



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

2019

Contents

Corporate Information	2
Financial and Operational Highlights	4
Management Discussion and Analysis	6
Corporate Governance and Other Information	41
Consolidated Balance Sheet	54
Consolidated Income Statement	57
Consolidated Cash Flow Statement	59
Consolidated Statement of Changes in Equity	61
Company's Balance Sheet	63
Company's Income Statement	65
Company's Cash Flow Statement	66
Company's Statement of Changes in Equity	68
Notes to the Financial Statements	70



Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. CHE Jianxing (*Chairman*)

Mr. GUO Binghe (*Vice Chairman*)

Ms. CHE Jianfang

Mr. JIANG Xiaozhong

Non-executive Directors

Ms. CHEN Shuhong

Mr. XU Guofeng

Independent Non-executive Directors

Mr. QIAN Shizheng

Mr. LEE Kwan Hung, Eddie

Mr. WANG Xiao

Ms. ZHAO Chongyi

SUPERVISORS

Mr. PAN Ning (*Chairman*)

Ms. CHAO Yanping

Mr. CHEN Gang

Mr. ZHENG Hongtao

AUDIT COMMITTEE

Mr. QIAN Shizheng (*Chairman*)

Mr. LEE Kwan Hung, Eddie

Mr. WANG Xiao

REMUNERATION AND EVALUATION COMMITTEE

Mr. QIAN Shizheng (*Chairman*)

Mr. CHE Jianxing

Mr. WANG Xiao

NOMINATION COMMITTEE

Mr. LEE Kwan Hung, Eddie (*Chairman*)

Mr. CHE Jianxing

Ms. ZHAO Chongyi

STRATEGY AND INVESTMENT COMMITTEE

Mr. CHE Jianxing (*Chairman*)

Mr. GUO Binghe

Mr. JIANG Xiaozhong

Ms. ZHAO Chongyi

COMPANY SECRETARY

Mr. GUO Binghe

ASSISTANT COMPANY SECRETARY

Ms. LEUNG Suet Lun

AUTHORIZED REPRESENTATIVES

Mr. CHE Jianxing

Mr. GUO Binghe

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Industrial and Commercial Bank of China

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Minsheng Bank

Shanghai Xuhui Branch
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Shanghai
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Bank of Communications

Shanghai Putuo Branch
No. 350 Jiangning Road
Shanghai
the PRC

STOCK CODE

Hong Kong Stock Exchange: 1528
Shanghai Stock Exchange: 601828

COMPANY'S WEBSITE

www.chinaredstar.com

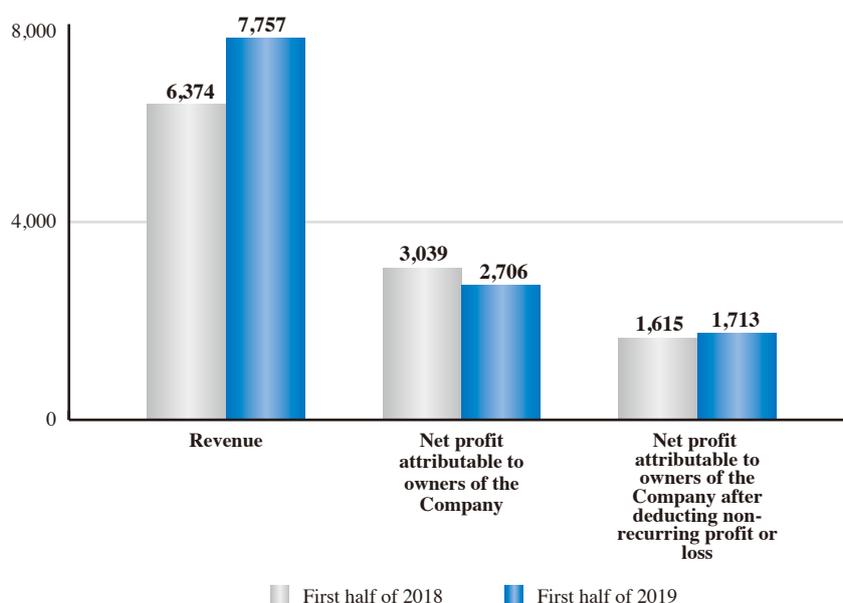
Financial and Operational Highlights

FINANCIAL HIGHLIGHTS

	Six months ended 30 June	
	2019	2018
	<i>(RMB'000, except otherwise stated)</i>	
	(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 of the dates indicated:

	As at 30 June 2019	As at 31 December 2018
Number of shopping malls	315	308
Operating area of shopping malls (<i>sq.m.</i>)	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 (<i>sq.m.</i>)	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 (<i>sq.m.</i>)	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.

Management Discussion and Analysis

I. OVERVIEW

For the six months ended 30 June 2019 (the “Reporting Period”), Red Star Macalline Group Corporation Ltd. (the “Company”) and its subsidiaries (collectively the “Group”, “We” or “Our”) 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 to 66.7% from 62.3% 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 Company operated 84 Portfolio Shopping Malls, 231 Managed Shopping Malls, and operated 12 home furnishing shopping malls through strategic cooperation⁽¹⁾. In addition, the Company 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⁾.

I. OVERVIEW (continued)

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.

II. INDUSTRY ENVIRONMENT

In the first half of 2019, the economy maintained overall stability with improvement while maintaining quality and efficiency, and people's livelihood continued to improve, thus maintaining sustainable and healthy economic development and overall social stability.

According to the statistics of the National Bureau of Statistics of the PRC, from January to June in 2019, the GDP in China grew by 6.3% on a year-on-year basis, while the national disposable income per capita increased by 8.8% over the corresponding period of last year in terms of nominal growth, with an actual growth rate of 6.5% after deducting price factors. During the same period, the retail sales of social consumer goods increased by 8.4% on a year-on-year basis. Among which, retail sales of commodity retail consumer goods increased by 8.3% on a year-on-year basis, furniture category increased by 5.7% on a year-on-year basis, and construction and decoration material categories increased by 3.6% on a year-on-year basis. The stable and improving economic development trend, the continuous promotion of urbanization process and the increase of citizens' income level provide favorable conditions for the continuous development of social consumer goods market. At the same time, the domestic demand for home improvement and furnishings is increasing. In addition, the second interior decoration and the consumption upgrade for home appliances also bring room for the industry's continuous development.

III. FINANCIAL REVIEW

1. 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 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 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 business segments:

	Six months ended 30 June			
	2019 (Unaudited)		2018 (Unaudited)	
	(RMB)	%	(RMB)	%
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
Others	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

Owned/Leased Portfolio Shopping Malls: the revenue increased from RMB3,535.9 million in the first half of 2018 to RMB3,952.1 million in the Reporting Period, representing an increase of 11.8%, which was mainly due to steady growth of mature shopping malls and revenue contribution by the newly-opened shopping malls. As of the end of the Reporting Period, the number of Owned/Leased Portfolio Shopping Malls opened by the Group increased by 9 when compared with the end of June 2018, with the corresponding increase in the total operating area of 1,449,465 sq.m.

III. FINANCIAL REVIEW (continued)

1. Revenue (continued)

Managed Shopping Malls: the revenue increased from RMB1,749.2 million in the first half of 2018 to RMB2,162.4 million in the Reporting Period, representing an increase of 23.6%, 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 increase in related management revenue from Managed Shopping Malls as the number of the Managed Shopping Malls in operation increased year by year.

Construction and design business: during the Reporting Period, the total revenue generated from construction and design business amounted to RMB937.8 million, representing an increase of RMB478.9 million as compared to the same period, 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.

2. Cost of Sales

The cost of sales of the Group mainly included the cost of operation and management of Owned/Leased Portfolio Shopping Malls, the cost of project consulting and management service, the cost of construction and design, the cost of sales of goods and home decoration, etc. During the Reporting Period, the cost of sales of the Group was RMB2,562.5 million, representing an increase of 31.1% as compared with RMB1,955.1 million in the same period of 2018, mainly due to an increase in the construction and design business and the development of new businesses.

The following table sets forth our operating cost by business segments:

	Six months ended 30 June			
	2019	2019	2018	2018
	(RMB)	%	(RMB)	%
	(Unaudited)		(Unaudited)	
Owned/Leased Portfolio				
Shopping Malls	808,393,623.53	31.5	772,121,419.76	39.5
Managed Shopping Malls	746,302,209.26	29.1	688,881,541.69	35.2
Construction and design	642,568,338.90	25.1	272,597,029.98	13.9
Sales of merchandise and related services	142,535,402.83	5.6	135,052,128.67	6.9
Others	222,660,569.47	8.7	86,405,436.80	4.4
Total	2,562,460,143.99	100.0	1,955,057,556.90	100.0

III. FINANCIAL REVIEW (continued)

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 business segments:

	Six months ended 30 June	
	2019 (Unaudited)	2018 (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 internet 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.

III. FINANCIAL REVIEW (continued)

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		Increase/ Decrease
	2019 (RMB) (Unaudited)	2018 (RMB) (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 nonrecurring 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.

III. FINANCIAL REVIEW (continued)

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 on 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 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 continuous steady improvement in the rental and related income level for certain opened shopping malls during the Reporting Period.

In recent years, the domestic sound business operation environment and the brand influence of "Red Star Macalline" have formed the strong support for the overall operating revenue from the shopping mall operated by us. Thus, the fair value of the investment properties of the Group increased on continuous basis. The Group will continue to receive rent for investment properties, and dispose certain investment properties at appropriate times and subject to the market environment.

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.

III. FINANCIAL REVIEW (continued)

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 (RMB) (Unaudited)	2018 (RMB) (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 investments 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 net 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. Debt Profile and Debt Ratios

As of the end of the Reporting Period, the total amount of debt of the Group was RMB39,108.3 million, of which bank borrowings were RMB21,850.2 million, bonds payable were RMB11,157.9 million and commercial mortgage backed securities payables were RMB6,100.2 million.

III. FINANCIAL REVIEW (continued)

12. Debt Profile and Debt Ratios (continued)

The following table sets out our specific debt profile:

	As at 30 June 2019 (Unaudited) (RMB'000)	As at 31 December 2018 (Audited) (RMB'000)
Bank and other borrowings		
Secured	21,160,137	21,056,618
Unsecured	690,095	754,000
Total	21,850,232	21,810,618
Fixed-rate borrowings	4,748,107	4,683,610
Floating-rate borrowings	17,102,125	17,127,008
Total	21,850,232	21,810,618
The borrowings are repayable		
Within one year or on demand	6,602,545	7,504,256
More than one year, but not exceeding two years	2,900,363	2,767,248
More than two years, but not exceeding five years	6,365,627	6,015,593
More than five years	5,981,698	5,523,522
Total	21,850,232	21,810,618
Actual interest rate range		
Fixed-rate borrowings	2.48–7.00	4.28–7.36
Floating-rate borrowings	3.50–6.50	4.35–6.80

III. FINANCIAL REVIEW (continued)

12. Debt Profile and Debt Ratios (continued)

Name of bonds	Par value	Issue date	Maturity	As at	As at
				30 June 2019 (Unaudited) (RMB'000)	31 December 2018 (Audited) (RMB'000)
Public offering of Corporate Bonds of 2018 of Red Star Macalline Group Corporation Ltd. (First tranche) (type 1)	RMB3,000 million	2018	3 years	2,983,945	2,978,214
5-year US\$-denominated bonds of Hong Kong Red Star Macalline in 2017	USD300 million	2017	5 years	2,035,632	2,028,378
7-year Corporate Bonds of 2016 of Red Star Macalline Group Corporation Ltd. (First tranche)	RMB1,500 million	2016	7 years	1,489,085	1,486,703
First tranche of the medium-term notes of 2018 of Red Star Macalline Group Corporation Ltd.	RMB500 million	2018	3 years	495,871	495,098
Corporate Bonds of 2015 of Red Star Macalline Group Corporation Ltd. (First tranche)	RMB5,000 million	2015	5 years	168,002	168,002
First tranche of the medium-term notes of 2019 of Red Star Macalline Group Corporation Ltd.	RMB500 million	2019	3 years	497,835	—
Public offering of Corporate Bonds of 2019 of Red Star Macalline Group Corporation Ltd. (First tranche) (type 2)	RMB2,000 million	2019	4 years	1,987,992	—
5-year Corporate Bonds of Red Star Macalline Group Corporation Ltd. (Second tranche)	RMB1,500 million	2016	5 years	1,499,515	1,496,574
Total				11,157,877	8,652,969

III. FINANCIAL REVIEW (continued)

12. Debt Profile and Debt Ratios (continued)

	As at 30 June 2019 (Unaudited) (RMB'000)	As at 31 December 2018 (Audited) (RMB'000)
Commercial mortgage-backed securities		
Securities due in 2020	2,371,782	2,368,173
Securities due in 2021	2,565,107	2,481,250
Securities due in 2022	1,163,315	—
Total	6,100,204	4,849,423

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 maturity date.

The following table sets out our major debt ratios:

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

	Six months ended 30 June 2019 (Unaudited)	2018 (Unaudited)
Interest expenses coverage ratio ⁽²⁾	3.04	3.96

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 expenses, depreciation, amortisation and impairment, further adjusted to exclude gains on fair value changes, investment income, gains/(losses) from disposal of assets, other income, non-operating income and non-operating expenses.

III. FINANCIAL REVIEW (continued)

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 the 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 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 liquidity needs, comply with financing agreements and maintain sufficient cash reserves and appropriate credit limits so as to meet liquidity demand.

17. 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 and strengthening scale effect.

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

III. FINANCIAL REVIEW (continued)

18. Material Acquisitions and Disposals

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

19. 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 monitoring on trends of foreign exchange market. We believe that foreign exchange risks related to such assets and liabilities denominated in other currencies will not have material impacts on operating results of the Group.

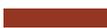
20. Human Resources

As at the end of the Reporting Period, the Group has employed 25,463 employees (as of 31 December 2018: 24,339 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.

IV. BUSINESS REVIEW (continued)

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

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

Color	Region ⁽¹⁾ (Municipality/ Administrative Region)	Portfolio Shopping Malls		Managed Shopping Malls	
		Number of shopping malls	Sub-total Operating Area (sq.m.)	Number of shopping malls	Sub-total Operating Area (sq.m.)
	Beijing	4	342,736	1	111,302
	Shanghai	7	894,759	0	0
	Tianjin	4	448,427	3	173,665
	Chongqing	5	383,147	5	156,723
	Northeast China	11	1,105,611	16	759,907
	North China (excluding Beijing and Tianjin)	10	561,721	28	1,605,390
	East China (excluding Shanghai)	24	2,178,359	96	5,585,101
	Central China	8	809,760	32	1,578,148
	South China	4	246,750	11	560,612
	West China	7	570,652	39	1,894,087
	Total	84	7,541,923	231	12,424,935

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

IV. BUSINESS REVIEW (continued)

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

During the Reporting Period, we continued to strategically locate our Portfolio Shopping Malls in prime locations in Tier I Cities and Tier II Cities, especially in prime regions in municipalities. As of 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.

IV. BUSINESS REVIEW (continued)

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

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 right certificates/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.

2. Operation and Management of Shopping Malls

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

2.1 Tenant sourcing management

2.1.1 Continuously optimize the brands and the categories of merchandise in shopping malls and promote the upgrade of home furnishing shopping malls consumption

In the face of the market consumption grading situation and market competition trend, we continue to increase efforts to introduce mainstream categories suitable for consumer demands and to optimize the layout of the categories of merchandise in shopping malls by creating home life experience pavilion; meanwhile, we also continued to increase customized categories' coverage in line with the changing home furnishing and decoration market to build a high-end customized experience center; we continued to explore and promote the entry of design products, and increased the introduction

IV. BUSINESS REVIEW (continued)

2. Operation and Management of Shopping Malls (continued)

2.1 Tenant sourcing management (continued)

2.1.1 Continuously optimize the brands and the categories of merchandise in shopping malls and promote the upgrade of home furnishing shopping malls consumption (continued)

of design furniture; at the same time, we expanded the range of door and window category, and gradually implement the “door and window boutique center” (門窗精品館) and “door and window living center” (門窗生活館) in China to lead the upgrades and development of categories. As of the end of the Reporting Period, the operating area of door and window category increased by 12.4% compared with the end of 2018. At the same time, in response to the diversified trend of household appliance channel layout, we built an electric appliance living center (電器生活館) with the scene experience as the traffic entrance, and vigorously expanded the electric appliance category, introduced new brands to form a scale effect. As of the end of the Reporting Period, the operating area of electric appliance category increased by 16.8% year-on-year. In addition, we also continued to increase the introduction of high-quality, leading categories and brands. As of the end of the Reporting Period, the operating area of imported brands increased by 16.0%, the operating area of designing brands increased by 5.7%, the operating area of smart home furnishing brands increased by 13.0%, the operating area of soft home interior furnishing brands increased by 8.3%, and the operating area of home decoration design centers increased by 19.3%. The customized product category was gradually graded and we created the customized product category center and the high-end living center to cater to different consumer groups.

2.1.2 Cater to the consumption upgrading trend, step up efforts in introducing global brands and continue to build international pavilions

During the Reporting Period, following the trend of consumption upgrading, we stepped up our efforts in the introduction of global brands, and promoted the realization of “one store to see the world, one center for more styles” (一店看世界,一館多風格) in certain shopping malls. In addition to the international pavilions established in Tier I and Tier II Key Cities, we also penetrated potential markets such as Taizhou, Jiangyin and Yantai and other Tier III and Tier IV cities with strong consumption capacity, and promoted the entry of international brands. Meanwhile, we constantly expanded the database of dealers for imported brands through extensive promotion of B2B brand connection conference in domestic and overseas markets, which we conducted precise analysis and selection based on, in order to cultivate a professional dealer team to help the Company occupy the high-end consumption market of imported home furnishing. As of the end of the Reporting Period, the number of our international brands reached 4,474.

IV. BUSINESS REVIEW (continued)

2. Operation and Management of Shopping Malls (continued)

2.1 Tenant sourcing management (continued)

2.1.3 Constantly strengthen the management of brand resources and dealer resources to promote an accurate connection

In the management of categories and brand resources, we continued to optimize brand classification, integrated key categories, constantly deepened the exploitation of our high-quality brands, expanded and optimized the database for brand resources. For the core categories and brands, we provided preferential support thereto by taking measures such as building theme pavilions, giving suggestions on product innovation and expanding business channels.

At the same time, a database for key dealers was established to closely connect high-quality dealers and brand owners through trade shows and accurate business matching, which provides support of dealer resources for the enterprises of core category brands. For the high-quality dealers, we offered a service system with more dimensions, including guidelines on running a store, support for regular operations, training enhancement, information push, store manager upgrade plan, etc., to effectively cultivate and strengthen the loyalty of dealers and lay a foundation for the expansion of future businesses.

2.2 Operational management

2.2.1 We have comprehensively and deeply carried out the “Word of Mouth Advertising” project, and put forward unified high standards and strict requirements for the operation and management of shopping malls in terms of price, quality and service, etc., and evaluated the operational results by collecting and analyzing consumers’ feedback to further improve the quality of the Word of Mouth Advertising. As of the end of the Reporting Period, 312 shopping malls have launched the “Word of Mouth Advertising” project.

In terms of pricing, based on the Management Regulations for Price-clearly marked Exhibition Room of Red Star Macalline (《紅星美凱龍明碼實價展廳管理規定》) developed jointly with the National Development and Reform Commission, we continued to devote ourselves to guiding factories and distributors to make reasonable pricing. By copying the excellent cases of clear pricing, the distributors are guided to use products and services to impress customers, instead of the “bargaining” tug of war and allow consumption to return to the products and services themselves. At the same time, we interacted actively with local pricing bureaus in respect of price management, and established a pilot station for price supervision and complaint. As of the end of the Reporting Period, we have completed reasonable pricing guidances in more than 300 shopping malls across the country.

IV. BUSINESS REVIEW (continued)

2. Operation and Management of Shopping Malls (continued)

2.2 Operational management (continued)

2.2.1 (continued)

In terms of environmental quality, we worked with the China Quality Certification Centre and launched the “Official Enquiry Access to Chinese Home Furniture” in December 2015, and established a sound household products environmental protection traceability system. As at the end of the Reporting Period, we completed the system application training with approximately 1,000 major brands, with over 105 million units of products labeled accordingly. The 2018 Home Furnishings Leading Green Environment Brand has selected 127 green environmental protection brands for consumers. In addition, during the Reporting Period, we continued to promote the campaigns of “Leading Green” brand appraisal to lead the green and environmental-friendly development of the home furnishing industry. At the China Building Decoration Fair held in March 2019, Mr. SONG Xiangdong (宋向東), deputy director of the China Quality Certification Center, together with a number of expert leaders from the Environment Resources Division of the National Development and Reform Commission (國家發改委環資司), the Energy Conservation Division of the National Government Offices Administration (國家機關事務管理局節能司), the Energy Foundation, the Energy Efficiency Center of the China National Institute of Standardization (中國標準化研究院能效中心), the China Energy Conservation Service Industry Committee (中國節能服務產業委員會) and Gree Electric Appliances visited the Red Star Macalline Green Environmental Protection Exhibition Hall and jointly launched the “Retail Refrigeration Energy Efficiency Improvement Initiative” (零售業製冷能效提升倡議) with Red Star Macalline. In addition, we continue to implement the “Green Experience Center” program designed to provide consumers with systematic home decoration guidance, so that consumers will have an intuitive understanding about the decoration procedures, how to identify the merits and demerits of goods correctly and decoration inspection tips, so as to convey the green consumption concept to consumers, and thus promote the sales of green home furnishing brands. As of the end of the Reporting Period, the program has been adopted by 47 shopping malls nationwide.

In terms of services, in 2019, we officially upgraded the “Home care service” to “Home Maintenance Service”, upgrading from only providing basic maintenance services to providing professional maintenance and repair services. We have integrated the nation’s advanced maintenance technology team, as well as well-known large-scale brand factories, and added 54 service items in total with high professional requirements for tile repair, leather furniture repair, and wood furniture touch up. In April 2019, we organized 275 shopping malls nationwide and organized more than 40,000 brand merchants to hold the “Service to home: Home Maintenance service month” event. The event covered 160 cities and focused on services, provided a total of 122,620 families with professional services,

IV. BUSINESS REVIEW (continued)

2. Operation and Management of Shopping Malls (continued)

2.2 Operational management (continued)

2.2.1 (continued)

which were well received by customers. At the same time, in June 2019, we grandly launched the “M beauty to home” branding service. “M Beauty to home” is the professional home maintenance service platform of Red Star Macalline. Based on the sophisticated industry experience of Red Star Macalline and the in-depth development in the field of home environmental protection, it provides consumers the on-site service experiences to solve the problems of home maintenance such as high-end maintenance and repair with professional home maintenance technology, and delivers the concept of healthy home to more people. As of the end of the Reporting Period, the “M beauty to Home” brand has covered nearly 100 shopping malls in 80 cities across the country.

In terms of credit system, we continued to improve our tenant credit classification and evaluation system, and evaluated our tenants from six perspectives, namely quality, price, delivery, service, customer preference and performance of contract. During the Reporting Period, we continued to upgrade our tenants credit classification and evaluation system, comprehensively consider customer evaluation, sales index, delivery and installation satisfaction and other key indicators, promote the upgrade of new tenant credit management visual design, and enhance consumer recognition and awareness. In addition, Red Star Macalline, as the market credit sub-platform of Shanghai Commercial Credit Public Service Platform (上海市商務誠信公眾服務平台) and based on the Shanghai credit construction pilot project, actively participated in the government-led Yangtze River Delta credit integration construction, and comprehensively promoted tenants credit management system in home furnishing shopping malls in the Yangtze River Delta area. In May 2019, the Company was invited to share the experience of “Tenants credit construction and Yangtze River Delta area credit integration” (商戶信用建設及長三角信用一體化) at the 2019 Commercial Credit Promotion Conference hosted by the Shanghai Municipal Commission of Commerce; and was invited by the Ministry of Commerce of PRC to participate in the “National Social Credit Standards Technical Committee Second Commercial Credit Subcommittee” (全國社會信用標準技術委員會第二屆商業信用分技術委員會), and was elected as a member.

In terms of consumer feedback, we conducted effective evaluations on sales, after-sales, online and offline multi-channel, multi-dimensional service experience, delivery and installation, product quality, price, shopping mall environment, etc., to explore customers’ real thoughts and provide targeted improvement solutions, to achieve increases in customer satisfaction year after year. As of the end of the Reporting Period, consumer satisfaction in shopping malls increased to 93.1%.

IV. BUSINESS REVIEW (continued)

2. Operation and Management of Shopping Malls (continued)

2.3 Marketing management

2.3.1 Brand 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 advertising, graphic vision and space beautification.

We continued to expand the influence of the “Luban Top-notch Design Products Festival”, and restored the modern version of a national treasure-class famous painting in the Palace Museum, Han Xizai Evening Banquet (《韓熙載夜宴圖》) to show the top-class home scenes of China’s contemporary middle class by focusing on the theme of “Feast for the life with the top products of the era” (以時代尖貨,為生活設宴) and gathering top domestic photographers and poets. This activity has won a high reputation for the brand and highlighted the beauty and value of top-notch design products of “Red Star Macalline” design.

Focusing on the brand strategy of “Selecting Global Top-notch Design Products”, we released high-quality and extensive visual advertisements for the brand in airport lounge bridges of various cities including Shanghai, Chengdu, Shenyang and Kunming. We successfully created the first cross-industry design home improvement transformation reality show “Yeaning Home” (嚮往的星居) in China, and became the exclusive partner of the global home industry in the hit show “We All Have to Be Good” (我們都要好好的), enhancing the brand’s recognition and value both online and offline.

We continued to host the 2nd M+ China Top Interior Design Award, which attracted 12,587 designers from 193 cities nationwide as of the end of the Reporting Period. We continued to cooperate with Dunhuang, the world cultural heritage, to carry out public welfare projects, promote the completion of the “Yulin 44 Caves among Dunhuang Grottoes” (敦煌石窟之榆林44窟), and started the “Bingling Cave” (炳靈石窟) public space reconstruction project in 2019, using design to inherit the Chinese aesthetics, protect the cultural confidence, and explore a better contemporary lifestyle in China.

We established a whole set of brand system of “Visual Hammer” (視覺錘) with the capital letter “M” from the Company’s logo as the core element, which is more widely used, not only in brand advertising and promotion activities, but also in the Red Star industry which was connected through the “M” Visual Hammer. Such system further deepened the impression of brand symbols and strengthened the brand image of the Company as an industry leader.

IV. BUSINESS REVIEW (continued)

2. Operation and Management of Shopping Malls (continued)

2.3 Marketing management (continued)

2.3.1 Brand management (continued)

Focusing on the mission of “Improving Home Furnishings Taste of Chinese”, we incorporated top-notch design products into malls to improve terminal visuals through furniture arts, and upgraded the overall image of malls around the country to provide consumers with unique shopping experiences in home furnishing malls.

2.3.2 Marketing management

We continued to establish a digital marketing system through the IMP (Intelligent Marketing Platform), the global furniture intelligent marketing platform, with the cooperation with Tencent and Alibaba on their data businesses. As of the end of the Reporting Period, the IMP has been launched in 315 shopping malls in 200 cities nationwide, which further extended the applicable area of data and improved the shopping mall's accurate customer acquisition capabilities. Meanwhile, through the DMP (Digital Management Platform) to deeply explore and connect all-fields data, we achieved the strategic target of locking in more than 80 million potential home improvement customers nationwide.

We continued to iterate and upgrade the digital marketing system of IMP, and upgraded Red Star Macalline from a one-stop home shopping mall to an online and offline all-fields super-traffic shopping mall. The upgraded super-traffic shopping mall was built based on the Red Star Macalline global furniture IMP's three major systems (data cloud, content cloud and tool cloud) and nine modules (super editor (超級編輯器), youlong (有龍), small program cube (小程序魔方), group talent (團達人), qunduoduo (群多多), god pitcher (神投手), qianke radar (潛客雷達), super shopping guide (超級導購) and cloud BOSS (雲BOSS)). In this super-traffic shopping mall, we utilized the manufacturing capability of traffic fission, the traffic tracking capability and the directional distribution capability of traffic to help the merchants solve the problems of difficulties in accurate customer acquisition, continuous interaction, content creation, member resumption and performance management.

By integrating traffic data from offline shopping malls, residential properties, social ecology, online all-media, online e-commerce and other scenarios, Red Star Macalline can create exclusive accurate user portraits for merchants to help them find more similar user base and accurately acquire customers in all fields, resulting in traffic fission effects.

IV. BUSINESS REVIEW (continued)

2. Operation and Management of Shopping Malls (continued)

2.3 Marketing management (continued)

2.3.2 Marketing management (continued)

The current deeply integrated traffic portals also include Alibaba, Tencent, Baidu and Toutiao, which forms an all-fields marketing network covering e-commerce, social and information with comprehensive user depth data. Among others, we have customized more than 2,000 Red Star Macalline exclusive home industry user labels jointly with Alibaba, covering home, social, media, content and other scenarios. We have combined the manufacturers' data to customize Red Star Macalline and its manufacturer's exclusive user model and depict user portraits in depth through big data analysis and artificial intelligence algorithms.

IMP also provides a full set of operating systems to help merchants and new users to create personalized, in-depth and repetitive interactions, guide new customers to the stores, realize consumption conversion and provide follow-up services, which then results in the multiplier effect of traffic fission.

Through accurate user portraits and tools such as qianke radar, users can obtain their favorite products and event information more efficiently, which can reduce the communication cost and achieve consumption conversion.

As of the end of the Reporting Period, we had formed marketing cooperation with 8 major categories and 408 top brands.

2.4 Property management

2.4.1 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

During the Reporting Period, we focused on the source of risks and treated preventive management and control as a significant task. We continued to improve the risk profile, and the safety hazards of shopping malls was assigned to dedicated responsible persons for management and control; strengthened the staff's education for hazard prevention by conducting military trainings and professional trainings for all basic level employees and management personnel at all levels to ensure effective execution; standardized maintenance and inspection of distribution facilities such as fire protection and power supply to ensure the prevention capability through our technology; further

IV. BUSINESS REVIEW (continued)

2. Operation and Management of Shopping Malls (continued)

2.4 Property management (continued)

2.4.1 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 (continued)

upgraded the firefighting and surveillance equipments and others and used the intelligent alarm equipment such as unmanned fire detectors to conduct remote monitoring of high-risk places such as the fire control room, catering areas and renovation sites of shopping malls; at the same time, used intelligent information tools such as patrol inspection APP for daily patrol inspections, which effectively enhanced the efficiency and quality of patrol inspection. In addition, we comprehensively improved our emergency and practical ability by effectively combining closed militarized training, daily military training and safety work with military discipline, and carrying out thematic safety activities on a monthly basis, which substantially improved the practical ability and the mental outlook of our firefighting team; 21 subjects of emergency drills have been implemented effectively in all of our shopping malls across the country, making emergency drills as a normal practice. During the Reporting Period, we continued to maintain “zero accident” with respect to fire, casualties and key facilities and equipment throughout the year at all shopping malls in the country, effectively managed and controlled safety risks and continuously upgraded safety standards of shopping malls.

2.4.2 Constantly improve the environment of our shopping malls to enhance the experience of our merchants and customers

2.4.2.1 Accomplish the maintenance and upgrading of the environment of shopping malls to create a better one

During the Reporting Period, we further improved our environmental quality and customers' experiences. In terms of environmental quality, we standardized the tools, materials and processes for maintenance of facilities and equipment through setting a unified maintenance manual; established a maintenance manager system, and specially-assigned persons are responsible for the evaluation and acceptance of equipment maintenance in each shopping malls from their prefecture, thus ensuring the stable and efficient operation of facilities and equipment; coordinated and standardized the property service projects and enhanced the service capabilities of the shopping malls through the special work of service month; uniformly regulated the qualifications and environmental protection requirements of the materials for self-use and service providers, and ensured the high quality and green and environmental protection of the shopping mall environment from the source. In terms of customers' experiences, we provided parking lot shading, in-vehicle cooling, special weather shelter services to proactively

IV. BUSINESS REVIEW (continued)

2. Operation and Management of Shopping Malls (continued)

2.4 Property management (continued)

2.4.2 Constantly improve the environment of our shopping malls to enhance the experience of our merchants and customers (continued)

2.4.2.1 Accomplish the maintenance and upgrading of the environment of shopping malls to create a better one (continued)

solve customers' problems; assigned special personnel to monitor and govern the air quality of underground garages to alleviate tail gas pollution and improve customer comfort level; controlled the color temperature and illumination of the shopping mall lighting with standardization to ensure the lighting is bright and comfortable; required green and eco-friendly decoration materials in the shopping malls to ensure that customers could experience fresh and healthy air; introduced professional technology and used the disinfection and deodorization technology certified by the World Health Organization to disinfect and purify the bathroom and other areas, which can provide customers with a green, eco-friendly and healthy shopping environment.

2.4.2.2 Pursue new technologies and processes to ensure industry-leading standard

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

2.4.2.3 Project renovation

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

IV. BUSINESS REVIEW (continued)

3. Expansionary Business: Robust Development

During the Reporting Period, the development of our expansionary businesses flourished. With the strategic orientation on the “omni-channel platform service provider for pan-home improvement and the furnishings industry” and by upholding the core concept of “home”, we continued to carry out upstream and downstream cross-border business extensions and to build up a community of shared business future for pan-home improvement and 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 purchasing household-related products. We also provided full-range and all-dimensional logistics services to satisfy multiple needs of users on both ends of the platform so as to realize resources sharing.

3.1 Internet-based pan-home improvement and furnishings consumption

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

3.1.1 Private new retail platform

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

In respect of front-end design, we continued to provide value-added services to end consumers through the M+ Top Design Award, the “Star Design” platform and the M+ Design Creator Space to direct the traffic to the shopping malls accurately. In March 2019, we successfully held the 2nd M+ China Top Interior Design Award, which attracted 12,587 designers from 193 cities nationwide as of the end of the Reporting Period. As the linkage between designers and the integrated online and offline platform, 48,000 high-end designers have entered the “Star Design” platform by the end of the Reporting Period, and the excellent design cases created by the designers have reached 80,000.

IV. BUSINESS REVIEW (continued)

3. Expansionary Business: Robust Development (continued)

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

3.1.1 Private new retail platform (continued)

In addition, as a platform for designers to negotiate with customers and support shopping mall activities, M+ Design Creator Space has been settled in 12 shopping malls across the country, greatly improved the operating efficiency of shopping malls and drove sales in the mall. As of the end of the Reporting Period, the offline transaction amount driven by designers' operation amounted to RMB869 million.

In respect of commodity retailing, we continued to expand the brands of internet-based new retail platform and merchant resources through mobile app user terminals and Wechat applets, and further strengthened linkage with the merchant resources of offline real shopping malls, thus providing consumers with richer and diversified selections. As of the end of the Reporting Period, a total of 15,734 merchants have signed up for our internet new retail platform; based on the new retail system developed by the Company, we have already realized the connection between 103 offline Red Star Macalline shopping malls in 54 cities with goods and services on online platforms. At the same time, we rolled out discount coupons and held various discount and promotion activities on the internet new retail platform, stimulating customers' consumption and shopping demands through those discount and promotion activities, and realizing the traffic guiding from online platform to offline shopping malls, which in turn increased the merchants' business. During the Reporting Period, the sales volume and sales amount of offline stores realized through the discount coupons on online platforms amounted to 101,000 orders and RMB3.13 billion, respectively.

In terms of home decoration, in order to serve more customer groups and provide better shopping experiences, we have established the Red Star Macalline Home Decoration Industry Group. Adhering to the concept of "Macalline · Space Aesthetics", the Home Decoration Industry Group is committed to improving the shopping experiences, providing consumers with whole package services covering decorative design, engineering construction and R&D, main furniture and soft accessories, smart home furnishings and residential equipment for villas, houses, hotel apartments, delicately decorated apartments, commercial and office space, etc., to drive the sales in the shopping malls comprehensively. The Group set up Betterhome (家倍得) that provides customized smart home solutions for the middle class, Macalline Space Aesthetics that provides original whole package design services for the private sector, and WELL+ that provides white-collar class with aesthetics featuring youth and personality. At the same time, it has successively developed brands such as Macalline Aesthetics, ATG & MACALLINE LIFE SPACE, and Zhenyang Decoration, which provide

IV. BUSINESS REVIEW (continued)

3. Expansionary Business: Robust Development (continued)

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

3.1.1 Private new retail platform (continued)

high-end customized solutions for the social elites. As of the end of the Reporting Period, we had 78 self-operated home decoration stores nationwide, which were located in our shopping malls in cities including Beijing, Tianjin, Shanghai, Chongqing, Nanjing, Suzhou, Shenyang, Chengdu, Zhengzhou, Hefei and Shijiazhuang, created synergy with businesses of home decoration malls, by which a unique business mode of customer and supply-chain sharing was created to effectively reduce customer acquisition costs of home decoration and shopping malls, increase re-purchase rate and prices of customer orders, and improve consumers' one-stop shopping experience and the sales efficiency of merchants. In addition to making full use of the advantages of shopping mall resources, the Home Decoration Industry Group also fully utilized the talent pool resource of more than 20,000 designers, and built its own professionally trained labor system with systemic assessment, and integrated the online home improvement design platform resources according to business development and application scenarios to further enrich the online design content display and home improvement service tool experience, and help to develop offline business.

3.1.2 Cooperation with Alibaba

In May 2019, the Company signed a strategic cooperation agreement with Alibaba (China) Network Technology Co., Ltd. (hereinafter referred to as "Alibaba") to introduce Alibaba's advanced business philosophy and technical support in the new retail sector to the online and offline integration platform, to further promote the Company's pan-home improvement and furnishings consumption industry chain services. For details, please refer to the announcements posted on the website of the Hong Kong Stock Exchange on 26 May 2019 and the website of the Shanghai Stock Exchange on 27 May 2019. As of the end of the Reporting Period, the Company and Alibaba have conducted in-depth discussions on new retail store construction, e-commerce platform construction, logistics warehouse allocation and installation service provider system, and consumer finance. In terms of new retail store construction, the Company has established Tmall "Tongcheng Station", which uses the concept of new retail citywide operation to share the products of the Company's offline retail stores with the stores opened in Tmall. Consumers can place orders online directly, or be directed to offline for experience before making decisions. The new retail stores of the city where the consumer is located will provide distribution and installation services for all orders, so that consumers can more easily purchase more diversified products that were only sold offline previously, thereby greatly improving the shopping experience of consumers.

IV. BUSINESS REVIEW (continued)

3. Expansionary Business: Robust Development (continued)

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

During the Reporting Period, we provided consumers and financial institutions with consumer loan information service. Through our collaboration with financial institutions such as commercial banks and consumer financing companies, consumers are provided with household consumer loans which can only be used in our home furnishing shopping malls.

3.3 Comprehensive logistics service: satisfying multiple needs on both ends of the platform and achieving resource sharing

In our terminal service system of home decoration and furnishing industry, the logistics distribution connects directly to consumers, and the quality of logistics services will greatly affect the word of mouth of our brands. Meanwhile, as the state imposes stricter requirements on warehouse condition and safety management, the merchants face higher threshold to bear warehouse and logistic services and incur higher costs. Consequently, we established a professional logistic center and provide one-stop professional services for customers from purchase to professional product distribution and installation in order to provide more professional warehouse, distribution and installation services for factories, merchants and consumers, help the vast merchants improve circulation efficiency, optimize costs and reduce risks and improve customers' satisfaction and loyalty to the brands of our tenants as well as the brand of "Red Star Macalline". As of the end of the Reporting Period, we have commenced operations with more than 450 brands in terms of logistic storage service.

