Red Star Macalline Group Corporation Ltd.

紅星美凱龍家居集團股份有限公司

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

(Stock Code: 1528)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2019

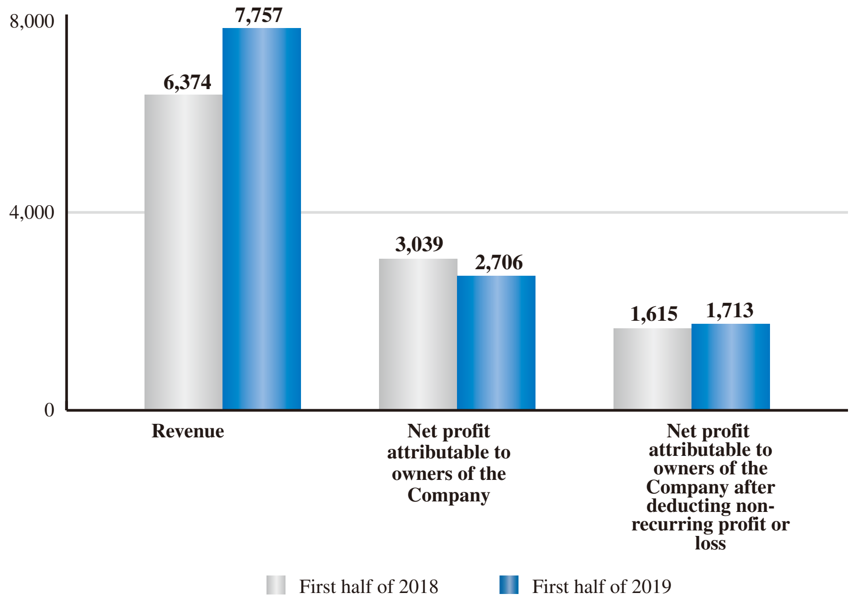
The board of directors (the "**Board**") of Red Star Macalline Group Corporation Ltd. (the "**Company**" or "**Red Star Macalline**") is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (the "**Group**" or "**we**") for the six months ended 30 June 2019 (the "**Reporting Period**"), together with comparative figures for the same period in 2018.

FINANCIAL HIGHLIGHTS

	Six months ended 30 June	
	2019	2018
	(RMB'000, except otherwise stated)	
	(Unaudited)	(Unaudited)
Revenue	**7,757,114**	6,373,884
Gross profit	**5,194,654**	4,418,827
Gross profit margin	**67.0%**	69.3%
Net profit	**2,861,354**	3,213,608
Net profit attributable to owners of the Company	**2,705,544**	3,038,610
Net profit margin attributable to owners of the Company	**34.9%**	47.7%
Net profit attributable to owners of the Company after deducting non-recurring profit or loss	**1,713,037**	1,614,826
Net profit margin attributable to owners of the Company after deducting non-recurring profit or loss	**22.1%**	25.3%
Earnings per share	**RMB0.76**	RMB0.78

Key Financial Performance Indicators

RMB million



OPERATIONAL HIGHLIGHTS

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

	As at 30 June 2019	As at 31 December 2018
Number of shopping malls	**315**	308
Operating area of shopping malls (sq.m.)	**19,966,858**	18,939,341
Number of cities covered	**200**	199
Number of Portfolio Shopping Malls	**84**	80
Operating area of Portfolio Shopping Malls (sq.m.)	**7,541,923**	6,918,993
Average occupancy rate of Portfolio Shopping Malls	**95.0%**	96.2%
Number of Managed Shopping Malls	**231**	228
Operating area of Managed Shopping Malls (sq.m.)	**12,424,935**	12,020,347
Average occupancy rate of Managed Shopping Malls	**95.0%**	95.0%

Note: (1) See definitions in the 2018 annual report of the Company.

Consolidated Income Statement

Six Months Ended 30 June 2019

(All amounts are expressed in RMB, except otherwise stated)

	Note	Six months ended 30 June 2019 (Unaudited)	2018 (Unaudited)
I. Revenue	*5*	**7,757,114,487.46**	6,373,884,119.04
Less: Cost of sales		**2,562,460,143.99**	1,955,057,556.90
Taxes and surcharges		**201,843,925.76**	180,937,982.52
Distribution and selling expenses	*6*	**931,616,435.07**	646,073,061.94
General and administrative expenses	*7*	**702,578,978.40**	527,767,671.27
Research and development expenses		**17,266,342.46**	9,581,991.57
Financial expenses	*8*	**984,694,930.36**	587,122,443.32
Including: Interest expenses		**1,095,285,647.01**	698,438,211.60
Interest income		**108,474,110.83**	153,598,157.25
Add: Other income		**58,576,197.18**	55,801,019.59
Investment income		**339,678,258.34**	108,294,694.00
Including: Investment income from associates and joint ventures		**40,647,033.37**	105,492,722.92
Gain from fair value changes		**905,235,903.48**	1,065,984,523.07
Impairment loss of credit (losses are presented with parentheses)		**(104,004,939.19)**	(144,729,939.93)
Gain from disposal of assets		**7,106,901.16**	214,551,818.78
II. Operating profit		**3,563,246,052.39**	3,767,245,527.03
Add: Non-operating income		**21,942,159.07**	7,993,510.02
Less: Non-operating expenses		**10,542,968.10**	7,822,960.77
III. Total profit		**3,574,645,243.36**	3,767,416,076.28
Less: income tax expenses	*9*	**713,291,013.53**	553,807,585.73
IV. Net profit		**2,861,354,229.83**	3,213,608,490.55
(I) According to the classification of continuity of operation			
1. Net profit from continuing operations		**2,861,354,229.83**	3,213,608,490.55
2. Net profit from discontinued operations		**—**	—
(II) According to the classification of ownership			
1. Non-controlling interests		**155,809,872.39**	174,998,777.34
2. Net profit attributable to owners of the Company		**2,705,544,357.44**	3,038,609,713.21

	Note	Six months ended 30 June 2019 (Unaudited)	2018 (Unaudited)
V. Other comprehensive income (after tax)		**489,366,397.64**	226,508,337.58
Other comprehensive income (after tax) attributable to owners of the Company		**467,467,546.09**	225,083,753.24
(I) Other comprehensive income that will not be reclassified to profit or loss		**497,751,188.30**	225,083,753.24
1. Changes in fair value of other equity instrument investments		**497,751,188.30**	225,083,753.24
(II) Other comprehensive income that will be reclassified to profit or loss		**(30,283,642.21)**	—
1. Others		**(30,283,642.21)**	—
Other comprehensive income (after tax) attributable to non-controlling interests		**21,898,851.55**	1,424,584.34
VI. Total comprehensive income		**3,350,720,627.47**	3,440,116,828.13
Total comprehensive income attributable to owners of the Company		**3,173,011,903.53**	3,263,693,466.45
Total comprehensive income attributable to non-controlling interests		**177,708,723.94**	176,423,361.68
VII. Earnings per share	*10*		
(I) Basic earnings per share		**0.76**	0.78
(II) Diluted earnings per share		**N/A**	N/A

Consolidated Balance Sheet

As at 30 June 2019

(All amounts are expressed in RMB, except otherwise stated)

	Note	As at 30 June 2019 (Unaudited)	As at 31 December 2018 (Audited)
Current Assets			
Cash and bank balances		**8,340,821,838.89**	8,527,607,964.92
Financial assets held for trading		**68,519,022.97**	236,256,219.87
Derivative financial assets		**12,776,419.88**	—
Accounts receivable	*12*	**1,841,031,795.14**	1,687,918,584.76
Receivables financing		**81,350,000.00**	55,000,000.00
Prepayments		**393,204,146.07**	319,437,303.71
Other receivables	*13*	**1,730,733,092.72**	1,936,025,518.72
Inventories		**286,848,784.93**	251,352,502.91
Contract assets		**1,076,624,656.05**	807,109,773.17
Non-current assets due within one year		**334,850,000.00**	314,950,000.00
Other current assets		**1,358,351,947.94**	1,582,934,842.98
Total current assets		**15,525,111,704.59**	15,718,592,711.04
Non-current assets			
Long-term receivables		**1,669,140,956.66**	1,795,159,925.01
Long-term equity investments		**3,461,568,113.57**	3,026,101,128.50
Other equity instrument investments		**3,675,560,256.50**	3,302,748,467.57
Other non-current financial assets		**360,674,540.60**	324,850,000.00
Investment properties	*14*	**81,171,000,000.00**	78,533,000,000.00
Fixed assets		**209,555,773.08**	192,418,042.50
Construction in progress		**179,075,014.38**	84,866,598.69
Right-of-use assets		**3,057,481,040.24**	—
Intangible assets		**454,088,001.99**	460,830,931.51
Development expenditure		**6,222,304.32**	—
Goodwill		**16,592,357.41**	16,592,357.41
Long-term prepaid expenses		**375,979,391.94**	400,731,940.53
Deferred tax assets		**1,107,501,927.90**	822,269,149.42
Other non-current assets	*15*	**7,002,974,045.63**	6,182,556,566.38
Total non-current assets		**102,747,413,724.22**	95,142,125,107.52
Total assets		**118,272,525,428.81**	110,860,717,818.56

