 2015 RMB'000 (Unaudited)	At 31 December 2014 RMB'000 (Audited)
Initiation and entrance fees received in advance	778,717	744,417
Rental payable (note a)	292,574	292,323
Amounts due to non-controlling shareholders of subsidiaries (note b)	381,233	414,147
Amounts due to related parties (note 27)	—	419,345
	1,452,524	1,870,232

Notes:

- (a) Lease payments under an operating lease is recognised as an expense on a straight-line basis over the lease term. For operating leases with increased annual payments, the differences between the rental expenses recognised on a straight-line basis and the actual annual payments are recognized as liabilities.
- (b) The amounts are unsecured, interest free and repayable on demand after the subsidiaries become profitable. In the opinion of the directors of the Company, the amounts are to be settled after twelve months from the end of the reporting period and are therefore classified as non-current liabilities.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2015

23. SHARE CAPITAL

	Domestic shares		Foreign shares		Listed H shares		Total	
	Number		Number		Number		Number	
	of share	Amount	of share	Amount	of share	Amount	of share	Amount
	'000	RMB'000	'000	RMB'000	'000	RMB'000	'000	RMB'000
Registered, issued and fully paid at RMB1.0 per share:								
At 1 January 2014 and								
31 December 2014 (audited)	2,561,104	2,561,104	438,896	438,896	—	—	3,000,000	3,000,000
Share issued (note a)	—	—	80,329	80,329	—	—	80,329	80,329
Issuance of H shares (note b)	—	—	—	—	543,588	543,588	543,588	543,588
Conversion into H shares (note b)	—	—	(519,225)	(519,225)	519,225	519,225	—	—
At 30 June 2015 (unaudited) (note c)	2,561,104	2,561,104	—	—	1,062,813	1,062,813	3,623,917	3,623,917

Notes:

- (a) On 4 January 2015, Candlewood and Springwood entered into a capital increase and subscription agreement with the Company, RSM Investment and other shareholders of the Company, pursuant to which Candlewood and Springwood further subscribed for 60,917,952 shares and 19,411,086 shares of the Company for RMB5.39 each. The total consideration amounted to approximately RMB432,973,000, out of which approximately RMB80,329,000 was paid up as registered share capital and approximately RMB352,644,000 as the share premium of the Company. The capital contribution was fully completed on 12 February 2015. After the capital contribution, the registered capital of the Company increased from RMB3,000,000,000 to RMB3,080,329,038.
- (b) On 26 June 2015, upon the approval of the Stock Exchange, the Company has completed its initial public offering of 543,588,000 H shares, which are listed on the Main Board of the Stock Exchange. Moreover, the 519,225,069 foreign shares held by Candlewood and Springwood were converted into H shares upon completion of the initial public offering.
- (c) Except for the currency in which dividends are paid, H shares and domestic shares rank pari passu in all respects with each other.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2015

24. ACQUISITION OF A SUBSIDIARY

On 30 June 2015, the Group acquired 63.0% equity interest in 昆明迪肯商貿有限公司 Kunming Diken Trading Company Limited (“Kuming Diken”) for a consideration of RMB177,691,000 from an independent third party. Kuming Diken was holding the land use right for a piece of land parcel and has not carried out any substantial business activities so far. The acquisition has been accounted for as acquisition of assets, which do not constitute a business.

Assets acquired and liabilities recognised at the date of acquisition are as follows:

	RMB'000
Cash and cash equivalents	485
Investment properties	278,581
Non-controlling interests	(101,375)
	177,691
Total consideration	177,691
Net cash inflow arising on acquisition during the current interim period:	
Cash and cash equivalent balances acquired	485
Less: consideration paid in cash (note)	—
	485

Note: The Group has prepaid cash consideration of RMB62,191,000 in 2014, which was accounted for as other non-current assets. The remaining consideration of RMB115,500,000 was outstanding as at 30 June 2015 and will be paid in cash by the Group.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2015

25. CAPITAL COMMITMENTS

	At 30 June 2015 RMB'000 (Unaudited)	At 31 December 2014 RMB'000 (Audited)
Contracted but not provided for:		
– Capital expenditure in respect of acquisition and construction of investment properties (including through acquisition of subsidiaries)	3,428,165	4,707,735