IV. BUSINESS REVIEW (continued)

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

During the Reporting Period, focusing on the Group's objective of comprehensive digitalization and intelligentization, we continued to promote the construction of information infrastructure in the Group's headquarters and shopping malls, thereby achieving certain results in intelligent shopping malls, business and finance integration, information security, and intelligent analysis of big data.

Based on the experience of the new retail store pilot last year, in the first half of 2019, we comprehensively promoted the construction of digital and intelligent upgrades of shopping malls, completed the intelligent upgrade of 61 shopping malls, and realized core functions such as accurate traffic counting, creating customers' files and users' portraits. The self-developed intelligent parking system offered various functions such as parking space, traffic flow and other real-time monitoring, unmanned gates, remote control and UPark, providing customers with a more comfortable parking experience in shopping malls. Meanwhile, we achieved significant improvement in artificial intelligence technologies such as face recognition, trajectory analysis, intelligent big screens and virtual robots.

During the Reporting Period, we launched six projects for the financial system to help Red Star Macalline transform from managed finance to strategic finance. Among them, the Allinpay decentralized cashier system passed the acceptance check, linking up the automatic reconciliation, rebates, accounts and funds deduction of the Allinpay pipeline, laying the foundation for the cashier settlement automation in all shopping malls of Red Star.

During the Reporting Period, we continued to optimize and upgrade iterations of the Group's information system, and comprehensively upgraded the tenant sourcing system and the development system, the two core business systems of the Company, in terms of visualization and intelligentization. On the basis of the self-developed indoor map engine, we launched booth map 3.0 for the tenant sourcing system and smart map 1.0 module for the development system respectively, further empowering business performance improvement through refined management. In addition, we launched the intelligent monitoring platform and the related party transaction warning 2.0 and other systems to better ensure legal and compliant business operations of the Company.

During the Reporting Period, according to the relevant provisions of the "Administrative Measures for the Graded Protection of Information Security", we conducted a three-level evaluation of graded protection of information security for each website and E-mail system of the Company, and all the results were qualified. We strictly followed the technical security and safety management requirements of the state on the construction of information system security, and simultaneously established a long-term and secure management mechanism to enhance corporate information security protection capabilities.

IV. BUSINESS REVIEW (continued)

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

In terms of data center, we established a data center using the “three vertical and three horizontal” structure. From breaking down data silos to form big data assets, data fusion, data analysis and insight to form data standards and systems, to unifying users’ portraits and algorithm models to form data intelligence applications, we created the data middle ground system of Red Star Macalline by embracing business development. We provided data support for various business departments in terms of cost reduction, efficiency improvement and sales promotion, further enhancing the data-driven operation of business departments.

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

During the Reporting Period, closely in line with our corporate strategies, and in accordance with our new business plans, our human resources policies rapidly completed the supporting work for organizations and personnel, ensured 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.

In terms of system construction and process optimization, a total of 10 optimizations were completed, including optimizations of the functions and the approval chains of the hiring process, the probation confirmation process, the contract renewal process, the cautiously hired personnel termination process and other related personnel processes, so as to better meet the actual business needs; In addition, according to the annual cumulative taxation of individual income tax system, the additional special deduction for individual income tax policy and the employee stock ownership plan, we have made six relevant functional adaptations to the Peoplesoft system to ensure the system’s support for the business.

In terms of management of overall performance, on the one hand, all shopping malls under provincial center of operation and development nationwide have fully implemented the “External Marketing Piece-Work Assessment”, enhanced the business atmosphere of shopping malls while continuously promoting incremental sales of shopping malls by attracting traffic through the development of community real estates, community service stations/showrooms, partial alteration to second-hand apartment, cooperation with designers and companies in different industries, and strengthened customer loyalty to both merchants and the shopping malls through value-added services, such as free home measurement, free designing, free home inspection, and repair and maintenance for major customers, contributing to the good reputation of the Company and helping maintain our leading position in the industry; on the other hand, we promoted the piece-work assessment for all positions in the shopping malls to stimulate the working initiative of employees, whilst continuously improving the efficiency of shopping mall management.

IV. BUSINESS REVIEW (continued)

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

In terms of talent development, we have fostered and introduced 438 employees for core positions and output 37 employees for core positions in locations based on the performance-oriented core competence standards and key training map and by encouraging talent output across units so as to effectively support the enhanced operation of 315 shopping malls in operation and the expansion of 18 shopping malls. We have introduced 259 excellent university graduates via the “Star Motivation” program, thus continuously cultivating a youthful culture in the Company. We have enhanced employer brand recognition and nurtured young talent for the industry by innovative cooperation with schools and enterprises and supporting activities such as college and university design competitions and showroom building.

In terms of business support, we recruited a total of 937 employees for new business segments and business development of the Company during the Reporting Period. We organized a number of case-study activities to share and study outstanding cases and organized the study of external benchmark companies to enhance the team’s comprehensive business capabilities. In view of the business characteristics of different segments, we established an effective incentive mechanism for business employees for the purpose of developing business expansion and establishing a human resources system in line with the business characteristics of the Company.

During the Reporting Period, we have successfully created an image of an employer widely recognized by the industry and have successfully demonstrated it through various channels. We have been granted six authoritative employer brand awards, including “Favorite Company of Employees”, “China Role Model Employer”, “Outstanding Human Resources Management Award”, “Pioneer Employer of the Year”, “Best Workplace in Asia” and “Extraordinary Transformational Employer”.

As at the end of the Reporting Period, we had a total of 25,463 employees.

IV. BUSINESS REVIEW (continued)

6. The Establishment of Home Furnishing Shopping Malls Brand Portfolio

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

As at the end of the Reporting Period, the core brand “Red Star Macalline” retains its leading position in terms of the number of shopping malls and revenue.

V. OUTLOOK AND PROSPECTS

We always shoulder the responsibility of “building a cozy and harmonious home and improving the taste in shopping and home life”. In the second half of 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 Group is committed to maintain high-standard corporate governance so as to protect the interest of the shareholders and promote the Company's value and accountability. H Shares of the Company were listed on the Main Board of the Hong Kong Stock Exchange on 26 June 2015.

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

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 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. 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 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 (the "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.

AUDIT COMMITTEE AND REVIEWING INTERIM RESULTS AND INTERIM REPORT

The Company 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 the Board by providing an independent view of the effectiveness of the financial reporting process, managing internal control and risk management systems of the Group, overseeing the audit process and performing other duties and responsibilities as assigned by the Board. As at the date of this report, the Audit Committee consisted of three independent non-executive Directors, namely Mr. QIAN Shizheng, Mr. LEE Kwan Hung, Eddie and Mr. WANG Xiao. Mr. QIAN Shizheng, who holds the appropriate professional qualifications as required under Rules 3.10(2) and 3.21 of the Listing Rules, serves as the chairman of the Audit Committee.

The Audit Committee has reviewed and confirmed the Group's interim results announcement for the six months ended 30 June 2019, the 2019 interim report and the unaudited financial statements for the six months ended 30 June 2019.

THE BOARD, THE BOARD OF SUPERVISORS AND COMMITTEES

From 1 January 2019 to the date of this report, save as disclosed below, no change was made to the information of the Board, Board of Supervisors, Strategy and Investment Committee, Audit Committee, Remuneration and Evaluation Committee and Nomination Committee, which was consistent with the contents as set out in the 2018 Annual Report of the Company.

From 1 January 2019 to the date of this report, the Board complied with the requirements of appointing at least three independent non-executive Directors (among whom at least one independent non-executive Director holds the appropriate professional qualifications or accounting or relevant financial management knowledge) set out in Rules 3.10(1) and 3.10(2) of the Listing Rules at any time. The Company also complied with the requirements of appointing independent non-executive Directors, accounting for one-third of the members of the Board set out in Rule 3.10A of the Listing Rules.

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

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

Name of Directors/Supervisors/ senior management	Details of changes in position/particulars
Mr. Joseph Raymond GAGNON	Resigned as a non-executive Director of the Company since 24 May 2019
Mr. ZHANG Qiqi	Resigned as a non-executive Director of the Company since 24 May 2019
Ms. NG Ellen Hoi Ying	Resigned as a Supervisor of the Company since 24 May 2019
Mr. WANG Wei	Resigned as a vice general manager of the Company since 1 April 2019

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

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

As at 30 June 2019, the interests or short positions of our Directors, Supervisors and chief executives in the shares, underlying shares or debentures of the Company or any Associated Corporations (within the meaning of Part XV of the Securities and Futures Ordinance (“SFO”)) (a) which will have to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO); or (b) which will be required, pursuant to Section 352 of the SFO, to be recorded in the register referred to therein; or (c) which will be required, pursuant the Model Code set out in the Listing Rules to be notified to the Company and the Hong Kong Stock Exchange were as follows:

(i) Interests in our Company

Name of Shareholders	Title	Class of Shares	Nature of interest	Number of underlying shares held	Approximate	Approximate
					percentage in relevant class of Shares ⁽¹⁾	percentage in total Shares ⁽¹⁾
CHE Jianxing (車建興) ⁽²⁾	Chairman, Chief Executive Officer and Executive Director	A Shares	Interest of controlled corporation	2,480,715,772	86.25%	69.88%
				(Long position)		
				355,000,000	12.34%	10.00%
				(Short position)		
			Beneficial owner	396,000	0.01%	0.01%
			Interest of spouse	44,200	0.00%	0.00%
			(Long position)			
GUO Binghe (郭丙合)	Executive Director	A Shares	Beneficial owner	59,800	0.00%	0.00%
			(Long position)			
CHE Jianfang (車建芳)	Executive Director	A Shares	Beneficial owner	112,200	0.00%	0.00%
			(Long position)			
JIANG Xiaozhong (蔣小忠)	Executive Director	A Shares	Beneficial owner	135,900	0.00%	0.00%
			(Long position)			

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

(i) Interests in our Company (continued)

Name of Shareholders	Title	Class of Shares	Nature of interest	Number of underlying shares held	Approximate	Approximate
					percentage in relevant class of Shares ⁽¹⁾	percentage in total Shares ⁽¹⁾
CHEN Shuhong (陳淑紅) ⁽³⁾	Non-executive Director	A Shares	Interest of spouse	2,481,111,772	86.27%	69.89%
				(Long position)		
			355,000,000	12.34%	10.00%	
			Beneficial owner	44,200	0.00%	0.00%
				(Long position)		
XU Guofeng (徐國峰) ⁽⁴⁾	Non-executive Director	A Shares	Interest of spouse	112,200	0.00%	0.00%
				(Long position)		

Notes:

- (1) As at 30 June 2019, the Company had 3,550,000,000 issued Shares in total, comprised of 2,876,103,969 A Shares and 673,896,031 H Shares.
- (2) Mr. CHE Jianxing indirectly holds 69.88% of the issued Shares in total of the Company through his 92.00% direct interest in Red Star Macalline Holding Group Company Limited (紅星美凱龍控股集團有限公司) ("RSM Holding"), a limited liability company incorporated in the PRC, and is deemed to be interested in the 2,480,715,772 A Shares held by RSM Holding for the purpose of the SFO.
- (3) Ms. CHEN Shuhong is the spouse of Mr. CHE Jianxing. Under the SFO, Ms. CHEN Shuhong is deemed to be interested in the same number of Shares in which Mr. CHE Jianxing is interested.
- (4) Mr. XU Guofeng is the spouse of Ms. CHE Jianfang. Under the SFO, Mr. XU Guofeng is deemed to be interested in the same number of Shares in which Ms. CHE Jianfang is interested.

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

(ii) Interests in Associated Corporation

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

Note:

- (1) RSM Holding is the investment holding company of the Company, which is held as to 92% by Mr. CHE Jianxing and as to 8% by Ms. CHE Jianfang, Mr. CHE Jianxing's sister and therefore an "associated corporation" of the Company within the meaning of Part XV of the SFO. As at 30 June 2019, RSM Holding held 2,480,715,772 A Shares of the Company which accounted for approximately 69.88% of the total issued Shares of the Company.

Save as disclosed above, as at 30 June 2019, 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 Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO); or (b) which will be required, pursuant to Section 352 of the SFO, to be recorded in the register referred to therein; or (c) which will be required, pursuant to the Model Code to be further notified to the Company and the Hong Kong Stock Exchange.

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

As at 30 June 2019, the interests or short positions in the shares or underlying shares of the Company which will have to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO, and which will be required, pursuant to Section 336 of the SFO, to be recorded in the register referred to therein, as well as persons (other than the Directors, Supervisors or chief executives of the Company), or corporations deemed, directly and/or indirectly, to be interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at our general meetings were as follows:

Name of Shareholders	Class of Shares	Capacity/nature of Interest	Number of underlying shares held	Approximate percentage in relevant class of Shares ⁽¹⁾	Approximate percentage in total share capital ⁽¹⁾
RSM Holding	A Shares	Beneficial owner	2,480,715,772	86.25%	69.88%
			(Long position)	355,000,000	12.34%
Alibaba Group Holding Limited ⁽²⁾	A Shares	Interest of controlled corporation	355,000,000	12.34%	10.00%
			(Long position)	131,475,421	19.51%
Taobao China Holding Limited ⁽²⁾	A Shares	Interest of controlled corporation	355,000,000	12.34%	10.00%
			(Long position)	65,737,711	9.75%
Taobao Holding Limited ⁽²⁾	A Shares	Interest of controlled corporation	355,000,000	12.34%	10.00%
			(Long position)	65,737,711	9.75%
Zhejiang Tmall Technology Co., Ltd. (浙江天貓技術有限公司) ⁽³⁾	A Shares	Interest of controlled corporation	355,000,000	12.34%	10.00%
Tao Bao (China) Software Co., Ltd. (淘寶(中國)軟件有限公司) ⁽³⁾	A Shares	Interest of controlled corporation	355,000,000	12.34%	10.00%
Alibaba (China) Technology Co., Ltd. (阿里巴巴(中國)網絡技術有限公司) ⁽³⁾	A Shares	Beneficial owner	355,000,000	12.34%	10.00%
Alibaba Investment Limited ⁽²⁾	H Shares	Interest of controlled corporation	65,737,710	9.75%	1.85%
			(Long position)	65,737,710	9.75%
New Retail Strategic Opportunities Fund GP, L.P. ⁽²⁾	H Shares	Interest of controlled corporation	65,737,710	9.75%	1.85%
			(Long position)	65,737,710	9.75%
New Retail Strategic Opportunities GP Limited ⁽²⁾	H Shares	Interest of controlled corporation	65,737,710	9.75%	1.85%
			(Long position)	65,737,710	9.75%
New Retail Strategic Opportunities Investments 4 Limited ⁽²⁾	H Shares	Beneficial owner	65,737,710	9.75%	1.85%
			(Long position)	47,904,600	7.11%
WONG Man Li ⁽⁴⁾	H Shares	Interest of controlled corporation	47,904,600	7.11%	1.35%
			(Long position)		

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

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

Notes:

(1) As at 30 June 2019, the Company had 3,550,000,000 issued Shares in total, comprised of 2,876,103,969 A Shares and 673,896,031 H Shares.

(2) New Retail Strategic Opportunities Investments 4 Limited is directly interested in the 65,737,710 H shares of the Company.

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

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

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

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

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

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

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

- (3) On 14 May 2019, RSM Holding completed the 2019 Non-public Issuance of Exchangeable Corporate Bonds (First Tranche) (the "Exchangeable Bonds"), which had been fully subscribed by Alibaba (China) Technology Co., Ltd.. The Exchangeable Bonds are exchangeable into fully-paid A shares of the Company. Based on the initial conversion price of RMB12.28 per share upon the completion of issuance on 14 May 2019, the underlying shares of the Exchangeable Bonds were 355,000,000 A shares of the Company, which had still been held by RSM Holding as at 30 June 2019.

Alibaba (China) Technology Co., Ltd. was 50.66% and 35.40% controlled by Tao Bao (China) Software Co., Ltd. and Zhejiang Tmall Technology Co., Ltd. respectively. Therefore, Tao Bao (China) Software Co., Ltd. and Zhejiang Tmall Technology Co., Ltd. are deemed to be interested in the underlying A shares of the Exchangeable Bonds.

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

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

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

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

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

DIRECTORS' AND SUPERVISORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the 2019 interim report, at no time during the Reporting Period was the Company or any of its subsidiaries or holding company or any subsidiary of the Company's holding company, a party to any arrangement that would enable Directors or Supervisors to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate, and none of the Directors or the Supervisors or any of their spouses or children under the age of 18 were granted any right to subscribe for the equity or debt securities of the Company or any other body corporate or had exercised any such right.

INTERIM DIVIDENDS

The Board does not recommend the payment of any interim 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 was 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 had cumulatively 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:

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

A SHARE OFFERING AND USE OF PROCEEDS (continued)

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 the consideration and approval at the general meeting of the Company. 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 Outlets all the principal amount for the first installment of the creditor's rights transfer of RMB30.00 million.

For details, please refer to the announcements 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 announcements dated 9 August and 22 August 2019 as disclosed on designated media in China.

EVENTS AFTER THE REPORTING PERIOD (continued)

3. Execution of the Sub-contract Agreement with the Related Party

On 28 August 2019, Jiangsu Sunan Construction and Installation Engineering Co., Ltd. (江蘇蘇南建築安裝工程有限公司) (“Jiangsu Sunan Construction”), a wholly-owned subsidiary of the Company, received the letter of acceptance from a connected person, Xishuangbanna Yunnan Investment Construction Pan-Asian Real Estate Co., Ltd. (西雙版納雲投建設泛亞置業有限公司) (“Xishuangbanna Yunnan Investment”) in respect of the invitation for bids of the project in International “Dai” Hot Spring Health Resort in Gasa Tourist Town (嘎灑旅遊小鎮國際「傣」溫泉養生旅遊度假區) (the “Gasa Tourist Town Project”), which confirmed that Jiangsu Sunan Construction was the bid winner of the Gasa Tourist Town Project. A Sub-contract Agreement of Decoration with a contract amount of RMB123,595,230.28 (tax inclusive) was entered into between Jiangsu Sunan Construction and Xishuangbanna Yunnan Investment on 10 September 2019 accordingly. For details, please refer to the announcement of the Company dated 28 August 2019 as disclosed on the website of the Hong Kong Stock Exchange (www.hkexnews.hk).

MATERIAL LEGAL PROCEEDINGS

For the six months ended 30 June 2019, the Group did not have any material legal or arbitral proceedings. The Directors also are not aware of any material legal proceedings or claims which are pending or threatened against the Group.

Consolidated Balance Sheet

30 June 2019

RMB

Items	Note V	30 June 2019 (Unaudited)	31 December 2018 (Audited)
Current assets			
Cash and bank balances	1	8,340,821,838.89	8,527,607,964.92
Financial assets held for trading	2	68,519,022.97	236,256,219.87
Derivative financial assets		12,776,419.88	—
Accounts receivable	3	1,841,031,795.14	1,687,918,584.76
Receivables financing		81,350,000.00	55,000,000.00
Prepayments	4	393,204,146.07	319,437,303.71
Other receivables	5	1,730,733,092.72	1,936,025,518.72
Inventories	6	286,848,784.93	251,352,502.91
Contract assets	7	1,076,624,656.05	807,109,773.17
Non-current assets due within one year	8	334,850,000.00	314,950,000.00
Other current assets	9	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	10	1,669,140,956.66	1,795,159,925.01
Long-term equity investments	11	3,461,568,113.57	3,026,101,128.50
Other equity instrument investments	12	3,675,560,256.50	3,302,748,467.57
Other non-current financial assets	13	360,674,540.60	324,850,000.00
Investment properties	14	81,171,000,000.00	78,533,000,000.00
Fixed assets	15	209,555,773.08	192,418,042.50
Construction in progress	16	179,075,014.38	84,866,598.69
Right-of-use assets	17	3,057,481,040.24	—
Intangible assets	18	454,088,001.99	460,830,931.51
Development expenditure	19	6,222,304.32	—
Goodwill	20	16,592,357.41	16,592,357.41
Long-term prepaid expenses	21	375,979,391.94	400,731,940.53
Deferred tax assets	22	1,107,501,927.90	822,269,149.42
Other non-current assets	23	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

Consolidated Balance Sheet

30 June 2019

RMB

Items	Note V	30 June 2019 (Unaudited)	31 December 2018 (Audited)
Current liabilities			
Short-term loans	24	3,364,914,479.37	5,148,516,740.00
Accounts payable	25	994,601,719.45	970,116,980.34
Advance from customers	26	1,004,098,870.95	1,249,019,601.25
Contract liabilities	27	2,467,584,154.56	2,601,978,507.73
Payroll payable	28	420,559,264.22	913,986,023.52
Taxes payable	29	488,090,847.90	607,676,739.98
Other payables	30	8,570,094,268.47	8,712,208,081.24
Non-current liabilities due within one year	31	5,796,132,887.37	3,948,619,684.75
Other current liabilities	32	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	33	15,247,687,612.54	14,306,362,773.00
Bonds payable	34	9,658,362,174.66	7,156,394,519.96
Lease liabilities	35	3,369,648,313.23	—
Long-term payables	36	914,328,894.45	1,385,921,007.85
Deferred income	37	220,178,343.36	212,456,044.43
Deferred tax liabilities	22	11,491,995,838.68	11,008,662,811.23
Other non-current liabilities	38	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

Consolidated Balance Sheet

30 June 2019

RMB

Items	Note V	30 June 2019 (Unaudited)	31 December 2018 (Audited)
Equity			
Share capital	39	3,550,000,000.00	3,550,000,000.00
Capital reserve	40	4,214,835,157.79	4,490,018,895.43
Other comprehensive income	41	1,357,554,565.98	1,227,776,839.27
Surplus reserve	42	1,816,847,121.56	1,816,847,121.56
Retained earnings	43	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

The notes are an integral part of these financial statements

The financial statements are signed by the following persons:

Legal representative:

Person in charge of accounting:

Person in charge
of the accounting department:

CHE Jianxing

XI Shichang

CAI Weichun

Consolidated Income Statement

For the period from 1 January to 30 June 2019

RMB

Items	Note V	For the period from 1 January to 30 June 2019 (Unaudited)	For the period from 1 January to 30 June 2018 (Unaudited)
I. Revenue	44	7,757,114,487.46	6,373,884,119.04
Less: Cost of sales	44	2,562,460,143.99	1,955,057,556.90
Taxes and surcharges	45	201,843,925.76	180,937,982.52
Distribution and selling expenses	46	931,616,435.07	646,073,061.94
General and administrative expenses	47	702,578,978.40	527,767,671.27
Research and development expenses	48	17,266,342.46	9,581,991.57
Financial expenses	49	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	50	58,576,197.18	55,801,019.59
Investment income	51	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	52	905,235,903.48	1,065,984,523.07
Impairment loss of credit (losses are presented with parentheses)	53	(104,004,939.19)	(144,729,939.93)
Gain from disposal of assets	54	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	55	21,942,159.07	7,993,510.02
Less: Non-operating expenses	56	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	57	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

Consolidated Income Statement

For the period from 1 January to 30 June 2019

RMB

Items	Note V	For the period from 1 January to 30 June 2019 (Unaudited)	For the period from 1 January to 30 June 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:	58		
(I) Basic earnings per share		0.76	0.78
(II) Diluted earnings per share		N/A	N/A

Consolidated Cash Flow Statement

For the period from 1 January to 30 June 2019

RMB

Items	Note V	For the period from 1 January to 30 June 2019 (Unaudited)	For the period from 1 January to 30 June 2018 (Unaudited)
I. Cash Flows from Operating Activities			
Cash received from the sales of goods and rendering of services		7,541,475,610.79	6,816,404,342.59
Other cash received relating to operating activities	59	759,338,519.43	562,158,627.72
Sub-total of cash inflow from operating activities		8,300,814,130.22	7,378,562,970.31
Cash payments for goods purchased and services received		1,378,818,963.17	1,403,883,347.74
Cash payments to and on behalf of employees		2,182,507,943.65	1,919,312,484.80
Payments of various types of taxes		1,052,323,447.93	1,019,805,078.54
Other cash payments relating to operating activities	59	2,508,086,057.72	1,901,259,134.99
Sub-total of cash outflow from operating activities		7,121,736,412.47	6,244,260,046.07
Net cash flows from operating activities	60	1,179,077,717.75	1,134,302,924.24
II. Cash Flows from Investing Activities:			
Cash received from disposal of investments		691,979,615.44	805,982,571.71
Cash received from investment income		156,558,860.99	163,059,530.87
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		8,133,080.23	1,292,175.46
Other cash received relating to investing activities	59	1,696,551,248.21	669,272,427.01
Sub-total of cash inflow from investing activities		2,553,222,804.87	1,639,606,705.05
Cash paid to purchase and construct fixed assets, intangible assets and other long-term assets		1,747,727,092.50	2,644,085,651.59
Cash paid for investments		677,714,791.96	1,963,716,403.13
Net cash paid for acquisition of subsidiaries and other business units		587,093,548.92	1,586,052,787.16
Other cash paid relating to investing activities	59	1,593,696,639.68	1,744,222,627.75
Sub-total of cash outflow from investing activities		4,606,232,073.06	7,938,077,469.63
Net cash flow from investing activities		(2,053,009,268.19)	(6,298,470,764.58)

Consolidated Cash Flow Statement

For the period from 1 January to 30 June 2019

RMB

Items	Note V	For the period from 1 January to 30 June 2019 (Unaudited)	For the period from 1 January to 30 June 2018 (Unaudited)
III. Cash Flows from Financing Activities:			
Cash receipts from capital contributions		19,081,749.54	3,060,751,849.62
Including: Cash receipts from capital contributions from minority shareholders of subsidiaries		19,081,749.54	10,744,000.00
Cash received from borrowings		9,360,719,034.64	3,843,230,000.00
Other cash received relating to financing activities	59	256,972,414.85	—
Sub-total of cash inflow from financing activities		9,636,773,199.03	6,903,981,849.62
Cash repayments of borrowings		6,551,676,719.96	1,656,947,168.37
Cash payments for distribution of dividends or profits or settlement of interest expenses		937,215,462.40	627,931,696.52
Including: Payments for distribution of dividends or profits to minority shareholders of subsidiaries		165,443,171.35	12,478,000.00
Other cash paid relating to financing activities	59	1,098,189,608.11	95,677,705.90
Sub-total of cash outflow from financing activities		8,587,081,790.47	2,380,556,570.79
Net cash flow from financing activities		1,049,691,408.56	4,523,425,278.83
IV. Effect of Foreign Exchange Rate Changes on Cash and Cash Equivalents			
		93,087.83	(8,602,143.90)
V. Net Increase in Cash and Cash Equivalents		175,852,945.95	(649,344,705.41)
Add: Opening balance of cash and cash equivalents		7,614,487,228.69	10,269,293,739.45
VI. Closing Balance of Cash and Cash Equivalents	60	7,790,340,174.64	9,619,949,034.04

Consolidated Statement of Changes in Equity

For the period from 1 January to 30 June 2019

RMB

Items	For the period from 1 January to 30 June 2019								
	Equity attributable to owners of the Company							Non-controlling interests	Total equity
	Share capital	Capital reserve	Other comprehensive income	Surplus reserve	General risk reserves	Retained earnings	Sub-total		
I. Prior year's closing balance	3,550,000,000.00	4,490,018,895.43	1,227,776,839.27	1,816,847,121.56	–	30,629,417,859.13	41,714,060,715.39	3,581,764,964.83	45,295,825,680.22
Add: Changes in accounting policies	–	–	–	–	–	(210,803,273.67)	(210,803,273.67)	(71,814,770.55)	(282,618,044.22)
II. Opening balance in current period	3,550,000,000.00	4,490,018,895.43	1,227,776,839.27	1,816,847,121.56	–	30,418,614,585.46	41,503,257,441.72	3,509,950,194.28	45,013,207,636.00
III. Changes in the current period	–	(275,183,737.64)	129,777,726.71	–	–	2,084,734,176.82	1,939,328,165.89	(203,900,733.92)	1,735,427,431.97
(I) Total comprehensive income	–	–	467,467,546.09	–	–	2,705,544,357.44	3,173,011,903.53	177,708,723.94	3,350,720,627.47
(II) Owners' contributions and reduction in capital	–	(275,183,737.64)	–	–	–	–	(275,183,737.64)	(335,209,628.04)	(610,393,365.68)
1. Ordinary shares from owners	–	–	–	–	–	–	–	39,071,749.52	39,071,749.52
2. Others	–	(275,183,737.64)	–	–	–	–	(275,183,737.64)	(374,281,377.56)	(649,465,115.20)
(III) Profit distribution	–	–	–	–	–	(958,500,000.00)	(958,500,000.00)	(46,399,829.82)	(1,004,899,829.82)
1. Distributions to owners (or shareholders)	–	–	–	–	–	(958,500,000.00)	(958,500,000.00)	(46,399,829.82)	(1,004,899,829.82)
(IV) Internal transfer of equity	–	–	(337,689,819.38)	–	–	337,689,819.38	–	–	–
1. Other comprehensive income converted to retained earnings	–	–	(337,689,819.38)	–	–	337,689,819.38	–	–	–
IV. Closing balance for the period	3,550,000,000.00	4,214,835,157.79	1,357,554,565.98	1,816,847,121.56	–	32,503,348,762.28	43,442,585,607.61	3,306,049,460.36	46,748,635,067.97

Consolidated Statement of Changes in Equity

For the period from 1 January to 30 June 2019

RMB

Items	For the period from 1 January to 30 June 2018								
	Equity attributable to owners of the Company							Non-controlling interests	Total equity
	Share capital	Capital reserve	Other comprehensive income	Surplus reserve	General risk reserves	Retained earnings	Sub-total		
I. Prior year's closing									
balance	3,623,917,038.00	5,362,115,385.55	1,562,965,633.10	1,623,080,808.19	—	28,254,693,080.77	40,426,771,945.61	3,505,201,438.50	43,931,973,384.11
Add: Changes in accounting policies	—	—	20,976,775.82	—	—	(724,018,035.19)	(703,041,259.37)	727,355.88	(702,313,903.49)
II. Opening balance in current period	3,623,917,038.00	5,362,115,385.55	1,583,942,408.92	1,623,080,808.19	—	27,530,675,045.58	39,723,730,686.24	3,505,928,794.38	43,229,659,480.62
III. Changes in the current period									
period	315,000,000.00	2,475,206,974.04	88,909,632.44	—	13,301,928.90	1,901,028,452.95	4,793,446,988.33	(265,680,420.94)	4,527,766,567.39
(I) Total comprehensive income	—	—	225,083,753.24	—	—	3,038,609,713.21	3,263,693,466.45	176,423,361.68	3,440,116,828.13
(II) Owners' contributions and reduction in capital	315,000,000.00	2,475,206,974.04	—	—	—	—	2,790,206,974.04	(429,625,782.62)	2,360,581,191.42
1. Ordinary shares from owners	315,000,000.00	2,735,007,849.63	—	—	—	—	3,050,007,849.63	10,744,000.00	3,060,751,849.63
2. Others	—	(259,800,875.59)	—	—	—	—	(259,800,875.59)	(440,369,782.62)	(700,170,658.21)
(III) Profit distribution	—	—	—	—	13,301,928.90	(1,273,755,381.06)	(1,260,453,452.16)	(12,478,000.00)	(1,272,931,452.16)
1. Appropriation to general risk reserves	—	—	—	—	13,301,928.90	(13,301,928.90)	—	—	—
2. Distributions to owners (or shareholders)	—	—	—	—	—	(1,260,453,452.16)	(1,260,453,452.16)	(12,478,000.00)	(1,272,931,452.16)
(IV) Internal transfer of equity	—	—	(136,174,120.80)	—	—	136,174,120.80	—	—	—
1. Other comprehensive income converted to retained earnings	—	—	(136,174,120.80)	—	—	136,174,120.80	—	—	—
IV. Closing balance for the period	3,938,917,038.00	7,837,322,359.59	1,672,852,041.36	1,623,080,808.19	13,301,928.90	29,431,703,498.53	44,517,177,674.57	3,240,248,373.44	47,757,426,048.01

Company's Balance Sheet

30 June 2019

RMB

Items	Note XIV	30 June 2019 (Unaudited)	31 December 2018 (Audited)
Current assets			
Cash and bank balances		2,819,270,393.93	1,643,966,701.80
Accounts receivable	1	554,050,209.85	576,962,054.82
Prepayments		10,262,685.56	14,161,010.39
Other receivables	2	26,602,004,187.43	25,266,149,844.00
Inventories		5,134,212.08	7,486,585.89
Contract assets		230,163,060.42	240,397,879.00
Non-current assets due within one year		11,000,000.00	—
Other current assets		2,139,417.15	3,400,403.86
Total current assets		30,234,024,166.42	27,752,524,479.76
Non-current assets			
Long-term receivables		1,070,194,691.62	1,133,376,387.24
Long-term equity investments	3	15,893,775,995.23	14,066,375,112.16
Other equity instrument investments		1,422,545,838.39	1,409,651,852.03
Other non-current financial assets		13,100,000.00	13,100,000.00
Fixed assets		43,850,440.80	28,455,482.64
Construction in progress		27,561,366.33	29,946,397.23
Intangible assets		393,532,287.55	395,609,045.26
Long-term prepaid expenses		16,609,919.60	19,428,231.72
Deferred tax assets		639,462,214.09	533,442,706.25
Other non-current assets		1,583,153,541.24	3,120,839,869.00
Total non-current assets		21,103,786,294.85	20,750,225,083.53
Total assets		51,337,810,461.27	48,502,749,563.29

Company's Balance Sheet

30 June 2019

RMB

Items	Note XIV	30 June 2019 (Unaudited)	31 December 2018 (Audited)
Current liabilities			
Short-term loans		4,464,914,479.37	4,687,756,740.00
Notes payable		100,000,000.00	100,000,000.00
Accounts payable		162,869,754.28	135,577,036.32
Advance from customers		37,077,111.56	53,618,770.24
Contract liabilities		562,894,382.19	561,777,664.68
Payroll payable		81,728,391.96	266,382,823.07
Taxes payable		117,100,291.04	177,745,952.69
Other payables		17,215,502,343.71	15,303,562,969.89
Non-current liabilities due within one year		2,673,544,359.86	1,886,573,720.79
Other current liabilities		1,110,752.14	1,033,706,659.88
Total current liabilities		25,416,741,866.11	24,206,702,337.56
Non-current liabilities			
Long-term loans		3,660,739,000.00	3,306,397,000.00
Bonds payable		7,622,729,977.88	5,128,016,872.12
Long-term payables		57,955,750.15	46,681,901.29
Deferred income		1,551,207.85	—
Other non-current liabilities		590,911,963.45	629,422,237.44
Total non-current liabilities		11,933,887,899.33	9,110,518,010.85
Total liabilities		37,350,629,765.44	33,317,220,348.41
Equity			
Share capital		3,550,000,000.00	3,550,000,000.00
Capital reserve		5,150,419,073.28	5,150,419,073.28
Other comprehensive income		87,795,452.82	79,624,963.06
Surplus reserve		1,637,028,554.33	1,637,028,554.33
Retained earnings		3,561,937,615.40	4,768,456,624.21
Total equity		13,987,180,695.83	15,185,529,214.88
Total liabilities and equity		51,337,810,461.27	48,502,749,563.29

Company's Income Statement

For the period from 1 January to 30 June 2019

RMB

Items	Note XIV	For the period from 1 January to 30 June 2019 (Unaudited)	For the period from 1 January to 30 June 2018 (Unaudited)
I. Revenue	4	820,608,568.54	864,291,016.51
Less: Cost of sales	4	192,949,821.79	174,445,477.52
Taxes and surcharges		3,853,731.67	4,101,636.32
Distribution and selling expenses		213,980,963.76	95,636,223.69
General and administrative expenses		253,695,101.49	137,139,799.39
Research and development expenses		—	—
Financial expenses		595,742,935.17	68,712,147.97
Including: Interest expense		780,765,127.23	438,300,747.04
Interest income		197,605,397.90	376,205,673.66
Add: Other income		20,310,225.85	38,231,173.14
Investment income	5	82,632,194.88	261,599,668.29
Including: Investment income from associates and joint ventures		33,662,138.39	83,303,068.29
Impairment loss of credit (losses are presented with parentheses)		(15,333,273.38)	(94,298,922.18)
Gain from disposal of assets		249,317.65	(341,586.06)
II. Operating profit		(351,755,520.34)	589,446,064.81
Add: Non-operating income		15,610.95	2,555,034.90
Less: Non-operating expenses		1,858,758.97	2,116,499.58
III. Total profit		(353,598,668.36)	589,884,600.13
Less: Income tax expense		(105,579,659.55)	90,056,113.25
IV. Net profit		(248,019,008.81)	499,828,486.88
(I) Net profit from continuing operations		(248,019,008.81)	499,828,486.88
(II) Net profit from discontinued operations		—	—
V. Other comprehensive income (after tax)		8,170,489.76	12,710,850.00
(I) Other comprehensive income that will not be reclassified to profit or loss		8,170,489.76	12,710,850.00
1. Changes in fair value of other equity instrument investments		8,170,489.76	12,710,850.00
VI. Total comprehensive income		(239,848,519.05)	512,539,336.88

Company's Cash Flow Statement

For the period from 1 January to 30 June 2019

RMB

Items	Note XIV	For the period from 1 January to 30 June 2019 (Unaudited)	For the period from 1 January to 30 June 2018 (Unaudited)
I. Cash Flows from Operating Activities:			
Cash received from the sales of goods and rendering of services		874,695,423.82	1,018,060,352.52
Other cash received relating to operating activities		77,094,427.64	105,284,394.54
Sub-total of cash inflow from operating activities		951,789,851.46	1,123,344,747.06
Cash payments for goods purchased and services received		35,381,430.30	117,453,770.57
Cash payments to and on behalf of employees		483,112,666.21	376,366,424.01
Payments of various types of taxes		105,145,659.93	158,845,044.18
Other cash payments relating to operating activities		380,852,017.97	377,857,698.33
Sub-total of cash outflow from operating activities		1,004,491,774.41	1,030,522,937.09
Net cash flows from operating activities		(52,701,922.95)	92,821,809.97
II. Cash Flows from Investing Activities:			
Cash received from investment income		425,073,454.47	247,011,247.92
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		100.00	—
Net cash received from disposal of subsidiaries and other business units		37,374,600.00	81,500,000.00
Other cash received relating to investing activities		6,526,706,782.97	8,290,217,315.06
Sub-total of cash inflow from investing activities		6,989,154,937.44	8,618,728,562.98
Cash paid to purchase and construct fixed assets, intangible assets and other long-term assets		28,476,034.03	339,019,824.71
Cash paid for investments		1,857,899,008.65	2,224,526,988.97
Other cash paid relating to investing activities		9,363,983,017.67	13,149,188,433.29
Sub-total of cash outflow from investing activities		11,250,358,060.35	15,712,735,246.97
Net cash flow from investing activities		(4,261,203,122.91)	(7,094,006,683.99)

Company's Cash Flow Statement

For the period from 1 January to 30 June 2019

RMB

Items	Note XIV	For the period from 1 January to 30 June 2019 (Unaudited)	For the period from 1 January to 30 June 2018 (Unaudited)
III. Cash Flows from Financing Activities:			
Cash receipts from capital contributions		—	3,050,007,849.63
Cash received from borrowings		7,665,921,161.73	450,000,000.00
Other cash received relating to financing activities		8,186,455,957.38	33,054,812,016.28
Sub-total of cash inflow from financing activities		15,852,377,119.11	36,554,819,865.91
Cash repayments of borrowings		4,355,840,870.00	315,000,000.00
Cash payments for distribution of dividends or profits or settlement of interest expenses		363,800,522.84	368,883,371.04
Other cash payments relating to financing activities		5,443,535,596.23	28,875,003,997.20
Sub-total of cash outflow from financing activities		10,163,176,989.07	29,558,887,368.24
Net Cash Flow from Financing Activities		5,689,200,130.04	6,995,932,497.67
IV. Effect of Foreign Exchange Rate Changes on Cash and Cash Equivalents			
		8,607.95	—
V. Net Increase in Cash and Cash Equivalents		1,375,303,692.13	(5,252,376.35)
Add: Opening balance of cash and cash equivalents		1,263,966,701.80	1,969,876,777.47
VI. Closing Balance of Cash and Cash Equivalents		2,639,270,393.93	1,964,624,401.12

Company's Statement of Changes in Equity

For the period from 1 January to 30 June 2019

RMB

Item	For the period from 1 January to 30 June 2019					
	Share capital	Capital reserve	Other comprehensive income	Surplus reserve	Retained earnings	Total equity
I. Balance at the end of last year	3,550,000,000.00	5,150,419,073.28	79,624,963.06	1,637,028,554.33	4,768,456,624.21	15,185,529,214.88
Add: Changes in accounting policies	-	-	-	-	-	-
II. Balance at the beginning of the period	3,550,000,000.00	5,150,419,073.28	79,624,963.06	1,637,028,554.33	4,768,456,624.21	15,185,529,214.88
III. Changes in the current period	-	-	8,170,489.76	-	(1,206,519,008.81)	(1,198,348,519.05)
(I) Total comprehensive income	-	-	8,170,489.76	-	(248,019,008.81)	(239,848,519.05)
(II) Owners' contributions and reduction in capital	-	-	-	-	-	-
(III) Profit distribution	-	-	-	-	(958,500,000.00)	(958,500,000.00)
1. Distributions to owners (or shareholders)	-	-	-	-	(958,500,000.00)	(958,500,000.00)
(IV) Internal carry forward of owners' equity	-	-	-	-	-	-
IV. Balance at the end of the period	3,550,000,000.00	5,150,419,073.28	87,795,452.82	1,637,028,554.33	3,561,937,615.40	13,987,180,695.83

Company's Statement of Changes in Equity

For the period from 1 January to 30 June 2019

RMB

Items	For the period from 1 January to 30 June 2018					
	Share capital	Capital reserve	Other comprehensive income	Surplus reserve	Retained earnings	Total equity
I. Prior year's closing balance	3,623,917,038.00	5,784,981,095.88	—	1,443,262,240.96	4,470,604,335.68	15,322,764,710.52
Add: Changes in accounting policies	—	—	—	—	(10,218,575.55)	(10,218,575.55)
II. Opening balance for the period	3,623,917,038.00	5,784,981,095.88	—	1,443,262,240.96	4,460,385,760.13	15,312,546,134.97
III. Changes for the period	315,000,000.00	2,735,007,849.63	12,710,850.00	—	(760,624,965.28)	2,302,093,734.35
(I) Total comprehensive income	—	—	12,710,850.00	—	499,828,486.88	512,539,336.88
(II) Owners' contributions and reduction in capital	315,000,000.00	2,735,007,849.63	—	—	—	3,050,007,849.63
1. Ordinary shares from owners' contributions	315,000,000.00	2,735,007,849.63	—	—	—	3,050,007,849.63
(III) Profit distribution	—	—	—	—	(1,260,453,452.16)	(1,260,453,452.16)
1. Distributions to owners (or shareholders)	—	—	—	—	(1,260,453,452.16)	(1,260,453,452.16)
(IV) Internal transfer of equity	—	—	—	—	—	—
IV. Closing balance for the period	3,938,917,038.00	8,519,988,945.51	12,710,850.00	1,443,262,240.96	3,699,760,794.85	17,614,639,869.32

Notes to the Financial Statements

For the period ended 30 June 2019

RMB

I. GENERAL INFORMATION OF THE COMPANY

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

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

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

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

I. GENERAL INFORMATION OF THE COMPANY (continued)

According to the resolution passed at the Board meeting of the Company on 28 March 2010 and the provisions of the Articles of Association as amended, the Company applied to increase its registered capital by RMB25,960,651.00 to RMB222,419,638.00. Such increase in the registered capital had been contributed in full by the new shareholders, namely Beijing Ruibang Beite Entrepreneur Investment Center (Limited Partnership), WHWH Group Company Limited, Beijing Yaxiang Xingtai Investment Company Limited, Tianjin Jinkai Equity Investment Fund Partnership (Limited Partnership), Lianyungang Fairbay Infrastructure Construction Company Limited, Mianyang Science and Technology City Industrial Investment Fund (Limited Partnership) (綿陽科技城產業投資基金(有限合夥)), Beijing Bainian Decheng Entrepreneur Investment Center (Limited Partnership), Shanghai Yinping Investment Management Company Limited, Shanghai Junyi Investment Consultancy Company Limited, Shanghai Ping'an Pharmacy Company Limited and Nantong Qianjun Construction Material Company Limited. After such capital increase, the registered capital and paid-in capital of the Company amounted to RMB222,419,638.00, and the Company completed the business registration in respect of such change on 1 June 2010.