	Note	As at 30 June 2019 (Unaudited)	As at 31 December 2018 (Audited)
Current Liabilities			
Short-term loans	*16*	**3,364,914,479.37**	5,148,516,740.00
Account payable	*17*	**994,601,719.45**	970,116,980.34
Advance from customers		**1,004,098,870.95**	1,249,019,601.25
Contract liabilities		**2,467,584,154.56**	2,601,978,507.73
Payroll payable		**420,559,264.22**	913,986,023.52
Taxes payable		**488,090,847.90**	607,676,739.98
Other payables	*18*	**8,570,094,268.47**	8,712,208,081.24
Non-current liabilities due within one year	*19*	**5,796,132,887.37**	3,948,619,684.75
Other current liabilities		**107,453,799.04**	1,161,684,557.80
Total current liabilities		**23,213,530,291.33**	25,313,806,916.61
Non-current liabilities			
Long-term loans	*20*	**15,247,687,612.54**	14,306,362,773.00
Bonds payable		**9,658,362,174.66**	7,156,394,519.96
Lease liabilities		**3,369,648,313.23**	—
Long-term payables		**914,328,894.45**	1,385,921,007.85
Deferred income		**220,178,343.36**	212,456,044.43
Deferred tax liabilities		**11,491,995,838.68**	11,008,662,811.23
Other non-current liabilities		**7,408,158,892.59**	6,181,288,065.26
Total non-current liabilities		**48,310,360,069.51**	40,251,085,221.73
Total liabilities		**71,523,890,360.84**	65,564,892,138.34
Equity			
Share capital	*21*	**3,550,000,000.00**	3,550,000,000.00
Capital reserve		**4,214,835,157.79**	4,490,018,895.43
Other comprehensive income		**1,357,554,565.98**	1,227,776,839.27
Surplus reserve		**1,816,847,121.56**	1,816,847,121.56
Retained earnings		**32,503,348,762.28**	30,629,417,859.13
Total equity attributable to owners of the Company		**43,442,585,607.61**	41,714,060,715.39
Non-controlling interests		**3,306,049,460.36**	3,581,764,964.83
Total equity		**46,748,635,067.97**	45,295,825,680.22
Total liabilities and equity		**118,272,525,428.81**	110,860,717,818.56

Notes to the Consolidated Financial Statements
For the Six Months ended 30 June 2019

1. GENERAL INFORMATION

Red Star Macalline Group Corporation Ltd. (formerly known as Shanghai Red Star Macalline Home Furnishing Company Limited* (上海紅星美凱龍家居家飾品有限公司) and Shanghai Red Star Macalline Enterprise Management Company Limited* (上海紅星美凱龍企業管理有限公司)) is a limited liability company jointly established by Red Star Macalline Holding Group Company Limited* (紅星美凱龍控股集團有限公司) ("**RSM Holding**") and Red Star Furniture Group Co., Ltd.* (紅星傢俱集團有限公司) ("**Red Star Furniture Group**") on 18 June 2007 in Shanghai, the People's Republic of China (the "**PRC**"). On 6 January 2011, the Company was converted into a foreign-invested joint stock limited company in accordance with laws and changed its name to Red Star Macalline Group Corporation Ltd. (紅星美凱龍家居集團股份有限公司).

The Company completed the initial public offering of overseas listed foreign shares, namely H shares, and became listed on Hong Kong Stock Exchange on 26 June 2015.

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

As considered and approved at the 2017 Annual General Meeting, A Shareholders' Class Meeting and H Shareholders' Class Meeting, the Company repurchased 388,917,038 overseas-listed foreign shares (H shares) at a price of HK$11.78 per share by way of conditional voluntary cash offer. The Company has completed the offer and cancelled such H shares in July 2018, after which the paid-in capital (share capital) of the Company amounted to RMB3,550,000,000.00. The Company completed the business registration in respect of such change on 29 September 2018.

The business scope of the Company is: providing the invested enterprises with management service, enterprise management and product information consulting; providing home furnishing business stores with design planning and management services; wholesale of furniture, building materials (steel exclusive) and decoration materials, and relevant supporting services; exhibition and display services; (products involving quota license or special management provisions shall be subject to relevant state regulations) (with license if required). The controlling shareholder of the Company is RSM Holding, a limited liability company incorporated in the PRC, and the actual controller is Mr. CHE Jianxing.

2. BASIS OF PREPARATION

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

As at 30 June 2019, the Group's current liabilities in aggregate exceeded its total current assets in an amount of RMB7,688.4 million. The management of the Group had assessed its ongoing operation for the 12 months starting from 30 June 2019, and after taking into account the unutilized bank facilities held by the Group and the Group's expected operating cash inflows and financing arrangements as at 30 June 2019, believed that the liquidity risk of the Group is exposed to falls within the range of control due to the fact that its current assets are less than its current liabilities as at 30 June 2019, and thus it has no material effect on the ongoing operation and financial statements of the Group. Therefore, these financial statements have been prepared on an ongoing concern basis.

* *For identification purpose only*

3. APPLICATION OF NEW AND REVISED ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES

The Group has implemented the New Lease Standards from 1 January 2019. The financial statements are prepared based on the Notice on the Amendment and Issuance of Financial Statements Format of General Enterprises for 2019 (Cai Kuai [2019] No. 6) promulgated by the Ministry of Finance on 30 April 2019.

New Lease Standards

On 7 December 2018, the Ministry of Finance promulgated the Notice on the Amendment and Issuance of the Accounting Standard for Business Enterprises No. 21 — Leases (Cai Kuai [2018] No. 35) ("New Lease Standards"). The New Lease Standards have revised the Accounting Standards for Business Enterprises No. 21 — Leases promulgated by the Ministry of Finance in 2006.

The New Lease Standards have mainly revised the guidelines for the definition of lease, subleasing, contract consolidation and split; cancelled the classification of operating leases and finance leases of the lessee, and required right-of-use assets and lease liabilities to be recognized for all leases (except short-term leases and low-value asset leases); improved lessee's subsequent measurement, added accounting treatment methods under the scenarios of option revaluation and modification of lease; enriched the disclosure contents for the lessors to provide the users of statements with more useful information.

The Group implemented the New Lease Standards from 1 January 2019 and adjusted the cumulative effect of the application of New Lease Standards into the opening balance of retained earnings and other related items in the financial statements at the beginning of 2019, and had not adjusted the information in comparable period.

Changes in presentation of financial statements

According to the requirements of the Notice on the Amendment and Issuance of Financial Statements Format of General Enterprises for 2019 (Cai Kuai [2019] No. 6), in the balance sheet, the item "notes receivable and accounts receivable" shall be split into "notes receivable" and "accounts receivable", the item "notes payables and accounts payable" shall be split into "notes payable" and "accounts payable"; in the income statement, in addition to the revenue expenditures incurred during research and development, the item "research and development expenses" shall also include the amortization of intangible assets developed by the Group as previously presented in "general and administrative expenses"; and for enterprises which have adopted the New Standards for Financial Instruments, the new item "receivables financing" is added to present the notes receivable and accounts receivable measured at fair value through other comprehensive income under the New Standards for Financial Instruments. For the changes in items mentioned above, the Group has retrospectively adjusted the amounts for comparative accounting periods correspondingly. However, such changes did not have any impact on the net profits or equity, or any significant impact on the financial situation or operating results.