26. CONTINGENT LIABILITIES

As at 30 June 2015 and 31 December 2014, the Group issued financial guarantees with partners to a bank in respect of a loan in the amount of up to RMB400,000,000 and RMB400,000,000, respectively, granted to a joint venture, of which RMB180,000,000 and RMB258,000,000 have been utilised by the joint venture as at 30 June 2015 and 31 December 2014, respectively. In the opinion of the directors of the Company, the fair value of the financial guarantee provided by the Group is not significant as the joint venture is at a good financial position.

Pursuant to the applicable PRC laws and regulations, property lease contracts must be registered with the local branch of the Ministry of Housing and Urban Development of the PRC. As at 30 June 2015, the Group failed to register approximately 14,500 exhibition space agreements, for which the estimated total penalty of approximately RMB14.5 million to RMB145 million may be imposed on the Group. The directors of the Company are of the view that risk that the Group will be penalized is remote.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2015

27. RELATED PARTY TRANSACTIONS

The Group has the following related party balances and transactions.

- (a) During the current interim period and the comparative period, the following parties are identified as related parties to the Group and the respective relationships are set out below:

Name of related party	Relationship
Mr. Che Jianxing	Ultimate holding shareholder
Ms. Chen Shuhong	Wife of Mr. Che Jianxing
Mr. Che Guoxing	Brother of Mr. Che Jianxing
Ms. Che Jianfang	Sister of Mr. Che Jianxing
Ms. Qian Yumei	Close family member of Mr. Che Jianxing
紅星傢俱集團有限公司 Red Star Furniture Group Limited (“Red Star Furniture”)	Controlled by Mr. Che Jianxing
常州市紅星裝飾城 Changzhou Red Star Furnishing City (“Changzhou Furnishing City”)	Controlled by Mr. Che Jianxing
揚州紅星美凱龍全球家居生活廣場置業有限公司 Yangzhou Red Star Macalline Global Home Furnishing Plaza Company Limited (“Yangzhou Global”)	Controlled by close family member of Mr. Che Jianxing
濟寧鴻瑞置業有限公司 Jining Hongrui Real Estate Company Limited (“Jining Hongrui”)	Controlled by close family member of Mr. Che Jianxing
陝西鴻瑞家居生活廣場有限公司 Shaanxi Hongrui Home Furnishing Plaza Company Limited (“Shaanxi Hongrui”)	Controlled by close family member of Mr. Che Jianxing

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2015

27. RELATED PARTY TRANSACTIONS (continued)

(a) (continued)

Name of related party	Relationship
徐州紅星美凱龍國際傢俱裝飾城有限公司 Xuzhou Red Star Macalline International Home Furnishing City Company Limited ("Xuzhou International")	Controlled by close family member of Mr. Che Jianxing
徐州紅星美凱龍全球家居生活廣場有限公司 Xuzhou Red Star Macalline Global Home Furnishing Plaza Company Limited ("Xuzhou Global")	Controlled by close family member of Mr. Che Jianxing
興化市星凱家居生活廣場有限公司 Xinghua Xingkai Home Furnishing Plaza Company Limited ("Xinghua Xingkai")	Significantly influenced by close family member of Mr. Che Jianxing
RSM Investment	Ultimate holding company
RSM Enterprise Development Group	Under common control with RSM Investment
蚌埠紅星美凱龍家居生活博覽中心有限公司 Bengbu Red Star Macalline Home Furnishing Expo Company Limited ("Bengbu Expo")	Significantly influenced by key management personnel of the Company
金科地產集團股份有限公司 Jinke Property Group Company Limited ("Jinke Property")	Significantly influenced by key management personnel of the Company
上海名藝商業企業發展有限公司及其子公司 Shanghai Mingyi Enterprise Development Company Limited and its subsidiary (collectively "Shanghai Mingyi")	a joint venture of the Group

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2015

27. RELATED PARTY TRANSACTIONS (continued)

(a) (continued)