According to the resolution passed at the Board meeting of the Company on 22 June 2010 and the provisions of the Articles of Association as amended, the Company applied to increase its registered capital by RMB5,866,965.00 to RMB228,286,603.00. Such increase in the registered capital had been contributed in full by the new shareholders, namely Shanghai Meilong Assets Management Company Limited, Shanghai Xingkai Business Administration Company Limited and Shanghai Hongmei Investment Management Company Limited. After such capital increase, the registered capital and paid-in capital of the Company both amounted to RMB228,286,603.00, and the Company completed the business registration in respect of such change on 28 July 2010.

According to the approval of the Ministry of Commerce of the People's Republic of China dated 23 December 2010 (Shang Zi Pi [2010] No. 1266), the resolution of the Board meeting, and the provisions of the sponsor agreement and Articles of Association of the Company, the Company was converted into a foreign-invested joint stock limited company in accordance with laws and changed its name to Red Star Macalline Group Corporation Ltd. (紅星美凱龍家居集團股份有限公司). The Company converted RMB3,000,000,000.00 out of the audited net assets of RMB3,260,932,367.04 of Shanghai Red Star Macalline Enterprise Management Company Limited as at 30 June 2010 at a conversion rate of 1:1 into a registered capital of RMB3,000,000,000.00, divided into 3,000,000,000 shares in total with a par value of RMB1 each, and paid the registered capital of RMB3,000,000,000.00, representing 100% of the Company's registered capital. The Company completed the business registration in respect of such change on 6 January 2011.

Notes to the Financial Statements

For the period ended 30 June 2019

RMB

I. GENERAL INFORMATION OF THE COMPANY (continued)

According to the resolution at the second extraordinary general meeting of the Company in 2015, the Articles of Association as amended and the approval of Shanghai Municipal Commission of Commerce (Hu Shang Wai Zi Pi [2015] No. 398), the Company applied to increase its registered capital by RMB80,329,038.00 by way of capital contribution from Candlewood Investment SRL and Springwood Investment SRL of RMB60,917,952.00 and RMB19,411,086.00, respectively. After such capital increase, the registered capital and paid-in capital of the Company amounted to RMB3,080,329,038.00. In the meanwhile, Beijing Ruibang Beite Entrepreneur Investment Center (Limited Partnership), WHWH Group Company Limited, Beijing Yaxiang Xingtai Investment Company Limited, Tianjin Jinkai Equity Investment Fund Partnership (Limited Partnership), Lianyungang Fairbay Infrastructure Construction Company Limited, Mianyang Science and Technology City Industrial Investment Fund (Limited Partnership) (綿陽科技城產業投資基金(有限合夥)), Beijing Bainian Decheng Entrepreneur Investment Center (Limited Partnership), Shanghai Yinping Investment Management Company Limited, Shanghai Junyi Investment Consultancy Company Limited and Nantong Qianjun Construction Material Company Limited, all being the original shareholders of the Company, transferred their shares in the Company to Red Star Macalline Holding Group Company Limited, the controlling shareholder of the Company. The Company completed the business registration in respect of such change on 6 February 2015.

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

I. GENERAL INFORMATION OF THE COMPANY (continued)

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

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

The business scope of the Company and its subsidiaries (hereinafter referred to as the "Group") mainly includes providing investees with management service, enterprise management and product information consulting; providing the home furnishing business stores with design planning and management services, wholesale of furniture, building materials (steel exclusive) and decoration materials, and relevant supporting services, exhibition and display services (products involving quota license or special management provisions shall be subject to relevant state regulations). *[Operational activities in connection with the items subject to approval according to the laws may only be carried out after being approved by the competent authorities].*

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

These financial statements have been approved by the Board of the Company by resolutions on 26 August 2019. Pursuant to the Articles of Association of the Company, these financial statements will be proposed to the general meeting for consideration and approval.

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

Notes to the Financial Statements

For the period ended 30 June 2019

RMB

II. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

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

As of 30 June 2019, the Group’s current liabilities in aggregate exceeded its current assets in aggregate with 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 unutilized bank facilities as at 30 June 2019, expected cash inflows from operating activities and financing arrangements, and believes that the liquidity risk arising from the fact that its current assets are less than its current liabilities as at 30 June 2019 that the Group is exposed to falls within the range of control, and thus has no material effect on the ongoing operation and financial statements of the Group. Therefore, these financial statements have been prepared on a going concern basis.

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

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

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

The financial statements have been prepared in accordance with ASBE, and truly and completely reflected the Company’s and the Group’s financial position as at 30 June 2019, and the operating results and cash flows for the period from 1 January to 30 June 2019.

2. Accounting Period

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

3. Normal Operating Cycle

Operating cycle refers to the period from the purchase of assets used for processing to the realization of cash or cash equivalents. The Group’s brand consulting and management service for the early stage of the project has an operating cycle that starts from the permission for relevant managed shopping malls to use the brands that are intangible assets of the Group and ends upon the opening of such managed shopping malls. The Group’s commercial management and consultation service for construction project has an operating cycle that starts from the provision of relevant consultation service for the construction of managed shopping malls and ends upon the opening of such managed shopping malls. The Group’s business of Owned/Leased Portfolio Shopping Malls, business relating to managed shopping malls other than the brand consulting and management service for the early stage of the project, business of product sales and relevant services as well as other businesses have an operating cycle of or less than 12 months. The Group takes 12 months as the liquidity criterion to categorize assets and liabilities.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

4. Functional Currency

The Group adopts Renminbi (“RMB”) as its functional currency and to prepare its financial statements. Unless otherwise stated, the financial statements are all presented in RMB. The subsidiaries of the Group determine to adopt RMB as their functional currencies for accounting and preparing financial statements based on the currencies in the main economic environment where they operate.

5. Business Combination

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

Business combinations involving enterprises under common control

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

Assets and liabilities that are obtained in a business combination involving enterprises under common control, including goodwill arising from the acquisition of the merging party by the ultimate controller, shall be accounted for on the basis of the carrying amounts on the financial statements of the ultimate controller at the combination date. The difference between the carrying amount of the net assets obtained by the merging party and the carrying amount of the consideration paid for the combination (or the aggregate par value of shares issued) is adjusted to the share premium in capital reserve. If the share premium is not sufficient to absorb the difference, any excess is adjusted against retained earnings.

Business combinations involving enterprises not under common control

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

Notes to the Financial Statements

For the period ended 30 June 2019

RMB

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

5. Business Combination (continued)

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

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

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

6. Consolidated Financial Statement

The consolidation scope of the consolidated financial statements is determined on the basis of control, including the financial statement of the Company and all of its subsidiaries, which represent the entities controlled by the Company (including separable parts of an enterprise or investee and structured entities controlled by the Company).

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

6. Consolidated Financial Statement (continued)

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

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

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

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

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

7. Classification of Joint Arrangements and Joint Ventures

There are two types of joint arrangements — joint operations and joint ventures. A joint operation is a joint arrangement whereby the joint operators have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture is a joint arrangement whereby the joint operators only have rights to the net assets of the arrangement.

Notes to the Financial Statements

For the period ended 30 June 2019

RMB

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

8. Cash and Cash Equivalents

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

9. Translation of Transactions and Financial Statements Denominated in Foreign Currencies

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

Foreign currency transactions are recorded, on initial recognition, in the functional currency, by applying the foreign currency amount the spot exchange rate prevailing on the transaction dates. At the balance sheet date, foreign currency monetary items are translated using the spot exchange rate prevailing on the balance sheet date. All the resulting differences on settlement and monetary item translation are taken to profit or loss for the current period, except for those relating to foreign currency borrowings specifically for construction and acquisition of qualifying assets, which are capitalised in accordance with the principle of capitalisation of borrowing costs. Non-monetary foreign currency items measured at historical cost shall still be translated at the spot exchange rate prevailing on the transaction date, and the amount denominated in the functional currency is not changed. Non-monetary foreign currency items measured at fair value are translated at the spot exchange rate prevailing at the date on which the fair values are determined. The difference thus resulted are recognised in profit or loss for the current period or as other comprehensive income based on the nature of the non-monetary items.

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

10. Financial Instrument

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

Recognition and derecognition of financial instruments

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

10. Financial Instrument (continued)

Recognition and derecognition of financial instruments (continued)

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

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

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

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

Classification and measurement of financial assets

On initial recognition, the Group's financial assets are classified based on the business model of the Group's financial asset management and the characteristics of the financial assets' contractual cash flows as: financial assets at fair value through profit or loss, financial assets at amortized cost and financial assets at fair value through other comprehensive income. Financial assets are initially recognized at fair value. However, if the initial recognition of accounts receivable or notes receivable arising from sale of goods or provision of services does not include significant financing components or does not consider financing components not exceeding one year, it shall be initially recognized as the transaction price.

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

Notes to the Financial Statements

For the period ended 30 June 2019

RMB

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

10. Financial Instrument (continued)

Classification and measurement of financial assets (continued)

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

Debt instrument investment measured at amortized cost

A financial asset shall be measured at amortized cost if both of the following conditions are met: the financial asset is held within a business model whose objective is to collect contractual cash flows; and the contractual terms of the financial asset set that the cash flows on specified dates are solely payments of principal and the interest based on the outstanding amount of principal. The interest income from such financial asset is recognized using the effective interest method, and gains or losses arising from its derecognition, revision or impairment is recognized in profit or loss for the current period. Such financial asset mainly includes cash and bank balances, accounts receivable and notes receivable, other receivables, contract assets and long-term receivables, etc. The Group's debt investments maturing within one year after the balance sheet date and long-term receivables are stated as non-current assets maturing within one year, and debt investments originally maturing within one year are stated as other current assets.

Debt instrument investment at fair value through other comprehensive income

A financial asset shall be measured at fair value through other comprehensive income if both of the following conditions are met: the financial asset is held by the Group within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and the contractual terms of the financial asset set that the cash flows on specified dates are solely payments of principal and interest on the outstanding amount of principal. The interest income from such financial asset is recognized using the effective interest method. The change in fair value of such financial asset shall be recognized in other comprehensive income, except for interest income, impairment losses and exchange differences recognized in profit or loss for the current period. When the financial asset is derecognized, the cumulative gains or losses previously recognized in other comprehensive income is reclassified from other comprehensive income to profit or loss for the current period. Such financial asset is stated as other debt investments, other debt investments maturing within one year after the balance sheet date are stated as non-current assets maturing within one year, and other debt investments originally maturing within one year are stated as other current assets.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

10. Financial Instrument (continued)

Classification and measurement of financial assets (continued)

Equity instrument investment at fair value through other comprehensive income

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

A financial asset is classified as held for trading if one of the following conditions is satisfied: it has been acquired principally for the purpose of selling or repurchasing in the near term; it is part of a portfolio of identified financial instruments that the Group manages together and there is objective evidence that the Group has a recent actual pattern of short-term profit-taking; it is a derivative, except for a derivative that is a designated and effective hedging instrument, or a derivative that qualifies for financial guarantee contracts.

Financial assets at fair value through profit or loss

The financial assets other than those measured at amortized cost and at fair value through other comprehensive income are classified as financial assets at fair value through profit or loss. For such financial assets, fair value is used for subsequent measurement, and all changes in fair value are recognized in profit or loss for the current period. Such financial assets are stated as financial assets held for trading, and those maturing more than one year after the balance sheet date and expected to be held for more than one year are stated as other non-current financial assets.

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

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

Only if the Group changes its business model for managing financial assets, all affected financial assets can be reclassified.

Notes to the Financial Statements

For the period ended 30 June 2019

RMB

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

10. Financial Instrument (continued)

Classification and measurement of financial liabilities

The Group's financial liabilities are, on initial recognition, classified as other financial liabilities. For financial liabilities at fair value through profit or loss, related transaction expenses are directly charged to profit or loss for the current period; and transaction expenses relating to other financial liabilities are included in the initial recognized amount.

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

Other financial liabilities

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

Impairment of financial instrument

On the basis of expected credit losses, the Group performs the impairment treatment on financial assets measured at amortized cost, lease receivables, and contract assets and recognizes the loss provision.

Credit loss refers to the difference between all contractual cash flows receivable from the contract that are discounted at the original effective interest rate and all cash flows expected to be received by the Group, that is, the present value of all cash shortfalls. Among them, the Group's purchased or originated credit-impaired financial assets shall be discounted according to credit-adjusted effective interest rate for financial assets.

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

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

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

10. Financial Instrument (continued)

Impairment of financial instrument (continued)

measures the loss provision based on the amount of expected credit losses for the entire duration of the life and calculates the interest income based on the book balance and effective interest rate; if the financial assets have been credit-impaired since the initial recognition (at the third phase), the Group measures the loss provision based on the amount of expected credit losses for the entire duration of the life and calculates the interest income based on the amortized cost and effective interest rate. For financial instruments that have lower credit risk on the balance sheet date, the Group assumes that its credit risk has not increased significantly since the initial recognition.

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

The Group considers all reasonable and evidenced information relating to past events, current conditions and future economic forecast when assessing expected credit losses.

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

Elimination of financial instruments

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

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

Notes to the Financial Statements

For the period ended 30 June 2019

RMB

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

10. Financial Instrument (continued)

Transfer of financial assets

If the Group transfers substantially all the risks and rewards of ownership of the financial asset to the transferee, it derecognizes the financial asset; if the Group retains substantially all the risks and rewards of ownership of the financial asset, it does not derecognize the financial asset.

If the Group neither transfers nor retains substantially all the risks and rewards of ownership of a financial asset, it is accounted for as follows: if the Group has not retained control of the financial asset, it derecognizes the financial asset and recognizes any resulting assets or liabilities; if the Group has retained control of the financial asset, it recognizes the financial asset to the extent of its continuing involvement in the transferred financial asset and recognizes an associated liability.

For continuing involvement by providing financial guarantee in respect of the transferred financial assets, the assets arising from such involvement is recognized as the lower of the book value of the financial assets and the amount of the financial guarantee. Amount of financial guarantee refers to the maximum amount to be repayable on demand among the considerations received.

11. Inventory

Inventories mainly include goods in inventory and low-value consumables, etc.

Inventories are initially measured at cost. Cost of inventories comprises costs of purchase and other cost. When the inventories are delivered, the actual costs of the delivered inventories are determined by using the method of weighted average. Low-value consumables are amortized by using the one-time writing-off method.

The inventory system is a perpetual inventory system.

On the balance sheet date, the inventories shall be measured at the lower of cost and net realizable value. When the cost is higher than the net realizable value, inventory impairment allowance shall be provided and included in current profit or loss. In case the factors impacting the previous providing of the inventory impairment allowance are eliminated, making the net realizable value of the inventory be higher than its book value, the write-down amount should be recovered from the amount of inventory impairment allowance previously provided and the corresponding amount shall be reversed to current profit or loss.

The net realizable value represents the amount derived by deducting the potential cost, estimated sale cost and related taxes to the completion date from the estimated selling price of the inventory in daily activities. When providing the inventory impairment allowance, the finished products shall be provided by categories.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

12. Long-term Equity Investments

Long-term equity investments include equity investments in subsidiaries, joint ventures and associates.

A long-term equity investment is initially recorded at its initial investment cost on acquisition. For a long-term equity investment acquired under business combination involving entities under common control, the initial investment cost is the share of the book value of the owner's equity of the party being combined on the date of business combination in the consolidated financial statements of the ultimate controller. The difference between the initial investment cost and the book value of the consideration for combination is adjusted to capital reserve (or charged against retained earnings if there is any shortfall). Other comprehensive income held prior to the date of business combination is accounted for on the same basis as where the relevant assets or liabilities are directly disposed of by the investee in disposal of such investment. Shareholders' equity recognized as a result of changes in other shareholders' equity of the investee other than net profit or loss, other comprehensive income and profit appropriation is taken to profit or loss for the current period upon disposal of such investment. In particular, those which remain as long-term equity investments upon disposal are carried forward in proportion, and those which are converted to financial instruments upon disposal are carried forward in full. For a long-term equity investment acquired through a business combination not involving entities under common control, the initial investment cost is the cost of business combination (Business combination not involving entities under common control which is achieved after multiple transactions, the initial investment cost is the sum of book value of equity investments of the acquiree held prior to the date of acquisition and the addition to investment cost on the date of acquisition). Cost of business combination includes the sum of fair values of the assets given, liabilities incurred or assumed, and equity securities issued by the acquirer. Other comprehensive income recognized on equity method held prior to the date of acquisition is accounted for on the same basis as where the relevant assets or liabilities are directly disposed of by the investee in disposal of such investment. Shareholders' equity recognized as a result of changes in other shareholders' equity of the investee other than net profit or loss, other comprehensive income and profit appropriation is taken to profit or loss for the current period upon the disposal of such investment. In particular, those which remain as long-term equity investments upon disposal are carried forward in proportion, and those which are converted to financial instruments upon disposal are carried forward in full. Accumulated fair value change of equity investments held prior to the date of acquisition being taken to other comprehensive income as other equity instrument investments is taken to retained earnings in full under cost method. For a long-term equity investment acquired by means other than business combination, the initial investment cost is determined as follows: for a long-term equity investment acquired by paying cash, the initial investment cost is the actual purchase price paid and those costs, taxes and other necessary expenditures directly attributable to the acquisition of the long-term equity investment; for a long-term equity investment acquired by the issue of equity securities, the initial investment cost is the fair value of the equity securities issued; for a long-term equity investment acquired by the swap of non-monetary assets, the initial investment cost is determined based on Accounting Standard for Business Enterprises No. 7 — Swap of Non-monetary Assets.

Notes to the Financial Statements

For the period ended 30 June 2019

RMB

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

12. Long-term Equity Investments (continued)

For a long-term equity investment where the Company can exercise control over the investee, the Company uses the cost method in the Company's separate financial statements. Control refers to the power over an investee, and exposure, or rights, to variable returns from its involvement with the investee, and the ability to use its power over the investee to affect the amount of the investor's returns.

Under the cost method, the long-term equity investment is measured at its initial investment cost. For addition or recovery of investments, the cost of long-term equity investments is adjusted accordingly. Cash dividend or profit declared to be distributed by an investee is recognized as profit or loss for the current period.

The equity method is adopted for a long-term equity investment when the Group holds joint control, or exercises significant influence on the investee. Joint control refers to the contractually-agreed shared control over an arrangement and related activities under such arrangement shall be decided on with the unanimous consent of the parties sharing control. Significant influence is the power to participate in the financial and operating policy decisions of the investee rather than to control or jointly control with other parties over the formulation of those policies.

Under the equity method, where the initial investment cost of a long-term equity investment is more than the share of the fair value of the investee's identifiable net assets when the investment is made, the cost is included in the initial investment cost of the long-term equity investment. Where the initial investment cost is less than the share of the fair value of the investee's identifiable net assets when the investment is made, the difference is recognized in profit or loss for the current period and the cost of the long-term equity investment is adjusted accordingly.

Under the equity method, the Group recognizes its share in the net profit or loss and other comprehensive income made by the investee as investment income or losses and other comprehensive income after the acquisition of the long-term equity investment, and adjusts the book value of the long-term equity investment accordingly. When recognizing the Group's share in the net profit or loss of the investee, the Group recognizes the net profit of the investee after making appropriate adjustments based on the fair values of the identifiable assets of the investee when the investment is acquired and in accordance with the Group's accounting policies and periods, after eliminating the portion of the profits or losses, arising from internal transactions with its joint ventures and associates, attributable to the investor according to its share ratio (but losses arising from internal transactions that belong to impairment losses on assets should be recognized in full), save for business formed by assets invested or disposed. The book value of the long-term equity investment is reduced accordingly based on the Group's share of profit or cash dividends declared to be distributed by the investee. The Group's share in net loss of the investee is recognized to the extent that the book value of the long-term equity investment and other long-term equity substantively forming net investments of the investee are written down to zero, except that the Group has incurred obligations to assume additional losses. The Group adjusts the book value of the long-term equity investment for other changes in shareholders' equity of the investee (other than net profit or loss, other comprehensive income and profit appropriation of the investee) and includes the corresponding adjustments in the shareholders' equity.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

12. Long-term Equity Investments (continued)

On disposal of the long-term equity investment, the difference between its book value and consideration actually received is recognized in profit or loss for the current period. For long-term equity investments under equity method, when the use of the equity method is discontinued because of disposal, other comprehensive income previously accounted for under the equity method shall be accounted for on the same basis as where the relevant assets or liabilities are disposed of directly by the investee. Shareholders' equity recognized as a result of changes in other shareholders' equity of the investee (other than net profit or loss, other comprehensive income and profit distribution) shall be taken in full to the profit or loss for the current period. If the equity method remains in use, other comprehensive income previously accounted for under the equity method shall be accounted for on the same basis as where the relevant assets or liabilities are disposed of directly by the investee and taken to the profit or loss for the current period in proportion. Shareholders' equity recognized as a result of changes in other shareholders' equity of the investee (other than net profit or loss, other comprehensive income and profit distribution) shall be taken to the profit or loss for the current period on a pro-rata basis.

13. Investment Property

Investment property is any property held for rental earnings or capital appreciation or both. It includes buildings being leased out, etc.

An investment property is measured initially at cost. Expenditure subsequently incurred for such investment property is recognized in its cost if the economic benefits associated with such asset are probable to flow in and relevant costs can be measured reliably, otherwise, recognized in profit or loss for the current period in which they are incurred.

There exists an active property trading market at the place of the investment properties of the Group and the market price of and other information relating to identical or similar properties are available to the Group in the property trading market, which makes it possible to estimate the fair value of investment properties in a reasonable manner. As such, the Group subsequently measures investment properties by adopting the fair value model and adjusts its book value based on investment properties' fair value at balance sheet date with the difference between fair value and original book value recognized in profit or loss for the current period.

Where an investment property is sold, transferred, retired or damaged, the income from its disposal net of the book value and related taxes is recognized in profit or loss for the current period.

Notes to the Financial Statements

For the period ended 30 June 2019

RMB

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

14. Fixed Assets

A fixed asset is recognized only when the economic benefits associated with the asset are probable to flow into the Group and the cost of the asset can be measured reliably. Subsequent expenditures incurred for the fixed asset are included in the cost of the fixed asset when the above confirming condition is met, and the book value of the replaced part is derecognized; otherwise the expenditures are recognized in profit or loss in the current period in which they are incurred.

Fixed assets are initially measured at cost. The cost of a purchased fixed asset consists of the acquisition price, relevant taxes, and other directly attributable expenditure for bringing the asset to its working condition for its intended use.

A fixed asset is depreciated using the straight-line method. The useful life, estimated net residual value rate and annual depreciation rate of each category of fixed assets are as follows:

	Useful life	Estimated net residual value rate	Annual depreciation rate
Dedicated equipment	10 years	5%	9.5%
Electronic equipment, appliances and furniture	3–5 years	5%	19–31.67%
Transportation equipment	5 years	5%	19%

Others:

If a fixed asset is upon disposal or no economic benefits are expected to be generated from its use or disposal, the fixed asset is derecognized. When a fixed asset is sold, transferred, retired or damaged, the amount of any proceeds on disposal of the asset net of the book value and related taxes is recognized in profit or loss for the current period.

The Group reviews the useful life and estimated net residual value of a fixed asset and the depreciation method applied at least once at each year-end, and adjusts them when necessary.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

15. Construction in Progress

Construction in progress is recognized at its actual costs. The actual costs include various necessary construction expenditures during the construction period, borrowing costs capitalized before it is ready for intended use and other relevant costs.

Construction in progress is transferred to a fixed asset when it is ready for intended use.

16. Borrowing Costs

Borrowing costs are interests and other related cost arising from Group's borrowing, including borrowing interests, amortization of discounts or premiums, ancillary expenses and exchange differences arising from foreign currency lending etc.

Borrowing costs directly attributable to the acquisition, construction or production of qualifying asset are capitalized, and other borrowing costs are recognized in profit or loss for the current period. Qualifying assets are fixed assets, investment property and inventory that necessarily to be acquired constructed or produced through a substantial period of time to get ready for its intended use or sale.

Borrowing costs may be capitalised only when:

- (1) Expenditures for such asset are incurred;
- (2) Borrowing costs are incurred;
- (3) The acquisition, construction or production activities which are necessary to prepare the asset for its intended use or sale have started.

Capitalization of borrowing costs ceases when the qualifying asset being acquired, constructed or produced becomes ready for its intended use or sale. Borrowing costs incurred subsequently are recognized in profit or loss for the current period.

Notes to the Financial Statements

For the period ended 30 June 2019

RMB

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

16. Borrowing Costs (continued)

During the period of capitalisation, the amount of capitalised interests in each accounting period is determined by the following methods:

- (1) For dedicated borrowings, the amount of capitalised interests is the interest expenses actually incurred in the current period less the interest income earned on temporary deposits or investment income.
- (2) For general borrowings utilised, the amount of capitalised interests is the weighted average asset expenditures of the excess of accumulative asset expenditure over the dedicated borrowings multiplying the weighted average interest rate of the general borrowings utilised.

Where the acquisition and construction or production of a qualified asset is interrupted abnormally and the interruption period lasts for more than 3 consecutive months, other than those necessary to prepare the asset for its intended use or sale, the capitalization of the borrowing costs shall be suspended. Borrowing costs incurred during the interruption period are recognised as cost in profit or loss for the current period, until those acquisition and construction or production is resumed.

17. Intangible Assets

Intangible assets may be recognized and initially measured at cost only when economic benefits relating to it are likely to flow into the Group as well as its cost can be measured reliably. However, for intangible assets acquired from business combination involving enterprises not under common control, if their fair value can be measured reliably, they are recognized separately as intangible assets and measured at fair value.

The useful life of an intangible asset shall be determined based on the term in which it can generate economic benefits for the Group. An intangible asset is regarded as having an indefinite useful life when there is no foreseeable term in which it can generate economic benefits for the Group.

The useful life of each category of intangible assets is as follows:

	Useful life
Trademark use rights	30 years
Softwares	2–10 years
Others	3 years

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

17. Intangible Assets (continued)

An intangible asset with finite useful life is amortised over its useful life period by using the straight-line method. The useful life and amortization method of an intangible asset with finite useful life shall be reviewed at least once at each year-end, and adjusted when necessary.

The Group's expenditures for its internal research and development projects are classified into expenditures on the research stage and expenditures on the development stage. Expenditures on the research stage are recognized in profit or loss for the current period when incurred. Expenditures on the development stage are to be capitalized if the Group can satisfy all of the following criteria simultaneously: the technical feasibility to complete the intangible asset so that it will be available for use or sale; the intention to complete the intangible asset, and to use or sell it; how the intangible asset will generate economic benefits. Among other things, the Group can demonstrate that there is an existing market for products produced by the intangible asset or there is an existing market for the intangible asset itself, and the usage of it, if the intangible asset is to be used internally; the availability of adequate technical, financial and other resources to complete the development of the intangible asset and the ability to use or sell it; the ability to measure reliably the expenditure attributable to the intangible asset during its development stage. The development expenditure that do not meet the above conditions are recognized in profit or loss for the current period when incurred.

18. Impairment of Assets

The Group determines impairment of assets excluding inventory, investment property measured at fair value model, deferred income taxes, financial assets and contract assets by below method:

The Group determines whether there is any indication that assets have suffered impairment at balance sheet date. If an impairment indication exists, the recoverable amount is estimated and impairment test is carried out. The impairment test should be carried out for the intangible assets with indefinite useful life and the goodwill arising from business combination at least once at each year-end whether an impairment indication exists. As for intangible assets that have not been ready for intended use, an impairment test also should be carried out each year.

The recoverable amount of an asset is the higher of the net of its fair value less costs of disposal and the present value of the future cash flows expected to be derived from the asset. Recoverable amount is estimated on individual asset basis. If it is not practical to estimate the recoverable amount of an individual asset, the recoverable amount of the asset group to which the asset belongs will be determined. The asset group is determined according to whether the main cash inflows generated from the asset group are independent from cash inflows from other assets or asset group.

Notes to the Financial Statements

For the period ended 30 June 2019

RMB

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

18. Impairment of Assets (continued)

If such recoverable amount of an asset or asset group is less than its book value, book value is reduced to its recoverable amount, the reduction amount is recognized in profit or loss for the current period and a provision for impairment of such assets has been prepared.

For the purpose of impairment test of goodwill, the book value of goodwill arising from business combination is reasonably allocated to the related assets group since the purchasing date, those difficulty allocated to the related assets group will be allocated to the related sets of assets groups. The related assets group or sets of assets groups are those expected to benefit from the synergies of the business combination and less than the reportable segment determined by the Group.

If there exists impairment indication for assets group or sets of assets groups related to goodwill when an impairment test is carried out for the related assets group or sets of assets groups including goodwill, an impairment test should be firstly carried out for assets group or sets of assets groups excluding goodwill to calculate the recoverable amount and recognize the corresponding impairment losses. An impairment test then should be carried out for assets group or sets of assets groups including goodwill, comparing its book value and the recoverable amount, if the recoverable amount is less than the book value, the impairment losses amount is deducted and amortized to the book value of the goodwill of assets group or sets of assets groups firstly and then deducted the book value of other assets on a pro rata basis according to the proportion of the book value of other assets of assets group or sets of assets groups excluding goodwill.

Once an impairment loss is recognized for above-mentioned assets, it will not be reversed in subsequent accounting period.

19. Long-term Prepaid Expenses

Long-term prepaid expenses are amortized using the straight-line method, and their amortized periods are as follow:

	Amortized periods
Improvement of fixed assets rented	10 years
Others	3–5 years

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

20. Employee Remuneration

Employee remuneration is all kinds of reward or compensation for service rendered by employees or the termination of employment given by the Group. Employee remuneration includes short-term remuneration, post-employment benefits, termination benefits and other long-term employee benefits. Benefits the Group provided to employees' spouses, children, dependents, families of the deceased employees and other beneficiaries also belong to employee remuneration.

Short-term remuneration

Actually occurred short-term remuneration is recognized as liabilities and charged to the profit or loss for the current period or to the costs of relevant assets in the accounting period during which employees provide services.

Post-employment benefits (Defined contribution plans)

Our employee participated in pension insurance and unemployment insurance managed by local government and corresponding expenses are recognized in costs of related assets or profit or loss for the current period when occurred.

Termination benefits

When the Group provides termination benefits to employees, employee remuneration liabilities are recognized for termination benefits, with a corresponding charge to the profit or loss for the current period at the earlier of the following dates: when the Group cannot unilaterally withdraw the offer of termination benefits because of the termination plan or a curtailment proposal; and when the Group recognizes costs or expenses related to restructuring that involves the payment of termination benefits.

21. Revenue

Rental and related income

It refers to the revenue received by the Group from provision of booth leases and related services for tenants who signed up lease contracts to run business at its Owned/Leased Portfolio Shopping Malls and such rental and related income belongs to operating leases. The revenue is determined according to the rental area, unit price, contractual term and so on stipulated in the relevant contracts or agreements and recognized on a straight-line basis within the contractual period.

Notes to the Financial Statements

For the period ended 30 June 2019

RMB

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

21. Revenue (continued)

Revenue excluding rental and related income

The Group recognizes revenue when it performs the performance obligations in the contract, namely, when the customer obtains control over relevant goods or services. Control over the relevant goods and services refers to the ability to direct the use of goods or services and obtain substantially all of the economic benefits from them.

Revenue relating to managed shopping malls

Revenue from the brand consulting and management service for the early stage of the project

It refers to the revenue received by the Group under the relevant contract or agreement, pursuant to which the Group is permitted by developers to use the brands that are intangible assets of its own, and from the provision of consultation, tenant sourcing and other services to partners of or project companies under the Managed Shopping Malls. The revenue arising therefrom is recognized by the Group in the period that the consulting and management services are provided in accordance with the progress of performance.

Revenue from annual brand consulting and management service for the project

After the opening of business of Managed Shopping Malls, the Group shall, on the terms and within the validity period of the contracts, permit the Managed Shopping Malls to continuously use the brands that are intangible assets of the Group, and continuously provide management services (covering layout, planning, tenant sourcing, leasing, business planning, advertising, operation and after-sales service, etc.) to the Managed Shopping Malls, while the Managed Shopping Malls may, within the validity period of the contracts, continuously use the brands that are intangible assets of the Group. Relevant management services are provided on an on-going basis within the validity period of the contracts. The revenue arising therefrom is recognized by the Group in the period that the management services are provided at the amount calculated and determined in accordance with charging methods agreed in the contract.

Revenue from tenant sourcing commissions

It refers to the revenue received by the Group arising from the provision of tenant sourcing and consultation services for Managed Shopping Malls. The revenue arising there from is recognized by the Group in the period that the tenant sourcing services are provided at the amount calculated and determined in accordance with charging methods agreed in the contract.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

21. Revenue (continued)

Revenue excluding rental and related income (continued)

Revenue relating to managed shopping malls (continued)

Revenue from commercial management and consultation service for construction project

It refers to revenue received by the Group from the provision of management and consultation services of Red Star Macalline to builders, including shopping mall design, consultation on construction and decoration solution, coordination and supervision on the site of construction as well as control of project cost and progress. The amount thereof is determined by the Group in consultation with the builders in line with the realities of the project. The revenue is recognized by the Group at the amount agreed in the contracts under the circumstance that relevant services have been provided, relevant Managed Shopping Malls have been constructed and reached operational status, and relevant service confirmation issued by the builder is obtained.

Revenue from commercial consultation fees

It refers the revenue received by the Group from the provision of commercial consultation services in the stage of development planning for properties in operation other than Owned/Leased/JV/associate Portfolio Shopping Malls and Managed Shopping Malls. The revenue arising therefrom is recognized by the Group in the period that the commercial consultation services are provided at the amount calculated and determined in accordance with charging methods agreed in the contracts.

Revenue from construction and design service

As customers can control products in progress during the Group's performance, the Group takes the construction contracts between it and customers as the performance obligations fulfilled within a certain period and recognizes relevant revenue according to performance schedule, except that relevant performance schedule cannot be reasonably determined. The Group determines the performance schedule of the service it provides based on input method. Where the performance schedule cannot be reasonably determined and the costs incurred to the Group are expected to be recovered, the Group recognizes the revenue according to the amount of costs incurred until the performance schedule can be reasonably determined.

Notes to the Financial Statements

For the period ended 30 June 2019

RMB

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

21. Revenue (continued)

Revenue excluding rental and related income (continued)

Revenue from sales of goods and home decoration

Revenue from sales of goods is the revenue which the Group's self-operated shopping malls obtained from sales of home decoration and furnishing products. Relevant revenue from sales of goods is recognized when the Group fulfilled the performance obligations under relevant contracts and customers obtained the right of control of relevant goods or services.

Revenue from home decoration refers to the revenue received by the Group from home design and decoration works provided by the Group. The revenue is recognized by the Group under the circumstance that associated economic benefits are probable to flow into the Group after the Group has provided relevant service and fulfilled its performance obligations.