4. BASIS OF PREPARATION AND PRINCIPLES OF MEASUREMENT

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

5. REVENUE

The following is the Group's revenue and operating results by operating segments:

	Owned/ leased Portfolio Shopping Malls	Managed Shopping Malls	Construction and design	Sales of merchandise and related services	Other	Unallocated items	Total
Six months ended 30 June 2019 (Unaudited)							
Segment revenue							
— external transaction revenue	**3,952,122,177.57**	**2,162,449,497.83**	**937,841,156.07**	**206,083,076.14**	**498,618,579.85**	**—**	**7,757,114,487.46**
Segment operating profit (loss)	**2,069,165,267.06**	**994,274,045.09**	**239,941,210.13**	**(40,431,527.61)**	**78,399,667.11**	**221,897,390.61**	**3,563,246,052.39**
Six months ended 30 June 2018 (Unaudited)							
Segment revenue							
— external transaction revenue	3,535,894,591.52	1,749,199,266.87	458,986,112.62	187,528,781.63	442,275,366.40	—	6,373,884,119.04
Segment operating profit (loss)	1,934,676,622.93	851,612,962.02	161,973,069.03	(49,538,357.56)	193,642,271.33	674,878,959.28	3,767,245,527.03

6. DISTRIBUTION AND SELLING EXPENSES

	Six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
Salary, bonus and benefits	**38,697,383.14**	29,108,228.90
Depreciation and amortization	**14,011,099.12**	3,388,683.81
Energy and maintenance expenses	**212,239,343.45**	167,214,843.32
Advertising and promotional expenses	**618,580,445.85**	411,971,857.16
After-sales service expenses	**19,034,710.88**	16,301,025.81
Office and administrative expenses	**15,182,559.09**	9,273,870.55
Others	**13,870,893.54**	8,814,552.39
Total	**931,616,435.07**	646,073,061.94

7. GENERAL AND ADMINISTRATIVE EXPENSES

	Six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
Salary, bonus and allowances	**376,349,537.35**	249,224,316.30
Depreciation and amortization	**37,581,565.74**	12,986,989.05
Energy and maintenance expenses	**3,058,712.95**	2,280,306.82
Other professional services expenses	**63,528,202.49**	57,561,571.10
Office and administrative expenses	**182,256,307.98**	150,607,918.02
Others	**39,804,651.89**	55,106,569.98
Total	**702,578,978.40**	527,767,671.27

8. FINANCIAL EXPENSES

	Six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
Interest expenses	**1,206,143,277.27**	793,397,008.41
Less: Capitalized interest expenses	**110,857,630.27**	94,958,796.81
Less: Interest income	**108,474,110.83**	153,598,157.25
Net interest expenses	**986,811,536.17**	544,840,054.35
Foreign exchange gain or loss	**(16,013,615.47)**	32,983,413.85
Others	**13,897,009.66**	9,298,975.12
Total	**984,694,930.36**	587,122,443.32

9. INCOME TAX EXPENSES

	Six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
Current income tax expenses	**607,301,878.82**	513,062,665.18
Deferred income tax expenses	**105,989,134.71**	40,744,920.55
Total	**713,291,013.53**	553,807,585.73

Pursuant to the Enterprise Income Tax Law of the People's Republic of China (the "**EIT Law**") and the Rules for the Implementation of the EIT Law, companies within the PRC are subject to an income tax rate of 25%, except for the subsidiaries stated below:

Certain PRC subsidiaries of the Group enjoy the preferential tax rate of 15% under the Western China Development Plan in accordance with the EIT Law and relevant regulations during the Reporting Period. Certain PRC subsidiaries of the Group enjoy the preferential tax rate of 15% in Tibet Autonomous Region. Certain PRC subsidiaries of the Group as new enterprises in Kashi and Khorgas of Xinjiang, two Special Economic Development Zones, were approved to be exempt from enterprise income tax in accordance with the EIT Law and relevant regulations during the Reporting Period.

10. EARNINGS PER SHARE

Calculation of the basic earnings per share for the six months ended 30 June 2019 and 30 June 2018 is as follows:

	Six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
Net profit attributable to owners of the Company for the period	**2,705,544,357.44**	3,038,609,713.21
Including: Net profit attributable to ongoing operations	**2,705,544,357.44**	3,038,609,713.21
Net profit attributable to terminated operations	**—**	—
Weighted average number of ordinary shares for the purpose of basic earnings per share	**3,550,000,000.00**	3,886,417,038.00
Basic earnings per share	**0.76**	0.78

The Group does not have dilutive ordinary shares.

11. DIVIDENDS

During the Reporting Period, the Company has declared a final dividend of RMB0.27 per share to the owners of the Company for the year ended 31 December 2018, with the total final dividend declared amounting to approximately RMB958,500,000.00, and such dividend has been paid after the Reporting Period. The Board of the Company has not recommended any payment of dividend during the Reporting Period.

12. ACCOUNTS RECEIVABLE

Accounts receivable are disclosed by category:

	As at 30 June 2019 (Unaudited)				
Category	**Book balance**		**Bad debt allowance**		**Book value**
	Amount	**Proportion** *(%)*	**Amount**	**Proportion** *(%)*	**Amount**
Accounts receivable for which bad debt allowance is provided on individual basis	**841,382,958.48**	**27.66**	**821,966,266.07**	**97.69**	**19,416,692.41**
Accounts receivable for which bad debt allowance is provided on portfolio of credit risk characteristics	**2,200,494,040.73**	**72.34**	**378,878,938.00**	**17.22**	**1,821,615,102.73**
Total	**3,041,876,999.21**	**100.00**	**1,200,845,204.07**	**39.48**	**1,841,031,795.14**

	As at 31 December 2018 (Audited)				
Category	Book balance		Bad debt allowance		Book value
	Amount	Proportion *(%)*	Amount	Proportion *(%)*	Amount
Accounts receivable for which bad debt allowance is provided on individual basis	902,007,709.64	31.78	851,684,477.71	94.42	50,323,231.93
Accounts receivable for which bad debt allowance is provided on portfolio of credit risk characteristics	1,936,659,225.85	68.22	299,063,873.02	15.44	1,637,595,352.83
Total	2,838,666,935.49	100.00	1,150,748,350.73	40.54	1,687,918,584.76

Accounts receivable portfolio for which bad debt allowance is provided on portfolio of credit risk characteristics:

	As at 30 June 2019 (Unaudited)				
	Book balance		**Bad debt allowance**		**Book value**
	Amount	**Proportion** *(%)*	**Amount**	**Proportion** *(%)*	**Amount**
Within 1 year	**1,035,760,659.68**	**47.06**	**84,670,106.19**	**8.17**	**951,090,553.49**
1 to 2 years	**569,431,004.32**	**25.88**	**85,900,543.13**	**15.09**	**483,530,461.19**
2 to 3 years	**314,611,856.73**	**14.30**	**75,904,157.68**	**24.13**	**238,707,699.05**
3 to 4 years	**182,594,520.00**	**8.30**	**69,640,770.00**	**38.14**	**112,953,750.00**
4 to 5 years	**70,356,000.00**	**3.20**	**38,639,205.00**	**54.92**	**31,716,795.00**
5 to 6 years	**13,240,000.00**	**0.60**	**9,624,156.00**	**72.69**	**3,615,844.00**
Over 6 years	**14,500,000.00**	**0.66**	**14,500,000.00**	**100.00**	**—**
Total	**2,200,494,040.73**	**100.00**	**378,878,938.00**	**17.22**	**1,821,615,102.73**

	As at 31 December 2018 (Audited)				
	Book balance		Bad debt allowance		Book value
	Amount	Proportion (%)	Amount	Proportion (%)	Amount
Within 1 year	1,121,913,740.85	57.93	101,767,823.60	9.07	1,020,145,917.25
1 to 2 years	371,164,965.00	19.17	53,507,984.81	14.42	317,656,980.19
2 to 3 years	237,228,387.43	12.25	50,645,609.86	21.35	186,582,777.57
3 to 4 years	124,506,000.00	6.43	43,539,000.00	34.97	80,967,000.00
4 to 5 years	52,346,132.57	2.70	25,447,254.75	48.61	26,898,877.82
5 to 6 years	14,000,000.00	0.72	8,656,200.00	61.83	5,343,800.00
Over 6 years	15,500,000.00	0.80	15,500,000.00	100.00	—
Total	1,936,659,225.85	100.00	299,063,873.02	15.44	1,637,595,352.83