Name of related party	Relationship
成都東泰商城有限公司 Chengdu Dongtai Shopping Mall Company Limited ("Chengdu Dongtai")	a joint venture of the Group
西安佳鑫紅星家居有限責任公司 Xi'an Jiaxin Red Star Home Furnishing Company Limited ("Xi'an Jiaxin")	a joint venture of the Group
深圳紅星美凱龍世紀中心家居生活廣場有限公司 Shenzhen Red Star Macalline Century Center Home Furnishing Plaza Company Limited ("Shenzhen Red Star")	an associate of the Group
蘇州工業園區中翔美通倉儲銷售有限公司 Suzhou Industry Park Zhongxiong Meitong Storage Company Limited ("Suzhou Zhongxiang")	an associate of the Group

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2015

27. RELATED PARTY TRANSACTIONS (continued)

- (b) During the current interim period and the comparative period, the Group has the transactions with following related parties and the details are set out below:

	Six months ended 30 June	
	2015	2014
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Initiation and entrance fees and annual management fee received and receivable from following related parties:		
Yangzhou Global	1,000	1,000
Jining Hongrui	1,500	1,500
Shaanxi Hongrui	1,500	2,500
Xuzhou International	950	950
Xuzhou Global	1,550	1,550
Xinghua Xingkai	1,750	—
RSM Enterprise Development Group	19,343	4,011
Bengbu Expo	250	250
Shanghai Mingyi	1,500	1,500
	29,343	13,261
Rental income from:		
Ms. Qian Yumei	564	560
Rental expenses paid and payable to:		
Changzhou Furnishing City	7,704	7,245
Mr. Che Guoxing	168	168
Jinke Property	19,843	19,843
	27,715	27,256

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2015

27. RELATED PARTY TRANSACTIONS (continued)

(c) At the end of the reporting period, the Group has provided guarantees or assets pledge to, or obtained guarantees provided by the following related parties and the details are set out below:

(i) Guarantees provided to following related parties for banking facilities granted:

	At 30 June 2015 RMB'000 (Unaudited)	At 31 December 2014 RMB'000 (Audited)
Chengdu Dongtai (note 26)	180,000	258,000

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

The investment properties in respect of the transferred shopping mall held by Xinglong Property, together with Xinglong Property's other properties, were pledged to banks in respect of the mortgage loans provided by the banks to RSM Investment and RSM Enterprise Development Group. As at 30 June 2015, the mortgage loan has been fully repaid and the relevant pledge was released accordingly (outstanding mortgage loans as at 31 December 2014: RMB519,000,000).

The investment properties in respect of the transferred shopping mall held by Dalian Investment, together with Dalian Investment's other properties, were pledged to banks in respect of the mortgage loans provided by the banks to RSM Enterprise Development Group. The outstanding mortgage loans as at 30 June 2015 amounted to RMB480,000,000 (31 December 2014: RMB530,000,000).

In addition, the Group has received deposits from relevant related parties in respect of the properties pledged, details of which are set out in note 27(d).

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2015

27. RELATED PARTY TRANSACTIONS (continued)

(c) (continued)

(iii) Guarantees provided by related parties for banking facilities granted to the Group:

	At 30 June 2015 RMB'000 (Unaudited)	At 31 December 2014 RMB'000 (Audited)
Mr. Che Jianxing	2,042,378	1,499,428
Mr. Che Jianxing and Ms. Chen Shuhong	365,000	380,000
Mr. Che Jianxing, Red Star Furniture and RSM Investment	1,005,921	1,052,819
Red Star Furniture	354,000	398,000
Ms. Che Jianfang	79,240	99,240
RSM Investment	659,710	—
	4,506,249	3,429,487

These banking facilities were also secured by certain properties and restricted bank deposits of the Group, details of which are set out in notes 13 and 18, respectively.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2015