Other revenues

Revenue from strategic consultation fees

It refers the revenue received by the Group for the continuous provision of operational analysis, information consultation, brand rating and assessment consultation, tenant sourcing and matching and booth coordination and other services on the terms and within the validity period of the agreement entered into between the Group and home decoration companies and furniture manufacturers. The revenue is recognized by the Group at the amount agreed in the agreement according to the performance schedule within the validity period of the agreement.

Joint marketing income

It refers to the revenue received by the Group for the provision of business planning service, media production and other services during the joint marketing activities with brand manufacturers and tenants. The revenue is recognized when the Group fulfilled the performance obligations under the relevant contracts and customers obtained the right of control of relevant goods or services.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

22. Contract Assets and Contract Liabilities

The Group presents contract assets or contract liabilities in the balance sheet based on the relationship between the Group's fulfilment of performance obligations and customers' payment.

Contract assets

The Group presents its unconditional (merely depending on time) right to receive considerations from customers as accounts receivable, and presents its right to receive considerations for goods already transferred to customers (depending on other factors other than time) as contract assets.

See Note III.10 for methods determining the expected credit loss of the Group's contract assets and relevant accounting methods.

Contract liabilities

In the event that the enterprises have received relevant amounts before transferring the promised goods, the Group presents the obligations for transfer of goods to customers for considerations received or receivable from customers as contract liabilities.

The Group presents contract assets and contract liabilities under the same contract as net amount after they offset each other.

23. Assets Related to Contract Costs

The Group's assets related to contract costs include contract performance costs, and are presented in the inventories according to liquidity.

The incremental costs of obtaining a contract which are expected to be recovered shall be recognized as an asset as contract acquisition costs, unless the amortization period of the asset is less than one year.

Notes to the Financial Statements

For the period ended 30 June 2019

RMB

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

23. Assets Related to Contract Costs (continued)

The cost of the Group for the performance of the contract is recognized as an asset as the contract performance cost, if it does not apply to the scope of the relevant standards of inventories, fixed assets or intangible assets and meets the following conditions:

- (1) The cost is directly related to a current or anticipated contract, including direct labor, direct materials, manufacturing expenses (or similar expenses), costs that expressly to be borne by the customer, and other costs incurred solely for the contract;
- (2) The cost increases the resources that the Company will use to fulfill its performance obligations in the future;
- (3) The cost is expected to be recovered.

The Group amortizes the assets related to the contract costs on the same basis as the revenue recognition related to the assets, which is recognized in the profit or loss for the current period.

24. Government Grants

Government grant is recognized when the Group can comply with the conditions attached to it and it can be received. If a government grant is in the form of monetary asset, it is measured at the amount received or receivable. If a government grant is in the form of non-monetary asset, it is measured at fair value; in the event that fair value is not reliably determinable, it is measured at a nominal amount.

Government grants for purchasing, building or forming long-term assets in other methods regulated in government documents are recognized as asset-related government grants. Judgments should be made based on the necessary basic conditions for obtaining the government grants when government documents are unclearly stated. Government grants with purchasing, building or forming long-term assets in other methods as basic conditions, are recognized as asset-related government grants, whereas the rest as income-related government grants.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

24. Government Grants (continued)

Income-related government grants are used to recover related costs or losses in the subsequent period are recognized as deferred income, and are taken into the current profit or loss or used to offset related costs of the period in which the related costs or losses are recognized; those used to recover related costs or losses incurred are directly recognized in the current profit or loss or used to offset related costs.

Asset-related government grants are used to offset the book value of related assets; or recognized as deferred income, and arbitrarily and systematically included in profit or loss within the useful life of the related assets (however, government grants measured at nominal amounts are directly recognized in profit or loss for the current period); if the related assets are sold, transferred, discarded as useless or damaged before the end of their useful life, the balance of the relevant deferred income that has not been allocated shall be carried into the profit or loss of the period when the assets are disposed of.

25. Income Tax

Income tax comprises current and deferred income tax. Income tax is recognized as income or an expense in profit or loss for the current period, or recognized directly in shareholders' equity if it arises from a business combination or relates to a transaction or event which is recognized directly in shareholders' equity.

The Group measures a current income tax asset or liability arising from the current and prior period based on the amount of income tax expected to be paid by the Group or returned by tax authority calculated by related tax laws.

For temporary differences on the balance sheet date between the tax bases of assets and liabilities and their book value, and temporary differences between the book value and the tax bases of items, the tax bases of which can be determined for tax purposes, but which have not been recognized as assets and liabilities according to the tax laws, deferred income taxes are provided using the balance sheet liability method.

A deferred tax liability is recognized for all taxable temporary differences, except:

- (1) Where the taxable temporary differences arise from the initial recognition of goodwill, or the initial recognition of an asset or liability in a transaction which contains both of the following characteristics: the transaction is not a business combination; and at the time of the transaction, it affects neither accounting profit nor taxable income or deductible loss.

Notes to the Financial Statements

For the period ended 30 June 2019

RMB

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

25. Income Tax (continued)

- (2) In respect of taxable temporary differences associated with investments in subsidiaries, joint ventures and associates, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not be reversed in the foreseeable future.

A deferred tax asset is recognized for deductible temporary differences, carry forward of deductible tax losses from subsequent years and tax credits, to the extent that it is probable that future taxable income will be available against which the deductible temporary differences, and deductible tax losses and tax credits can be utilized, except:

- (1) Where the deductible temporary differences arise from a transaction that is not a business combination and, at the time of the transaction, neither the accounting profit nor taxable income or deductible loss is affected.
- (2) In respect of the deductible temporary differences associated with investments in subsidiaries, joint ventures and associates, a deferred tax asset is only recognized to the extent that it is probable that the temporary differences will be reversed in the foreseeable future and taxable income will be available against which the deductible temporary differences can be utilized in the future.

At the balance sheet date, deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, according to the requirements of tax laws. The measurement of deferred tax assets and deferred tax liabilities reflects the tax consequences that would follow from the manner in which the Group expects at the balance sheet date, to recover the assets or settle the liabilities.

The book value of deferred tax assets is reviewed at the balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable income will be available in future periods to allow the deferred tax assets to be utilized. Unrecognized deferred tax assets are reassessed at the balance sheet date and are recognized to the extent that it has become probable that sufficient taxable income will be available to allow all or part of the deferred tax assets to be recovered.

Where all of the following conditions are satisfied, deferred tax assets and deferred tax liabilities are presented on a net basis after offsetting: With the legal rights of net settlement of current income tax assets and current income tax liabilities granted, and deferred tax assets and deferred tax liabilities are related to income tax to be paid by the same entity liable to pay tax to the same tax collection and management authority or related to different entities liable to pay tax, but the relevant entity liable to pay tax is intended to apply net settlement of current income tax assets and liabilities or, at the same time, acquire assets or repay debt whenever every significant deferred tax assets and liabilities would be reversed in the future.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

26. Right-of-use Assets (Applicable Starting From 1 January 2019)

The types of the Group's right-of-use assets mainly include buildings.

On the commencement date of the lease term, the Group recognises the right to use the lease assets during the lease term as right-of-use assets, including: (1) the initial measurement amount of lease liabilities; (2) lease payments made at or before the commencement date of the lease term less any lease incentives already received (if there is a lease incentive); (3) initial direct fees incurred by the lessee; (4) an estimate of costs to be incurred by the lessee in dismantling and removing the leased assets, restoring the site on which they are located or restoring the leased assets to the condition required by the terms and conditions of the lease. Right-of-use assets are subsequently depreciated by the Group using the straight-line method. If it is reasonable to determine the ownership of the lease assets at the expiration of the lease term, the Group will depreciate the remaining useful life of the lease assets. If it is not reasonable to determine that the ownership of the lease assets can be acquired at the expiration of the lease term, the Group depreciates during the shorter period between the lease term and the remaining useful life of the lease assets.

The Group re-measures the lease liabilities based on the present value of the changed lease payments, and adjusts the book value of the right-of-use assets accordingly. When the book value of the right-of-use asset has been reduced to zero, but further reduction is still required for the lease liabilities, the Group accounts for the remaining amount in the profit or loss for the current period.

27. Lease Liabilities (Applicable Starting From 1 January 2019)

On the commencement date of the lease term, the Group recognized the present value of the lease payments that have not been paid as lease liabilities, except for short-term leases and low-value asset leases. In calculating the present value of the lease payments, the Group uses the interest rate of the lease as the discount rate; if the interest rate of the lease cannot be determined, the lessee's incremental borrowing rate is used as the discount rate. The Group calculates the interest expense of the lease liability for each period of the lease term based on the fixed periodic interest rate and recognises it in profit or loss for the current period. The variable lease payments that are not included in the measurement of the lease liabilities are recognised in profit or loss for the current period when incurred.

After the commencement date of the lease term, when the actual fixed payment amount changes, the expected amount of the guarantee residual value changes, the index or ratio used to determine the lease payment changes, or the assessment results or actual exercise of the purchase option, the renewal option or the termination option change, the Group re-measures the lease liability based on the present value of the changed lease payments.

Notes to the Financial Statements

For the period ended 30 June 2019

RMB

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

28. Lease (Applicable Starting from 1 January 2019)

On the commencement date of the contract, the Group assesses whether the contract is a lease or contains a lease. If one party under the contract transfers one or more of the rights to control the use of identified assets for a certain period of time in exchange for consideration, the contract shall be considered as a lease or containing lease. In order to determine whether the contract has transferred the right to control the use of the identified assets within a certain period of time, the Group assesses whether the customers in the contract are entitled to substantially all of the economic benefits arising from the use of the identified assets during the period of use and have the right to lead the use of identified assets during this period of use.

Identification of separate leases

Where the contract contains multiple separate leases, the Group will split the contract and separate the leases for accounting treatment. The right to use the identified asset constitutes a separate lease in the contract if the following conditions are met:

- (1) The lessee can profit from using the asset alone or in conjunction with other resources that are readily available;
- (2) The asset does not have a high degree of dependency or a high degree of association with other assets in the contract.

Split for the lease and non-lease components

If both lease and non-lease components are included in the contract, the lease and non-lease components shall be split and processed by the Group as lessor; when the Group is a lessee, the lease assets of buildings shall not be split and the lease components and its related non-lease components shall be merged into leases respectively. In addition to the above categories of lease assets, the Group will conduct accounting treatment after splitting the lease and non-lease components.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

28. Lease (Applicable Starting from 1 January 2019) (continued)

Assessment of lease term

The lease term is the non-cancellable period during which the Group has the right to use the lease asset. The Group has the option to renew the lease, that is, it has the right to choose to renew the lease of the asset, and if it is reasonable to determine that the option will be exercised, the lease term also includes the period covered by an option to renew the lease. The Group has the option to terminate the lease, that is, it has the right to choose to terminate the lease of the asset, but if it is reasonable to determine that the option will not be exercised, the lease term includes the period covered by the termination of the lease option. In the event of a major event or change within the Group's controllable range, and affecting whether the Group reasonably determines that the corresponding option will be exercised, the Group reassesses whether it is reasonable to determine to exercise the option to renew the lease, purchase option or terminate the lease option.

As a lessee

For the general accounting treatment of the Group as a lessee, please refer to Note III. 26 and Note III. 27.

Lease modifications

The lease modifications refer to change of lease scope, lease consideration, and lease term outside the original contract terms, including the increase or termination of the use rights of one or more leased assets, and the extension or shortening of the lease term stipulated in the contract.

If the lease modifications have met the following conditions simultaneously, the Group will account for the lease modifications as a separate lease:

- (1) The lease modifications expand the scope of the lease by adding the rights of use of one or more leased assets; and
- (2) the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

Notes to the Financial Statements

For the period ended 30 June 2019

RMB

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

28. Lease (Applicable Starting from 1 January 2019) (continued)

As a lessee (continued)

Lease modifications (continued)

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability by discounting the revised lease payments using a revised discount rate at the effective date of the lease modification. When calculating the present value of the lease payments after the modification, revised discount rate is determined as the interest rate implicit in the lease for the remainder of the lease term, if that rate can be readily determined, or the lessee's incremental borrowing rate at the effective date of the modification, if the interest rate implicit in the lease cannot be readily determined.

Regarding the impact of the above adjustment of lease liabilities, the Group distinguishes between the following circumstances for accounting treatment:

- (1) If the lease modifications result in a narrower lease scope or a shorter lease term, decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease. The lessee shall recognise in profit or loss any gain or loss relating to the partial or full termination of the lease.
- (2) Making a corresponding adjustment to the book value of right-of-use asset for all other lease modifications.

Short-term lease and low-value asset lease

The Group recognises the lease which has a term of not more than 12 months and does not include the purchase option on the commencement date of the lease term as a short-term lease; the lease with a value of not more than RMB40,000 when the single leased asset is a new asset is recognised as a low-value asset lease. If the Group subleases or expects to sublease the leased assets, the original lease is not recognised as a low-value asset lease. The Group does not recognise the right-of-use assets and lease liabilities for short-term leases and low-value asset leases. During each period of the lease term, the related asset costs or profit or loss for the current period are included by using the straight-line method, and contingent rents are included into the profit or loss for the current period when actually incurred.

As a lessor

At the lease commencement date, leases that substantially transfer almost all the risks and rewards related to the ownership of leased assets are classified as finance leases. Otherwise, all other leases are classified as operating leases. When the Group is an intermediate lessor, the sublease is classified as a finance lease or an operating lease by reference to the right-of-use assets arising from the head lease.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

28. Lease (Applicable Starting from 1 January 2019) (continued)

As a lessor (continued)

As a financial leases lessor

At the lease commencement date, the Group recognises financial leases as financial lease receivables and derecognises the underlying assets. When the financial lease receivables are initially measured, the Group shall account for the net lease investment as the value of the financial lease receivables. Net investment in the lease is the sum of present value of unguaranteed residual value and the lease payments receivable at the lease commencement date, discounted at the interest rate implicit in the lease.

The Group calculates and recognises interest income in each period during the lease term, based on a constant periodic rate of interest. Variable lease payments received by the Group, and not included in the measurement of the net investment in the lease shall be included into profit or loss for the current period when actually incurred.

Where the Group is deemed as a lessor of a producer or dealer of financial leases, at the lease commencement date, the Group will recognize the lower of the fair value of the leased assets and the present value of lease payments discounted at market interest rate as the revenue, and carry forward the balance of the carrying amount of the lease assets after deduction of the present value of the unguaranteed residual value as the cost of sales. The costs incurred for obtaining the financial leases by the Group, will be included into profit or loss for the current period at the lease commencement date.

If the financial leases changes and meets the following conditions simultaneously, the Group will account for the change as a separate lease:

- (1) The modifications expand the scope of the lease by adding the rights of use of one or more leased assets;
and
- (2) the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

Notes to the Financial Statements

For the period ended 30 June 2019

RMB

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

28. Lease (Applicable Starting from 1 January 2019) (continued)

As a lessor (continued)

As a financial leases lessor (continued)

Financial lease changes, which are not accounted as a separate lease, for the changed leases, the Group distinguishes between the following cases for accounting treatment:

- (1) where the changes of a lease come into effect on the lease commencement date, and this lease would be classified as an operating lease, the Group will account for the operating lease as a new lease from the effective date of the lease modifications. The carrying amount of the lease assets equals to the net investment in the lease before the effective date of the lease modifications; or
- (2) where the changes of a lease come into effect on the lease commencement date, and this lease would be classified as a financial lease, the Group will carry out the accounting treatments for the financial lease in accordance with the requirements relating to the modified or renegotiated contract.

As a lessor under operating leases

Rental income from operating leases is recognized in profit or loss for the current period on the straight-line basis over the lease terms. Contingent rents are credited to profit or loss for the current period when actually incurred.

In case of modification of an operating lease changes, the Group shall treat it as a new lease from the effective date of the modification, and the amount of the advance receipt or receivable related to the lease before the modification shall be regarded as the collection amount of the new lease.

29. Lease (Applicable for 2018)

All leases with risks and rewards incident to the ownership of the assets are substantially transferred into finance leases, and all other leases are operating leases.

As a lessee under operating leases

Rental expenses from operating lease are credited to related asset costs or profit or loss for the current period on the straight-line basis over the lease terms. Contingent rents are credited to profit or loss for the current period when actually incurred.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

29. Lease (Applicable for 2018) (continued)

As a lessor under operating leases

Rental income from operating leases is recognized in profit or loss on the straight-line basis over the lease terms. Contingent rents are credited to profit or loss for the current period when actually incurred.

As a lessee under financial leases

At the inception of lease, the leased asset is recorded at the lower of the fair value of the leased asset and the present value of the minimum lease payments and the minimum lease payments are recorded as long-term payables. The difference between the recorded amount of the leased asset and the minimum lease payments is accounted for as unrecognized finance charge. Unrecognized finance charge is amortized using the effective interest method over the lease terms. Contingent rents are credited to profit or loss for the current period when actually incurred.

The fixed assets acquired under financial leases adopt the consistent depreciation policies for the provision for the depreciation of leased assets as those of its own fixed assets. Leased assets are depreciated over the useful lives when it is reasonably determined that the ownership of the leased assets will be obtained at the expiry of the lease term. Otherwise, the leased assets are depreciated over the shorter period between the lease term and the useful lives of the leased assets.

As a lessor under financial leases

At the inception of lease, the finance lease receivable is recognized as the aggregate of the minimum lease receipts and initial direct costs, and at the same time the unguaranteed residual value is recorded; the difference between the aggregate of minimum lease receipts, initial direct costs and unguaranteed residual value and the aggregate of its present value is recognized as unrealized finance income and is recognized using the effective interest method over the lease terms. Contingent rents are credited to profit or loss for the current period when actually incurred.

Notes to the Financial Statements

For the period ended 30 June 2019

RMB

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

30. Hedge Accounting

For the purpose of the methods of hedge accounting, hedges of the Group are classified as:

- (1) Fair value hedges refer to the hedging against the risk of fair value change in respect of definite commitments which are not yet recognized (other than exchange rate risks) of assets or liabilities already recognized.
- (2) Cash flow hedges, a hedge of the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction, or a foreign currency risk in an unrecognized firm commitment.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship, as well as related risk management objectives and strategies. The documentation included identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the Group assessed the hedging effectiveness. Hedge effectiveness is the extent to which the changes in fair value or cash flows of the hedging instruments can offset changes in the fair value or cash flow of hedged items caused by hedged risk. Such hedges are assessed on an ongoing basis as complying with the effectiveness requirements of a hedge as at the initial designated date and in subsequent periods.

If the hedging instrument expires or is sold, terminated or exercised (but the replacement or rollover of part of a hedging instruments are not treated as expired or terminated), or there is a change in risk management objective, which makes the hedging relationship no longer meet the risk management objective, or the hedging no longer meets other qualifying criteria for hedge accounting, the Group discontinued the application of hedge accounting.

Where the hedge relationship no longer satisfies the validity requirements due to the hedging ratio, and the objective of risk management designated for the hedge relationship does not change, the hedge relationship will be re-balanced by the Group.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

30. Hedge Accounting (continued)

Hedges which meet the strict criteria for hedge accounting are accounted for as follows:

Fair value hedging

Gains or losses arising from a hedging instrument are recognized in profit or loss for the current period. Gains or losses in respect of the hedged item attributable to hedged risk exposure are recognized in profit or loss for the current period and the book value of the hedged item not at fair value is adjusted at the same time.

For fair value hedging relating to debt instruments carried at amortized cost, the adjustments to the book value of the hedged items are amortized to profit or loss for the current period over the remaining term of the hedge using the effective interest rate method. Amortization at effective interest rate may begin upon the adjustment of the book value but no later than the time when the hedged item ceases to be adjusted for changes in its fair value attributable to the hedge risk. For the hedged items which are debt instruments at fair value through other comprehensive income, the cumulative gains or losses arising from the hedging already recognized are amortized in the same manner, and taken to profit or loss for the current period, but no adjustment shall be made to the book value of financial assets.

If the hedged item is derecognized, the unamortized fair value is recognized in profit or loss for the current period.

When an unrecognized firm commitment is designated as a hedged item, the cumulative changes in the fair value of the firm commitment attributable to the hedge risk are recognized as an asset or liability with corresponding gains or losses recognized in profit or loss for the current period.

Cash flow hedges

The effective portion of the gain or loss on the hedging instrument is recognized directly in other comprehensive income, while the ineffective portion is included in profit or loss for the current period.

If an expected transaction being hedged is subsequently recognized as non-financial assets or non-financial liabilities, or an expected transaction of non-financial assets or non-financial liabilities forms a firm commitment under applicable fair value hedges, the amount of cash flow hedging reserve originally recognized in other comprehensive income is transferred out and included in the initial recognized amount of that asset or liability. For the remaining cash flow hedges, if an expected sale occurs in the same period when the expected cash flow being hedged affects profit or loss, the cash flow hedging reserve recognized in other comprehensive income is transferred out and included in profit or loss for the current period.

Notes to the Financial Statements

For the period ended 30 June 2019

RMB

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

30. Hedge Accounting (continued)

Cash flow hedges (continued)

When the Group terminates the use of hedge accounting in respect of cash flow hedge, if the future cash flow being hedged is still expected to occur, the amount previously included in other comprehensive income is not transferred out until the expected transaction actually occurs or the firm commitment is honored; if the future cash flow being hedged is no longer expected to occur, the accumulated amount of cash flow hedging reserve shall be transferred out from other comprehensive income and included in profit or loss for the current period.

Cost of hedging

The Group separates the intrinsic value and time value of an option contract and designates as the hedging instrument only the change in intrinsic value of an option; or separates the forward element from the spot element of a forward contract and designates as the hedging instrument only the change in the value of the spot element; or separates the foreign currency basis spread of the financial instruments and designates as the hedging instrument only the financial instruments which foreign currency basis spread is separated, the Group recognises the time value of an option, forward element of a forward contract and the part of the hedged items that are relevant to the fair value changes of foreign currency basis spread of the financial instrument into other comprehensive income. If the characteristics of the hedged items are related to the transaction, the same accounting treatment with the cash flow hedge reserve shall be applied. If the characteristics of the hedged items are related to the period of time, the above fair value change shall be amortised on a systematic and reasonable basis over the time when the hedged item affects the profit or loss or other comprehensive income, transferred from other comprehensive income to profit or loss for the current period.

31. Repurchase of Shares

Consideration and transaction costs paid for the repurchase of the Company's own equity instruments are charged against shareholders' equity. The issuance (including refinancing), repurchase, sale or cancellation of its own equity instruments is treated as change in equity.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

32. Profit Distribution

The Company's cash dividends are recognized as liabilities upon approval by the shareholders' general meeting. Since the Board is authorized to approve the interim cash dividends under the Articles of Association of the Company, the interim cash dividends shall be recognized as liabilities upon approval by the Board.

33. Fair Value Measurement

The Group measures its investment properties, other equity instruments, other non-current financial assets and financial assets held for trading at fair value at each balance sheet date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal market must be accessible by the Group at the measurement date. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the current circumstances and supported by sufficient available data and other information, maximising the use of relevant observable inputs and use unobservable inputs only under the circumstances where observable inputs cannot be obtained or practicably obtained.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy described as follows, based on the lowest level input that is significant to the fair value measurement as a whole: Level 1 — based on quoted prices (unadjusted) in active markets for identical assets or liabilities accessible at the measurement date; Level 2 — based on directly or indirectly observable inputs for the asset or liability other than inputs within Level 1; Level 3 — based on unobservable inputs for the asset or liability.

For assets and liabilities that are recognized in the financial statements at fair value on a recurring basis, the Group re-assesses them at each balance sheet date to determine whether transfers have occurred between levels in the hierarchy.

Notes to the Financial Statements

For the period ended 30 June 2019

RMB

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

34. Significant Accounting Judgments and Estimates

The preparation of the financial statements requires the management to make judgments, estimates and assumptions that will affect the reported amounts and disclosure of revenue, expenses, assets and liabilities, and the disclosure of contingent liabilities at the balance sheet date. However, uncertainty about these estimates and assumptions could result in outcomes that could lead to a material adjustment to the book value of the assets or liabilities affected in the future.

Judgments

In the process of applying the Group's accounting policies, the management has made the following judgments which have significant effect on the amounts recognized in the financial statements:

Operating lease – in the case of the lessor

The Group has entered into leasing contracts for its investment properties. The Group is of the opinion that, according to the terms of such leasing contracts, the Group has retained all material risks and rewards of the ownership of these properties, and thus they are regarded as operating lease.

Determination of single performance obligation and allocation of transaction prices to single performance obligation

The Group's brand consulting and management service for the project covers three service commitments: (1) brand consulting and management service for the early stage of the project; (2) annual brand consulting and management service for the project; (3) tenant sourcing commissions. Customers are able to obtain benefits from the use of the three service commitments or the joint use of the three service commitments and other easily available resources, and the three service commitments can be separately distinguished from other service commitments, so each of the three service commitments constitutes a single performance obligation. The three service commitments can be separately distinguished from other goods or service commitments because: (1) the Group does not need to provide material services to consolidate the three service commitments and other services promised in the contract into a combined output as agreed upon in the contract for transfer to the customer; (2) the three service commitments will not modify or customize the other services promised in the contract; and (3) the three service commitments are not highly relevant to other services promised in the contract.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

34. Significant Accounting Judgments and Estimates (continued)

Judgments (continued)

Determination of single performance obligation and allocation of transaction prices to single performance obligation (continued)

On the commencement date of the contract, the Group allocates the transaction prices to the above three service commitments so that the transaction price allocated to the Group's single performance obligation can reflect the consideration amount that it is expected to receive due to the transfer of the service commitments to the customer. When the standalone selling price cannot be directly observed, the Group will comprehensively consider all relevant information that it can reasonably obtain, and reasonably estimate the standalone selling price by adopting the market adjustment method. Information considered includes market conditions, enterprise-specific factors, and customer-related information.

Method for determining the performance schedule of construction contracts

The Group determines the performance schedule of the brand consulting and management service and construction service contracts for the project in accordance with the input method. Specifically, the Group determines the performance schedule based on the percentage of cumulative actual construction costs in the estimated total costs. The cumulative actual costs include the direct and indirect costs incurred by the Group in transferring goods and services to customers. The Group believes that the price of the construction contract with the customer is determined on the basis of the construction cost, and the percentage of actual construction costs in the estimated total costs can accurately reflect the performance schedule of the construction service. The Group determines the performance schedule according to the percentage of cumulative actual construction costs in the estimated total costs, and recognizes revenues accordingly. The brand consulting and management service and construction service contracts for the project may span several accounting periods. In particular, the Group thinks that the price of construction service contract with the customer is determined on the basis of the construction cost, and the percentage of actual construction costs in the estimated total costs can accurately reflect the performance schedule of the construction service. The Group will review and revise the budget as the construction service contract advances and adjust revenue recognition accordingly.

Notes to the Financial Statements

For the period ended 30 June 2019

RMB

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

34. Significant Accounting Judgments and Estimates (continued)

Judgments (continued)

Business mode

The classification of financial assets at initial recognition depends on the business model of the Group's management of financial assets. In judging the business model, the Group takes into account the corporate evaluation and ways to report the performance of financial assets to key management personnel, risks affecting the performance of financial assets and their management style, and the manner in which relevant business management personnel are paid. In assessing whether the business model aims at the collection of contractual cash flows, the Group needs to analyse and judge the reasons, timing, frequency and value of the sale of financial assets before the maturity date.

Contractual cash flow characteristics

The classification of financial assets at initial recognition depends on the contractual cash flow characteristics of the financial assets. When it is necessary to judge whether the contractual cash flow is only for the payment of the principal and the interest based on the outstanding principal, including the assessment of the correction of the time value of money, it is necessary to judge whether there is a significant difference compared with the benchmark cash flow, and to judge whether the fair value of financial assets with prepayment characteristics is insignificant.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that may cause a material adjustment to the book value of assets and liabilities within the future accounting periods, are discussed below.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

34. Significant Accounting Judgments and Estimates (continued)

Estimation uncertainty (continued)

Impairment of financial instruments

The Group uses the expected credit loss model to assess the impairment of financial instruments. The application of the expected credit loss model requires significant judgments and estimations, and all reasonable and evidenced information, including forward-looking information, should be considered. In making such judgments and estimations, the Group infers the expected changes in the debtor's credit risk based on the historical repayment data in combination with economic policies, macroeconomic indicators, and industry risks.

Fair value of unlisted equity investments

The valuation of unlisted equity investments is the estimated future cash flows discounted on the basis of the current discount rate of other financial instruments with similar contractual terms and risk characteristics. This requires the Group to estimate future cash flows, credit risks, fluctuations and discount rates, so the valuation of unlisted equity investments is uncertain.

Division of investment properties and fixed assets

The Group will exercise its discretion to classify investment properties and fixed assets. Investment property is any property held to rental earnings or capital appreciation or both. Fixed assets are mainly tangible assets that are held by the Group for production of goods or supply of services or for administrative purposes, and have useful lives of more than one accounting year. Therefore, in classifying investment properties and fixed assets, the Group will fully consider the management's intention, whether relevant lease agreements are concluded, and other factors.

Investment property

The Group adopts the fair value model with changes in fair value recognized in profit or loss for the current period for conducting follow-up measurement of its investment properties. The assessment of the fair value of investment properties requires the management to make reasonable estimates of such parameters as rental growth rate, rate of return during the lease term, rate of return beyond the lease term, and vacancy rate.

Notes to the Financial Statements

For the period ended 30 June 2019

RMB

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

34. Significant Accounting Judgments and Estimates (continued)

Estimation uncertainty (continued)

Impairment of goodwill

The Group carries out tests for impairment of goodwill on an annual basis, which entails estimation of the present value of future cash flows of the asset groups or asset portfolios to which goodwill is allocated. When estimating the present value of future cash flows, the Group needs to estimate the cash flows generated by the future asset groups or asset portfolios, and select the appropriate discount rate to determine the present value of future cash flows.

Provision for impairment of inventories

The Group's inventories shall be calculated by the lower of cost and net realizable value. The net realizable value of inventories represents the amount derived by deducting the potential cost, estimated sale cost and relative taxes to the completion date from the estimated selling price of the inventory in the ordinary course of business.

If the management revises the estimated selling price of the inventory, and the potential cost, estimated sale cost and relative taxes to the completion date, and the revised estimated selling price is lower than the current estimate, or the revised potential cost, estimated sale cost and relative taxes to the completion date are higher than the current estimates, the Group needs to make provision for impairment of additional inventories. If the actual selling price and the potential cost, estimated sale cost and relative taxes to the completion date are higher than the management's estimation, the Group will recognize the relevant impact in the consolidated income statements in the corresponding accounting period.

Deferred tax assets

Deferred tax assets shall be recognised for all deductible losses not used to the extent that there is likely sufficient taxable income available for deduction of deductible losses. It requires the management to determine the value of the to-be-recognized deferred tax assets by using adequate discretion to estimate the time and amount of taxable income to be obtained in the future in combination with tax planning strategies.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

35. Changes in Accounting Policies and Accounting Estimates

Changes in accounting policies

New Lease Standards

On 7 December 2018, the Ministry of Finance promulgated the revised Accounting Standard for Business Enterprises No. 21 – Leases (“New Lease Standards”). The New Lease Standards adopted the single model similar to that used for the current accounting treatment for finance lease and requires the lessee to recognize the right-of-use assets and lease liabilities for all leases other than short-term leases and low-value asset leases and recognize the depreciation and interest expenses, respectively. Since 1 January 2019, the Group has conducted accounting treatment in accordance with the newly revised lease standard and elected not to reevaluate whether the contracts that have existed before the date of first implementation are or contain leases. According to the transitional requirements, the information for the comparable period will not be adjusted and retained earnings at the beginning of 2019 will be retrospectively adjusted based on the difference between the New Lease Standards and the current lease standard on the first day of implementation:

- (1) As for the finance leases before the date of first implementation, the Group measures the right-of-use assets and lease liabilities according to the original book value of the finance lease assets and finance lease payable, respectively;
- (2) As for the operating leases before the date of first implementation, the Group measures the lease liabilities according to the present value of the remaining lease payment discounted at the incremental borrowing rate on the date of first implementation and measures the right-of-use assets using the book value under the New Lease Standards from the starting date of the lease term based on each lease assumption (using the incremental borrowing rate of the Group as lessee on the date of first implementation as the discount rate);
- (3) The Group carried out the impairment test on right-of-use assets according to Note III. 18 and conducted accounting treatments accordingly.

As for the operating leases under which the leased assets belong to low-value assets before the date of first implementation or the operating leases which will be completed within 12 months, the Group adopts simplified treatments without recognizing right-of-use assets and lease liabilities. In addition, the Group adopts the following simplified treatments for the operating leases before the date of first implementation:

- (1) When lease liabilities are measured, the same discount rate applies to leases with similar characteristics; the measurement of right-of-use assets does not include initial direct expenses;

Notes to the Financial Statements

For the period ended 30 June 2019

RMB

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

35. Changes in Accounting Policies and Accounting Estimates (continued)

Changes in accounting policies (continued)

New Lease Standards (continued)

- (2) When there is an option to continue or terminate the lease, the Group determines the lease term based on the actual exercise of the option and other latest conditions before the date of first implementation;
- (3) As an alternative to the impairment test of the right-of-use assets, the Group evaluates whether a contract containing lease is a contract generating loss and adjusts the right-of-use assets based on the amount of loss provision included in the balance sheet before the date of first implementation;
- (4) As for the lease changes before the date of first implementation, the Group conducts accounting treatments based on the final arrangement of lease changes.

For subleases classified as operating leases before the date of first implementation and survived after the date of first implementation, the Group, as sublessor, reevaluates and classifies these subleases on the date of first implementation based on the remaining contract period and the terms of the original leases and the subleases. For those reclassified as finance leases, the Group treats them as a new finance lease. Besides, the Group makes no adjustments to the leases under which it acts as sublessor.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

35. Changes in Accounting Policies and Accounting Estimates (continued)

Changes in accounting policies (continued)

New Lease Standards (continued)

The impact of implementing the New Lease Standards on the balance sheet items on 1 January 2019 is as follows:

Consolidated balance sheet

	As stated	Assuming that original standard was applied	Effects
Other receivables	1,924,464,146.79	1,936,025,518.72	(11,561,371.93)
Right-of-use assets	2,858,825,580.43	—	2,858,825,580.43
Deferred tax assets	963,047,692.24	822,269,149.42	140,778,542.82
Accounts payable	967,066,980.34	970,116,980.34	(3,050,000.00)
Other payables	8,702,356,957.19	8,712,208,081.24	(9,851,124.05)
Non-current liabilities due within one year	4,431,362,137.86	3,948,619,684.75	482,742,453.11
Lease liabilities	2,800,819,466.48	—	2,800,819,466.48
Retained earnings	30,418,614,585.46	30,629,417,859.13	(210,803,273.67)
Non-controlling interests	3,509,950,194.28	3,581,764,964.83	(71,814,770.55)

Implementation of the New Lease Standards had no impact on the balance sheet items of the Company on 1 January 2019.

In addition, since the date of first implementation, the Group has included the cash paid for the principal and interests of lease liabilities as cash outflow from financing activities in the cash flow statement, and continued to include the payments for short-term leases and leases of low-value assets that adopted simplified treatments, as well as variable lease payments not included in the measurement of lease liabilities as cash outflow from operating activities.

Notes to the Financial Statements

For the period ended 30 June 2019

RMB

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

35. Changes in Accounting Policies and Accounting Estimates (continued)

Changes in accounting policies (continued)

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 the item “general and administrative expenses”; and the Group has retrospectively adjusted the comparative data correspondingly. The changes in the accounting policies have no impact on the consolidated and the Company’s net profits and equity.

IV. TAXATION

1. Major Categories of Tax and Tax Rate

Value-added tax (VAT)	<p>– Rental income: Before 1 April 2019, output VAT was calculated as per 5% (simple taxation conditions should be met) or 10% of the taxable income; after 1 April 2019, output VAT was calculated as per 9% of the taxable income;</p> <p>Income from modern service industry (including entrusted management service and project management and consulting): output VAT is calculated as per 6% of the taxable income;</p> <p>Income from construction services: Before 1 April 2019, output VAT was calculated as per 3% (simple taxation conditions should be met) or 10% of the taxable income; after 1 April 2019, output VAT was calculated as per 9% of the taxable income;</p> <p>Revenue from sales of goods: Before 1 April 2019, output VAT was calculated as per 16% of the taxable income; after 1 April 2019, output VAT was calculated as per 13% of the taxable income;</p> <p>For the output VAT calculated above, the Group may pay VAT after deducting deductible input VAT for the current period apart from simple calculation and payment.</p> <p>Small-scale taxpayers should pay VAT as per 3% of the taxable income.</p>
Urban maintenance and construction tax	– It is levied as per the turnover taxes actually paid: For city urban area, tax rate is 7%; for counties and towns, tax rate is 5%; for other areas, tax rate is 1%.
Enterprise income tax	– It is levied at 25% of the taxable income, except for the subsidiaries subject to tax preference.
Property tax	– For properties subject to price-based taxation, tax should be paid based on the residual value of the property approved by the tax authorities at a rate of 1.2%; for properties subject to taxation based on rental income, tax should be paid based on the rental income at a rate of 12%. Property tax is declared and paid by the Company and its subsidiaries on their own as required.
Land use tax	– Paid as actual tax rate.
Stamp duty	– Paid as actual tax rate.

All the overseas subsidiaries of the Company (including Hong Kong Special Administrative Region of the PRC) should calculate and pay taxes as per the applicable categories of tax and tax rate required by local tax laws.

Notes to the Financial Statements

For the period ended 30 June 2019

RMB

IV. TAXATION (continued)

2. Tax Preference

Pursuant to Cai Shui [2011] No. 58 Notice on the Taxation Policies for Deepening the Implementation of the Western Development Strategy (《關於深入實施西部大開發戰略有關稅收政策問題的通知》) and Announcement of Taxation on Issues concerning Enterprise Income Tax in Deepening the Implementation of the Western Development Strategy (《關於深入實施西部大開發戰略有關企業所得稅問題的公告》) (SAT [2012] No. 12), Chengdu Red Star Macalline Xinnan Business Management Company Limited (成都紅星美凱龍新南商業管理有限公司), Chongqing Red Star Macalline Shibo Home Living Plaza Company Limited, Chongqing Red Star Macalline Global Home Furnishing Plaza Company Limited, Chengdu Red Star Ogloria Brand Management Company Limited, Red Star Macalline Chengdu Business Management Company Limited, and Red Star Macalline Chengdu Enterprise Management and Consultancy Company Limited under the Company are entitled to the enterprise income tax preference policy, and in 2019 and 2018, were subject to a tax rate of 15% upon approval by competent tax authorities as they met relevant conditions.

Red Star Xizhao Investment Company Limited, Red Star Macalline Home Furnishing Mall Management Company Limited, Red Star Zhongying Investment Company Limited (紅星眾盈投資有限公司) and Tibet Red Star Macalline Enterprise Management Company Limited (西藏紅星美凱龍企業管理有限公司) under the Company are entitled to enterprise income tax preference policy and are subject to a tax rate of 15% for the year pursuant to Zangzhengfa [2014] No. 51 Notice Issued by the People's Government of the Tibet Autonomous Region Regarding the Publication of Implementation Rules of Enterprise Income Tax Policy of the Tibet Autonomous Region (《西藏自治區人民政府關於印發<西藏自治區企業所得稅政策實施辦法>的通知》).