13. OTHER RECEIVABLES

	As at 30 June 2019 (Unaudited)	As at 31 December 2018 (Audited)
Interest receivables	**99,673,266.20**	96,854,369.24
Dividend receivables	**70,875,000.00**	—
Other receivables	**1,560,184,826.52**	1,839,171,149.48
Total	**1,730,733,092.72**	1,936,025,518.72

Other receivables are disclosed by nature:

	As at 30 June 2019 (Unaudited)	As at 31 December 2018 (Audited)
Loan and advances	**967,051,347.69**	957,102,681.95
Sales proceeds collected on behalf of the tenants	**414,825,508.27**	504,214,047.79
Deposits	**121,493,828.76**	161,820,517.67
Others	**56,814,141.80**	216,033,902.07
Total	**1,560,184,826.52**	1,839,171,149.48

The movements of bad debt allowance for other receivables based on 12-month expected credit loss and the lifetime expected credit loss, respectively, are as follows:

	Stage 1 Expected credit losses in the next 12 months	Stage 2 Lifetime expected credit losses	Stage 3 Lifetime expected credit losses	Total
		(No credit-impaired)	(Credit-impaired)	
Balance of bad debts allowance on 1 January 2019	**125,758,428.17**	**—**	**159,047,506.67**	**284,805,934.84**
— Transfer to stage 2				**—**
— Transfer to stage 3				**—**
— Reverse to stage 2				**—**
— Reverse to stage 1				**—**
Provision during the period	**33,540,884.97**			**33,540,884.97**
Reversal during the period	**(23,282,996.53)**			**(23,282,996.53)**
Balance of bad debt allowance on 30 June 2019	**136,016,316.61**	**—**	**159,047,506.67**	**295,063,823.28**

Significant changes on book balance of other receivables that affected the change in bad debt allowance this year include: receiving back from Handan Fengfengkuang District Royal Property Development Company Limited the loan amount of RMB300,000,000.00 during the Reporting Period, and reversal of bad debt allowance of RMB23,282,996.53, which correspondingly contributed to the decrease in the book balance of other receivables.

14. INVESTMENT PROPERTIES

	Completed properties	Properties under construction	Total
As at 31 December 2018 (Audited)	71,804,000,000.00	6,729,000,000.00	78,533,000,000.00
Additions during the Period	182,377,306.73	1,006,208,036.50	1,188,585,343.23
Transfer from properties under construction to completed properties	709,000,000.00	(709,000,000.00)	—
Additions from business combination	—	556,012,300.27	556,012,300.27
Changes in fair value	658,622,693.27	234,779,663.23	893,402,356.50
As at 30 June 2019 (Unaudited)	**73,354,000,000.00**	**7,817,000,000.00**	**81,171,000,000.00**

15. OTHER NON-CURRENT ASSETS

	As at 30 June 2019	As at 31 December 2018
	(Unaudited)	(Audited)
Prepayments for construction	**1,523,072,511.83**	1,054,474,837.71
Earning right related to land consolidation	**1,835,867,940.18**	1,835,867,940.18
Prepayments for purchasing an office premise	**2,332,101,329.74**	2,023,201,395.18
Entrusted loans	**698,044,794.77**	416,421,312.81
Prepayments for equity transfer	**310,253,469.11**	301,323,500.00
Prepayments for repurchase	**247,705,000.00**	247,705,000.00
Prepayments for land	**55,929,000.00**	210,862,580.50
Deposits	**—**	92,700,000.00
Total	**7,002,974,045.63**	6,182,556,566.38

16. SHORT-TERM LOANS

	As at 30 June 2019	As at 31 December 2018
	(Unaudited)	(Audited)
Pledge loans	**176,000,000.00**	981,760,000.00
Mortgage loans	**2,250,984,162.70**	3,126,756,740.00
Guaranteed loans	**286,835,518.75**	285,000,000.00
Credit loans	**651,094,797.92**	700,000,000.00
Mortgage and guaranteed loans	**—**	55,000,000.00
Total	**3,364,914,479.37**	5,148,516,740.00

17. ACCOUNTS PAYABLE

	As at 30 June 2019	As at 31 December 2018
	(Unaudited)	(Audited)
Amounts payable for advertisements and purchase of goods	**389,541,484.98**	354,045,884.56
Amounts payable for construction	**605,060,234.47**	616,071,095.78
Total	**994,601,719.45**	970,116,980.34

As at 30 June 2019, the Group had no significant accounts payable aged over one year.

18. OTHER PAYABLES

	As at 30 June 2019	As at 31 December 2018
	(Unaudited)	(Audited)
Interest payables	**—**	215,310,507.17
Dividends payables	**855,171,362.25**	16,556,410.95
Other payables	**7,714,922,906.22**	8,480,341,163.12
Total	**8,570,094,268.47**	8,712,208,081.24

Other payables categorized by nature are presented as below:

	As at 30 June 2019	As at 31 December 2018
	(Unaudited)	(Audited)
Proceeds collected on behalf of the tenants	**1,225,326,172.66**	2,233,316,693.86
Deposits from tenants	**2,290,073,072.22**	2,199,727,009.49
Amounts due to partners	**2,153,799,232.24**	1,438,160,139.88
Accrual expenses	**195,200,686.63**	277,643,310.09
Rental deposits from tenants	**678,786,404.68**	708,621,532.51
Amounts payable to construction contractors	**600,773,996.32**	800,535,460.58
Lease payable	**62,048,964.07**	57,739,035.70
Amounts payable to equity transfer	**77,200,000.00**	512,739,975.11
Amounts payable to prepaid cards	**10,685,868.97**	16,165,219.09
Others	**421,028,508.43**	235,692,786.81
Total	**7,714,922,906.22**	8,480,341,163.12

As at 30 June 2019, the Group had no significant other payables aged over one year.

19. NON-CURRENT LIABILITIES DUE WITHIN ONE YEAR

	As at 30 June 2019	As at 31 December 2018
	(Unaudited)	(Audited)
Long-term loans due within one year-principal	**3,237,630,077.54**	2,355,738,787.02
Long-term loans due within one year-interest	**35,171,854.03**	—
Bonds payable due within one year-principal	**1,499,515,438.84**	1,496,573,720.79
Bonds payable due within one year-interest	**297,049,977.68**	—
Lease liabilities due within one year	**534,260,592.42**	20,000,000.00
Commercial mortgage backed securities due within one year-principal	**73,800,000.00**	62,800,000.00
Commercial mortgage backed securities due within one year-interest	**106,894,262.87**	—
Financial lease payables due within one year	**11,810,683.99**	13,507,176.94
Total	**5,796,132,887.37**	3,948,619,684.75

20. LONG-TERM LOANS

	As at 30 June 2019	As at 31 December 2018
	(Unaudited)	(Audited)
Mortgage loans	**7,819,760,000.03**	8,671,995,000.02
Pledge loans	**655,600,000.00**	1,814,850,000.00
Mortgage and pledge loans	**5,114,530,275.00**	2,802,292,625.00
Mortgage and guaranteed loans	**1,657,797,337.51**	992,225,147.98
Credit loans	**—**	25,000,000.00
Total	**15,247,687,612.54**	14,306,362,773.00

21. SHARE CAPITAL

		Changes during the period			
Shareholder	**Opening amount**	**Issue of new shares**	**Others**	**Sub-total**	**Closing Amount**
1 January to 30 June 2019 (Unaudited):					
Domestic-listed A shares (restricted shares)	**2,561,103,969**	**—**	**(80,788,197)**	**(80,788,197)**	**2,480,315,772**
Domestic-listed A shares (non-restricted shares)	**315,000,000**	**—**	**80,788,197**	**80,788,197**	**395,788,197**
H shares	**673,896,031**	**—**	**—**	**—**	**673,896,031**
Total	**3,550,000,000**	**—**	**—**	**—**	**3,550,000,000**

Note 1: As at the beginning of the Reporting Period, domestic-listed A shares (restricted shares) comprised of 2,480,315,772 shares held by RSM Holding, 56,849,998 shares held by Shanghai Jinghai Assets Management Center (Limited Partnership)* (上海晶海資產管理中心(有限合夥)), 12,659,994 shares held by Shanghai Hongmei Investment Management Center (Limited Partnership)* (上海弘美投資管理中心(有限合夥)), 7,589,99 shares held by Shanghai Kaixing Business Administration Center (Limited Partnership)* (上海凱星企業管理中心(有限合夥)) and 3,688,206 shares held by Shanghai Ping'an Pharmacy Company Limited* (上海平安大藥房有限公司).