27. RELATED PARTY TRANSACTIONS (continued)

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

	At 30 June 2015 RMB'000 (Unaudited)	At 31 December 2014 RMB'000 (Audited)
Accounts receivable: trade nature		
Xuzhou Global	—	91
Xinghua Xingkai	3,762	2,146
RSM Enterprise Development Group	6,705	8,208
Shanghai Mingyi	816	—
Shaanxi Hongrui	250	—
	11,533	10,445
Prepayments: trade nature		
RSM Enterprise Development Group	—	55,150
Other receivables: non-trade nature		
RSM Enterprise Development Group (note)	2,891	1,807
Shanghai Mingyi (note)	84,400	80,400
Xi'an Jiaxin (note)	50	50
	87,341	82,257

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

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2015

27. RELATED PARTY TRANSACTIONS (continued)

(d) (continued)

	At 30 June 2015 RMB'000 (Unaudited)	At 31 December 2014 RMB'000 (Audited)
Other non-current assets: non-trade nature		
Suzhou Zhongxiang (note)	61,812	96,752

Note: The amount is unsecured, interest free and repayable on demand after Suzhou Zhongxiang become profitable. In the opinion of the directors of the Company, the amounts were to be settled after twelve months from the end of the reporting period and are therefore classified as non-current assets.

	At 30 June 2015 RMB'000 (Unaudited)	At 31 December 2014 RMB'000 (Audited)
Rental and service fee received in advance: trade nature		
Jining Hongrui	1,498	2,998
Shanxi Hongrui	—	1,250
Xuzhou Global	817	458
Xuzhou International	50	—
Xinghua Xinkai	4,500	1,634
Yangzhou Global	1,000	—
Ms. Qian Yumei	22	175
Shanghai Mingyi	—	684
RSM Enterprise Development Group	944	3,385
	8,831	10,584
Other payables: non-trade nature		
Shenzhen Red Star (note)	40,346	40,346
RSM Enterprise Development Group (note)	2,384	7,297
Suzhou Zhongxiang (note)	—	371
	42,730	48,014

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

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2015

27. RELATED PARTY TRANSACTIONS (continued)

(d) (continued)

	At 30 June 2015 RMB'000 (Unaudited)	At 31 December 2014 RMB'000 (Audited)
Amount due to related parties in respect to the guarantees provided:		
RSM Investment (other payable)	—	231,464
RSM Enterprise Development Group (other payable)	128,958	—
RSM Enterprise Development Group (non-current liabilities)	—	419,345
	128,958	650,809

As disclosed in note 27(c), the investment properties in respect to the transferred shopping malls held by Xinglong Property and Dalian Investment were pledged to banks in respect of the mortgage loans provided by the banks to RSM Investment and RSM Enterprise Development Group.

The Group entered into counter guarantee agreements with RSM Enterprise Development Group and RSM Investment, pursuant to which, RSM Enterprise Development Group and RSM Investment placed deposits to the Group, which were determined by the relevant outstanding mortgage loans and proportionate share of RSM Enterprise Development Group or RSM Investment. The level of deposits required will be adjusted in accordance with the drawdown or repayment of the relevant mortgage loans. The deposits are interest free and repayable upon the expiration of the relevant mortgage loans.

As at 30 June 2015, the mortgage loan pledged by the transferred shopping mall held by Xinglong Property has been fully repaid and the Group has remitted the relevant deposits to RSM Investment accordingly.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2015

27. RELATED PARTY TRANSACTIONS (continued)

- (e) Key management personnel emoluments

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including directors of the Company and other key management of the Group. The key management personnel compensation are as follows:

	Six months ended 30 June	
	2015	2014
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Short-term employee benefits	19,444	20,490
Retirement benefit contributions	591	585
	20,035	21,075

28. FAIR VALUE

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the condensed consolidated financial statements approximate their fair values at the end of each reporting period.

29. EVENTS AFTER THE REPORTING PERIOD

On 31 July 2015, the board of directors resolved to propose (a) the issue of the corporate bonds in the PRC with an aggregate principal amount not exceeding RMB10,000,000,000; and (b) obtaining a general mandate from the shareholders to deal with the relevant matters relating to the issue of the bonds of the Company with an aggregate principal amount not exceeding RMB4,000,000,000 or equivalent in foreign currencies. The proposal is subject to approval by the shareholders in the forthcoming extraordinary general meeting.