Red Star Macalline Enterprise Management and Consultancy Company Limited (紅星美凱龍企業管理諮詢有限公司), Red Star Ogloria Enterprise Management Company Limited (紅星歐麗洛雅企業管理有限公司), Khorgos Red Star Macalline Business Management Company Limited (霍爾果斯紅星美凱龍商業管理有限公司), Khorgos Hongju Corporate Management Co., Ltd. (霍爾果斯紅居企業管理有限公司) and Khorgos Yarui Venture Capital Company Limited (霍爾果斯雅睿創業投資有限公司) under the Company are temporarily exempted from enterprise income tax for the year pursuant to the Cai Shui [2011] No. 112 Notice on Corporate Income Tax Preferential Policy in the Kashi and Khorgos Special Economic Development Zones in Xinjiang (《關於新疆喀什霍爾果斯兩個特殊經濟開發區企業所得稅優惠政策的通知》) and Cai Shui [2016] No. 85 Notice on Improving Xinjiang Depressed Region and Encouraged Development Industries Enterprise Income Tax Incentives Directory (《關於完善新疆困難地區重點鼓勵發展產業企業所得稅優惠目錄的通知》).

Notes to the Financial Statements

For the period ended 30 June 2019

RMB

V. NOTES TO THE MAJOR ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

1. Cash and Bank Balances

	30 June 2019	31 December 2018
Cash on hand	18,417,958.32	46,557,254.36
Bank deposits	7,869,581,001.05	7,846,159,974.33
Other cash and bank balances	452,822,879.52	634,890,736.23
	8,340,821,838.89	8,527,607,964.92

As at 30 June 2019, in the Group's other cash and bank balances, RMB80,000,000.00 of certificates of deposit was used as pledge for obtaining RMB76,000,000.00 (31 December 2018: RMB80,000,000.00) long-term borrowing from Huaxia Bank, for a term of 1 year; RMB125,708,566.97 (31 December 2018: RMB114,002,046.63) was deposits; RMB149,647,740.95 (31 December 2018: RMB206,424,957.55) was deposit reserve placed with the People's Bank of China by Red Star Macalline Home Furnishing Group Finance Company Limited (紅星美凱龍家居集團財務有限責任公司), a subsidiary of the Group; RMB0.00 (31 December 2018: RMB209,000,000.00) was frozen by the Court and cannot be freely withdrawn in the current period, and RMB97,466,571.60 (31 December 2018: RMB25,463,732.05) was deposited investment fund placed with securities accounts.

As at 30 June 2019, the Group's cash and bank balances deposited overseas was RMB90,373,714.29 (31 December 2018: RMB26,563,789.57). As at 30 June 2019, among the cash and bank balances the Group's time deposits with maturity of more than three months amounted to RMB89,742,800.24 (31 December 2018: RMB278,230,000.00), and the amount of deposit was RMB8,598,109.83 (31 December 2018: nil).

Interest income earned on the Bank's current deposits is calculated by using its current deposit interest rate. The deposit periods for time deposits vary from 7 days to 60 months depending on the cash requirements of the Group and the Group earned interest according to the respective time deposit rates of the Bank. When preparing the cash flow statement, the aforesaid restricted other cash and bank balances and time deposits with maturity of more than three months were excluded from cash and cash equivalents.

Notes to the Financial Statements

For the period ended 30 June 2019

RMB

V. NOTES TO THE MAJOR ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

2. Financial Assets Held for Trading

	30 June 2019	31 December 2018
Financial assets at fair value through profit or loss		
Equity instrument investments	65,519,022.97	184,031,019.87
Debt instrument investments	3,000,000.00	52,225,200.00
Less: Bad debt allowance	68,519,022.97	236,256,219.87

3. Accounts Receivable

	30 June 2019	31 December 2018
Accounts receivable	3,041,876,999.21	2,838,666,935.49
Less: Bad debt allowance	1,200,845,204.07	1,150,748,350.73
	1,841,031,795.14	1,687,918,584.76

Accounts receivable

Aging analysis of the accounts receivable is as follows:

	30 June 2019	31 December 2018
Within 1 year	1,049,937,737.38	1,149,413,740.85
1 to 2 years	637,354,297.87	499,675,999.32
2 to 3 years	358,588,647.76	277,187,370.23
Over 3 years	995,996,316.20	912,389,825.09
Less: Allowance for bad debts in relation to accounts receivable	1,200,845,204.07	1,150,748,350.73
	1,841,031,795.14	1,687,918,584.76

Notes to the Financial Statements

For the period ended 30 June 2019

RMB

V. NOTES TO THE MAJOR ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. Accounts Receivable (continued)

Accounts receivable (continued)

	30 June 2019 (Unaudited)				
	Book balance		Bad debt allowance		Book value
	Amount	Percentage (%)	Amount	Proportion (%)	Amount
Receivables for which bad debts are provided individually	841,382,958.48	27.66	821,966,266.07	97.69	19,416,692.41
Receivables for which bad debt allowance is provided by 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

	31 December 2018 (Audited)				
	Book balance		Bad debt allowance		Book value
	Amount	Percentage (%)	Amount	Proportion (%)	Amount
Receivables for which bad debts are provided individually	902,007,709.64	31.78	851,684,477.71	94.42	50,323,231.93
Receivables for which bad debt allowance is provided by portfolio of credit risk characteristics	1,936,659,225.85	68.22	299,063,873.02	15.44	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

Notes to the Financial Statements

For the period ended 30 June 2019

RMB

V. NOTES TO THE MAJOR ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. Accounts Receivable (continued)

Accounts receivable (continued)

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

	Book balance expected to incur credit loss	30 June 2019	
		Expected credit loss (ECL) rates (%)	Lifetime ECL
Portfolio One: Brand consulting and management services for the early stage of project			
Within 1 year	336,580,000.02	8.93	30,056,593.98
1 to 2 years	412,830,000.00	16.43	67,827,969.00
2 to 3 years	232,510,218.09	21.39	49,733,935.65
3 to 4 years	162,500,000.00	30.49	49,546,250.00
4 to 5 years	63,650,000.00	50.17	31,933,205.00
5 to 6 years	13,240,000.00	72.69	9,624,156.00
Over 6 years	14,500,000.00	100.00	14,500,000.00
Total	1,235,810,218.11		253,222,109.63

	Book balance expected to incur credit loss	30 June 2019	
		ECL rate (%)	Lifetime ECL
Portfolio Two: Construction and design services			
Within 1 year	333,538,728.08	8.93	29,785,008.42
1 to 2 years	18,795,191.46	16.43	3,088,049.96
Total	352,333,919.54		32,873,058.38

Notes to the Financial Statements

For the period ended 30 June 2019

RMB

V. NOTES TO THE MAJOR ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. Accounts Receivable (continued)

Accounts receivable (continued)

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

	30 June 2019		
	Book balance expected to incur credit loss	ECL rate (%)	Lifetime ECL
Portfolio Three: Other consulting services			
Within 1 year	119,637,383.80	11.50	13,758,299.14
1 to 2 years	66,288,774.22	17.75	11,766,257.42
2 to 3 years	80,934,995.67	32.27	26,117,723.10
3 to 4 years	20,094,520.00	100.00	20,094,520.00
4 to 5 years	6,706,000.00	100.00	6,706,000.00
Total	293,661,673.69		78,442,799.66

	30 June 2019		
	Book balance expected to incur credit loss	ECL rate (%)	Lifetime ECL
Portfolio Four: Rental and related income			
Within 1 year	91,532,866.23	4.50	4,118,978.98
1 to 2 years	2,853,673.05	4.50	128,415.29
2 to 3 years	1,166,642.97	4.50	52,498.93
Total	95,553,182.25		4,299,893.20

Notes to the Financial Statements

For the period ended 30 June 2019

RMB

V. NOTES TO THE MAJOR ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. Accounts Receivable (continued)

Accounts receivable (continued)

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

	30 June 2019		
	Book balance expected to incur credit loss	ECL rate (%)	Lifetime ECL
Portfolio Five: Others			
Within 1 year	154,471,681.55	4.50	6,951,225.67
1 to 2 years	68,663,365.59	4.50	3,089,851.46
Total	223,135,047.14		10,041,077.13

	31 December 2018		
	Book balance expected to incur credit loss	ECL rate (%)	Lifetime ECL

Portfolio One: Brand consulting and management services for the early stage of project			
Within 1 year	495,480,000.00	9.00	44,593,200.00
1 to 2 years	262,720,218.09	14.00	36,780,830.54
2 to 3 years	216,733,867.43	20.00	43,346,773.49
3 to 4 years	118,200,000.00	31.50	37,233,000.00
4 to 5 years	52,346,132.57	48.61	25,447,254.75
5 to 6 years	14,000,000.00	61.83	8,656,200.00
Over 6 years	15,500,000.00	100.00	15,500,000.00
Total	1,174,980,218.09		211,557,258.78

Notes to the Financial Statements

For the period ended 30 June 2019

RMB

V. NOTES TO THE MAJOR ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. Accounts Receivable (continued)

Accounts receivable (continued)

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

	31 December 2018		
	Book balance expected to incur credit loss	ECL rate (%)	Lifetime ECL
Portfolio Two: Construction and design services			
Within 1 year	362,663,261.56	11.28	40,908,439.93
Total	362,663,261.56		40,908,439.93

	31 December 2018		
	Book balance expected to incur credit loss	ECL rate (%)	Lifetime ECL
Portfolio Three: Other consulting services			
Within 1 year	76,007,736.00	10.28	7,816,860.22
1 to 2 years	90,091,981.97	17.65	15,901,279.86
2 to 3 years	20,494,520.00	35.61	7,298,836.37
3 to 4 years	6,306,000.00	100.00	6,306,000.00
Total	192,900,237.97		37,322,976.45

Notes to the Financial Statements

For the period ended 30 June 2019

RMB

V. NOTES TO THE MAJOR ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. Accounts Receivable (continued)

Accounts receivable (continued)

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

	31 December 2018		
	Book balance expected to incur credit loss	ECL rate (%)	Lifetime ECL
Portfolio Four: Rental and related income			
Within 1 year	31,380,914.89	4.50	1,412,141.17
1 to 2 years	415,346.02	4.50	18,690.57
Total	31,796,260.91		1,430,831.74

	31 December 2018		
	Book balance expected to incur credit loss	ECL rate (%)	Lifetime ECL
Portfolio Five: Others			
Within 1 year	156,381,828.40	4.50	7,037,182.28
1 to 2 years	17,937,418.92	4.50	807,183.84
Total	174,319,247.32		7,844,366.12

Notes to the Financial Statements

For the period ended 30 June 2019

RMB

V. NOTES TO THE MAJOR ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. Accounts Receivable (continued)

Accounts receivable (continued)

In the current period, the bad debt allowance provided was RMB87,423,417.16, and the recovery or reversal of bad debt allowance was RMB31,296,596.37, and the actual written-off of accounts receivable was RMB6,029,967.45.

As at 30 June 2019, the top five amount of accounts receivable are as follows:

	Closing balance	Proportion to total balance of accounts receivable (%)	Bad debt allowance Closing balance
Zhejiang Provincial Directly-Governed Construction Designing Institute (浙江省省直建築設計院)	135,259,944.94	4.45	12,078,713.08
Guiyang Jinjiahua Property Investment Co., Ltd. (貴陽金嘉華置業投資有限公司)	77,400,000.00	2.54	6,911,820.00
Changzhou Wujin Construction Engineering Co., Ltd. (常州市武進建設工程有限公司)	55,000,000.00	1.81	55,000,000.00
Hengda Fund Management (Beijing) Co., Ltd. (恒大基金管理(北京)有限公司)	48,000,000.00	1.58	4,286,400.00
Chongqing Jinke Zhongjun Real Estate Development Co., Ltd. (重慶金科中俊房地產開發有限公司)	35,947,338.13	1.18	3,210,097.30
	351,607,283.07	11.56	81,487,030.38

Notes to the Financial Statements

For the period ended 30 June 2019

RMB

V. NOTES TO THE MAJOR ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

4. Prepayments

Aging analysis of prepayments is as follows:

	30 June 2019		31 December 2018	
	Book balance	Percentage (%)	Book balance	Percentage (%)
Within 1 year	383,111,744.60	97.43	299,291,002.73	93.69
1 to 2 years	7,154,877.54	1.82	16,412,724.42	5.14
2 to 3 years	74,004.74	0.02	1,208,750.77	0.38
Over 3 years	2,863,519.19	0.73	2,524,825.79	0.79
	393,204,146.07	100.00	319,437,303.71	100.00

As at 30 June 2019, none of the Group's significant prepayments aged more than one year.

Top five prepayments by closing balance collection of prepaid targets:

Name of entity	Amount	Percentage to the total amount of prepayments (%)
Shanxi Wanjia Real Estate Development Co., Ltd. (山西萬家房地產開發有限公司)	37,571,038.01	9.56
Industrial and Commercial Bank of China Limited Nanjing Chengnan Branch	28,095,649.32	7.15
Hunan Red Star Modern Market Management Co., Ltd. (湖南紅星現代市場經營有限責任公司)	18,760,000.00	4.77
Shanghai Jingting Enterprise Management Co., Ltd. (上海晶庭企業管理有限公司)	15,000,000.00	3.81
Gozco Limited	7,481,184.98	1.90
	106,907,872.31	27.19

Notes to the Financial Statements

For the period ended 30 June 2019

RMB

V. NOTES TO THE MAJOR ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

5. Other Receivables

	30 June 2019	31 December 2018
Dividends receivable	70,875,000.00	—
Interests receivable	99,673,266.20	96,854,369.24
Other receivables	1,560,184,826.52	1,839,171,149.48
	1,730,733,092.72	1,936,025,518.72

Interests receivable

	30 June 2019	31 December 2018
Interest income from borrowings	93,810,990.74	78,807,287.13
Interest income on entrustment loans	4,248,407.14	13,878,401.63
Interest income from interbank deposits	1,546,697.36	4,071,204.74
Interest income from deposits with the central bank	67,170.96	97,475.74
	99,673,266.20	96,854,369.24

Other receivables

Aging analysis of other receivables is as follows:

	30 June 2019	31 December 2018
Within 1 year	1,156,922,094.52	1,492,530,358.23
1 to 2 years	291,329,562.38	262,905,952.51
2 to 3 years	59,933,515.69	46,751,118.81
Over 3 years	347,063,477.21	321,789,654.77
	295,063,823.28	284,805,934.84
Less: Bad debt allowance for other receivables	1,560,184,826.52	1,839,171,149.48

Notes to the Financial Statements

For the period ended 30 June 2019

RMB

V. NOTES TO THE MAJOR ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

5. Other Receivables (continued)

Other receivables (continued)

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

	Stage 1 Expected credit losses in the next 12 months	Stage 2 Lifetime expected credit losses (No credit- impaired)	Stage 3 Lifetime expected credit losses (Credit- impaired)	Total
Balance of bad debt 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

Notes to the Financial Statements

For the period ended 30 June 2019

RMB

V. NOTES TO THE MAJOR ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

5. Other Receivables (continued)

Other receivables (continued)

In the current period, the bad debt allowance provided was RMB33,540,884.97, and the recovery or reversal of bad debt allowance was RMB23,282,996.53.

Other receivables classified by nature are as follows:

	30 June 2019	31 December 2018
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
Deposit	121,493,828.76	161,820,517.67
Others	56,814,141.80	216,033,902.07
	1,560,184,826.52	1,839,171,149.48

Notes to the Financial Statements

For the period ended 30 June 2019

RMB

V. NOTES TO THE MAJOR ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

5. Other Receivables (continued)

Other receivables (continued)

As at 30 June 2019, the top five entities with the largest amounts of other receivables are as follows:

	Closing balance	Proportion to total balance of other receivables (%)	Nature	Aging	Bad debt allowance Closing balance
Shanghai Mingyi Enterprise Development Co., Ltd. (上海名藝商業企業發展有限公司)	120,200,000.50	6.48	Loan and advances	Over 5 years	6,010,000.03
Hangzhou Red Star Macalline Global Home Living Company Limited (杭州紅星美凱龍環球家居有限公司)	114,004,425.00	6.14	Loan and advances	Within 1 year	8,210,019.08
Chengdu Great-wall Industrial Group Limited (成都長城實業集團有限公司)	90,571,029.49	4.88	Loan and advances	Over 5 years	4,528,551.47
Hebei Zhuohang Real Estate Development Co., Ltd. (河北卓航房地產開發有限公司)	60,000,000.00	3.23	Loan and advances	Within 1 year	4,087,854.81
Shenzhen Shekou Wanxia Properties Co., Ltd. (深圳市蛇口灣廈置業有限公司)	31,700,167.20	1.71	Deposits	2 to 3 years	31,700.17
	416,475,622.19	22.44			22,868,125.56

Notes to the Financial Statements

For the period ended 30 June 2019

RMB

V. NOTES TO THE MAJOR ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

6. Inventories

	30 June 2019			31 December 2018		
	Book balance	Impairment allowance	Book value	Book balance	Impairment allowance	Book value
Commodities in inventory	255,940,531.90	–	255,940,531.90	203,758,260.30	–	203,758,260.30
Low-value consumables	30,908,253.03	–	30,908,253.03	47,594,242.61	–	47,594,242.61
	286,848,784.93	–	286,848,784.93	251,352,502.91	–	251,352,502.91

As at the end of current period and prior year, the Group has made no provision for inventory impairment.

7. Contract Assets

	30 June 2019		
	Book balance	Impairment allowance	Book value
Construction and design	428,992,675.00	7,547,667.54	421,445,007.46
Charges for the brand consulting and management service for the early stage of the project	716,538,274.74	61,358,626.15	655,179,648.59
	1,145,530,949.74	68,906,293.69	1,076,624,656.05

	31 December 2018		
	Book balance	Impairment allowance	Book value
Construction and design	244,753,296.98	7,342,598.91	237,410,698.07
Charges for the brand consulting and management service for the early stage of the project	610,648,142.87	40,949,067.77	569,699,075.10
	855,401,439.85	48,291,666.68	807,109,773.17

Notes to the Financial Statements

For the period ended 30 June 2019

RMB

V. NOTES TO THE MAJOR ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

8. Non-current Assets Due within One Year

	30 June 2019	31 December 2018
Entrusted loans	334,850,000.00	314,950,000.00

9. Other Current Assets

	30 June 2019	31 December 2018
Factoring receivables	437,565,733.34	522,880,200.00
Tax recoverable	512,445,147.93	466,767,976.32
Financial lease receivables (Note 1)	271,286,566.67	320,786,666.66
Entrusted loans (Note 2)	137,054,500.00	272,500,000.00
	1,358,351,947.94	1,582,934,842.98

Note 1: Financial lease receivables from financial lease business of the Group in the current period was RMB271,286,566.67. As at 30 June 2019, the unrealized financial income in the above-mentioned financial lease receivables was RMB10,570,000.00.

Note 2: The entrusted loan granted to Zhejiang Borui Holding Group Company Limited (浙江博瑞控股集团集团有限公司) by the Group had an interest rate of 8.00% and the principal of borrowings amounted to RMB107,690,000.00 as at the end of the period, with the term from November 2018 to November 2019, all of which were accounted as other current assets as at the end of the period; the entrusted loan granted to Shanxi Yunjinsheng Technology Co., Ltd. (山西雲錦盛科技有限公司) by the Group had an interest rate of 12.00% and the principal of borrowings amounted to RMB29,364,500.00 as at the end of the period, with the term from December 2018 to December 2019.

Notes to the Financial Statements

For the period ended 30 June 2019

RMB

V. NOTES TO THE MAJOR ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

10. Long-term Receivables

	30 June 2019		
	Book balance	Impairment allowance	Book value
Deposits	226,930,066.30	226,930.07	226,703,136.23
Project loan	1,361,511,891.51	15,145,308.60	1,346,366,582.91
Lease deposit	96,167,404.92	96,167.40	96,071,237.52
	1,684,609,362.73	15,468,406.07	1,669,140,956.66

	31 December 2018		
	Book balance	Impairment allowance	Book value
Deposits	192,430,066.30	192,430.07	192,237,636.23
Project loan	1,517,530,859.86	15,175,308.60	1,502,355,551.26
Lease deposit	100,667,404.92	100,667.40	100,566,737.52
	1,810,628,331.08	15,468,406.07	1,795,159,925.01

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

	Stage 1 Expected credit losses in the next 12 months	Stage 2 Lifetime expected credit losses (No credit-impaired)	Stage 3 Lifetime expected credit losses (Credit-impaired)	Total
Balance of bad debt allowance on 1 January 2019	15,468,406.07	—	—	15,468,406.07
Provision during the period	—	—	—	—
Balance of bad debt allowance on 30 June 2019	15,468,406.07	—	—	15,468,406.07

Notes to the Financial Statements

For the period ended 30 June 2019

RMB

V. NOTES TO THE MAJOR ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

11. Long-term Equity Investments

30 June 2019

Investee	Increase/decrease during the period									Closing balance	Closing balance of impairment allowance	
	Opening balance	Increase in investment	Decrease in investment	Investment gain/loss under equity method	Adjustment of other comprehensive income	Other changes to equity	Cash dividend or profit declared	Provision made for impairment allowance	Others			
I. Joint ventures												
Shanghai Mingyi Enterprise Development Co., Ltd. (上海名藝商業企業發展有限公司)	41,011,996.63			10,691,975.07							51,703,971.70	
Chengdu Dongtai Shopping Mall Company Limited (成都東泰商城有限公司)	898,298,330.42			12,887,461.83			(133,233,703.73)				777,952,088.52	
Xiamen Baoxiang Red Star Macalline Home Furnishing Plaza Company Limited (廈門寶象紅星美凱龍家居生活廣場有限公司)	723,947.41			(723,947.41)							-	
Shenzhen Red Star Macalline Business Management Company Limited (深圳紅星美凱龍商業管理有限公司)	174,031.72			(6,677.90)							167,353.82	
Baoxiang Red Star Macalline (Xiamen) Global Home Furnishing Plaza Company Limited (寶象紅星美凱龍(廈門)全球家居廣場有限公司)	-	15,000,000.00		(922,948.10)							14,077,051.90	
Wuhu Red Star Macalline Equity Investment Fund Management Company Limited (蕪湖紅星美凱龍股權投資基金管理有限公司)	9,781,445.02			(23,274.28)							9,758,170.74	
Yongqing Yintai Future Land Construction And Development Co., Ltd. (永清銀泰新城建設開發有限公司)	29,697,621.58		(29,688,046.35)	(9,575.23)							-	
Yongqing Yintong Construction And Development Co., Ltd. (永清銀通建設開發有限公司)	15,000,000.00		(15,000,000.00)								-	
Nanchang Red Star Macalline Global Home Expo Center Co., Ltd. (南昌紅星美凱龍環球家居博覽中心有限責任公司)	17,986,574.32		(16,276,771.03)	(1,709,803.29)							-	

Notes to the Financial Statements

For the period ended 30 June 2019

RMB

V. NOTES TO THE MAJOR ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

11. Long-term Equity Investments (continued)

30 June 2019 (continued)

Investee	Increase/decrease during the period									Closing balance	Closing balance of impairment allowance
	Opening balance	Increase in investment	Decrease in investment	Investment gain/loss under equity method	Adjustment of other comprehensive income	Other changes to equity	Cash dividend or profit declared	Provision made for impairment allowance	Others		
Shanghai CTME Economy & Trade Development Co., Ltd. (上海中實美凱龍總發展有限公司)	61,462,800.23	28,341,200.10		4,478,906.38						94,282,906.71	
Subtotal	1,074,136,747.33	43,341,200.10	(60,964,817.38)	24,662,117.07			(133,233,703.73)			947,941,543.39	
II. Associates											
Qianzhi (Shanghai) Home Furnishing Co., Ltd. (乾智上海家居有限公司)	1,500,000.00		(1,461,238.96)	(38,761.04)							-
Meiwu 365 (Tianjin) Technology Company Limited (美屋三六五天津科技有限公司)	17,116,874.25	-		(1,359,606.80)						15,757,267.45	
Shanghai Jiazhan Construction Engineering Company Limited (上海嘉辰建築裝潢工程有限公司)	7,634,822.89	-		(188,041.32)						7,446,781.57	
Hangzhou Red Star Macalline Global Home Living Company Limited (杭州紅星美凱龍環球家居有限公司)	63,856,231.02	-		5,028,900.25						68,885,131.27	
Shenyudao Cultural Tourism Holding Co., Ltd. (神玉島文化旅遊控股股份有限公司)	194,763,453.51	-		(3,296,102.32)						191,467,351.19	
Wuhan Zhengkai Logistics Co., Ltd. (武漢市正凱物流有限公司)	126,983,174.58	3,528,501.05		765,433.43			(1,836,000.00)			129,441,109.06	
Shaanxi Red Star Heji Home Shopping Plaza Company Limited (陝西紅星和記家居購物廣場有限公司)	4,500,000.00			5,628,466.20						10,128,466.20	
Shenzhen Yatai Macalline Life Space Technology Co., Ltd. (深圳市亞泰美凱龍空間科技有限公司)	-	9,800,000.00		222,737.23						10,022,737.23	
Shandong Inzone Green Home Co., Ltd. (山東銀座家居有限公司)	-	348,916,600.00								348,916,600.00	

Notes to the Financial Statements

For the period ended 30 June 2019

RMB

V. NOTES TO THE MAJOR ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

11. Long-term Equity Investments (continued)

30 June 2019 (continued)

Investee	Opening balance	Increase/decrease during the period							Closing balance	Closing balance of impairment allowance	
		Increase in investment	Decrease in investment	Investment gain/loss under equity method	Adjustment of other comprehensive income	Other changes to equity	Cash dividend or profit declared	Provision made for impairment allowance			Others
Shanghai AI Pure Intelligent Technology Co., Ltd. (上海智諦智能科技有限公司)	—	3,000,000.00		(1,931,510.56)						1,068,489.44	
ArtPolo Network Technology (Beijing) Company Limited (愛波羅網絡科技(北京)有限公司)	13,599,994.54			(131,420.27)						13,468,574.27	
Klas International Home Living Company Limited (克拉斯國際家居有限公司)	68,135,170.31			9,827,254.86						77,962,425.17	
Shanghai Harbour Home Investment Management Co., Ltd. (上海灣高投資管理有限公司)	23,066,408.07			(2,677,621.22)						20,388,786.85	
Guangzhou Huoshu Yinhua Information Technology Co., Ltd. (廣州火數銀花信息科技有限公司)	4,875,268.70			(210,051.72)						4,665,216.98	
Shanghai Qiangshang Environmental Technology Company Limited (上海強尚環保科技有限公司)	30,985,316.61			1,336,504.00						32,321,820.61	
Shanghai UIOT Technology Company Limited (上海紫光樂聯物聯網科技有限公司)	25,639,470.45			(139,459.24)						25,500,011.21	
Shanghai Tianhe Smart Home Technology Company Ltd. (上海天合智能科技股份有限公司)	63,781,313.54			1,250,949.38						65,032,262.92	
Chengdu Jujiatong Engineering Consultant Inc (成都居家通物流有限責任公司)	36,974,415.36			(858,398.19)						36,116,017.17	

Notes to the Financial Statements

For the period ended 30 June 2019

RMB

V. NOTES TO THE MAJOR ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

11. Long-term Equity Investments (continued)

30 June 2019 (continued)

Investee	Increase/decrease during the period									Closing balance	Closing balance of impairment allowance	
	Opening balance	Increase in investment	Decrease in investment	Investment gain/loss under equity method	Adjustment of other comprehensive income	Other changes to equity	Cash dividend or profit declared	Provision made for impairment allowance	Others			
Ant live (Tianjin) Network Technology Co., Ltd. (鐵安居(天津)網絡技術有限公司)	45,202,038.45			(1,702,178.14)							43,499,860.31	
Shenzhen Red Star Macalline Home Furnishing Plaza Company Limited (深圳紅星美凱龍家居生活廣場有限公司)	17,211,841.58			18,366,867.35							35,578,708.93	
Suzhou Supin Home Culture Co., Ltd. (蘇州市蘇品宅配文化有限公司)	62,218,118.86			(134,487.66)							62,083,631.20	
Beijing Canny-Robot Technology Co., Ltd. (北京康力慶藍機器人科技有限公司)	13,216,093.81			(213,521.65)							13,002,572.16	
Guangdong Sanweijia Information Technology Co., Ltd. (廣東三維家信息科技有限公司)	166,003,895.66			(10,811,738.53)							155,192,157.13	
Handan Fengfengkuang District Royal Property Development Company Limited (邯鄲市峰峰礦區皇室房地產開發有限公司)	10,000,000.00			(10,000,000.00)							-	
Handan Red Star Royal Properties Co., Ltd. (邯鄲市紅星皇室置業有限公司)	4,000,000.00			(4,000,000.00)							-	
Liaoning Cheng'an Construction Co., Ltd. (遼寧誠安建設有限公司)	62,031,744.40			2,065,070.76			(1,800,000.00)				62,296,815.16	
Chengdu Rhine Etam Furniture Co., Ltd. (成都艾格傢俱有限公司)	-	34,000,000.00		(1,682,028.30)							32,317,971.70	
Shanghai Yibaimi Network Technology Company Limited (上海壹佰米網絡科技有限公司)	62,354,643.49		(6,833,537.66)	(45,573,430.11)							9,947,675.72	
Zhejiang Zhongguang Electric Appliances Co., Ltd. (浙江中廣電器股份有限公司)	80,924,647.56			409,510.76							81,334,158.32	

Notes to the Financial Statements

For the period ended 30 June 2019

RMB

V. NOTES TO THE MAJOR ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

11. Long-term Equity Investments (continued)

30 June 2019 (continued)

Investee	Increase/decrease during the period									Closing balance	Closing balance of impairment allowance
	Opening balance	Increase in investment	Decrease in investment	Investment gain/loss under equity method	Adjustment of other comprehensive income	Other changes to equity	Cash dividend or profit declared	Provision made for impairment allowance	Others		
LEAWOD Door and Window Profiles Company (四川良木道門窗型材有限公司)	62,127,865.88			563,969.37						62,691,835.25	
Guangdong VIFA Customized Home Furnishings Co., Ltd. (廣東威法定制家居股份有限公司)	85,491,488.31			4,097,122.46			(6,500,000.00)			83,088,610.77	
BigZone Information Technology (Shanghai) Company Limited (大域信息科技(上海)有限公司)	19,652,912.82			(291,757.39)						19,361,155.43	
Anka Household Products (Shanghai) Co., Ltd. (安咖家居用品(上海)有限公司)	–	3,500,000.00		(584,918.72)						2,915,081.28	
Shenzhen Huasheng Home Furnishing Group Co., Ltd. (深圳華生大家居集團有限公司)	3,571,428.00			(913,629.76)						2,657,798.24	
Shanghai CONJOINT Construction Technology Co., Ltd. (上海開裝建築科技有限公司)	–	35,064,000.00		(909,877.46)						34,154,122.54	
Sheng Bao (Shanghai) Furniture Co., Ltd. (晟葆(上海)傢俱有限公司)	–	13,000,000.00		(163,141.66)						12,836,858.34	
Yaxiya Building Materials Co., Ltd. (亞錫亞建築材料股份有限公司)	–	120,000,000.00								120,000,000.00	
Haier Consume Financing Company Limited (海爾消費金融有限公司)	307,746,162.44			47,142,536.84						354,888,699.28	
Wuhu Meihe Asset Management Company Limited (蕪湖美和資產管理有限公司)	490,000.00			(230,579.34)						259,420.66	

Notes to the Financial Statements

For the period ended 30 June 2019

RMB

V. NOTES TO THE MAJOR ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

11. Long-term Equity Investments (continued)

30 June 2019 (continued)

Investee	Increase/decrease during the period										Closing balance	Closing balance of impairment allowance
	Opening balance	Increase in investment	Decrease in investment	Investment gain/loss under equity method	Adjustment of other comprehensive income	Other changes to equity	Cash dividend or profit declared	Provision made for impairment allowance	Others			
Weifang Binxing Properties Co., Ltd. (潍坊滨星置业有限公司)	90,000,000.00			(79,863.50)							89,920,136.50	
Jiangsu Baili Aijia Home Technology Co., Ltd. (江苏佰麗愛家居科技有限公司)	30,683,610.39			(297,461.61)							30,386,148.78	
SUNSEAPARKINGINC.	145,625,975.69			998,128.20							146,624,103.89	
Subtotal	1,951,964,381.17	570,809,101.05	(8,294,776.62)	9,283,864.58			(10,136,000.00)				2,513,626,570.18	
Total	3,026,101,128.50	614,150,301.15	(69,259,594.00)	33,945,981.65			(143,369,703.73)				3,461,568,113.57	

Other instructions

Joint ventures: Pursuant to the articles of association of the investees, significant events are required to obtain unanimous approval in general meetings, and therefore the Group and other shareholders have joint control over such investees. The Group accounts for it as joint venture.

Associates: The Group has appointed representatives to the board of directors or similar power of authority of the investees, and is entitled to substantive participation and decision-making rights accordingly, and thereby having material influence over the investees. Therefore, the Group accounts for it as an associate.

There are no impairment allowances for long-term equity investments in the current period.

Notes to the Financial Statements

For the period ended 30 June 2019

RMB

V. NOTES TO THE MAJOR ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

12. Other Equity Instrument Investments

30 June 2019

Item	Closing balance	Opening balance
Oppein Home Group Inc. (歐派家居集團股份有限公司)	1,509,040,321.84	1,385,139,862.92
Chengdu Xinchao Media Group Co., Ltd. (成都新潮傳媒集團股份有限公司)	231,501,600.00	264,909,000.00
AUPU Home Co., Ltd. (奧普家居股份有限公司)	259,838,561.21	259,087,538.69
Ningbo Meishan Bonded Port Area Qijun Equity Investment Partnership (LIMITED PARTNERSHIP) (寧波梅山保稅港區奇君股權投資合夥企業(有限合夥))	225,732,027.27	205,763,854.57
Keeson Technology Corporation Limited (麒盛科技股份有限公司)	145,959,686.33	137,849,189.44
Jinan Caijin Fosun Weishi Equity Investment Fund Joint Venture (LIMITED PARTNERSHIP) (濟南財金復星惟實股權投資基金合夥企業(有限合夥))	165,175,339.60	132,851,349.61
MengBaihe Home Furnishing Science & Technology Joint Stock Co., Ltd. (夢百合家居科技股份有限公司)	60,687,900.00	75,636,000.00
Oriental Standard Human Resources Holdings Limited	89,069,020.90	75,614,440.81
Beijing Bayi Space LCD Technology Co., Ltd. (北京八億時空液晶科技股份有限公司)	90,160,000.00	64,722,000.00
Zhejiang Entive Intellectual Kitchen Electricity Co., Ltd. (浙江億田智能廚電股份有限公司)	77,639,948.67	63,000,000.00
YunDing Network Technology (Beijing) Co., Ltd. (雲丁網絡技術(北京)有限公司)	58,917,090.60	62,677,130.19
Beijing Parking Easy Information Technology Co., Ltd. (北京停簡單信息技術有限公司)	60,422,535.21	60,422,535.21
Guangzhou Snimay Home Furnishing Co., Ltd. (廣州市詩尼曼家居股份有限公司)	43,459,769.88	50,643,836.12
Sinostone (Guangdong) Co., Ltd. (廣東中旗新材料股份有限公司)	69,353,922.74	50,609,624.25
Shanghai Scholar Home Enterprise Management Consulting Centre (LIMITED PARTNERSHIP) (上海檀敘企業管理諮詢中心(有限合夥))	31,852,512.69	40,127,892.60
Beijing Bilin Hongke Technology Company Limited (北京比鄰弘科科技有限公司)	38,498,635.49	40,000,000.00
PLUSspace International (Shanghai) Co., Ltd. (璞勒仕建築工程(上海)股份有限公司)	32,873,856.50	37,968,166.08

V. NOTES TO THE MAJOR ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

12. Other Equity Instrument Investments (continued)

30 June 2019 (continued)

Item	Closing balance	Opening balance
Beijing Bluepower Technology Co., Ltd. (北京藍海華業科技股份有限公司)	32,315,624.00	32,315,624.00
Beijing Haozu Technology Development Co., Ltd. (北京好租科技發展有限公司)	20,240,935.95	29,410,958.90
Zhejiang Xingyue Electric Equipment Co., Ltd. (浙江星月電器有限公司)	28,775,462.57	28,942,000.00
Guangzhou Animation Cartoon Game Life Technology Co, Ltd. (廣州酷漫居動漫科技有限公司)	27,458,660.84	27,458,660.84
DESSMANN (China) Machinery & Electronic Co., Ltd. (德施曼機電(中國)有限公司)	23,606,811.40	23,606,811.40
Foshan Junda Enterprise Management Co., Ltd. (佛山郡達企業管理有限公司)	20,607,000.00	20,607,000.00
Harbin Sayyas Windows Stock Co., Ltd. (哈爾濱森鷹窗業股份有限公司)	17,880,000.00	17,880,000.00
Qingdao Yeelink Information Technology Co., Ltd. (青島億聯客信息技術有限公司)	19,818,967.67	14,700,000.00
Hangzhou Water Show Culture GROUP Co., Ltd (杭州水秀文化集團有限公司)	14,170,839.63	13,473,000.00
Black Sesame International Holding Limited	12,493,744.08	12,493,744.08
Xi'an Jiahexing Household Co., Ltd. (西安佳和興家居有限責任公司)	11,400,000.00	11,400,000.00
Soccer World (Shanghai) Sports Development Co., Ltd. (索福德(上海)體育發展有限公司)	7,647,719.73	9,993,877.15
Wenzhou Honglian Home Furnishing Company Limited (溫州紅聯家居有限公司)	8,575,000.00	8,575,000.00
Zhejiang Mingdu Intelligent Control Technology Co., Ltd. (浙江明度智控科技有限公司)	15,000,000.00	—
Yimeijisi Optoelectronic Technology (Fujian) Co., Ltd. (誼美吉斯光電科技(福建)有限公司)	2,475,000.00	—
Shenzhen ORVIBO Technology Co., Ltd. (深圳市歐瑞博科技有限公司)	10,000,000.00	—
Weride Inc	20,200,471.65	—
SleepMaker (Hong Kong) Company Limited	5,146,800.00	—
Sleemon Furniture Co., Ltd. (喜臨門傢俱股份有限公司)	114,152,690.76	—

Notes to the Financial Statements

For the period ended 30 June 2019

RMB

V. NOTES TO THE MAJOR ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

12. Other Equity Instrument Investments (continued)

30 June 2019 (continued)

Item	Closing balance	Opening balance
Others	73,411,799.29	44,869,370.71
Total	3,675,560,256.50	3,302,748,467.57

13. Other Non-Current Financial Assets

	30 June 2019	31 December 2018
Financial assets at FVTPL		
Equity interests with fixed income	360,674,540.60	324,850,000.00

14. Investment Property

Subsequent measurement by adopting the fair value model:

30 June 2019

	Houses and buildings	Properties under construction	Total
Opening balance	71,804,000,000.00	6,729,000,000.00	78,533,000,000.00
Purchase	182,377,306.73	1,006,208,036.50	1,188,585,343.23
Transfer from inventory/fixed assets/ construction in progress	709,000,000.00	(709,000,000.00)	—
Business combinations	—	556,012,300.27	556,012,300.27
Changes in fair value	658,622,693.27	234,779,663.23	893,402,356.50
Closing balance	73,354,000,000.00	7,817,000,000.00	81,171,000,000.00

V. NOTES TO THE MAJOR ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

14. Investment Property (continued)

Such investment properties are rented to the third party under operating lease.

As at 30 June 2019, the investment properties valued RMB59,869,000,000.00 was held by the Group as security to acquire borrowings of RMB18,799,889,590.08. Please refer to Note V 61. Assets with Restricted Ownership or Use Right.