Note 2: On 17 January 2019, the Company's A shares had been listed for 12 months, and the lock-up period of 80,788,197 shares jointly held by Shanghai Jinghai Assets Management Center (Limited Partnership), Shanghai Hongmei Investment Management Center (Limited Partnership), Shanghai Kaixing Business Administration Center (Limited Partnership) and Shanghai Ping'an Company Limited expired. Such shares became domestic-listed A shares (non-restricted shares) on that date.

Management Discussion and Analysis

1. Overview

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

During the Reporting Period, the Group achieved a revenue of RMB7,757.1 million, representing an increase of 21.7% from RMB6,373.9 million for the same period in 2018. Gross profit margin decreased by 2.3 percentage points to 67.0% from 69.3% for the same period of last year. During the Reporting Period, net profit attributable to owners of the Company after deducting non-recurring profit or loss amounted to RMB1,713.0 million, representing an increase of 6.1% from RMB1,614.8 million for the same period in 2018. As at the end of the Reporting Period, the Group's cash and bank balances amounted to RMB8,340.8 million, representing a decrease of 2.2% from RMB8,527.6 million as at the end of 2018. As at the end of the Reporting Period, the net gearing ratio[Note] of the Group increased from 62.3% to 66.7% as at the end of 2018.

Note: Net gearing ratio is interest-bearing liabilities (including short-term loans, long-term loans, bonds payable, financial lease payables and commercial mortgage backed securities payable) less cash and bank balances and then divided by the total equity at the end of each period.

During the Reporting Period, we continued to implement the two-pronged business model of Portfolio Shopping Malls and Managed Shopping Malls, with focuses on continuing development of our asset-light business model, and strategically expanded our shopping mall network nationwide in order to further enhance our market share, thereby continuously strengthening our market leadership in China's home improvement and furnishings industry. As at the end of the Reporting Period, the Group operated 84 Portfolio Shopping Malls, 231 Managed Shopping Malls, and operated 12 home furnishing shopping malls through strategic cooperation[1]. In addition, the Group opened 27 franchised home improvement material projects[2] by way of franchising, which included a total of 386 home improvement material stores/industry streets[3].

The Portfolio Shopping Malls and Managed Shopping Malls that we operated cover 200 cities in 29 provinces, municipalities and autonomous regions, with a total shopping mall operating area of 19,966,858 sq.m. We continuously improved the operation and management of shopping malls in four aspects, including tenant sourcing management, operational management, marketing management and property management, and proactively made efforts to develop explorative business such as Internet pan home improvement and furnishings consumption business, Internet home decoration business and full-range logistics services. At the same time, the Group has achieved results in the aspects of smart shopping malls, business financial integration, information security and intelligent big data analysis through promoting the comprehensive digital and intelligent works in the information construction. In the future, we will continue to pursue our development goal of becoming the most advanced and professional "omni-channel platform service provider for the pan home improvement and furnishings industry" in China.

Notes: (1) During the Reporting Period, the Company acquired 46.5% of equity interests in Shandong Inzone Green Home Co., Ltd. (山東銀座家居有限公司), and became one of its largest shareholders ranked *pari passu* with Shandong Commercial Group Co., Ltd. (山東省商業集團有限公司). As of 30 June 2019, Shandong Inzone Green Home Co., Ltd. and its controlling subsidiaries operated 12 home furnishing shopping malls in total in the PRC. Strategic cooperative operation shopping malls mean the home furnishing shopping malls which, based on strategic objectives considered by the Company, to be held through joint investment with the partners, to jointly hold the properties and co-operate.

(2) Franchised home improvement material projects represent the home improvement material stores and home improvement material industry streets operated by the Group by way of franchising. For such franchised home improvement material stores/industry streets, the Group will not participate in the daily operation and management after their commencement of projects.

(3) For home improvement material stores/industry streets, the Group regards those with independent market logos as home improvement material stores/industry streets for the purpose of operation and management convenience after taking into full account the physical form of the managed property and the types of products sold.

2. Revenue

During the Reporting Period, the Group's revenue amounted to RMB7,757.1 million, representing an increase of 21.7% from RMB6,373.9 million for the same period in 2018. The stable growth in revenue was primarily due to the stable development of the related business of our Owned/Leased Portfolio Shopping Malls and Managed Shopping Malls and a substantial increase in the construction and design business. During the Reporting Period, the rental and related income of our Owned/Leased Portfolio Shopping Malls has increased by 11.8%, which was mainly due to steady growth of mature shopping malls and revenue contribution by the newly opened shopping malls. The increase of 23.6% in revenue from our Managed Shopping Malls during the Reporting Period, on the one hand, was due to the additional revenue acquired from the Group's business expansion to provide business consulting and tenant sourcing advisory services to owners of operating properties during the Reporting Period; on the other hand, it was also due to the annual increase in related management revenue from Managed Shopping Malls as the number of the Managed Shopping Malls in operation increased year by year. The increase in our construction and design business was mainly because the Group has proactively undertaken businesses of building installation and decorations in shopping malls from certain owners of Managed Shopping Malls or owners of external commercial properties.

The following table sets forth our revenue by segments:

	Six months ended 30 June			
	2019 (Unaudited)		2018 (Unaudited)	
	Amount	**%**	Amount	%
Owned/Leased Portfolio Shopping Malls	**3,952,122,177.57**	**50.9**	3,535,894,591.52	55.5
Managed Shopping Malls	**2,162,449,497.83**	**27.9**	1,749,199,266.87	27.5
Construction and design	**937,841,156.07**	**12.1**	458,986,112.62	7.2
Sales of merchandise and related services	**206,083,076.14**	**2.7**	187,528,781.63	2.9
Other	**498,618,579.85**	**6.4**	442,275,366.40	6.9
Total	**7,757,114,487.46**	**100.0**	6,373,884,119.04	100.0

3. Gross profit and gross profit margin

During the Reporting Period, the Group's gross profit was RMB5,194.7 million, representing an increase of 17.6% from RMB4,418.8 million for the same period in 2018; the comprehensive gross profit margin was 67.0%, representing a decrease of 2.3 percentage points from 69.3% for the same period in 2018. The decrease in comprehensive gross profit margin was mainly due to the changes in the income structure as a result of the significant increase in revenue from construction and design business during the Reporting Period.

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

	Six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
Owned/Leased Portfolio Shopping Malls	**79.5%**	78.2%
Managed Shopping Malls	**65.5%**	60.6%
Construction and design	**31.5%**	40.6%
Sales of merchandise and related services	**30.8%**	28.0%
Others	**55.3%**	80.5%
Total	**67.0%**	69.3%

4. Distribution and selling expenses and general and administrative expenses

During the Reporting Period, the Group's distribution and selling expenses amounted to RMB931.6 million (accounting for 12.0% of the revenue), representing an increase of 44.2% from RMB646.1 million (accounting for 10.1% of the revenue) for the same period in 2018, primarily due to growth in advertising and promotional expenses as a result of brand publicity activities and promotion for our newly opened shopping malls.

During the Reporting Period, the Group's general and administrative expenses amounted to RMB702.6 million (accounting for 9.1% of the revenue), representing an increase of 33.1% from RMB527.8 million (accounting for 8.3% of the revenue) for the same period in 2018, primarily due to the increase in the number of staff for expansionary business, the enhancement in staff remuneration standards and the increases in the staff remuneration and welfare, and office and administrative expenses arising from the newly-added interest application platform research and development team, as a result of our strategy to construct an omni-channel consumption platform for the pan home improvement and furnishings industry.

5. Financial expenses

During the Reporting Period, the Group's financial expenses amounted to RMB984.7 million, representing an increase of 67.7% from RMB587.1 million for the same period in 2018; among which, the total interest expense amounted to RMB1,095.3 million, representing an increase of 56.8% from RMB698.4 million for the same period in 2018, this was primarily due to the increase in the amount of interest-bearing liabilities as a result of the increase in bank borrowings, the issuance of domestic corporate bonds and commercial mortgage backed securities in the second half of 2018 and during the Reporting Period in order to meet the operation and development needs of the Group, and the increase of overall interest rate in the market during the Reporting Period.