As at 30 June 2019, the investment properties at fair value of RMB1,588,000,000.00 held by the Group was located in the land with the use rights owned by project partners, which was used for scientific research and designs and whose type of use rights was for allocation use. Pursuant to relevant agreement entered into with project partners, the Group recognized the investment properties as investment properties leased by finance lease. The Group held no ownership certificate for such investment properties.

As at 30 June 2019, the investment properties with ownership certificate not settled are as follows:

	Book value	Reason for not yet settling ownership certificate
Nanjing International Home Living Plaza (南京國際家居廣場)	1,439,000,000.00	Application for ownership certificate is in progress
Tianjin Home Furnishings Plaza (天津家飾生活廣場)	1,001,000,000.00	Application for ownership certificate is in progress
Changsha Yinhong Home Furnishing Plaza (長沙銀紅家居商場)	845,000,000.00	Application for ownership certificate is in progress
Suzhou Mudu Mall (蘇州木瀆商場)	729,000,000.00	Application for ownership certificate is in progress
Lanzhou Shibo Home Furnishing Plaza (蘭州世博家居商場)	446,000,000.00	Application for ownership certificate is in progress
Hangzhou Shibo Furniture Plaza (杭州世博家居商場)	286,000,000.00	Application for ownership certificate is in progress
Hefei Logistics Park (合肥物流園)	168,000,000.00	Application for ownership certificate is in progress
	4,914,000,000.00	

Notes to the Financial Statements

For the period ended 30 June 2019

RMB

V. NOTES TO THE MAJOR ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

15. Fixed Assets

30 June 2019

	Special equipment	Transportation equipment	Electronic equipment, appliances and fixtures	Total
Initial value				
Opening balance	26,501,687.19	151,730,251.08	281,343,778.28	459,575,716.55
Purchase	103,327.27	6,635,752.28	39,863,976.79	46,603,056.34
Transfer from construction in progress	—	—	3,294,604.88	3,294,604.88
Business combinations involving enterprises not under common control	—	—	133,789.92	133,789.92
Disposal or retirement	105,652.65	4,262,562.14	3,111,339.34	7,479,554.13
Closing balance	26,499,361.81	154,103,441.22	321,524,810.53	502,127,613.56
Accumulated depreciation				
Opening balance	2,783,242.61	98,492,986.51	165,881,444.93	267,157,674.05
Provision	350,960.59	7,878,733.67	23,614,302.03	31,843,996.29
Business combinations involving enterprises not under common control	—	—	23,545.20	23,545.20
Disposal or retirement	29,690.29	3,876,385.81	2,547,298.96	6,453,375.06
Closing balance	3,104,512.91	102,495,334.37	186,971,993.20	292,571,840.48
Impairment allowance				
Opening balance	—	—	—	—
Increase in the current period	—	—	—	—
Decrease in the current period	—	—	—	—
Closing balance	—	—	—	—
Book value				
Closing	23,394,848.90	51,608,106.85	134,552,817.33	209,555,773.08
Opening	23,718,444.58	53,237,264.57	115,462,333.35	192,418,042.50

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

As at the end of the period, the management of the Group assessed fixed assets and considered no provision for impairment was necessary.

Notes to the Financial Statements

For the period ended 30 June 2019

RMB

V. NOTES TO THE MAJOR ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

16. Construction in Progress

	30 June 2019			31 December 2018		
	Book balance	Impairment allowance	Book value	Book balance	Impairment allowance	Book value
Construction in progress	179,075,014.38	—	179,075,014.38	84,866,598.69	—	84,866,598.69

As at the end of the period, the management of the Group assessed construction in progress and considered no provision for impairment was necessary.

17. Right-of-Use Assets

30 June 2019

	Property lease	Total
Initial value		
Opening balance	—	—
Others (note)	4,990,509,301.77	4,990,509,301.77
Increased amount in the current period	406,568,082.74	406,568,082.74
Reduced amount in the current period	—	—
Closing balance	5,397,077,384.51	5,397,077,384.51
Accumulated depreciation		
Opening balance	—	—
Others (note)	2,131,683,721.34	2,131,683,721.34
Provision	207,912,622.93	207,912,622.93
Closing balance	2,339,596,344.27	2,339,596,344.27
Impairment allowance		
Opening and closing balance	—	—
Book balance		
Closing	3,057,481,040.24	3,057,481,040.24
Opening	2,858,825,580.43	2,858,825,580.43

Note: Represents the accumulated effect of implementation of the New Lease Standards on the opening balance

Notes to the Financial Statements

For the period ended 30 June 2019

RMB

V. NOTES TO THE MAJOR ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

18. Intangible Assets

30 June 2019

	Software	Trademark use right (Note)	Others	Total
Initial value				
Opening balance	163,554,516.53	525,000,000.00	10,617,578.51	699,172,095.04
Purchase	1,042,661.61	—	170,199.43	1,212,861.04
Transfer from construction in progress	7,550,422.06	—	2,058,555.65	9,608,977.71
Closing balance	172,147,600.20	525,000,000.00	12,846,333.59	709,993,933.79
Accumulated amortization				
Opening balance	56,166,367.30	72,942,099.39	9,232,696.84	138,341,163.53
Provision	10,159,021.33	6,926,291.79	479,455.15	17,564,768.27
Closing balance	66,325,388.63	79,868,391.18	9,712,151.99	155,905,931.80
Impairment allowance				
Opening and closing balance	—	100,000,000.00	—	100,000,000.00
Book balance				
Closing	105,822,211.57	345,131,608.82	3,134,181.60	454,088,001.99
Opening	107,388,149.23	352,057,900.61	1,384,881.67	460,830,931.51

Notes to the Financial Statements

For the period ended 30 June 2019

RMB

V. NOTES TO THE MAJOR ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

18. Intangible Assets (continued)

At the end of the period, intangible assets formed through internal research and development accounted for 0.00% of the balance of intangible assets.

Note: RMB525,000,000.00 in the initial book value of the right to use the trademarks is used to purchase the right to use the registered trademark of Jisheng Wellborn ("JSWB") from Shanghai Jisheng Wellborn Furniture Company Limited (上海吉盛偉邦家居市場經營管理有限公司) by the Company. In May 2014, the Company and the controlling shareholders of Shanghai Jisheng Wellborn Furniture Company Limited entered into the Registered Trademark Licensing Contract, pursuant to which, Shanghai Jisheng Wellborn Furniture Company Limited authorizes the Company to use eight of its registered trademarks (the "licensed trademarks") on an exclusive basis, and the Company has the right to use the licensed trademarks in our Portfolio Shopping Malls or Managed Shopping Malls and in the business operation course related with those shopping malls. Meanwhile, the Company has the right to authorize any third parties to use the licensed trademarks within the properties of the shopping malls from 1 June 2014 to 30 May 2044.

The Company shall pay an annual fee in standard for establishing shopping malls to use the licensed trademarks in addition to the nonrecurring trademark licensing fee of RMB525,000,000.00, the period for payment is the period from the opening date of the shopping mall to the day on which the shopping mall ceases to use the licensed trademarks. The right to use the trademark was amortized on a straight-line basis within 30 years of the licensed period contracted by the Group since June 2014. As at the end of the period, the balance of impairment allowance of the right to use the trademarks of JSWB amounted to RMB100,000,000.00.

19. Development Expenditure

30 June 2019

	Opening balance	Increase in the current period Internal research and development	Decrease in the current period Recognized as intangible assets	Recognized in profit or loss	Closing balance
Home improvement and data platform	—	6,222,304.32	—	—	6,222,304.32

Notes to the Financial Statements

For the period ended 30 June 2019

RMB

V. NOTES TO THE MAJOR ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

20. Goodwill

30 June 2019

	Opening balance	Increase in the current period Business combinations involving enterprises not under common control	Decrease in the current period Disposal group/disposal allocated to held for sale	Closing balance
Suzhou Industry Park Zhongxiang Meitong Storage Company Limited (蘇州工業園區中翔美通 倉儲銷售有限公司)	16,592,357.41	—	—	16,592,357.41

At the end of the period, the Group assessed the recoverable amount of goodwill of Suzhou Industry Park Zhongxiang Meitong Storage Company Limited, and the recoverable amount of goodwill was determined based on the present value of estimated future cash flows. Future cash flows were determined based on the financial budget for 2019–2023 approved by the management with adopting applicable discount rate and the cash flows after 2023 were calculated based on nil increase rate. The management of the Group considers that any reasonable changes in above assumptions will not cause the book value of the goodwill of the Group exceeding the recoverable amount of the goodwill, and recognizes that the goodwill has not been impaired.

Notes to the Financial Statements

For the period ended 30 June 2019

RMB

V. NOTES TO THE MAJOR ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

21. Long-term Prepaid Expenses

30 June 2019

	Opening balance	Increase in the current period	Amortized in the current period	Closing balance
Improvement expenditures				
for fixed assets rented (Note)	302,233,682.81	23,122,423.30	43,886,588.63	281,469,517.48
Others	98,498,257.72	19,146,535.74	23,134,919.00	94,509,874.46
	400,731,940.53	42,268,959.04	67,021,507.63	375,979,391.94

Note: Improvement expenditures for fixed assets rented represents improvement expenditures for Leased Portfolio Shopping Malls are evenly amortized by the Group in the period of the shorter of an estimated beneficial period of 10 years and the lease term from Leased Portfolio Shopping Malls.

22. Deferred Tax Assets/Liabilities

Deferred tax assets and deferred tax liabilities that are not offset:

	30 June 2019		31 December 2018	
	Deductible temporary difference	Deferred tax assets	Deductible temporary difference	Deferred tax assets
Deferred tax assets				
Provision for impairment of assets	1,716,819,297.51	433,580,031.12	1,612,814,358.32	394,374,195.44
Deductible loss	1,299,670,303.00	324,917,575.75	604,145,722.29	151,036,430.57
Provision for unpaid expenses	1,201,177,811.39	260,717,921.63	1,001,771,480.32	238,027,030.94
Asset-related deferred income	209,424,415.60	52,356,103.90	212,454,480.78	53,113,620.20
Cost overruns for advertising expenses	308,630,303.58	76,394,028.39	173,542,163.46	43,329,619.20
Long-term assets capitalized in Group's internal transaction	236,751,155.00	59,187,788.74	237,870,091.12	59,467,522.78
	4,972,473,286.08	1,207,153,449.53	3,842,598,296.29	939,348,419.13

Notes to the Financial Statements

For the period ended 30 June 2019

RMB

V. NOTES TO THE MAJOR ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

22. Deferred Tax Assets/Liabilities (continued)

	30 June 2019		31 December 2018	
	Taxable temporary difference	Deferred tax liabilities	Taxable temporary difference	Deferred tax liabilities
Deferred tax liabilities				
Changes in the fair value of other equity instrument investments	1,466,424,310.95	271,678,742.65	1,384,879,030.52	222,391,208.03
Changes in fair value of investment properties	43,175,600,073.40	10,793,900,018.35	42,268,944,184.12	10,420,105,853.23
Adjustment to the fair value arising from business combination	2,104,274,397.24	526,068,599.31	1,932,980,078.72	483,245,019.68
	46,746,298,781.59	11,591,647,360.31	45,586,803,293.36	11,125,742,080.94

Deferred tax assets and deferred tax liabilities are presented on a net basis after offsetting:

	30 June 2019		31 December 2018	
	Offset amount	Balance after offset	Offset amount	Balance after offset
Deferred tax assets	99,651,521.63	1,107,501,927.90	117,079,269.71	822,269,149.42
Deferred tax liabilities	99,651,521.63	11,491,995,838.68	117,079,269.71	11,008,662,811.23

Notes to the Financial Statements

For the period ended 30 June 2019

RMB

V. NOTES TO THE MAJOR ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

22. Deferred Tax Assets/Liabilities (continued)

Deductible temporary difference and deductible loss, for which deferred tax assets are not recognized, are as follows:

	30 June 2019	31 December 2018
Deductible temporary difference	104,493,067.27	120,207,604.78
Deductible loss	4,277,287,777.84	4,657,287,842.82
	4,381,780,845.11	4,777,495,447.60

Deductible temporary difference and deductible loss, for which deferred tax assets are not recognized, will expire in the following years:

	30 June 2019	31 December 2018
2019	486,407,723.46	534,573,048.53
2020	654,853,265.25	678,304,787.68
2021	600,925,446.36	584,110,635.84
2022	938,550,936.86	1,191,191,220.12
2023	1,088,158,261.00	1,669,108,150.65
2024	508,392,144.90	—
	4,277,287,777.84	4,657,287,842.82

Notes to the Financial Statements

For the period ended 30 June 2019

RMB

V. NOTES TO THE MAJOR ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

23. Other Non-Current Assets

	30 June 2019	31 December 2018
Prepayments for construction	1,523,072,511.83	1,054,474,837.71
Earning right related to land consolidation (Note 1)	1,835,867,940.18	1,835,867,940.18
Prepayments for purchasing an office premise (Note 2)	2,332,101,329.74	2,023,201,395.18
Entrusted loans (Note 3)	698,044,794.77	416,421,312.81
Prepayments for equity transfer (Note 4)	310,253,469.11	301,323,500.00
Prepayments for repurchase	247,705,000.00	247,705,000.00
Prepayments for land (Note 5)	55,929,000.00	210,862,580.50
Deposits	—	92,700,000.00
	7,002,974,045.63	6,182,556,566.38

Note 1: In August 2018, the Group acquired 70% equity interest in Yintai (Yongqing) New City Investment Co., Ltd. (銀泰(永清)新城投資有限公司) at a consideration of RMB1 billion, and acquired an earning right thereof related to land consolidation simultaneously.

Note 2: In 2019, the Group paid RMB172,500,000.00 to Nantong Yida Real Estate Co., Ltd. (南通頤達置業有限公司) for the purchase of office premises. As the transfer of ownership of the office premises has not been completed, this amount is presented under other non-current assets, and the remaining RMB2,159,601,329.74 is the amount prepaid by the Group to Shanghai Jifu Real Estate Development Co., Ltd. (上海極富房地產開發有限公司) for the buildings and the right to use the underground space and parking space of an office premise in Hongqiao. As at the date of publication of the financial statements, the abovementioned property has not been completed and accepted upon examination.

Note 3: The Group granted entrusted loans to the following companies, including Henan Zhongheng Construction Development Co., Ltd. (河南中亨建設開發有限公司), Daqing Xusheng Properties Development Company Limited (大慶旭生房地產開發有限公司), Hancheng Xinding Real Estate Development Co., Ltd. (韓城市鑫鼎房地產開發有限責任公司), Zhoukou Railway Engineering Co., Ltd. (周口鐵路工程有限公司), Shaanxi Red Star Heji Home Shopping Plaza Company Limited (陝西紅星和記家居購物廣場有限公司), Oppein Home Group Inc. (歐派家居集團股份有限公司), Langfang Urban Real Estate Development Co., Ltd. (廊坊市城區房地產開發有限公司) and Shanxi Chongkang Real Estate Development Co., Ltd. (山西崇康房地產開發有限公司), among which:

The entrusted loan granted by the Group to Henan Zhongheng Construction Development Co., Ltd. (河南中亨建設開發有限公司) had an interest rate of 5.225% and a balance amounting to RMB47,550,000.00 at the end of the period, with the maturity date of 24 August 2020, all of which were accounted as other non-current assets as at the end of the period;

The entrusted loan granted by the Group to Daqing Xusheng Properties Development Company Limited (大慶旭生房地產開發有限公司) had an interest rate which was 22% above benchmark rate for five-year loans and a balance amounting to RMB17,000,000.00 as at the end of the period, with the maturity date of 15 December 2020. According to the repayment plan stipulated in the contract, RMB11,000,000.00 was accounted as other non-current assets due within one year, and RMB6,000,000.00 was accounted as other non-current assets as at the end of the period;

Notes to the Financial Statements

For the period ended 30 June 2019

RMB

V. NOTES TO THE MAJOR ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

23. Other Non-Current Assets (continued)

Note 3 (continued):

The entrusted loan granted by the Group to Hancheng Xinding Real Estate Development Co., Ltd. (韓城市鑫鼎房地產開發有限責任公司) had an interest rate of 9% and a balance amounting to RMB30,000,000.00 as at the end of the period, with the maturity date of 7 May 2021, all of which were accounted as other non-current assets as at the end of the period;

The entrusted loan granted by the Group to Zhoukou Railway Engineering Co., Ltd. (周口鐵路工程有限公司) had an interest rate of 15% and a balance amounting to RMB120,000,000.00 as at the end of the period, with a term of 18 months. Among which, RMB80,000,000.00 was accounted as other non-current assets due within one year, and RMB40,000,000.00 was accounted as other non-current assets as at the end of the period;

The entrusted loan granted by the Group to Shaanxi Red Star Heji Home Shopping Plaza Company Limited (陝西紅星和記家居購物廣場有限公司) had an interest rate of 10.000% and a balance amounting to RMB150,000,000.00 as at the end of the period, with the maturity date of 22 January 2022, all of which were accounted as other non-current assets as at the end of the period;

The entrusted loan granted by the Group to Oppen Home Group Inc. (歐派家居集團股份有限公司) had an interest rate of 10% and a balance amounting to RMB242,401,128.27 as at the end of the period, with the maturity date of 31 December 2021, all of which were accounted as other non-current assets as at the end of the period;

The entrusted loan granted by the Group to Langfang Urban Real Estate Development Co., Ltd. (廊坊市城區房地產開發有限公司) had an interest rate which was 18.5% above benchmark rate for ten-year loans and a balance amounting to RMB44,100,000.00 as at the end of the period, with a term of 120 months. According to the repayment plan stipulated in the contract, RMB3,900,000.00 was accounted as other non-current assets due within one year, and RMB40,200,000.00 was accounted as other non-current assets as at the end of the period;

The entrusted loan granted by the Group to Shanxi Chongkang Real Estate Development Co., Ltd. (山西崇康房地產開發有限公司) had an interest rate of 9% and a balance amounting to RMB144,612,018.14 as at the end of the period, with the maturity date of 31 December 2020, all of which were accounted as other non-current assets as at the end of the period;

In respect of the abovementioned entrusted loans, as at the end of the period, the Group has provided impairment allowance of RMB2,718,351.64 according to the expected credit losses to offset the initial amount of other non-current assets.

Note 4: The new prepayment for equity transfer in the current period was made pursuant to the equity transfer agreement entered into by the Group with Capita Retail China Investments(B) Gamma Pte. Ltd. and Luck Joy International Limited, for acquisition of 51% and 49% equities in the Wuhu Capital and Commercial Real Estate Co., Ltd. (蕪湖凱德商用置業有限公司) respectively held by the aforesaid two companies. As at 30 June 2019, pursuant to the agreement, the Group prepaid RMB11,076,456.03 and RMB10,642,085.21 for equity transfer to the aforesaid companies, and granted interest-free entrusted loans of RMB69,934,927.87 to Wuhu Capital and Commercial Real Estate Co., Ltd. to pay off the shareholders' loans from Capita Retail China Investments(B) Gamma Pte. Ltd. All the above amounts were accounted as other non-current assets as at the end of the period. The said equity transfer was completed in July 2019.

Notes to the Financial Statements

For the period ended 30 June 2019

RMB

V. NOTES TO THE MAJOR ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

23. Other Non-Current Assets (continued)

Note 4: (continued)

The reduced prepayments for equity transfer in the current period are as follows:

- 1) The Group completed the equity acquisition of Nanchang Red Star Macalline Global Home Expo Center Co., Ltd. (南昌紅星美凱龍環球家居博覽中心有限責任公司), reducing the prepayment for equity transfer by RMB34,659,500.00;
- 2) The Group completed the capital increase in and subscription of 10% of equity of Sheng Bao (Shanghai) Furniture Co., Ltd. (晟葆(上海)傢俱有限公司), reducing the prepayment for equity transfer by RMB13,000,000.00;
- 3) The Group completed the acquisition of 14.61% equity of Shanghai CONJOINT Construction Technology Co., Ltd. (上海開裝建築科技有限公司), reducing the prepayment for equity transfer by RMB35,064,000.00;

Note 5: The Group's prepayments for land at the end of the period amounted to RMB55,929,000.00, which were credited to other non-current assets because the land parcels purchased are still in the process of obtaining the land certificates. The commodity house purchase and sales contract has been concluded.

24. Short-term Loans

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

As at 30 June 2019, there were no loans overdue.

Notes to the Financial Statements

For the period ended 30 June 2019

RMB

V. NOTES TO THE MAJOR ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

25. Accounts Payable

	30 June 2019	31 December 2018
Amounts payable for engineering	605,060,234.47	616,071,095.78
Amounts payable for advertisements and purchase of goods	389,541,484.98	354,045,884.56
	994,601,719.45	970,116,980.34

As at 30 June 2019, the Group had no material accounts payable aged more than one year.

26. Advance from Customers

	30 June 2019	31 December 2018
Rental and relevant payments	1,004,098,870.95	1,249,019,601.25

As at 30 June 2019, the Group had no material advance from customers aged more than one year.

27. Contract Liabilities

	30 June 2019	31 December 2018
Charges for the brand consulting and management service for the early stage of the project	1,203,785,498.24	1,170,519,873.08
Charges for annual brand consulting and management service for the project	198,834,367.67	217,355,411.92
Charges for commercial management and consultation service for construction project	102,830,188.68	70,698,147.66
Commercial consultation fees and tenant sourcing commissions	344,331,654.64	587,744,658.46
Construction and design service	266,846,842.58	139,146,183.52
Others	350,955,602.75	416,514,233.09
	2,467,584,154.56	2,601,978,507.73

Notes to the Financial Statements

For the period ended 30 June 2019

RMB

V. NOTES TO THE MAJOR ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

28. Payroll Payable

30 June 2019

	Opening balance	Increase in the current period	Decrease in the current period	Closing balance
Short-term compensation	897,453,746.01	1,533,186,532.49	2,024,066,493.64	406,573,784.86
Retirement benefits (defined contribution plans)	14,761,515.61	150,406,599.84	151,197,762.57	13,970,352.88
Termination benefits	1,770,761.90	5,488,052.02	7,243,687.44	15,126.48
	913,986,023.52	1,689,081,184.35	2,182,507,943.65	420,559,264.22

Details of short-term compensation are as follows:

30 June 2019

	Opening balance	Increase in the current period	Decrease in the current period	Closing balance
Wages or salaries, bonuses, allowances and subsidies	879,743,136.91	1,378,383,837.41	1,872,558,979.13	385,567,995.19
Staff welfare	1,393,049.90	1,610,498.28	1,608,490.71	1,395,057.47
Social insurance	6,715,340.01	75,877,645.48	74,541,955.55	8,051,029.94
Including: Medical insurance	5,972,559.98	67,030,897.64	65,928,105.51	7,075,352.11
Work injury insurance	213,008.18	2,831,018.23	2,626,825.85	417,200.56
Maternity insurance	529,771.85	6,015,729.61	5,987,024.19	558,477.27
Housing fund	6,878,925.12	70,163,954.95	68,359,090.60	8,683,789.47
Labour union and staff education fund	2,723,294.07	7,150,596.37	6,997,977.65	2,875,912.79
	897,453,746.01	1,533,186,532.49	2,024,066,493.64	406,573,784.86

Notes to the Financial Statements

For the period ended 30 June 2019

RMB

V. NOTES TO THE MAJOR ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

28. Payroll Payable (continued)

Details of defined contribution plans are as follows:

30 June 2019

	Opening balance	Increase in the current period	Decrease in the current period	Closing balance
Basic pension insurance premium	13,964,509.88	145,963,983.81	146,472,620.48	13,455,873.21
Unemployment insurance premium	797,005.73	4,442,616.03	4,725,142.09	514,479.67
	14,761,515.61	150,406,599.84	151,197,762.57	13,970,352.88

The Group participates in pension insurance and unemployment insurance plans established by government institutions as required. According to such plans, the Group makes contribution to such plans based on the staff's basic wage and the percentage specified by local governments, respectively. Besides above monthly contributions, the Group will not undertake further payment obligation. The corresponding cost charges to the profit or loss for the current period or the cost of a relevant asset when occurs.

29. Taxes Payable

	30 June 2019	31 December 2018
Enterprise income tax	216,395,770.72	273,769,447.40
VAT	216,786,896.63	263,960,675.63
Property tax	33,059,601.25	38,104,146.22
Others	21,848,579.30	31,842,470.73
	488,090,847.90	607,676,739.98

Notes to the Financial Statements

For the period ended 30 June 2019

RMB

V. NOTES TO THE MAJOR ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

30. Other Payables

	30 June 2019	31 December 2018
Interest payables	—	215,310,507.17
Dividends payable	855,171,362.25	16,556,410.95
Other payables	7,714,922,906.22	8,480,341,163.12
	8,570,094,268.47	8,712,208,081.24

Interest payables

	30 June 2019	31 December 2018
Interests on long-term loans with periodic payments of interest and return of principal at maturity	—	33,131,060.84
Interests on corporate bonds	—	124,493,601.14
Interests on short-term loans	—	18,138,361.70
Interests on commercial mortgage-backed securities (“Financial Report V. 38. Other Non-current Liabilities”)	—	39,547,483.49
	—	215,310,507.17

Dividends payable

	30 June 2019	31 December 2018
Shanghai Tailang Enterprise Management Center (Limited Partnership) (上海台朗企業管理中心(有限合夥))	—	10,916,410.95
JIN Yan (金燕)	—	2,820,000.00
Shanghai Xinchangzheng (Group) Company Limited (上海新長征(集團)有限公司)	—	2,820,000.00
Yunnan Guiyunhe Investment Co., Ltd. (雲南貴雲和投資有限公司)	3,384,185.51	—
Public shareholders	182,101,918.30	—
Red Star Macalline Holding Group Company Limited (紅星美凱龍控股集團有限公司)	669,685,258.44	—
	855,171,362.25	16,556,410.95

Notes to the Financial Statements

For the period ended 30 June 2019

RMB

V. NOTES TO THE MAJOR ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

30. Other Payables (continued)

Other payables

	30 June 2019	31 December 2018
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
Amounts payable to construction contractors	600,773,996.32	800,535,460.58
Rental deposits from tenants	678,786,404.68	708,621,532.51
Amount payables to equity transfer	77,200,000.00	512,739,975.11
Accrued expenses	195,200,686.63	277,643,310.09
Lease expenses	62,048,964.07	57,739,035.70
Amount payables to prepaid cards	10,685,868.97	16,165,219.09
Others	421,028,508.43	235,692,786.81
	7,714,922,906.22	8,480,341,163.12

As at 30 June 2019, the Group had no significant other payables aged more than 1 year.

31. Non-current Liabilities Due Within One Year

	30 June 2019	31 December 2018
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	—
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	—
Lease liabilities due within one year	534,260,592.42	20,000,000.00
Financial lease payables due within one year	11,810,683.99	13,507,176.94
	5,796,132,887.37	3,948,619,684.75

Notes to the Financial Statements

For the period ended 30 June 2019

RMB

V. NOTES TO THE MAJOR ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

32. Other Current Liabilities

	30 June 2019	31 December 2018
Output VAT to be transferred	107,453,799.04	161,684,557.80
Super short-term commercial papers	—	1,000,000,000.00
	107,453,799.04	1,161,684,557.80

33. Long-term Loans

	30 June 2019	31 December 2018
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
	15,247,687,612.54	14,306,362,773.00

Description of the classification of long-term loans:

Pledge loans	Represent the loans obtained by pledging all of the operating revenue of the shopping malls and the equity of our Group during the loan period.
Mortgage loans	Represent the loans obtained by securing with the investment properties.
Credit loans	Represent the loans obtained by providing guarantees by the companies within the Group.
Mortgage and pledge loans	Represent the loans obtained by securing with the investment properties and pledging with all of the operating revenue of the shopping malls during the loan period.
Mortgage and guaranteed loans	Represent the loans obtained by securing with the investment properties and provided guarantee by the related parties.

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

As at 30 June 2019, the aforesaid loans carried interest rates at 4.28% to 7% per annum.

Notes to the Financial Statements

For the period ended 30 June 2019

RMB

V. NOTES TO THE MAJOR ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

34. Bonds Payable

	30 June 2019	31 December 2018
Public offering of Corporate Bonds of 2018 of Red Star Macalline Group Corporation Ltd. (First tranche)	2,983,945,436.93	2,978,214,472.44
5-year US\$-denominated bonds of Hong Kong Red Star Macalline in 2017	2,035,632,196.78	2,028,377,647.84
7-year Corporate Bonds of 2016 of Red Star Macalline Group Corporation Ltd. (First tranche)	1,489,085,191.68	1,486,702,860.36
First tranche of the medium-term notes of 2018 of Red Star Macalline Group Corporation Ltd.	495,870,900.20	495,097,539.32
Corporate Bonds of 2015 of Red Star Macalline Group Corporation Ltd. (First tranche)	168,002,000.00	168,002,000.00
First tranche of the medium-term notes of 2019 of Red Star Macalline Group Corporation Ltd.	497,834,781.02	—
4-year Corporate Bonds of 2019 of Red Star Macalline Group Corporation Ltd. (First tranche)	1,987,991,668.05	—
	9,658,362,174.66	7,156,394,519.96

Name of bonds	Par value	Issue date	Maturity	Issue amount	Opening balance	Issued in the period	Accrued interest at par value	Amortization of premium and for discount	Repayments in the period	Exchange gains and losses	Closing balance
Public offering of Corporate Bonds of 2018 of Red Star Macalline Group Corporation Ltd. (First tranche)	3,000,000,000.00	6 November 2018	3 years	2,976,304,150.94	2,978,214,472.44	—	126,000,000.00	5,730,964.49	—	—	2,983,945,436.93
5-year US\$-denominated bonds of Hong Kong Red Star Macalline in 2017	\$300,000,000	21 September 2017	5 years	1,937,306,895.63	2,028,377,647.84	—	34,803,168.74	3,837,754.26	17,401,584.37	3,416,794.68	2,035,632,196.78
7-year Corporate Bonds of 2016 of Red Star Macalline Group Corporation Ltd. (First tranche)	1,500,000,000.00	14 July 2016	7 years	1,476,127,358.48	1,486,702,860.36	—	58,987,500.00	2,382,331.32	—	—	1,489,085,191.68
First tranche of the medium-term notes of 2018 of Red Star Macalline Group Corporation Ltd.	500,000,000.00	23 October 2018	3 years	494,828,301.89	495,097,539.32	—	20,600,000.00	773,360.88	—	—	495,870,900.20
Corporate Bonds of 2015 of Red Star Macalline Group Corporation Ltd. (First tranche)	5,000,000,000.00	10 November 2015	5 years	4,958,670,000.00	168,002,000.00	—	5,040,060.00	—	—	—	168,002,000.00
First tranche of the medium-term notes of 2019 of Red Star Macalline Group Corporation Ltd.	500,000,000.00	25 January 2019	3 years	497,508,490.57	—	497,508,490.57	11,979,166.64	326,290.45	—	—	497,834,781.02
Public offering of 4-year Corporate Bonds of 2019 of Red Star Macalline Group Corporation Ltd. (First tranche)	2,000,000,000.00	11 June 2019	4 years	1,987,756,792.45	—	1,987,756,792.45	8,916,666.67	234,875.60	—	—	1,987,991,668.05
Total				14,328,501,989.96	7,156,394,519.96	2,485,265,283.02	266,326,562.05	13,285,577.00	17,401,584.37	3,416,794.68	9,658,362,174.66

Notes to the Financial Statements

For the period ended 30 June 2019

RMB

V. NOTES TO THE MAJOR ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

35. Lease Liabilities

	30 June 2019	31 December 2018
Property lease	3,369,648,313.23	—

Among which, the lease liabilities transferred into from long-term financial lease payables were RMB409,390,540.04.

36. Long-term Payables

Long-term payables

	30 June 2019	31 December 2018
Long-term rental	—	431,246,474.14
Financial lease payables	—	410,225,225.70
Amounts due to partners (Note 1)	754,347,994.96	355,068,408.52
Contributions from minority shareholders	159,980,899.49	189,380,899.49
	914,328,894.45	1,385,921,007.85

Note 1: Amounts due to partners are the borrowings provided by the minority shareholders of certain subsidiaries of the Group, and shall be repaid by agreements after the completion of relevant cooperation projects and existing surplus or be repaid on demands after one year. Therefore, such amounts shall be recorded as long-term payables.

Notes to the Financial Statements

For the period ended 30 June 2019

RMB

V. NOTES TO THE MAJOR ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

37. Deferred Income

30 June 2019

	Opening balance	Increase in the current period	Decrease in the current period	Closing balance
Government grant	212,456,044.43	10,752,364.11	3,030,065.18	220,178,343.36

Government grant projects

	Opening balance	Increase in the current period	Recognized in other income in the current period	Closing balance	Related to assets/profit
Subsidy for land supporting expenses	212,456,044.43	—	3,030,065.18	209,425,979.25	Related to assets
Others	—	10,752,364.11	—	10,752,364.11	/
	212,456,044.43	10,752,364.11	3,030,065.18	220,178,343.36	

Notes to the Financial Statements

For the period ended 30 June 2019

RMB

V. NOTES TO THE MAJOR ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

38. Other Non-current Liabilities

	30 June 2019	31 December 2018
Charges for the brand consulting and management service for the early stage of the project (Note 1)	1,381,755,342.42	1,394,664,911.20
Commercial mortgage-backed securities (Note 2)	6,026,403,550.17	4,786,623,154.06
	7,408,158,892.59	6,181,288,065.26

Note 1: Representing the contract liabilities of the Company recognized based on management service contract, as the management expected that it would be more than 1 year to recognize the corresponding revenue, these amounts were included in other non-current liabilities.

Note 2: The Company issued the home furnishing shopping mall asset-backed securities, namely the "First Tranche of Red Star Macalline Home Furnishing Marketplace Asset-Backed Special Project", on 22 September 2017. Such asset-backed special project is pledged with the assets of two shopping malls of the Group in Shanghai and Tianjin and their rental income rights, which included Class A Preferred Securities (securities abbreviation: "Macalline 1A", securities code: 146550) and Class B Preferred Securities (securities abbreviation: "Macalline 1B", securities code: 146551). Macalline 1A had an issuance size of RMB1,350 million, with an annualized return of 5.00%, the principal and interest of which shall be repaid annually. The relevant amounts of Macalline 1A due within one year have been included in the non-current liabilities due within one year. Macalline 1B had an issuance size of RMB1,050 million, with an annualized return of 6.20% and a maturity of 18 years, the principal of which shall be repaid in a one-off manner upon maturity.

The Company issued the home furnishing shopping mall asset-backed securities, namely "Red Star Macalline Asset-Backed Special Project", on 12 July 2018. Such asset-backed special project was pledged with the assets of two shopping malls of the Group in Beijing and Yantai and their rental income rights, which included Class A Preferred Securities (securities abbreviation: "18 Hongmei A1", securities code: 156486), Class B Preferred Securities (securities abbreviation: "18 Hongmei A2", securities code: 156487) and subordinated Securities (securities abbreviation: "18 Hongmei Ci", securities code: 156488). 18 Hongmei A1 had an issuance size of RMB2,289 million, with an annualized return of 5.80% and a maturity of 18 years, the principal and interest of which shall be repaid annually. The relevant amounts of 18 Hongmei A1 due within one year have been included in the non-current liabilities due within one year. 18 Hongmei A2 had an issuance size of RMB211 million, with an annualized return of 6.30% and a maturity of 18 years, the principal of which shall be repaid in a one-off manner upon maturity. The Group, as a posterior investor of 18 Hongmei Ci, subscribed RMB100 million with no annualized return and a maturity of 18 years.

The Company issued the first tranche of asset-backed notes of 2019 of Red Star Macalline Group Corporation Ltd. on 7 May 2019. The asset-backed notes were pledged with the assets of two shopping malls of the Group in Changzhou and their rental income rights, which included priority notes (securities abbreviation: "19 Macalline ABN001 Youxian", securities code: 081900208) and subordinated notes (securities abbreviation: "19 Macalline ABN001 Ci", securities code: 081900209). 19 Macalline ABN001 Youxian had an issuance size of RMB1,290 million, with an annualized return of 6.30% and a maturity of 18 years, the principal and interest of which shall be repaid annually. The relevant amounts of 19 Macalline ABN001 Youxian due within one year have been included in the non-current liabilities due within one year. The Group, as a posterior investor of 19 Macalline ABN001 Ci, subscribed RMB10 million with no annualized return and a maturity of 18 years.

Notes to the Financial Statements

For the period ended 30 June 2019

RMB

V. NOTES TO THE MAJOR ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

39. Share Capital

30 June 2019

	Opening amount	Others (changes)	Closing amount
Domestic-listed A shares (restricted shares)	2,561,103,969.00	(80,788,197.00)	2,480,315,772.00
Domestic-listed A shares (non-restricted shares)	315,000,000.00	80,788,197.00	395,788,197.00
H Shares	673,896,031.00	—	673,896,031.00
Total	3,550,000,000.00	—	3,550,000,000.00

Note 1: At the beginning of the period, domestic-listed A shares (restricted shares) comprised of 2,480,315,772 shares held by Red Star Macalline Holding Group Company Limited (紅星美凱龍控股集團有限公司), 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)), 7,589,999 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 Pharmacy Company Limited expired. Such shares became domestic-listed A shares (non-restricted shares) on that date.

Notes to the Financial Statements

For the period ended 30 June 2019

RMB

V. NOTES TO THE MAJOR ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

40. Capital Reserve

30 June 2019

	Opening balance	Increase in the current period	Decrease in the current period	Closing balance
Share premium	4,490,018,895.43	—	275,183,737.64	4,214,835,157.79
Including:				
Capital invested by investors	5,786,331,727.05	—	—	5,786,331,727.05
A Shares offering	2,735,007,849.63	—	—	2,735,007,849.63
H Shares repurchase	(3,523,954,372.77)	—	—	(3,523,954,372.77)
Acquisition of non-controlling interests	(260,600,875.59)	—	275,183,737.64	(535,784,613.23)
The difference arising from business combination under common control	(180,578,073.16)	—	—	(180,578,073.16)
Others	(66,187,359.73)	—	—	(66,187,359.73)
	4,490,018,895.43	—	275,183,737.64	4,214,835,157.79

Others:

The decrease in capital reserve was caused by the Group's acquisition of non-controlling interests of Changzhou Wujin, Shanghai Zhenbei and Jiajinsuo Investment Holding in the first half of 2019.

Notes to the Financial Statements

For the period ended 30 June 2019

RMB

V. NOTES TO THE MAJOR ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

41. Other Comprehensive Income

The accumulated balance of other comprehensive income in the consolidated balance sheet attributable to the Company's shareholders:

	1 January 2019	Changes in the current period	30 June 2019
Other comprehensive income that will not be reclassified to profit or loss			
Changes in fair value of other equity instrument investments	1,227,776,839.27	160,061,368.92	1,387,838,208.19
Other comprehensive income that will be reclassified to profit or loss			
Others	—	(30,283,642.21)	(30,283,642.21)
	1,227,776,839.27	129,777,726.71	1,357,554,565.98

The current amount of other comprehensive income in the consolidated income statement:

Item	Opening balance	Amount incurred in the current period					Closing balance
		Amount before income tax in the current period	Less: Previously included in other comprehensive income converted to retained earnings for the current period	Less: Income tax expenses	After-tax amount attributable to the Company	After-tax amount attributable to non-controlling interests	
I. Other comprehensive income that will not be reclassified to profit or loss	1,227,776,839.27	642,522,536.00	337,689,819.38	122,872,496.14	160,061,368.92	21,898,851.56	1,387,838,208.19
Changes in fair value of other equity instrument investments	1,227,776,839.27	642,522,536.00	337,689,819.38	122,872,496.14	160,061,368.92	21,898,851.56	1,387,838,208.19
II. Other comprehensive income that will be reclassified to profit or loss	—	(30,283,642.21)	—	—	(30,283,642.21)	—	(30,283,642.21)
Others	—	(30,283,642.21)	—	—	(30,283,642.21)	—	(30,283,642.21)
Total of other comprehensive income	1,227,776,839.27	612,238,893.79	337,689,819.38	122,872,496.14	129,777,726.71	21,898,851.56	1,357,554,565.98

Notes to the Financial Statements

For the period ended 30 June 2019

RMB

V. NOTES TO THE MAJOR ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

42. Surplus Reserve

30 June 2019

	Opening balance	Increase in the current period	Decrease in the current period	Closing balance
Statutory surplus reserve	1,816,847,121.56	—	—	1,816,847,121.56

The Company is required to appropriate 10% of its profit pursuant to the Company Law and the Articles of Association of the Company to the statutory surplus reserve until the reserve balance reaches 50% of its registered capital.