6. Income tax expenses

During the Reporting Period, the income tax expenses of the Group amounted to RMB713.3 million, representing an increase of 28.8% from RMB553.8 million for the same period in 2018, which was mainly due to the clearance differences in respect of prior years of RMB366.0 million during the same period in 2018.

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

During the Reporting Period, net profit attributable to owners of the Company amounted to RMB2,705.5 million, representing a decrease of 11.0% from RMB3,038.6 million for the same period in 2018; the net profit attributable to owners of the Company after deducting non-recurring profit or loss amounted to RMB1,713.0 million, representing an increase of 6.1% from RMB1,614.8 million for the same period in 2018. The above performance was primarily due to the Group's steady business growth, continually providing customers with high value-added quality services through extension of the industry chain, which resulted in sustainable growth of revenue and gross profit. However, the non-recurring profit or loss decreased during the Reporting Period. Therefore, the net profit attributable to the owners of the Company decreased when compared with the same period in 2018.

	Six months ended 30 June		
	2019	2018	Increase/ decrease
	(Unaudited)	(Unaudited)	
Net profit attributable to owners of the Company	**2,705,544,357.44**	3,038,609,713.21	-11.0%
Net profit margin attributable to owners of the Company	**34.9%**	47.7%	-12.8 percentage points
Net profit attributable to owners of the Company after deducting non-recurring profit or loss	**1,713,037,155.58**	1,614,825,675.28	6.1%
Net profit margin attributable to owners of the Company after deducting non-recurring profit or loss	**22.1%**	25.3%	-3.2 percentage points

During the Reporting Period, the Group's earnings per share was RMB0.76, as compared to RMB0.78 for the same period in 2018.

8. Accounts receivable

As at the end of the Reporting Period, the book value of accounts receivable of the Group amounted to RMB1,841.0 million (including the balance of accounts receivable of RMB3,041.9 million and the bad debt allowance of RMB1,200.8 million), representing an increase of RMB153.1 million from RMB1,687.9 million as at the end of 2018, primarily due to the impact of the increase in accounts receivable arising from the growth of the relevant revenue from Managed Shopping Malls of the Group during the Reporting Period.

9. Investment properties and gain from fair value changes

As at the end of the Reporting Period, the book value of the Group's investment properties amounted to RMB81,171.0 million, representing an increase of 3.4% from RMB78,533.0 million as at the end of 2018. During the Reporting Period, the Group's investment properties realized a gain from fair value changes of RMB893.4 million. The above growth trend was mainly due to advancement in the construction progress of Owned Portfolio Shopping Malls under development, as well as the increase in the fair value of the properties as a result of the continuous steady improvement in the rental and related income level for certain opened shopping malls during the Reporting Period.

10. Capital expenditure

During the Reporting Period, the Group's capital expenditures amounted to RMB1,561.3 million (the same period in 2018: RMB1,622.1 million), primarily including the expenditures incurred for the acquisition of land for investment properties and construction expenditures.

11. Cash and bank balances and cash flow

As at the end of the Reporting Period, the Group's cash and bank balances amounted to RMB8,340.8 million (of which, the balance of cash and cash equivalents amounted to RMB7,790.3 million), representing a decrease of RMB186.8 million from RMB8,527.6 million (of which, the balance of cash and cash equivalents amounted to RMB7,614.5 million) as at the end of 2018.

	Six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
Net cash flow from operating activities	**1,179,077,717.75**	1,134,302,924.24
Net cash flow from investment activities	**(2,053,009,268.19)**	(6,298,470,764.58)
Net cash flow from financing activities	**1,049,691,408.56**	4,523,425,278.83
Impact of exchange rate changes on cash and cash equivalents	**93,087.83**	(8,602,143.90)
Net increase/(decrease) in cash and cash equivalents	**175,852,945.95**	(649,344,705.41)

During the Reporting Period, the Group's net cash inflow from operating activities amounted to RMB1,179.1 million, representing an increase of RMB44.8 million as compared with the cash inflow of RMB1,134.3 million during the same period in 2018. There was no significant change during the Reporting Period.

During the Reporting Period, the Group's net cash outflow from investment activities amounted to RMB2,053.0 million, representing a decrease of RMB4,245.5 million as compared with the cash outflow of RMB6,298.5 million during the same period in 2018. It was primarily due to the increased acquisitions of strategic assets and increased investment in upstream and downstream enterprises in the home industry chain during the same period in 2018, while the screening level for targeted investments further improved, the cash paid for various investments decreased during the Reporting Period, and meanwhile, certain restricted funds were relieved on maturity during the Reporting Period.

During the Reporting Period, the Group's net cash inflow from financing activities amounted to RMB1,049.7 million, representing a decrease of RMB3,473.7 million as compared with cash inflow of RMB4,523.4 million during the same period in 2018. The main change was the funds raised by the Company's issuance of A shares of approximately RMB3,050.0 million in 2018.

12. Major debt ratios

Among the total debts of the Group, the portion repayable within one year or on demand amounted to RMB8,175.9 million, the portion repayable over one year but less than two years amounted to RMB10,447.3 million, the portion repayable over two years but less than five years amounted to RMB14,503.5 million and the portion repayable over five years amounted to RMB5,981.7 million. The Group will promptly repay the above borrowings at the time of maturity.

The following table sets out our major debt ratios:

	As at 30 June 2019	As at 31 December 2018
	(Unaudited)	(Audited)
Asset-liability ratio[1]	**60.5%**	59.1%
Net gearing ratio	**66.7%**	62.3%

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

13. Pledged assets

As at the end of the Reporting Period, the Group had pledged investment properties with book value of RMB59,869.0 million and restricted cash and bank balances of RMB80.0 million for obtaining loans.

14. Contingent liabilities

As at the end of the Reporting Period, the Group had no contingent liability.

15. Capital commitments

As at the end of the Reporting Period, the amount of capital expenditure in respect of the acquisition and development of investment properties which the Group has contracted for but not recognized in the financial statements was RMB3,310.0 million. In addition, the Group has entered into agreements with its partners, pursuant to which the Group's commitment to contribute funds for development of investment properties jointly with the partners amounted to RMB1,588.7 million.

16. Financial resources

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

17. Material acquisitions and disposals

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

18. Foreign exchange risk

As at the end of the Reporting Period, financial assets and liabilities denominated in currencies other than the functional currency of the Group mainly included the US$300 million USD-denominated notes issued on 21 September 2017, the new HKD short-term borrowings in 2018 and certain deposits denominated in USD and HKD. To manage these additional risk exposures, the management of the Group has actively adopted relevant risk control measures to prepare for risk hedging, including selection of appropriate forward contracts and currency swaps and other foreign debt hedging instruments, enhancing internal control awareness and strategies, strengthening discussion with international banks, and closely monitored on trends of foreign exchange market. We believe that foreign exchange risks related to such assets and liabilities denominated in other currencies will not have material impacts on operating results of the Group.

19. Human resources

As at the end of the Reporting Period, the Group employed 25,463 employees (the same period in 2018: 23,187 employees) in total. The Group enters into labor contracts with employees according to the Labor Law of the PRC and the relevant provisions of the employee’s locality. The Group determines the employee’s basic wage and bonus level according to the employee’s performance, work experience and the market wage standard, and pays social insurance and housing provident fund for the employees. During the Reporting Period, the Group paid a total of RMB1,689.1 million for salary expenditures (the same period in 2018: RMB1,453.9 million). Meanwhile, the Group also continued to invest resources in providing various education and training opportunities for the staff, aiming to standardize the management work and improve the operation performance, and continuously improve the knowledge and technology level as well as business practice competence of the employees.

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

As at the end of the Reporting Period, we operated 84 Portfolio Shopping Malls, 231 Managed Shopping Malls and 12 home furnishing shopping malls through strategic cooperation. In addition, the Group authorized 27 franchised home improvement material projects to open for business by way of franchising, which includes a total of 386 home improvement material stores/industry streets. Our Portfolio Shopping Malls and Managed Shopping Malls cover 200 cities in 29 provinces, municipalities and autonomous regions in China, with a total operating area of 19,966,858 sq.m. Through applying the two-pronged development model of Portfolio Shopping Malls and Managed Shopping Malls, we have acquired the properties in prime locations in Tier I Cities and Tier II Cities, accumulated extensive experience in operating shopping malls, constantly strengthened brand value, and set a relatively high entry barrier for other companies.