After the appropriation of the statutory surplus reserve, the Company may appropriate the discretionary surplus reserve. When approved, the discretionary surplus reserve can be used to recover accumulated losses or increase the share capital.

43. Retained Earnings

	January to June 2019	January to June 2018
Closing balance of retained earnings for last year before adjustment	30,629,417,859.13	28,254,693,080.77
Retroactive adjustment of change in accounting policy	(210,803,273.67)	(724,018,035.19)
Opening balance of retained earnings after adjustment	30,418,614,585.46	27,530,675,045.58
Net profits attributable to shareholders of the Company	2,705,544,357.44	3,038,609,713.21
Less: Appropriation to statutory surplus reserve	—	—
Appropriation to general risk provisions	—	13,301,928.90
Cash dividend payable for ordinary shares	958,500,000.00	1,260,453,452.16
Add: Other comprehensive income converted to retained earnings	(337,689,819.38)	(136,174,120.80)
Closing balance of retained earnings	32,503,348,762.28	29,431,703,498.53

Notes to the Financial Statements

For the period ended 30 June 2019

RMB

V. NOTES TO THE MAJOR ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

44. Revenue and Cost of Sales

	January to June 2019		January to June 2018	
	Revenue	Cost	Revenue	Cost
Principal business	7,608,591,444.99	2,471,514,406.99	6,268,650,492.34	1,921,331,515.50
Other business	148,523,042.47	90,945,737.00	105,233,626.70	33,726,041.40
	7,757,114,487.46	2,562,460,143.99	6,373,884,119.04	1,955,057,556.90

The revenue and cost of sales are set out as follows:

	January to June 2019		January to June 2018	
	Revenue	Cost of sales	Revenue	Cost of sales
Rental and related income	3,952,122,177.57	808,393,623.53	3,535,894,591.52	772,121,419.76
Revenue from the brand consulting and management service for the early stage of the project	544,564,357.68	102,709,064.83	633,376,635.23	137,256,520.71
Revenue from annual brand consulting and management service for the project	1,010,593,275.85	589,937,647.16	828,988,527.21	504,690,280.20
Revenue from commercial management and consultation service for construction project	61,320,754.72	4,570,366.70	144,741,509.43	9,320,838.04
Revenue from commercial consultation fees and tenant sourcing commissions	545,971,109.58	49,085,130.57	142,092,595.00	37,613,902.74
Revenue from construction and design service	937,841,156.07	642,568,338.90	458,986,112.62	272,597,029.98
Revenue from sales of goods and home decoration	206,083,076.14	142,535,402.83	187,528,781.63	135,052,128.67
Other revenues	498,618,579.85	222,660,569.47	442,275,366.40	86,405,436.80
	7,757,114,487.46	2,562,460,143.99	6,373,884,119.04	1,955,057,556.90

Notes to the Financial Statements

For the period ended 30 June 2019

RMB

V. NOTES TO THE MAJOR ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

45. Taxes and Surcharges

	January to June 2019	January to June 2018
Property tax	144,227,404.88	116,862,006.76
Urban maintenance and construction tax	19,618,165.81	16,862,745.57
Education surcharge	15,636,013.08	8,883,656.71
Land use tax	13,051,478.82	9,694,111.32
Stamp duty	4,443,267.13	5,000,854.44
Others	4,867,596.04	23,634,607.72
	201,843,925.76	180,937,982.52

46. Distribution and Selling Expenses

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

Notes to the Financial Statements

For the period ended 30 June 2019

RMB

V. NOTES TO THE MAJOR ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

47. General and Administrative Expenses

	January to June 2019	January to June 2018
Salary, bonus and benefits	376,349,537.35	249,224,316.30
Office and administrative expenses	182,256,307.98	150,607,918.02
Professional services expenses	63,528,202.49	57,561,571.10
Depreciation and amortization	37,581,565.74	12,986,989.05
Energy and maintenance expenses	3,058,712.95	2,280,306.82
Others	39,804,651.89	55,106,569.98
	702,578,978.40	527,767,671.27

48. Research and Development Costs

	January to June 2019	January to June 2018
Salary, bonus and benefits	17,172,681.45	9,581,991.57
Depreciation and amortization	29,981.76	—
Others	63,679.25	—
	17,266,342.46	9,581,991.57

49. Financial Expenses

	January to June 2019	January to June 2018
Interest expenses	1,206,143,277.27	793,397,008.41
Less: Interest income	108,474,110.83	153,598,157.25
Less: Amounts to interest capitalization	110,857,630.27	94,958,796.81
Foreign exchange differences	(16,013,615.47)	32,983,413.85
Others	13,897,009.66	9,298,975.12
	984,694,930.36	587,122,443.32

Notes to the Financial Statements

For the period ended 30 June 2019

RMB

V. NOTES TO THE MAJOR ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

50. Other Income

	January to June 2019	January to June 2018
Subsidy for land supporting expenses and subsidy for gas-fired air conditioning equipment	3,030,065.18	2,780,289.67
Other government grants relating to daily operational activities	55,546,132.00	53,020,729.92
	58,576,197.18	55,801,019.59

Other government grants relating to daily activities are as follows:

	January to June 2019	January to June 2018	Related to assets/profit
Subsidies (Note 1)	13,907,368.89	39,522,274.43	Related to profit
Special government grants (Note 2)	41,638,763.11	13,498,455.49	Related to profit
	55,546,132.00	53,020,729.92	

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

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

51. Investment Income

	January to June 2019	January to June 2018
Long-term equity investment income calculated by equity method	40,647,033.37	105,492,722.92
Bonuses received from other equity instruments	24,067,397.35	—
Bonuses received from other non-current financial assets	2,132,876.71	—
Investment loss from disposal of financial assets held for trading	59,699,883.20	—
Investment gain or loss from disposal of associates	84,992,350.33	—
Investment gain from acquisition of associates in the current period	128,138,717.38	—
Fixed income received	—	1,560,000.00
Others	—	1,241,971.08
	339,678,258.34	108,294,694.00

Notes to the Financial Statements

For the period ended 30 June 2019

RMB

V. NOTES TO THE MAJOR ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

52. Gains on Fair Value Changes

	January to June 2019	January to June 2018
Financial assets at FVTPL		
Including: Investment in equity instruments held for trading	(3,190,993.62)	(37,307,325.01)
Other non-current financial assets	15,024,540.60	—
Investment properties measured at fair value	893,402,356.50	1,103,291,848.08
	905,235,903.48	1,065,984,523.07

53. Impairment Losses of Credit

	January to June 2019	January to June 2018
Bad debt losses of accounts receivable	(56,126,820.79)	(112,541,596.93)
Impairment losses of contract assets	(20,614,627.01)	(12,750,000.00)
Bad debt losses of other receivables	(10,257,888.44)	(19,128,343.00)
Impairment losses of other non-current assets	(20,705,602.95)	—
Others	3,700,000.00	(310,000.00)
	(104,004,939.19)	(144,729,939.93)

54. Gains from Disposal of Assets

	January to June 2019	January to June 2018
Gains (losses) from disposal of assets	7,106,901.16	214,551,818.78

Notes to the Financial Statements

For the period ended 30 June 2019

RMB

V. NOTES TO THE MAJOR ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

55. Non-operating Income

	January to June 2019	January to June 2018	Amount included in non-recurring profit or loss for the current period
Income from default compensation	1,313,614.83	1,670,353.21	1,313,614.83
Others (Note)	20,628,544.24	6,323,156.81	17,688,325.04
	21,942,159.07	7,993,510.02	19,001,939.87

Note: Others mainly refer to other income not relating to ordinary operation such as accounts without payment.

56. Non-operating expenses

	January to June 2019	January to June 2018	Amount included in non-recurring profit or loss for the current period
Compensation expenses	5,561,530.99	2,040,155.50	5,561,530.99
Charitable donations	1,384,600.00	3,471,301.35	1,384,600.00
Others	3,596,837.11	2,311,503.92	3,596,837.11
	10,542,968.10	7,822,960.77	10,542,968.10

Notes to the Financial Statements

For the period ended 30 June 2019

RMB

V. NOTES TO THE MAJOR ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

57. Income Tax Expenses

	January to June 2019	January to June 2018
Current income tax expenses	607,301,878.82	513,062,665.18
Deferred income tax expenses	105,989,134.71	40,744,920.55
	713,291,013.53	553,807,585.73

The relationship between income tax expenses and total profit is as follows:

	January to June 2019	January to June 2018
Total profit	3,574,645,243.36	3,767,416,076.28
Income tax expenses calculated based on statutory tax rate	893,661,310.71	941,854,018.96
Impact of different tax rates applicable to subsidiaries	(173,487,506.51)	(518,766,428.58)
Adjustments on the income tax of previous periods	7,264,247.67	5,971,970.42
Profits and losses attributable to joint ventures and associates	(9,125,095.04)	—
Impact of non-deductible costs, expenses and losses	25,406,708.31	51,580,639.82
Deductible losses utilized from previous years	(79,789,865.33)	(9,887,638.98)
Tax impact of deductible temporary difference and deductible loss previously not recognized	82,098,646.97	183,457,931.23
Tax impact of intra-Group debt waived	—	(29,820,174.77)
Impact of non-taxable income	(32,737,433.26)	(70,582,732.37)
Income tax expense calculated based on the effective tax rate of the Group	713,291,013.53	553,807,585.73

Notes to the Financial Statements

For the period ended 30 June 2019

RMB

V. NOTES TO THE MAJOR ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

58. Earnings per Share

Calculation of the basic earnings per share for the six months ended 30 June 2019 and 30 June 2018 is based on the following data:

	Six months ended 30 June	
	2019 (Unaudited)	2018 (Unaudited)
Net profit for the current period attributable to owners of the Company	2,705,544,357.44	3,038,609,713.21
Including: Net profit attributable to continuing operations	2,705,544,357.44	3,038,609,713.21
Net profit attributable to discontinued operations	—	—
Weighted average number of ordinary shares for the purpose of calculating 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.

Notes to the Financial Statements

For the period ended 30 June 2019

RMB

V. NOTES TO THE MAJOR ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

59. Notes to the Cash Flow Statements

	January to June 2019	January to June 2018
Other cash received in connection with operating activities		
Deposits received	600,572,520.85	420,511,917.55
Reserves with central bank	57,459,341.94	38,174,434.55
Non-operating income and government grants	82,469,212.79	61,724,966.71
Interest income	18,837,443.85	41,747,308.91
	759,338,519.43	562,158,627.72
Other cash paid in connection with operating activities		
Payment of expenses and other proceeds	1,480,992,027.27	1,041,293,504.67
Net proceeds collected and paid on behalf of others	1,007,990,521.20	843,017,960.71
Bank charges and other expenses	8,560,541.15	9,124,708.84
Non-operating expenses	10,542,968.10	7,822,960.77
	2,508,086,057.72	1,901,259,134.99
Other cash received in connection with investing activities		
Project-related current account	550,333,199.51	410,495,029.96
Recovery of the entrusted loan in connection with projects	352,704,500.00	58,672,038.39
Interest income from loans	86,817,770.02	155,027,902.02
Redemption of the wealth management products	—	3,000,000.00
Recovery of restricted funds	428,465,778.68	8,301,413.91
Redemption of fixed bank deposits due after over 3 months	278,230,000.00	33,776,042.73
	1,696,551,248.21	669,272,427.01

Notes to the Financial Statements

For the period ended 30 June 2019

RMB

V. NOTES TO THE MAJOR ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

59. Notes to the Cash Flow Statements (continued)

	January to June 2019	January to June 2018
Other cash paid in connection with investing activities		
Project-related current account	673,398,109.08	775,084,297.25
Granting the project-related entrusted loan	518,782,481.96	214,385,598.27
Purchase of wealth management products	—	28,500,000.00
Restricted cash payment	311,773,248.40	200,000,000.00
Factoring receivables	—	350,000,000.00
Financial lease receivables	—	150,000,000.00
Fixed bank deposits due after over 3 months	89,742,800.24	26,252,732.23
	1,593,696,639.68	1,744,222,627.75
Other cash received in connection with financing activities		
Project-related current account	102,587,914.31	—
Compensation promised by shareholders (Note 1)	154,384,500.54	—
	256,972,414.85	—
Other cash paid in connection with financing activities		
Project-related current account	465,080,062.11	—
Loan charges	13,897,009.66	26,941,397.05
Acquisition of non-controlling interests	234,139,401.00	68,736,308.85
Rental paid for leased Portfolio Shopping Malls	385,073,135.34	—
	1,098,189,608.11	95,677,705.90

Note 1: RMB154,384,500.54 was received this year from the actual controller Mr. CHE Jianxing who promised such payment as compensation for the case with Changsha Ideal.

Notes to the Financial Statements

For the period ended 30 June 2019

RMB

V. NOTES TO THE MAJOR ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

60. Supplementary Information of Cash Flow Statements

(1) Supplementary information of cash flow statements

Reconciliation of net profits to cash flow from operating activities:

	January to June 2019	January to June 2018
Net profits	2,861,354,229.83	3,213,608,490.55
Add: Impairment losses of credit	104,004,939.19	144,729,939.93
Amortization of right-of-use assets	207,912,622.93	—
Depreciation of fixed assets	31,650,439.16	28,911,852.37
Amortization of intangible assets	17,564,768.27	14,280,705.19
Amortization of long-term prepaid expenses	66,048,030.13	42,386,854.31
Amortization of deferred income	7,722,298.93	(2,069,562.90)
Losses/(gains) on disposal of fixed assets, intangible assets and other long-term assets	(7,106,901.16)	475,146.18
Gains from changes in fair value	(905,235,903.48)	(1,065,984,523.07)
Financial expense	860,348,879.74	574,715,415.07
Investment income	(305,931,078.51)	(323,321,658.96)
Increase in deferred tax assets	(134,707,885.94)	(361,303,354.78)
Increase in deferred tax liabilities	483,333,027.45	885,098,535.53
Increase in inventories	(35,496,282.02)	(109,323,859.74)
Increase in operating receivables	(177,641,348.12)	(947,340,173.15)
Decrease in operating payables	(1,894,742,118.65)	(960,560,882.29)
Net cash flows from operating activities	1,179,077,717.75	1,134,302,924.24
Net change in cash and cash equivalents:		
Closing balance of cash	7,790,340,174.64	9,619,949,034.04
Less: Opening balance of cash	7,614,487,228.69	10,269,293,739.45
Net increase in cash and cash equivalents	175,852,945.95	(649,344,705.41)

Notes to the Financial Statements

For the period ended 30 June 2019

RMB

V. NOTES TO THE MAJOR ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

60. Supplementary Information of Cash Flow Statements (continued)

(2) Information for acquisition or disposal of subsidiaries and other business units

Information for acquisition of subsidiaries and other business units

	January to June 2019	January to June 2018
Cash and cash equivalents paid in the current period for acquisition of subsidiaries and other business units in the last period	428,704,639.14	—
Cash and cash equivalents paid for acquisition of subsidiaries and other business units in the current period	193,105,228.55	1,630,000,001.00
Less: Cash and cash equivalents held for acquisition of subsidiaries and other business units	34,716,318.77	43,947,213.84
Net cash paid for acquisition of subsidiaries and other business units	587,093,548.92	1,586,052,787.16

(3) Cash and cash equivalents

	30 June 2019	31 December 2018
Cash	7,790,340,174.64	7,614,487,228.69
Including: Cash on hand	18,417,958.32	46,557,254.36
Bank deposits readily to be withdrawn on demand	7,771,922,216.32	7,567,929,974.33
Closing balance of cash and cash equivalents	7,790,340,174.64	7,614,487,228.69

Notes to the Financial Statements

For the period ended 30 June 2019

RMB

V. NOTES TO THE MAJOR ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

61. Assets with Restricted Ownership or Use Right

	30 June 2019	31 December 2018	Reasons for limitation
Cash and bank balances	80,000,000.00	80,000,000.00	Loan pledge
Cash and bank balances	34,306,676.80	14,002,046.63	Engineering deposit
Cash and bank balances	100,000,000.00	100,000,000.00	Bank acceptance bill deposit
Cash and bank balances	—	209,000,000.00	Court freezing
Cash and bank balances	97,466,571.60	25,463,732.05	Deposited investment fund
Cash and bank balances	148,965,615.61	206,424,957.55	Reserves deposited in the central bank
Investment properties	59,869,000,000.00	59,492,974,400.00	Loans, CMBS, Trust pledge/mortgage
Investments in other equity instruments	—	1,385,139,862.92	Loan pledge
	60,329,738,864.01	61,513,004,999.15	

Others:

As of 30 June 2019, the revenue of operations from Nanjing Kazimen Mall, Shanghai Zhenbei Shopping Mall, Jinan Red Star Shopping Mall, Zhengzhou Red Star Shopping Mall, Shanghai Jinqiao Shopping Mall, Hefei Silihe Shopping Mall, Nanjing Pukou Shopping Mall, Harbinxi Railway Station Shopping Mall and Shanghai Jinshan Shopping Mall during relevant loan periods was used for loan pledge. The revenue of property operation from Xinglong Home Furnishing, Tianjin Hedong, Beijing Red Star and Yantai Red Star during relevant periods was used for CMBS pledge.

Notes to the Financial Statements

For the period ended 30 June 2019

RMB

V. NOTES TO THE MAJOR ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

62. Monetary Items Denominated in Foreign Currency

	30 June 2019			31 December 2018		
	Original currencies	Exchange rate	RMB equivalent	Original currencies	Exchange rate	RMB equivalent
Cash and bank balances						
USD	12,248,870.03	6.87	84,207,306.79	652,314.78	6.86	4,476,966.80
HKD	1,231,122.12	0.88	1,083,130.17	5,167,917.39	0.88	4,528,129.20
Bonds payable						
USD	296,104,876.85	6.87	2,035,632,196.78	296,697,389.29	6.86	2,036,293,522.18
Short-term loans						
HKD	965,000,000.00	0.88	849,643,900.00	1,057,699,850.00	0.88	926,756,740.00

V. NOTES TO THE MAJOR ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

63. Hedging

Hong Kong Red Star Macalline Global Home Furnishing Company Limited (香港紅星美凱龍全球家居有限公司) (hereinafter referred to as “Hong Kong Red Star Macalline”), a subsidiary of the Group (whose functional currency is RMB), issued USD300 million long-term bonds on 21 September 2017, which will mature on 21 September 2022. The management considers that these long-term bonds were exposed to exchange rate risk exposure arising from the changes in RMB against USD.

Hong Kong Red Star Macalline purchased a structural currency swap and a combined option composed of put option and call option to hedge the principal of USD bonds on 2 April 2019 and in May 2019, respectively.

The Group regards the derivative financial instruments purchased as a whole, and designates the intrinsic value of an option and immediate elements of forward contracts exclusive of the foreign exchange basis spread and forward elements and time value of an option as hedging instruments. The changes in fair value of the foreign exchange basis spread and forward elements and time value of an option as hedging cost are included in other comprehensive income. An enterprise should adopt systematic and reasonable methods for amortization in the period in which profit or loss is affected by the hedging relationship, with the amount amortized transferred from other comprehensive income and included in profit or loss for the current period. If the enterprise terminates the use of the hedge accounting, the relevant residual amount of other comprehensive income shall be transferred out and included in profit or loss for the current period.

Notes to the Financial Statements

For the period ended 30 June 2019

RMB

VI. CHANGES IN CONSOLIDATION SCOPE

1. Business Combinations Involving Enterprises Not Under Common Control

(1) For the period from 1 January to 30 June 2019

(a) Business combinations involving enterprises not under common control in the current period

RMB

Name of the acquirees	Time of acquisition	Cost on equity acquisition	Percentage of equity acquired		Acquisition method	Acquisition date	Determination basis for the acquisition date	Income of the acquiree from the acquisition date to the end of the period	Net profit of the acquiree from the acquisition date to the end of the period
			(%)						
Yongqing Yintai Future Land Construction And Development Co., Ltd. (永清銀泰新城建設開發有限公司) ("Yongqing Yintai")	13 June 2019	70,000,000.00	70%	Cash	13 June 2019	The combination date is the date of acquisition of control	—	(10,135,831.10)	
Yongqing Yintong Construction Development Co., Ltd. (永清銀通建設開發有限公司) ("Yongqing Yintong")	18 June 2019	44,586,111.11	70%	Cash	18 June 2019	The combination date is the date of acquisition of control	—	(3,517,201.78)	
Qianzhi (Shanghai) Home Furnishing Co., Ltd. (乾智(上海)家居有限公司) ("Qianzhi")	9 January 2019	1,500,000.00	30%	Cash	9 January 2019	The combination date is the date of acquisition of control	158,968.43	(3,311,779.50)	

Notes to the Financial Statements

For the period ended 30 June 2019

RMB

VI. CHANGES IN CONSOLIDATION SCOPE (continued)

1. Business Combinations Involving Enterprises Not Under Common Control (continued)

(1) For the period from 1 January to 30 June 2019 (continued)

(b) Combination cost and goodwill

RMB

Combination cost	Yongqing Yintai & Yongqing Yintong & Qianzhi
Cash	116,086,111.11
Fair value of equity held before acquisition date on the acquisition date	51,868,427.28
Total combination cost	167,954,538.39
Less: Acquired share of the fair value of identifiable net assets	170,894,757.61
Goodwill/Amount that the combination cost is less than the acquired share of the fair value of identifiable net assets	(2,940,219.22)

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

RMB

	Yongqing Yintai & Yongqing Yintong & Qianzhi	
	Fair value on the acquisition date	Book value on the acquisition date
Assets:	386,526,055.23	361,279,917.78
Cash and bank balances	1,740,668.33	1,740,668.33
Fixed assets	182,959.87	180,501.92
Prepayments	2,451,362.00	2,451,362.00
Other receivables	3,599,527.70	3,599,527.70
Other current assets	9,810.59	9,810.59
Other non-current assets	378,541,726.74	353,298,047.24
Liabilities:	213,631,297.62	207,319,763.26
Payables	574,036.20	574,036.20
Deferred tax liabilities	6,311,534.36	—
Other payables	206,745,727.06	206,745,727.06
Net assets	172,894,757.61	153,960,154.52
Less: Non-controlling interests	2,000,000.00	2,000,000.00
Net assets obtained	170,894,757.61	151,960,154.52

Notes to the Financial Statements

For the period ended 30 June 2019

RMB

VI. CHANGES IN CONSOLIDATION SCOPE (continued)

1. Business Combinations Involving Enterprises Not Under Common Control (continued)

(2) For the period from 1 January to 30 June 2018

(a) Business combinations involving enterprises not under common control in the current period

Name of the acquirees	Time of acquisition	Cost on equity acquisition	Percentage of equity acquired		Acquisition method	Acquisition date	Determination basis for the acquisition date	Income of the acquiree from the acquisition date to the end of the period	Net loss of the acquiree from the acquisition date to the end of the period
				(%)					
Ningbo Aoyang Home Shopping Plaza Company Limited (寧波澳洋家居購物廣場有限公司) ("Ningbo Aoyang")	19 June 2018	1.00	100.00%	Cash	19 June 2018	The combination date is the date of acquisition of control	9,187,584.59	(3,405,529.31)	

(b) Combination cost and goodwill

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

Notes to the Financial Statements

For the period ended 30 June 2019

RMB

VI. CHANGES IN CONSOLIDATION SCOPE (continued)

1. Business Combinations Involving Enterprises Not Under Common Control (continued)

(2) For the period from 1 January to 30 June 2018 (continued)

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

RMB

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

Notes to the Financial Statements

For the period ended 30 June 2019

RMB

VI. CHANGES IN CONSOLIDATION SCOPE (continued)

2. Assets Acquisition

(1) For the period from 1 January to 30 June 2019

RMB

Name of the acquired assets	Time of acquisition	Cost on equity acquisition	Percentage of equity acquired		Acquisition method	Acquisition date	Determination basis for the acquisition date
			(%)				
Nanchang Red Star Macalline Global Home Expo Center Co., Ltd. (南昌 紅星美凱龍環球家居博覽中 心有限責任公司) (Note 1)	7 January 2019	111,713,025.81	46%	Cash	7 January 2019	The date when acquiree's asset control right is transferred to acquirer	

Note 1: In January 2019, the Group acquired 46% equity in Nanchang Red Star Macalline Global Home Expo Center Co., Ltd. (南昌紅星美凱龍環球家居博覽中心有限責任公司) from the third parties Jiangxi Hengmao Real Estate Development Co., Ltd. (江西恒茂房地產開發有限公司) and Jiangxi Provincial State-owned Enterprise Assets Operation (Holdings) Co., Ltd. (江西省省屬國有企業資產經營(控股)有限公司). Nanchang Red Star Macalline Global Home Expo Center Co., Ltd. (南昌紅星美凱龍環球家居博覽中心有限責任公司) owned a plot of land that can be used for the development of home furnishing shopping mall. According to the Company's management, the above did not constitute business acquisition and thereby was recognized as assets acquisition.

Notes to the Financial Statements

For the period ended 30 June 2019

RMB

VI. CHANGES IN CONSOLIDATION SCOPE (continued)

2. Assets Acquisition (continued)

(1) For the period from 1 January to 30 June 2019 (continued)

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

RMB

	Nanchang Red Star Macalline Global Home Expo Center Co., Ltd. (南昌紅星美凱龍環球家居博覽中心有限責任公司)	
	Fair value on the acquisition date	Book value on the acquisition date
Assets:		
Cash and bank balances	32,975,650.44	32,975,650.44
Prepayments	320,310.92	320,310.92
Other receivables	43,836.12	43,836.12
Other current assets	273,218.10	273,218.10
Fixed assets	314,297.67	314,297.67
Construction in progress	2,806,428.73	2,806,428.73
Other non-current assets	550,476,242.69	550,476,242.69
Liabilities:		
Payroll payable	9,800.00	9,800.00
Taxes payable	72,348.50	72,348.50
Other payables	330,282,750.14	330,282,750.14
Owner's equity:		
Net assets	256,845,086.03	256,845,086.03

Notes to the Financial Statements

For the period ended 30 June 2019

RMB

VI. CHANGES IN CONSOLIDATION SCOPE (continued)

2. Assets Acquisition (continued)

(2) For the period from 1 January to 30 June 2018

RMB

Name of the acquired assets	Time of acquisition	Cost on equity acquisition	Percentage of equity acquired		Acquisition method	Acquisition date	Determination basis for the acquisition date
			(%)				
Kunshan Kaide Commercial Real Estate Co., Ltd. (昆山凱德商用置業有限公司) ("Kunshan Kaide") (Note 1)	20 March 2018	50,000,000.00	100.00%	Cash	20 March 2018	The date when acquiree's asset control right is transferred to acquirer	
Suzhou Xingkaike Home Furnishing Company Limited (蘇州星凱科家居有限公司) ("Suzhou Xingkaike Home") (Note 2)	30 April 2018	1,220,000,000.00	100.00%	Cash	30 April 2018	The date when acquiree's asset control right is transferred to acquirer	
Shanghai Ozing Digital Technology Co., Ltd. (上海好記星數碼科技有限公司) ("Ozing") (Note 3)	27 April 2018	360,000,000.00	100.00%	Cash	27 April 2018	The date when acquiree's asset control right is transferred to acquirer	

Note 1: In March 2018, the Group acquired Kunshan Kaide from a third party CapitaRetail China Developments (B) Pte. Ltd. Kunshan Kaide owned one property that can be used for the development of home shopping mall. The management of the Company held that the transaction above did not constitute business acquisition and regarded it as asset acquisition.

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

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

Notes to the Financial Statements

For the period ended 30 June 2019

RMB

VI. CHANGES IN CONSOLIDATION SCOPE (continued)

2. Assets Acquisition (continued)

(2) For the period from 1 January to 30 June 2018 (continued)

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

RMB

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

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

Notes to the Financial Statements

For the period ended 30 June 2019

RMB

VI. CHANGES IN CONSOLIDATION SCOPE (continued)

2. Assets Acquisition (continued)

(2) For the period from 1 January to 30 June 2018 (continued)

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

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

3. Disposals of Subsidiaries

(1) For the period from 1 January to 30 June 2019

No disposals of subsidiaries in the current period.

(2) For the period from 1 January to 30 June 2018

No disposals of subsidiaries in the current period.

VI. CHANGES IN CONSOLIDATION SCOPE (continued)

4. Other Reasons for Consolidation Scope Changes

(1) For the period from 1 January to 30 June 2019

Abbreviation	Name	Main business site	Place of incorporation	Nature of business	Shareholding ratio		Reasons for changes
					Direct	Indirect	
Subsidiaries newly-incorporated and included in consolidation scope:							
Red Star Macalline Information Technology	Red Star Macalline (Zhejiang) Information Technology Co., Ltd. (紅星美凱龍(浙江)信息技術有限公司)	Zhejiang	Zhejiang	Technical services	100.00%	0.00%	Newly established company
Xingzhuo Decoration	Zhejiang Xingzhuo Decoration Co., Ltd. (浙江星卓裝飾有限公司)	Zhejiang	Zhejiang	Construction decoration	0.00%	100.00%	Newly established company
Tianjin Macalline Supply Chain	Tianjin Red Star Macalline Supply Chain Management Co., Ltd. (天津紅星美凱龍供應鏈管理有限公司)	Tianjin	Tianjin	Supply chain management	0.00%	60.00%	Newly established company
Dalian Shibo Home Furnishing	Dalian Red Star Macalline Shibo Home Furnishing Plaza Company Limited (大連紅星美凱龍世博家居廣場有限公司)	Liaoning	Liaoning	Home furnishing shopping malls	62.00%	0.00%	Repurchased company
Banlong Business Management	Shanghai Banlong Business Management Co., Ltd. (上海阪瓏商業管理有限公司)	Shanghai	Shanghai	Business management	0.00%	100.00%	Newly established company
Yingtai Lijin Technology	Shanghai Yingtai Lijin Technology Co., Ltd. (上海英太利金科技有限 公司)	Shanghai	Shanghai	Technical services	80.00%	0.00%	Newly established company

Notes to the Financial Statements

For the period ended 30 June 2019

RMB

VI. CHANGES IN CONSOLIDATION SCOPE (continued)

4. Other Reasons for Consolidation Scope Changes (continued)

(1) For the period from 1 January to 30 June 2019 (continued)

Abbreviation	Name	Main business site	Place of incorporation	Nature of business	Shareholding ratio		Reasons for changes
					Direct	Indirect	
Nantong Longmei Home Furnishing	Nantong Longmei International Home Furnishing Plaza Co., Ltd. (南通龍美國際家居生活廣場有限公司)	Jiangsu	Jiangsu	Home furnishing shopping malls	100.00%	0.00%	Newly established company
Shenzhen Red Star Gaosheng City	Shenzhen Red Star Macalline Gaosheng Production City Development Co., Ltd. (深圳市紅星美凱龍高盛產城發展有限公司)	Guangzhou	Guangzhou	Management and consultancy	51.00%	0.00%	Newly established company
Xingmei Information Consulting	Beijing Xingmei Yongsheng Information Consulting Co., Ltd. (北京星美永盛信息諮詢有限公司)	Beijing	Beijing	Management and consultancy	0.00%	70.00%	Newly established company
Shanghai Zhiya Management	Shanghai Zhiya Management Consulting Co., Ltd. (上海樞雅管理諮詢有限公司)	Shanghai	Shanghai	Management and consultancy	0.00%	100.00%	Newly established company
Zhejiang Enterprise Management	Red Star Macalline (Zhejiang) Enterprise Management Co., Ltd. (紅星美凱龍(浙江)企業管理有限公司)	Zhejiang	Zhejiang	Management and consultancy	95.00%	0.00%	Newly established company
Guangzhou Home Expo	Guangzhou Red Star Macalline Home Expo Center Co., Ltd. (廣州紅星美凱龍家居博覽中心有限公司)	Guangdong	Guangdong	Management and consultancy	100.00%	0.00%	Newly established company
Xi'an Comfort Meijia Housekeeping Service	Xi'an Comfort Meijia Housekeeping Co., Ltd. (西安舒適美佳家政服務有限公司)	Shaanxi	Shaanxi	Housekeeping	65.00%	0.00%	Newly established company

Notes to the Financial Statements

For the period ended 30 June 2019

RMB

VI. CHANGES IN CONSOLIDATION SCOPE (continued)

4. Other Reasons for Consolidation Scope Changes (continued)

(1) For the period from 1 January to 30 June 2019 (continued)

Abbreviation	Name	Main business site	Place of incorporation	Nature of business	Shareholding ratio		Reasons for changes
					Direct	Indirect	
Shanghai Weilaishi Decoration	Shanghai Weilaishi Decoration Technology Co., Ltd. (上海威來適裝飾科技有限公司)	Shanghai	Shanghai	Construction decoration	0.00%	66.86%	Newly established company
Shanghai Construction Decoration Group	Shanghai Red Star Macalline Construction Decoration (Group) Co., Ltd. (上海紅星美凱龍建築裝飾(集團)有限公司)	Shanghai	Shanghai	Construction decoration	100.00%	0.00%	Newly established company
Red Star Life Aesthetics Center	Red Star Macalline Life Aesthetics Center Management Co., Ltd. (紅星美凱龍生活美學中心管理有限公司)	Zhejiang	Zhejiang	Management and consultancy	95.00%	0.00%	Newly established company
Zhejiang Xingyisheng	Zhejiang Xingyisheng Industrial Development Co., Ltd. (浙江星易盛實業發展有限公司)	Zhejiang	Zhejiang	Construction decoration	0.00%	75.00%	Newly established company
Beizheng Logistics	Shanghai Beizheng Logistics Company Limited (上海倍正物流有限公司)	Shanghai	Shanghai	Warehouse logistics	0.00%	100.00%	Newly established company
Shanghai Decoration Engineering Group	Shanghai Macalline Decoration Engineering Group Co., Ltd. (上海美凱龍裝飾工程集團有限公司)	Shanghai	Shanghai	Construction decoration	100.00%	0.00%	Newly established company
Shijiazhuang Bochen	Shijiazhuang Bochen Industrial Co., Ltd. (石家莊博宸實業有限公司)	Hebei	Hebei	Management and consultancy	0.00%	100.00%	Newly established company

Notes to the Financial Statements

For the period ended 30 June 2019

RMB

VI. CHANGES IN CONSOLIDATION SCOPE (continued)

4. Other Reasons for Consolidation Scope Changes (continued)

(1) For the period from 1 January to 30 June 2019 (continued)

Abbreviation	Name	Main business site	Place of incorporation	Nature of business	Shareholding ratio		Reasons for changes
					Direct	Indirect	
Shanghai Qianzhi	Qianzhi (Shanghai) Home Furnishing Co., Ltd. (乾智(上海)家居有限公司)	Shanghai	Shanghai	Sale of home furniture	60.00%	0.00%	Purchase of equity
Yongqing Yintong Construction	Yongqing Yintong Construction Development Co., Ltd. (永清銀通建設開發有限公司)	Hebei	Hebei	Building construction	0.00%	70.00%	Purchase of equity
Yongqing Yintai Future Land Construction	Yongqing Yintai Future Land Construction And Development Co., Ltd. (永清銀泰新城建設開發有限公司)	Hebei	Hebei	Building construction	0.00%	70.00%	Purchase of equity
Shanghai Guixu	Shanghai Guixu Enterprise Management Co., Ltd. (上海歸翹企業管理有限公司)	Shanghai	Shanghai	Management and consultancy	100.00%	0.00%	Purchase of equity
Subsidiaries that are deregistered and are no longer included in the consolidation scope:							
Laishui Yintai Tourism	Laishui Yintai Tourism Development Co., Ltd. (涇水銀泰旅遊開發有限公司)	Hebei	Hebei	Tourism development	0.00%	57.40%	Deregistration of company

VI. CHANGES IN CONSOLIDATION SCOPE (continued)

4. Other Reasons for Consolidation Scope Changes (continued)

(2) For the period from 1 January to 30 June 2018

Company abbreviation	Company name	Main business site	Place of incorporation	Nature of business	Shareholding ratio		Reasons for changes
					Direct	Indirect	
Subsidiaries newly-incorporated and included in consolidation scope:							
Khorgos Hongju Corporate Management	Khorgos Hongju Corporate Management Co., Ltd. (霍爾果斯紅居企業管理有限公司)	Xinjiang	Xinjiang	Enterprise management and consultancy	70%	—	Newly established company
Chengdu Xinnan Business Management	Chengdu Red Star Macalline Xinnan Business Management Company Limited (成都紅星美凱龍新南商業管理有限公司)	Chengdu	Chengdu	Enterprise management and consultancy	100%	—	Newly established company
Chengdu Macalline Logistics	Chengdu Red Star Macalline Logistics Company Limited (成都紅星美凱龍物流有限公司)	Chengdu	Chengdu	Warehouse Logistics		100%	Newly established company
Khorgos Yarui Venture Capital	Khorgos Yarui Venture Capital Company Limited (霍爾果斯雅睿創業投資有限公司)	Xinjiang	Xinjiang	Venture capital	90%	—	Newly established company
Ogloria	Shanghai Red Star Ogloria Brand Management Company Limited (上海紅星歐麗洛雅品牌管理有限公司)	Shanghai	Shanghai	Brand management	100%	—	Newly established company
Xingkaiying Asset Management	Ningbo Meishan Bonded Port Area Xingkaiying Asset Management Company Limited (寧波梅山保稅港區星凱贏資產管理有限公司)	Zhejiang	Zhejiang	Asset Management	51%	—	Newly established company

Notes to the Financial Statements

For the period ended 30 June 2019

RMB

VI. CHANGES IN CONSOLIDATION SCOPE (continued)

4. Other Reasons for Consolidation Scope Changes (continued)

(2) For the period from 1 January to 30 June 2018 (continued)

Company abbreviation	Company name	Main business site	Place of incorporation	Nature of business	Shareholding ratio		Reasons for changes
					Direct	Indirect	
Xi'an Shibo Home Furnishing	Xi'an Red Star Macalline Shibo Home Furnishing Company Limited (西安紅星美凱龍世博家居有限公司)	Shaanxi	Shaanxi	Site leasing management	100%	—	Newly established company
Yiming Venture Capital	Khorgos Red Star Yiming Venture Capital Company Limited (霍爾果斯紅星易鳴創業投資有限公司)	Xinjiang	Xinjiang	Venture capital	90%	—	Newly established company
Jiajinsuo Investment Management	Shanghai Jiajinsuo Investment Management Company Limited (上海家金所投資管理有限公司)	Shanghai	Shanghai	Investment management		100%	Newly established company
Xingju Supply Chain management	Shanghai Xingju Supply Chain Management Company Limited (上海星聚供應鏈管理有限公司)	Shanghai	Shanghai	Supply chain management	—	60%	Newly established company
Shanghai Red Star Commercial Factoring	Shanghai Red Star Macalline Commercial Factoring Company Limited (上海紅星美凱龍商業保理有限公司)	Shanghai	Shanghai	Financing of accounts receivable	—	100%	Newly established company
Huojing Business Management	Shanghai Huojing Business Management Company Limited (上海或京商業管理有限公司)	Shanghai	Shanghai	Enterprise management and consultancy	65%	—	Newly established company
Jinrui Corporate Management	Tianjin Jinrui Corporate Management Company Limited (天津津瑞企業管理有限公司)	Tianjin	Tianjin	Enterprise management and consultancy	100%	—	Newly established company