During the Reporting Period, we continued to strategically locate our Portfolio Shopping Malls in prime locations in Tier I Cities and Tier II Cities, especially in prime regions in municipalities. As at the end of the Reporting Period, we operated 84 Portfolio Shopping Malls, covering a total operating area of 7,541,923 sq.m., with an average occupancy rate of 95.0%. Among these Portfolio Shopping Malls, 20 Portfolio Shopping Malls, representing 23.8% of the total number of Portfolio Shopping Malls, were located in the four municipalities of Beijing, Shanghai, Tianjin and Chongqing; the operating area of the above-mentioned Portfolio Shopping Malls was 2,069,070 sq.m., representing 27.4% of the total operating area of the Portfolio Shopping Malls. The same mall growth of mature shopping malls(1) during the Reporting Period was 6.7%. Such growth was mainly due to the aggregated contribution from the effective unit income from operation and the operating area of mature Portfolio Shopping Malls during the Reporting Period.

Note: (1) "Same mall growth of mature shopping malls" is the growth in operating income in the Reporting Period compared with the same period in the prior year for all Portfolio Shopping Malls (including associates and joint ventures) that were in operation for at least three financial years and were still in operation as at the end of the Reporting Period.

During the Reporting Period, we opened 1 new Portfolio Shopping Mall and 3 Managed Shopping Malls were converted into Portfolio Shopping Malls. As at the end of the Reporting Period, we had 32 pipeline Portfolio Shopping Malls. We will continue to focus on the prime locations of Tier I and Tier II Cities to strategically expand our Portfolio Shopping Malls network in the future.

In addition, by virtue of a reputable brand name in the home improvement and furnishings industry and extensive experience in shopping mall development, strength in tenant sourcing and operational management, we continued to rapidly develop Managed Shopping Malls in Tier III Cities and other cities. We also established a strict internal screening and reviewing mechanism to ensure steady and rapid development of our Managed Shopping Malls. As at the end of the Reporting Period, we operated 231 Managed Shopping Malls covering a total operating area of 12,424,935 sq.m., with an average occupancy rate of 95.0%. Among these Managed Shopping Malls, 124 Managed Shopping Malls, representing 53.7% of the total number of Managed Shopping Malls, were located in eastern China and northern China (excluding Shanghai, Beijing and Tianjin). The operating area of the aforesaid Managed Shopping Malls was 7,190,491 sq.m., representing 57.9% of the total operating area of Managed Shopping Malls. During the Reporting Period, we opened 12 new Managed Shopping Malls and closed 6 Managed Shopping Malls. In addition, 3 Managed Shopping Malls were converted into Portfolio Shopping Malls.

As at the end of the Reporting Period, among the pipeline Managed Shopping Malls, we have obtained land use rights certificate/land parcels for 353 contracted projects.

Along with steady social and economic development of the country, further progress of urbanization strategy, and stable growth in disposable income per capita, we will focus on increasing the rate of expansion of our Managed Shopping Malls business throughout China.

21. Operation and management of shopping malls

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

21.1 Tenant Sourcing Management

We continuously optimized the brands and the categories of merchandise in shopping malls and promoted the upgrade of home furnishing shopping malls consumption. The Company also adhered to the consumption upgrading trend, stepped up its efforts in introducing global brands and continued to build international pavilions. We constantly strengthened the management of brand resources and dealer resources to promote accurate business matching.

21.2 Operational Management

We comprehensively launched the “Word of Mouth Advertising” project by setting unified high standards and strict requirements on the operation and management of shopping malls in respect of price, quality and service, etc., and evaluated the operational results by collecting and analyzing consumer feedback, further improving the quality of “Word of Mouth Advertising”. As at the end of the Reporting Period, 312 shopping malls have launched the “Word of Mouth Advertising” project.

21.3 Marketing Management

We continued to propagate the brand strategy of "Selecting Global Top-notch Design Products" and built a high-end brand image. We also continued to adhere to the spirit of innovation with ingenuity, quality and taste, and comprehensively upgraded the high-end and stylish brand image in respect of brand events, brand advertisements, graphic vision and space beautification. We continued to establish a digital marketing system through the IMP (Intelligent Marketing Platform), the global furniture intelligent marketing platform. As at the end of Reporting Period, the IMP has been launched in 315 shopping malls in 200 cities, which further improved their abilities to gain customers precisely.

21.4 Property Management

We continued to strictly manage and control the safety risks in our shopping malls with prevention control at the forefront, complemented by emergency plans through our staff and technology. We constantly improved the environment of our shopping malls to enhance the shopping experience of our merchants and customers.

22. Expansionary business: robust development

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

23. Continuously upgrading the information infrastructure to support the development of online and offline business integration

During the Reporting Period, focusing on the objective of all-rounded digitalization and automation of the Group, we continued to promote the construction of information infrastructures in the Group's headquarters and shopping malls, and made certain achievements in the aspects of smart shopping malls, integration of business and finance, information security and intelligent big data analysis.

24. Highly efficient human resources management policies

During the Reporting Period, we strictly adhered to our corporate strategies whereby our human resources policies, rapidly completed the supporting work for organizations and personnel according to each new business plan of the Company, ensured the rapid advancement of the Company's strategies, and achieved success in a number of aspects including system optimization, management of overall performance, talent development, business support, human resources operation and employee relations.

25. The establishment of home furnishing shopping malls brand portfolio

As at the end of the Reporting Period, "Red Star Macalline", the core brand of the Company, remains the leading position in terms of the number of shopping malls and revenue contribution.

26. Outlook and prospects

We always shoulder the responsibility of "building a cozy and harmonious home and improving the taste in shopping and home life". In the second half of 2019 and going forward, we will continue to follow the operational management mode of "market-oriented operation and shopping mall-based management" to provide customers with better and more professional services. We will consolidate our leading status in the market as well as the professional status of "Red Star Macalline" as an expert of home life with customers, to pursue our enterprise development goal of growing into China's most advanced and professional "omni-channel platform service provider for home decoration and furnishing industry".

Our future development plans are as follows:

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

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

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

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

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

Corporate Governance and Other Information

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

Compliance with Corporate Governance Code

During the six months ended 30 June 2019, other than deviation from Code Provision A.2.1 of the Corporate Governance Code, the Company has complied with the provisions of the Corporate Governance Code (the "**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 (the "**Listing Rules**"), which set out principles of good corporate governance in relation to, among other matters, the directors, the chairman and chief executive officer, board composition, the appointment, re-election and removal of directors, their responsibilities and remuneration, and communications with shareholders. Directors are satisfied that sufficient corporate governance measures have been put in place to manage conflicts of interest between the Group and the controlling shareholders (as defined under the Listing Rules) and/or directors to protect the interests of the minority shareholders.

Deviation from Code Provision A.2.1 of the Corporate Governance Code

Mr. CHE Jianxing ("**Mr. CHE**") is the Chairman and chief executive officer of the Company. In view of Mr. CHE's experience, personal profile and his roles in the Group as mentioned above and the fact that Mr. CHE has assumed the role of chief executive officer and the general manager of the Group since June 2007, the Board considers it beneficial to the business prospect and operational efficiency of the Group that Mr. CHE, in addition to acting as the Chairman of the Board, continues to act as the chief executive officer of the Company. While this will constitute a deviation from Code Provision A.2.1 of the Corporate Governance Code, the Board believes that this structure will not impair the balance of power and authority between the Board and the management of the Company, given that: (i) decisions to be made by the Board require approval by at least a majority of our Directors and that the Board comprises 4 independent non-executive Directors out of the 10 Directors, which is in compliance with the Listing Rules requirement that one-third of the Board shall be independent non-executive Directors, and the Company believes that there are sufficient checks and balances in the Board; (ii) Mr. CHE and the other Directors are aware of and undertake to fulfill their fiduciary duties as Directors, which require, among other things, that they shall act for the benefit and in the best interests of the Company and will make decisions for the Group accordingly; and (iii) the balance of power and authority is ensured by the operations of the Board which comprises experienced and high caliber individuals who meet regularly to discuss issues affecting the operations of the Company. Moreover, the overall strategic and other key business, financial, and operational policies of the Group are made collectively by the Board and the senior management after their thorough discussion.

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 securities transactions by directors and supervisors of the Company ("**Supervisors**") on terms as required under the Model Code for Securities Transactions by Directors of Listed Issuers ("**Model Code**") as set out in Appendix 10 to the Listing Rules. The Company has conducted specific enquiries to the Directors and Supervisors, and all Directors and Supervisors have confirmed that they had complied with all the provisions and standards set out in the Model Code during the six months ended 30 June 2019.

Purchase, Sale or Redemption of Listed Securities

The Group did not purchase, sell or redeem any listed securities of the Company during the six months ended 30 June 2019.

Interim Dividends

The Board does not recommend payment of dividend for the six months ended 30 June 2019.

Use of Proceeds from Global Offering

The net proceeds from the Company's global offering ("**Global Offering**") amounted to RMB5,573.3 million, used for the development of 9 Portfolio Shopping Malls, investment or acquisition of other home improvement and furnishings retailers and other market participants, refinancing of our existing indebtedness, development of our O2O business and information technology systems, working capital and other general corporate purposes. The Board resolved on 31 July 2015 and 16 January 2018 to change the intended use of part of the net proceeds from the Global Offering. For details, please refer to the announcements of the Company dated 31 July 2015 and 16 January 2018. (collectively referred to as "**Announcements on Change in Use of Proceeds**" below). All net proceeds have been utilized in a manner consistent with the disclosure set out in the section headed "Future Plans and Uses of Proceeds" in the Prospectus and Announcements on Change in Use of Proceeds of the Company. As at the end of the Reporting Period, the Company had cumulatively used 99.7% of the net proceeds in the abovementioned fund-raising investment projects.

Analysis of use / intended use and utilized net proceeds from the Global Offering as at 30 June 2019 is as follows:

Use / Intended use	**Planned use** *(RMB million)*	**Actual use of proceeds as at 30 June 2019** *(RMB million)*	**Unutilized net proceeds as at 30 June 2019** *(RMB million)*
Development of Portfolio Shopping Mall projects	1,928.5	1,928.5	—
Refinancing of existing debt	1,208.8	1,208.8	—
Investment in or acquisition of other market participants in home furnishing industry, development funds for e-commerce business and information technology systems, and working capital and daily expenses	2,436.0	2,421.6	14.4

A Share Offering and Use of Proceeds

A shares of the Company were listed and traded on the Shanghai Stock Exchange on 17 January 2018 (Stock Code: 601828) at the issue price of RMB10.23 per share with an issuance size of 315,000,000 shares. The total proceeds raised from this offering was RMB3,222,450,000.00, and the net proceeds raised (after deducting the issuing expenses of A shares of RMB172,442,150.37) was RMB3,050,007,849.63 ("**A Shares Offering Proceeds**"). The net amount raised per subscribed share is RMB9.68 per share, and the closing price per share on the date of listing was RMB14.42. For details, please refer to the announcements of the Company dated 2 January 2018, 16 January 2018, 7 February 2018 and 7 September 2018. As of the end of the Reporting Period, the Group has utilized approximately 84.5% of the net proceeds for fundraising investment projects and replenishing working capital as required.

Analysis of the use of proceeds from issuance of A shares as at 30 June 2019 is as follows:

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

Proposed investment projects		**Total investment planned** *(RMB'000)*	**Investment amount at the end of Reporting Period** *(RMB'000)*	**Remarks**
Home furnishing shopping mall construction project	Tianjin Beichen Shopping Mall Project	245,137	245,137	Fully invested
	Hohhot Yuquan Shopping Mall Project	76,825	76,825	Fully invested
	Dongguan Wanjiang Shopping Mall Project	164,145	164,145	Fully invested
	Harbin Songbei Shopping Mall Project	294,809	294,809	Fully invested
	Urumqi Convention and Exhibition Mall Project	669,084	665,835	Fully invested
	Changsha Jinxia Shopping Mall Project	190,000	88,632	Expected to be invested by December 2020
	Xining Expo Shopping Mall Project	110,000	107,786	Fully invested
	Sub-total	1,750,000	1,641,169	
New intelligent home furnishing shopping mall		400,000	35,942	
Repayment of bank loans		400,000	400,000	
Supplement of liquidity		150,008	150,008	
Repayment of interest-bearing debts		350,000	350,000	
Total		**3,050,008**	**2,577,118**	

Events after the Reporting Period

1. Additional Appointments of Non-executive Directors of the Third Session of the Board

As recommended by the shareholders of the Company, namely, Taobao China Holding Limited and New Retail Strategic Opportunities Investments 4 Limited, and as considered and approved by the Nomination Committee of the Board of the Company, the Company convened the fifty-fourth extraordinary meeting of the third session of the Board on 19 July 2019, in which the Board considered and approved the Resolution Concerning the Additional Appointment of Mr. JING Jie as a Non-executive Director of the Third Session of the Board of the Company and the Resolution Concerning the Additional Appointment of Mr. XU Hong as a Non-executive Director of the Third Session of the Board of the Company. The Board approved the nomination of additional appointments of Mr. JING Jie and Mr. XU Hong as non-executive Directors of the third session of the Board of the Company, and approved Mr. XU Hong to serve as a member of Strategy and Investment Committee under the Board of the Company after the appointment of Mr. XU Hong as a non-executive Director of the Company. These appointments shall come into force upon being submitted to the general meeting of the Company for consideration and approval. For details, please refer to the announcement of the Company dated 21 July 2019 as disclosed on the website of the Hong Kong Stock Exchange (www.hkexnews.hk).

2. Disposal of the Equity and Creditor's Rights in Subsidiary to the Related Party

The Company entered into the Equity and Creditor's Rights Acquisition Agreement with Shanghai Aegean Outlets Business Management Co., Ltd. ("**Aegean Outlets**") and Anhui Tenghui Investment Group Hefei Company Limited ("**Anhui Tenghui**") on 8 August 2019, pursuant to which, the Company sold its 100% equity interests in Anhui Tenghui, a wholly-owned subsidiary of the Company, and transferred its creditor's rights to Aegean Outlets.

According to a valuation report prepared by a third-party valuer, Wanlong (Shanghai) Asset Valuation Company Limited, taking 30 June 2019 as the appraisal record date, the total shareholders' interest in Anhui Tenghui was valued at RMB-17,446,350.48 based on the asset-based approach. The Company determined the price based on the above, offered Anhui Tenghui a debt relief of RMB17,446,350.48, transferred its remaining creditor's rights and sold its 100% equity interests in Anhui Tenghui to Aegean Outlets. The total consideration consisted of the payment of the equity transfer of RMB1, the principal amount for the creditor's rights transfer of RMB563,065,052.30 and interest (the amount of interest until the date when the principal of the creditor's rights is paid off shall be subject to the amount on the actual payment date).

On 15 August 2019, the Company has received from Aegean Outlet all the principal amount for the first installment of the creditor's rights transfer of RMB30.00 million.

For details, please refer to the announcement of the Company dated 8 August and 21 August 2019 as disclosed on the website of the Hong Kong Stock Exchange (www.hkexnews.hk) and the announcement dated 9 August and 22 August 2019 as disclosed on designated media in China.

Review of Interim Results

The Company's audit committee has reviewed the interim results announcement for the six months ended 30 June 2019 and the unaudited condensed consolidated financial statements for the six months ended 30 June 2019.

Publication of the Interim Results Announcement and Interim Report

This announcement is published on the website of the Hong Kong Stock Exchange (www.hkexnews.hk) and on the website of the Company (www.chinaredstar.com). The Company's 2019 interim report containing the information as required by the Listing Rules will be sent to Shareholders and published on the website of the Hong Kong Stock Exchange and on the website of the Company in due course.

By Order of the Board
Red Star Macalline Group Corporation Ltd.
CHE Jianxing
Chairman

Shanghai, the PRC
26 August 2019

As at the date of this announcement, the executive Directors of the Company are CHE Jianxing, GUO Binghe, CHE Jianfang and JIANG Xiaozhong; the non-executive Directors are CHEN Shuhong and XU Guofeng; and the independent non-executive Directors are QIAN Shizheng, LEE Kwan Hung, Eddie, WANG Xiao and ZHAO Chongyi.