VI. CHANGES IN CONSOLIDATION SCOPE (continued)

4. Other Reasons for Consolidation Scope Changes (continued)

(2) For the period from 1 January to 30 June 2018 (continued)

Company abbreviation	Company name	Main business site	Place of incorporation	Nature of business	Shareholding ratio		Reasons for changes
					Direct	Indirect	
Bright Rainbow Investments	Bright Rainbow Investments Limited (合樂投資有限公司)	Hong Kong	Hong Kong	Market service, investment		100%	Newly established company
Chongqing Ogloria	Chongqing Red Star Ogloria Home Furnishing Company Limited (重慶紅星歐麗洛雅家居有限公司)	Chongqing	Chongqing	Sale of home furniture	100%		Newly established company
Huaixing Culture	Shanghai Huaixing Culture Development Co., Ltd. (上海懷星文化發展有限公司)	Shanghai	Shanghai	Planning for culture and art exchange	80%	—	Newly established company
Design Cloud Information Technology	Shanghai Red Star Macalline Design Cloud Information Technology Co., Ltd. (上海紅星美凱龍設計雲信息科技有限公司)	Shanghai	Shanghai	Development of information science and technology	—	100%	Newly established company
Tibet Macalline Business Management	Tibet Red Star Macalline Business Management Company Limited (西藏紅星美凱龍企業管理有限公司)	Tibet	Tibet	E-commerce	100%	—	Newly established company
Red Star Exhibition Service	Shanghai Red Star Macalline Exhibition Service Company Limited (上海紅星美凱龍展覽服務有限公司)	Shanghai	Shanghai	Exhibition and display service	55%	—	Newly established company
Subsidiaries that are deregistered and are no longer included in the consolidation scope:							
Nanjing Home Furnishing	Nanjing Red Star International Home Furnishing Plaza Management Service Company Limited (南京紅星國際家居廣場管理服務有限公司)	Jiangsu	Jiangsu	Management company			Deregistration

Notes to the Financial Statements

For the period ended 30 June 2019

RMB

VII. INTERESTS IN OTHER ENTITIES

1. Interests in Subsidiaries

(1) Constitution of subsidiaries

(a) For the period from 1 January to 30 June 2019

Subsidiary name	Main business site	Place of incorporation	Nature of business	Shareholding ratio (%)		Acquisition method
				Direct	Indirect	
Hefei Red Star Macalline Logistics Company Limited (合肥紅星美凱龍物流有限公司)	Anhui	Anhui	Warehouse logistics	—	100	A subsidiary acquired through establishment, investment or other ways
Shannxi Red Star Macalline Logistics Company Limited (陝西紅星美凱龍物流有限公司)	Shaanxi	Shaanxi	Warehouse logistics	—	100	A subsidiary acquired through establishment, investment or other ways
Chongqing Red Star Macalline Logistics Company Limited (重慶紅星美凱龍物流有限公司)	Chongqing	Chongqing	Warehouse logistics	—	100	A subsidiary acquired through establishment, investment or other ways
Tianjin Red Star Macalline Logistics Company Limited (天津紅星美凱龍物流有限公司)	Tianjin	Tianjin	Warehouse logistics	—	60	A subsidiary acquired through establishment, investment or other ways
Guizhou Red Star Macalline Logistics Company Limited (貴州紅星美凱龍物流有限公司)	Guizhou	Guizhou	Warehouse logistics	—	100	A subsidiary acquired through establishment, investment or other ways
Chengdu Red Star Macalline Logistics Company Limited (成都紅星美凱龍物流有限公司)	Sichuan	Sichuan	Warehouse logistics	—	100	A subsidiary acquired through establishment, investment or other ways
Shanghai Beimei Logistics Company Limited (上海倍美物流有限公司)	Shanghai	Shanghai	Warehouse logistics	—	100	A subsidiary acquired through establishment, investment or other ways
Jilin Red Star Macalline Logistics Company Limited (吉林紅星美凱龍物流有限公司)	Jilin	Jilin	Warehouse logistics	—	100	A subsidiary acquired through establishment, investment or other ways
Shanghai Beimao Logistics Company Limited (上海倍茂物流有限公司)	Shanghai	Shanghai	Warehouse logistics	—	100	A subsidiary acquired through establishment, investment or other ways

VII. INTERESTS IN OTHER ENTITIES (continued)

1. Interests in Subsidiaries (continued)

(1) Constitution of subsidiaries (continued)

(a) For the period from 1 January to 30 June 2019 (continued)

Subsidiary name	Main business site	Place of incorporation	Nature of business	Shareholding ratio (%)		Acquisition method
				Direct	Indirect	
Shanghai Beimai Logistics Company Limited (上海倍邁物流有限公司)	Shanghai	Shanghai	Warehouse logistics	—	100	A subsidiary acquired through establishment, investment or other ways
Shanghai Beihao Logistics Company Limited (上海倍皓物流有限公司)	Shanghai	Shanghai	Warehouse logistics	—	100	A subsidiary acquired through establishment, investment or other ways
Anhui Red Star Macalline Logistics Company Limited (安徽紅星美凱龍物流有限公司)	Anhui	Anhui	Warehouse logistics	—	100	A subsidiary acquired through establishment, investment or other ways
Shanghai Beibang Logistics Company Limited (上海倍邦物流有限公司)	Shanghai	Shanghai	Warehouse logistics	—	100	A subsidiary acquired through establishment, investment or other ways
Shanghai Beiyao Logistics Company Limited (上海倍耀物流有限公司)	Shanghai	Shanghai	Warehouse logistics	—	100	A subsidiary acquired through establishment, investment or other ways
Shanghai Beiyue Logistics Company Limited (上海倍躍物流有限公司)	Shanghai	Shanghai	Warehouse logistics	—	100	A subsidiary acquired through establishment, investment or other ways
Shanghai Beilang Logistics Company Limited (上海倍朗物流有限公司)	Shanghai	Shanghai	Warehouse logistics	—	100	A subsidiary acquired through establishment, investment or other ways
Shanghai Hongyue Logistics Company Limited (上海宏岳物流有限公司)	Shanghai	Shanghai	Warehouse logistics	—	60	A subsidiary acquired through establishment, investment or other ways

Notes to the Financial Statements

For the period ended 30 June 2019

RMB

VII. INTERESTS IN OTHER ENTITIES (continued)

1. Interests in Subsidiaries (continued)

(1) Constitution of subsidiaries (continued)

(a) For the period from 1 January to 30 June 2019 (continued)

Subsidiary name	Main business site	Place of incorporation	Nature of business	Shareholding ratio (%)		Acquisition method
				Direct	Indirect	
Changsha Red Star Macalline Home Furnishing Plaza Company Limited (長沙紅星美凱龍家居生活廣場有限公司)	Hunan	Hunan	Site leasing management	100	—	A subsidiary acquired through establishment, investment or other ways
Shanghai Red Star Macalline Global Home Furnishing Design Expo Company Limited (上海紅星美凱龍環球家居設計博覽有限公司)	Shanghai	Shanghai	Site leasing management	—	97	A subsidiary acquired through establishment, investment or other ways
Hangzhou Red Star Macalline Shibo Furniture Plaza Company Limited (杭州紅星美凱龍世博家居有限公司)	Zhejiang	Zhejiang	Site leasing management	100	—	A subsidiary acquired through establishment, investment or other ways
Chongqing Red Star Macalline Global Home Furnishing Plaza Company Limited (重慶紅星美凱龍環球家居生活廣場有限責任公司)	Chongqing	Chongqing	Site leasing management	100	—	A subsidiary acquired through establishment, investment or other ways
Wuhan Red Star Macalline Shibo Home Furnishing Plaza Development Company Limited (武漢紅星美凱龍世博家居廣場發展有限公司)	Hubei	Hubei	Site leasing management	100	—	A subsidiary acquired through establishment, investment or other ways
Beijing Xingkai Jingzhou Furniture Plaza Company Limited (北京星凱洲傢俱廣場有限公司)	Beijing	Beijing	Site leasing management	—	51	A subsidiary acquired through establishment, investment or other ways
Shanghai Red Star Macalline Home Furnishing Design Expo Company Limited (上海紅星美凱龍家居藝術設計博覽有限公司)	Shanghai	Shanghai	Site leasing management	100	—	A subsidiary acquired through establishment, investment or other ways

VII. INTERESTS IN OTHER ENTITIES (continued)

1. Interests in Subsidiaries (continued)

(1) Constitution of subsidiaries (continued)

(a) For the period from 1 January to 30 June 2019 (continued)

Subsidiary name	Main business site	Place of incorporation	Nature of business	Shareholding ratio (%)		Acquisition method
				Direct	Indirect	
Yantai Red Star Macalline Home Furnishing Company Limited (煙台紅星美凱龍家居有限公司)	Shandong	Shandong	Site leasing management	100	—	A subsidiary acquired through establishment, investment or other ways
Shenyang Mingdu Home Furnishing Plaza Company Limited (瀋陽名都家居廣場有限公司)	Liaoning	Liaoning	Site leasing management	60	—	A subsidiary acquired through establishment, investment or other ways
Beijing Century Europe and America Business Investment Company Limited (北京世紀歐美商業投資有限公司)	Beijing	Beijing	Site leasing management	—	80	A subsidiary acquired through establishment, investment or other ways
Chongqing Red Star Macalline Expo Home Furnishing Plaza Company Limited (重慶紅星美凱龍博覽家居生活廣場有限責任公司)	Chongqing	Chongqing	Site leasing management	100	—	A subsidiary acquired through establishment, investment or other ways
Changsha Yinhong Home Furnishing Company Limited (長沙市銀紅家居有限公司)	Hunan	Hunan	Site leasing management	100	—	A subsidiary acquired through establishment, investment or other ways
Tianjin Red Star Macalline Home Furnishings Plaza Co., Ltd (天津紅星美凱龍家居家飾生活廣場有限公司)	Tianjin	Tianjin	Site leasing management	100	—	A subsidiary acquired through establishment, investment or other ways
Panjin Red Star Macalline Global Home Furnishings Plaza Co., Ltd. (盤錦紅星美凱龍全球家居生活廣場有限公司)	Liaoning	Liaoning	Site leasing management	100	—	A subsidiary acquired through establishment, investment or other ways

Notes to the Financial Statements

For the period ended 30 June 2019

RMB

VII. INTERESTS IN OTHER ENTITIES (continued)

1. Interests in Subsidiaries (continued)

(1) Constitution of subsidiaries (continued)

(a) For the period from 1 January to 30 June 2019 (continued)

Subsidiary name	Main business site	Place of incorporation	Nature of business	Shareholding ratio (%)		Acquisition method
				Direct	Indirect	
Shenyang Red Star Macalline Home Furnishing Company Limited (瀋陽紅星美凱龍家居有限公司)	Liaoning	Liaoning	Site leasing management	100	—	A subsidiary acquired through establishment, investment or other ways
Harbin Red Star Macalline Shibo Furniture Plaza Company Limited (哈爾濱紅星美凱龍世博家居廣場有限公司)	Heilongjiang	Heilongjiang	Site leasing management	100	—	A subsidiary acquired through establishment, investment or other ways
Chongqing Red Star Macalline Zhongkun Home Living Plaza Company Limited (重慶紅星美凱龍中坤家居生活廣場有限責任公司)	Chongqing	Chongqing	Site leasing management	55	—	A subsidiary acquired through establishment, investment or other ways
Zhongshan Red Star Macalline Shibo Furniture Plaza Company Limited (中山紅星美凱龍世博家居廣場有限公司)	Guangdong	Guangdong	Site leasing management	100	—	A subsidiary acquired through establishment, investment or other ways
Shenyang Dadong Red Star Macalline Home Furnishing Company Limited (瀋陽大東紅星美凱龍傢俱建材市場有限公司)	Liaoning	Liaoning	Site leasing management	100	—	A subsidiary acquired through establishment, investment or other ways
Xi'an Red Star Macalline Home Furnishing Plaza Company (西安紅星美凱龍家居生活廣場有限公司)	Shaanxi	Shaanxi	Site leasing management	75	—	A subsidiary acquired through establishment, investment or other ways

VII. INTERESTS IN OTHER ENTITIES (continued)

1. Interests in Subsidiaries (continued)

(1) Constitution of subsidiaries (continued)

(a) For the period from 1 January to 30 June 2019 (continued)

Subsidiary name	Main business site	Place of incorporation	Nature of business	Shareholding ratio (%)		Acquisition method
				Direct	Indirect	
Daqing Red Star Macalline Shibo Furniture Company Limited (大慶紅星美凱龍世博家居有限公司)	Heilongjiang	Heilongjiang	Site leasing management	70	—	A subsidiary acquired through establishment, investment or other ways
Beijing Century Kailong Business Investment Company Limited (北京世紀凱隆商業投資有限公司)	Beijing	Beijing	Site leasing management	100	—	A subsidiary acquired through establishment, investment or other ways
Tianjin Red Star Macalline Home Fashion Plaza Company Limited (天津紅星美凱龍時尚家居廣場有限公司)	Tianjin	Tianjin	Site leasing management	100	—	A subsidiary acquired through establishment, investment or other ways
Shenyang Red Star Macalline Shibo Home Furnishing Company Limited (瀋陽紅星美凱龍世博家居有限公司)	Liaoning	Liaoning	Site leasing management	100	—	A subsidiary acquired through establishment, investment or other ways
Shanghai Red Star Macalline Bulk Purchasing of Construction and Furnishing Materials Trading Company (上海紅星美凱龍住建集採商貿有限公司)	Shanghai	Shanghai	Site leasing management	100	—	A subsidiary acquired through establishment, investment or other ways
Lanzhou Red Star Macalline Shibo Home Furnishing Plaza Company Limited (蘭州紅星美凱龍世博家居廣場有限公司)	Gansu	Gansu	Site leasing management	100	—	A subsidiary acquired through establishment, investment or other ways

Notes to the Financial Statements

For the period ended 30 June 2019

RMB

VII. INTERESTS IN OTHER ENTITIES (continued)

1. Interests in Subsidiaries (continued)

(1) Constitution of subsidiaries (continued)

(a) For the period from 1 January to 30 June 2019 (continued)

Subsidiary name	Main business site	Place of incorporation	Nature of business	Shareholding ratio (%)		Acquisition method
				Direct	Indirect	
Urumchi Red Star Macalline Shibo Furniture Plaza Company Limited (烏魯木齊紅星美凱龍家居世博廣場有限公司)	Xinjiang Autonomous Region	Xinjiang Autonomous Region	Site leasing management	100	—	A subsidiary acquired through establishment, investment or other ways
Dongguan Red Star Macalline Shibo Furniture Plaza Company Limited (東莞紅星美凱龍世博家居廣場有限公司)	Guangdong	Guangdong	Site leasing management	70	—	A subsidiary acquired through establishment, investment or other ways
Changsha Red Star Macalline Shibo Home Furnishing Plaza Company Limited (長沙紅星美凱龍世博家居生活廣場有限公司)	Hunan	Hunan	Site leasing management	100	—	A subsidiary acquired through establishment, investment or other ways
Shanghai Red Star Macalline Xinglong Home Furnish Company Limited (上海紅星美凱龍星龍家居有限公司)	Shanghai	Shanghai	Site leasing management	100	—	A subsidiary acquired through establishment, investment or other ways
Red Star Macalline Shibo (Tianjin) Home Furnishing Plaza Company Limited (紅星美凱龍世博(天津)家居生活廣場有限公司)	Tianjin	Tianjin	Site leasing management	100	—	A subsidiary acquired through establishment, investment or other ways
Changshu Red Star Macalline Global Home Furnishing Company Limited (常熟紅星美凱龍全球家居有限公司)	Jiangsu	Jiangsu	Site leasing management	—	100	A subsidiary acquired through establishment, investment or other ways

VII. INTERESTS IN OTHER ENTITIES (continued)

1. Interests in Subsidiaries (continued)

(1) Constitution of subsidiaries (continued)

(a) For the period from 1 January to 30 June 2019 (continued)

Subsidiary name	Main business site	Place of incorporation	Nature of business	Shareholding ratio (%)		Acquisition method
				Direct	Indirect	
Shanghai Red Star Macalline Kaiheng Household Company Limited (上海紅星美凱龍楷恒家居有限公司)	Shanghai	Shanghai	Site leasing management	100	—	A subsidiary acquired through establishment, investment or other ways
Chengdu Red Star Macalline Tianfu Expo Home Furnishing Plaza Company Limited (成都紅星美凱龍天府世博家居廣場有限公司)	Sichuan	Sichuan	Site leasing management	100	—	A subsidiary acquired through establishment, investment or other ways
Chengdu Tianfu New District Red Star Macalline World Trade Home Furnishing Company Limited (成都天府新區紅星美凱龍世貿家居有限公司)	Sichuan	Sichuan	Site leasing management	100	—	A subsidiary acquired through establishment, investment or other ways
Changsha Red Star Macalline Jinxia Home Living Plaza Company Limited (長沙紅星美凱龍金霞家居生活廣場有限公司)	Hunan	Hunan	Site leasing management	100	—	A subsidiary acquired through establishment, investment or other ways
Wuhan Red Star Macalline Global Home Furnishing Plaza Development Company Limited (武漢紅星美凱龍全球家居廣場發展有限公司)	Hubei	Hubei	Site leasing management	100	—	A subsidiary acquired through establishment, investment or other ways

Notes to the Financial Statements

For the period ended 30 June 2019

RMB

VII. INTERESTS IN OTHER ENTITIES (continued)

1. Interests in Subsidiaries (continued)

(1) Constitution of subsidiaries (continued)

(a) For the period from 1 January to 30 June 2019 (continued)

Subsidiary name	Main business site	Place of incorporation	Nature of business	Shareholding ratio (%)		Acquisition method
				Direct	Indirect	
Xining Red Star Macalline Shibo Home Furnishing Plaza Company Limited (西寧紅星美凱龍世博家居廣場有限公司)	Qinghai	Qinghai	Site leasing management	100	—	A subsidiary acquired through establishment, investment or other ways
Suzhou Red Star Macalline Shibo Home Furnishing Plaza Company Limited (蘇州紅星美凱龍世博家居廣場有限公司)	Jiangsu	Jiangsu	Site leasing management	60	—	A subsidiary acquired through establishment, investment or other ways
Kunming Red Star Macalline Shibo Home Furnishing Plaza Company Limited (昆明紅星美凱龍世博家居廣場有限公司)	Yunnan	Yunnan	Site leasing management	—	87.47	A subsidiary acquired through establishment, investment or other ways
Chongqing Red Star Macalline International Home Furnishing Plaza Company Limited (重慶紅星美凱龍國際家居生活廣場有限公司)	Chongqing	Chongqing	Site leasing management	100	—	A subsidiary acquired through establishment, investment or other ways
Shanghai Jinshan Red Star Macalline Global Home Furnishing Company Limited (上海金山紅星美凱龍全球家居有限公司)	Shanghai	Shanghai	Site leasing management	100	—	A subsidiary acquired through establishment, investment or other ways
Yunnan Red Star Macalline Home Furnishing Plaza Company Limited (雲南紅星美凱龍家居生活廣場有限公司)	Yunnan	Yunnan	Site leasing management	87.47	—	A subsidiary acquired through establishment, investment or other ways

VII. INTERESTS IN OTHER ENTITIES (continued)

1. Interests in Subsidiaries (continued)

(1) Constitution of subsidiaries (continued)

(a) For the period from 1 January to 30 June 2019 (continued)

Subsidiary name	Main business site	Place of incorporation	Nature of business	Shareholding ratio (%)		Acquisition method
				Direct	Indirect	
Nanchang Red Star Macalline Global Home Furnishing Plaza Company Limited (南昌紅星美凱龍全球家居廣場有限公司)	Jiangxi	Jiangxi	Site leasing management	51	—	A subsidiary acquired through establishment, investment or other ways
Xi'an Red Star Macalline Shibo Home Furnishing Company Limited (西安紅星美凱龍世博家居有限公司)	Shaanxi	Shaanxi	Site leasing management	100	—	A subsidiary acquired through establishment, investment or other ways
Kunshan Red Star Macalline Decoration Materials Company Limited (昆山紅星美凱龍裝飾材料有限公司)	Jiangsu	Jiangsu	Site leasing management	100	—	A subsidiary acquired through establishment, investment or other ways
Chongqing Xingkaike Home Furnishing Company Limited (重慶星凱科家居有限公司)	Jiangsu	Jiangsu	Site leasing management	—	100	A subsidiary acquired through establishment, investment or other ways
Taiyuan Red Star Macalline Global Home Furnishing Plaza Company Limited (太原紅星美凱龍全球家居廣場有限公司)	Shanxi	Shanxi	Site leasing management	51	—	A subsidiary acquired through establishment, investment or other ways
Foshan Red Star Macalline Home Furnishing Plaza Company Limited (佛山紅星美凱龍家居生活廣場有限公司)	Guangdong	Guangdong	Site leasing management	100	—	A subsidiary acquired through establishment, investment or other ways
Changzhou Meilong Trading Co., Ltd. (常州美龍貿易有限公司)	Jiangsu	Jiangsu	Sale of home furniture	100	—	A subsidiary acquired through establishment, investment or other ways

Notes to the Financial Statements

For the period ended 30 June 2019

RMB

VII. INTERESTS IN OTHER ENTITIES (continued)

1. Interests in Subsidiaries (continued)

(1) Constitution of subsidiaries (continued)

(a) For the period from 1 January to 30 June 2019 (continued)

Subsidiary name	Main business site	Place of incorporation	Nature of business	Shareholding ratio (%)		Acquisition method
				Direct	Indirect	
Xiaogan Betterhome Building and Decoration Technology Co., Ltd. (孝感家倍得建築裝飾科技有限公司)	Hubei	Hubei	Construction decoration	—	56	A subsidiary acquired through establishment, investment or other ways
Shanghai Ditu Home Furnishing Co., Ltd. (上海締圖家居有限公司)	Shanghai	Shanghai	Site leasing management	—	30.25	A subsidiary acquired through establishment, investment or other ways
Taiyuan Red Star Macalline Shibo Home Furnishing Plaza Company Limited (太原紅星美凱龍世博家居廣場有限公司)	Shanxi	Shanxi	Site leasing management	60	—	A subsidiary acquired through establishment, investment or other ways
Nantong Hongmei Shibo Home Furnishing Plaza Company Limited (南通紅美世博家居廣場有限公司)	Jiangsu	Jiangsu	Site leasing management	100	—	A subsidiary acquired through establishment, investment or other ways
Guangzhou Red Star Macalline Home Furnishing Building Material Co., Ltd. (廣州紅星美凱龍家居建材有限公司)	Guangdong	Guangdong	Site leasing management	95	—	A subsidiary acquired through establishment, investment or other ways
Ganzhou Red Star Macalline Shibo Home Furnishing Plaza Company Limited (贛州紅星美凱龍世博家居廣場有限公司)	Jiangxi	Jiangxi	Site leasing management	70	—	A subsidiary acquired through establishment, investment or other ways
Red Star Zhongying Investment Company Limited (紅星眾盈投資有限公司)	Tibet Autonomous Region	Tibet Autonomous Region	Investment management	100	—	A subsidiary acquired through establishment, investment or other ways

Notes to the Financial Statements

For the period ended 30 June 2019

RMB

VII. INTERESTS IN OTHER ENTITIES (continued)

1. Interests in Subsidiaries (continued)

(1) Constitution of subsidiaries (continued)

(a) For the period from 1 January to 30 June 2019 (continued)

Subsidiary name	Main business site	Place of incorporation	Nature of business	Shareholding ratio (%)		Acquisition method
				Direct	Indirect	
Khorgos Yarui Venture Capital Company Limited (霍爾果斯雅睿創業投資有限公司)	Xinjiang Autonomous Region	Xinjiang Autonomous Region	Investment management	90	—	A subsidiary acquired through establishment, investment or other ways
Khorgos Red Star Yiming Venture Capital Company Limited (霍爾果斯紅星易鳴創業投資有限公司)	Xinjiang Autonomous Region	Xinjiang Autonomous Region	Investment management	90	—	A subsidiary acquired through establishment, investment or other ways
Red Star Macalline Home Furnishing Group Finance Company Limited (紅星美凱龍家居集團財務有限責任公司)	Shanghai	Shanghai	Loan service	90	10	A subsidiary acquired through establishment, investment or other ways
Shanghai Red Star Macalline Jiapinhui E-commerce Company Limited (上海紅星美凱龍家品會電子商務有限公司)	Shanghai	Shanghai	E-commerce	—	100	A subsidiary acquired through establishment, investment or other ways
Shanghai Red Star Macalline Network Technology Company Limited (上海紅星美凱龍網絡技術有限公司)	Shanghai	Shanghai	E-commerce	—	66.86	A subsidiary acquired through establishment, investment or other ways
Shanghai Red Star Macalline Decorating Public Network Technology Company Limited (上海紅星美凱龍裝修公網絡技術有限公司)	Shanghai	Shanghai	E-commerce	—	66.86	A subsidiary acquired through establishment, investment or other ways
Shanghai Anjia Network Technology Company Limited (上海安家網絡科技有限公司)	Shanghai	Shanghai	E-commerce	—	66.86	A subsidiary acquired through establishment, investment or other ways

Notes to the Financial Statements

For the period ended 30 June 2019

RMB

VII. INTERESTS IN OTHER ENTITIES (continued)

1. Interests in Subsidiaries (continued)

(1) Constitution of subsidiaries (continued)

(a) For the period from 1 January to 30 June 2019 (continued)

Subsidiary name	Main business site	Place of incorporation	Nature of business	Shareholding ratio (%)		Acquisition method
				Direct	Indirect	
Shanghai Aiguangjia E-commerce Company Limited (上海愛逛家電子商務有限公司)	Shanghai	Shanghai	E-commerce	—	100	A subsidiary acquired through establishment, investment or other ways
Shanghai Jia Ju Information Technology Co., Ltd. (上海家聚信息技術有限公司)	Shanghai	Shanghai	E-commerce	—	66.86	A subsidiary acquired through establishment, investment or other ways
Shanghai Hongmei Network Technology Company Limited (上海紅美網絡科技有限公司)	Shanghai	Shanghai	E-commerce	—	100	A subsidiary acquired through establishment, investment or other ways
Shanxi Xingyi Tonghui Network Technology Company Limited (山西星易通匯網絡科技有限公司)	Shanxi	Shanxi	E-commerce	—	100	A subsidiary acquired through establishment, investment or other ways
Shanghai Red Star Macalline Yuejia Network Technology Company Limited (上海紅星美凱龍悅家互聯網科技有限公司)	Shanghai	Shanghai	E-commerce	—	66.86	A subsidiary acquired through establishment, investment or other ways
Tibet Red Star Macalline Business Management Company Limited (西藏紅星美凱龍企業管理有限公司)	Tibet Autonomous Region	Tibet Autonomous Region	Enterprise management and consultancy	100	—	A subsidiary acquired through establishment, investment or other ways
Shanghai Xingju Supply Chain Management Company Limited (上海星聚供應鏈管理有限公司)	Shanghai	Shanghai	Supply chain management	—	60	A subsidiary acquired through establishment, investment or other ways
Chongqing Red Star Ogloria Home Furnishing Company Limited (重慶紅星歐麗洛雅家居有限公司)	Chongqing	Chongqing	Site leasing management	100	—	A subsidiary acquired through establishment, investment or other ways

VII. INTERESTS IN OTHER ENTITIES (continued)

1. Interests in Subsidiaries (continued)

(1) Constitution of subsidiaries (continued)

(a) For the period from 1 January to 30 June 2019 (continued)

Subsidiary name	Main business site	Place of incorporation	Nature of business	Shareholding ratio (%)		Acquisition method
				Direct	Indirect	
Shanghai Red Star Macalline Yijia Home Decorating Company Limited (上海紅星美凱龍億家裝飾工程有限公司)	Shanghai	Shanghai	Home design	—	100	A subsidiary acquired through establishment, investment or other ways
Shanghai Meihao Home Decorating Design Company Limited (上海美昊裝飾設計工程有限公司)	Shanghai	Shanghai	Home design	—	100	A subsidiary acquired through establishment, investment or other ways
Shanghai Fengdilong Home Decorating Design Company Limited (上海峰迪瀧裝飾設計工程有限公司)	Shanghai	Shanghai	Home design	—	80	A subsidiary acquired through establishment, investment or other ways
Shanghai Jiading Construction Home Decorating Design Company Limited (上海家鼎建築裝飾設計工程有限公司)	Shanghai	Shanghai	Home design	—	80	A subsidiary acquired through establishment, investment or other ways
Chongqing Jiaxin Home Decorating Design Company Limited (重慶家欣裝飾設計工程有限公司)	Chongqing	Chongqing	Home design	—	70	A subsidiary acquired through establishment, investment or other ways
Shanghai Xinghe Zhaipei Home Furnishing Service Company Limited (上海星和宅配家居服務有限公司)	Shanghai	Shanghai	Home design	100	—	A subsidiary acquired through establishment, investment or other ways
Shanghai Red Star Macalline Construction and Decoration Design Co., Ltd. (上海紅星美凱龍住建裝配設計有限公司)	Shanghai	Shanghai	Home design	—	100	A subsidiary acquired through establishment, investment or other ways

Notes to the Financial Statements

For the period ended 30 June 2019

RMB

VII. INTERESTS IN OTHER ENTITIES (continued)

1. Interests in Subsidiaries (continued)

(1) Constitution of subsidiaries (continued)

(a) For the period from 1 January to 30 June 2019 (continued)

Subsidiary name	Main business site	Place of incorporation	Nature of business	Shareholding ratio (%)		Acquisition method
				Direct	Indirect	
Shanghai Xingjia Decoration and Building Materials Company Limited (上海星家裝飾建材有限公司)	Shanghai	Shanghai	Construction material markets	—	100	A subsidiary acquired through establishment, investment or other ways
Shanghai Betterhome Industrial Company Limited (上海家倍得實業有限公司)	Shanghai	Shanghai	Construction decoration	—	80	A subsidiary acquired through establishment, investment or other ways
Shanghai Red Star Macalline International Trading Company Limited (上海紅星美凱龍國際貿易有限公司)	Shanghai	Shanghai	Import and export	55	—	A subsidiary acquired through establishment, investment or other ways
Shanghai Red Star Macalline Home Furnishing Trading Company Limited (上海紅星美凱龍美居商貿有限公司)	Shanghai	Shanghai	Import and export	—	28.05	A subsidiary acquired through establishment, investment or other ways
Shanghai Red Star Macalline Labour Dispatch Company Limited (上海紅星美凱龍勞務派遣有限公司)	Shanghai	Shanghai	Labour dispatching	100	—	A subsidiary acquired through establishment, investment or other ways
Shanghai Red Star Macalline Brand Management Company Limited (上海紅星美凱龍品牌管理有限公司)	Shanghai	Shanghai	Brand management	100	—	A subsidiary acquired through establishment, investment or other ways
Beijing Red Star Macalline Furnishing Market Company Limited (北京紅星美凱龍家居市場有限公司)	Beijing	Beijing	Brand management	—	100	A subsidiary acquired through establishment, investment or other ways

VII. INTERESTS IN OTHER ENTITIES (continued)

1. Interests in Subsidiaries (continued)

(1) Constitution of subsidiaries (continued)

(a) For the period from 1 January to 30 June 2019 (continued)

Subsidiary name	Main business site	Place of incorporation	Nature of business	Shareholding ratio (%)		Acquisition method
				Direct	Indirect	
Yangzhou Red Star Macalline International Home Furnishing Plaza Company Limited (揚州紅星美凱龍國際家居廣場有限公司)	Jiangsu	Jiangsu	Brand management	100	—	A subsidiary acquired through establishment, investment or other ways
Shanghai Red Star Macalline Home Decorating and Furnishing Market Management Company Limited (上海紅星美凱龍裝飾家居市場經營管理有限公司)	Shanghai	Shanghai	Brand management	—	100	A subsidiary acquired through establishment, investment or other ways
Chengdu Red Star Ogloria Brand Management Company Limited (成都紅星歐麗洛雅品牌管理有限公司)	Sichuan	Sichuan	Brand management	—	100	A subsidiary acquired through establishment, investment or other ways
Kunshan Red Star Macalline Global Home Furnishing Company Limited (昆山紅星美凱龍全球家居有限公司)	Jiangsu	Jiangsu	Brand management	100	—	A subsidiary acquired through establishment, investment or other ways
Tongxiang Red Star Macalline Shibo Home Furnishing Plaza Management Company Limited (桐鄉紅星美凱龍世博家居廣場管理有限公司)	Zhejiang	Zhejiang	Brand management	100	—	A subsidiary acquired through establishment, investment or other ways
Beijing Red Star Macalline Business Management Company Limited (北京紅星美凱龍企業經營管理有限公司)	Beijing	Beijing	Brand management	90	10	A subsidiary acquired through establishment, investment or other ways

Notes to the Financial Statements

For the period ended 30 June 2019

RMB

VII. INTERESTS IN OTHER ENTITIES (continued)

1. Interests in Subsidiaries (continued)

(1) Constitution of subsidiaries (continued)

(a) For the period from 1 January to 30 June 2019 (continued)

Subsidiary name	Main business site	Place of incorporation	Nature of business	Shareholding ratio (%)		Acquisition method
				Direct	Indirect	
Wuxi Red Star Macalline Business Management Company Limited (無錫紅星美凱龍經營管理有限公司)	Jiangsu	Jiangsu	Brand management	70	30	A subsidiary acquired through establishment, investment or other ways
Quzhou Red Star Macalline Shibo Market Management Service Company Limited (衢州紅星美凱龍世博市場管理服務有限公司)	Zhejiang	Zhejiang	Brand management	100	—	A subsidiary acquired through establishment, investment or other ways
Shanghai Red Star Ogloria Brand Management Company Limited (上海紅星歐麗洛雅品牌管理有限公司)	Shanghai	Shanghai	Brand management	100	—	A subsidiary acquired through establishment, investment or other ways
Shanghai Xingyijia Brand Management Company Limited (上海星藝佳品牌管理有限公司)	Shanghai	Shanghai	Brand management	—	100	A subsidiary acquired through establishment, investment or other ways
Shanghai Jisheng Wellborn Global Home Furnishing Brand Management Company Limited (上海吉盛偉邦環球家居品牌管理有限公司)	Shanghai	Shanghai	Management and consultancy	100	—	A subsidiary acquired through establishment, investment or other ways
Red Star Macalline Chengdu Business Management Company Limited (紅星美凱龍成都商業管理有限公司)	Sichuan	Sichuan	Management and consultancy	—	100	A subsidiary acquired through establishment, investment or other ways

VII. INTERESTS IN OTHER ENTITIES (continued)

1. Interests in Subsidiaries (continued)

(1) Constitution of subsidiaries (continued)

(a) For the period from 1 January to 30 June 2019 (continued)

Subsidiary name	Main business site	Place of incorporation	Nature of business	Shareholding ratio (%)		Acquisition method
				Direct	Indirect	
Red Star Macalline Chengdu Enterprise Management Consulting Company Limited (紅星美凱龍成都企業管理諮詢有限公司)	Sichuan	Sichuan	Management and consultancy	—	100	A subsidiary acquired through establishment, investment or other ways
Red Star Macalline (Shanghai) Business Management Company Limited (紅星美凱龍(上海)企業管理有限公司)	Shanghai	Shanghai	Management and consultancy	100	—	A subsidiary acquired through establishment, investment or other ways
Red Star Macalline Enterprise Management Consulting Co., Ltd. (紅星美凱龍企業管理諮詢有限公司)	Xinjiang Autonomous Region	Xinjiang Autonomous Region	Enterprise management and consultancy	100	—	A subsidiary acquired through establishment, investment or other ways
Red Star Ogloria Enterprise Management Company Limited (紅星歐麗洛雅企業管理有限公司)	Xinjiang Autonomous Region	Xinjiang Autonomous Region	Enterprise management and consultancy	—	100	A subsidiary acquired through establishment, investment or other ways
Khorgos Red Star Macalline Business Management Company Limited (霍爾果斯紅星美凱龍商業管理有限公司)	Xinjiang Autonomous Region	Xinjiang Autonomous Region	Enterprise management and consultancy	—	100	A subsidiary acquired through establishment, investment or other ways
Yantai Xinhuan Enterprise Management Company Limited (煙台欣歡企業管理有限公司)	Shandong	Shandong	Enterprise management and consultancy	—	100	A subsidiary acquired through establishment, investment or other ways

Notes to the Financial Statements

For the period ended 30 June 2019

RMB

VII. INTERESTS IN OTHER ENTITIES (continued)

1. Interests in Subsidiaries (continued)

(1) Constitution of subsidiaries (continued)

(a) For the period from 1 January to 30 June 2019 (continued)

Subsidiary name	Main business site	Place of incorporation	Nature of business	Shareholding ratio (%)		Acquisition method
				Direct	Indirect	
Zhengzhou Juankai Enterprise Management Consultation Company Limited (鄭州雋鎧企業管理諮詢有限公司)	Henan	Henan	Enterprise management and consultancy	—	100	A subsidiary acquired through establishment, investment or other ways
Shanghai Macalline Xinghe Asset Management Company Limited (上海美凱龍星荷資產管理有限公司)	Shanghai	Shanghai	Enterprise management and consultancy	100	—	A subsidiary acquired through establishment, investment or other ways
Shanghai Yumu Enterprise Management Company Limited (上海宇慕企業管理有限公司)	Shanghai	Shanghai	Enterprise management and consultancy	100	—	A subsidiary acquired through establishment, investment or other ways
Shanghai Yuxu Enterprise Management Company Limited (上海宇煦企業管理有限公司)	Shanghai	Shanghai	Enterprise management and consultancy	100	—	A subsidiary acquired through establishment, investment or other ways
Shanghai Yuzhu Enterprise Management Company Limited (上海宇築企業管理有限公司)	Shanghai	Shanghai	Enterprise management and consultancy	100	—	A subsidiary acquired through establishment, investment or other ways
Shanghai Yuxiao Enterprise Management Company Limited (上海宇霄企業管理有限公司)	Shanghai	Shanghai	Enterprise management and consultancy	100	—	A subsidiary acquired through establishment, investment or other ways
Zhengzhou Dongsheng Enterprise Management Company Limited (鄭州東晟企業管理有限公司)	Henan	Henan	Enterprise management and consultancy	—	100	A subsidiary acquired through establishment, investment or other ways

VII. INTERESTS IN OTHER ENTITIES (continued)

1. Interests in Subsidiaries (continued)

(1) Constitution of subsidiaries (continued)

(a) For the period from 1 January to 30 June 2019 (continued)

Subsidiary name	Main business site	Place of incorporation	Nature of business	Shareholding ratio (%)		Acquisition method
				Direct	Indirect	
Longzhihui (Shanghai) Facility Management Services Company Limited (龍之惠(上海)設施管理服務有限公司)	Shanghai	Shanghai	Enterprise management and consultancy	—	50	A subsidiary acquired through establishment, investment or other ways
Khorgos Hongju Corporate Management Co., Ltd. (霍爾果斯紅居企業管理有限公司)	Xinjiang Autonomous Region	Xinjiang Autonomous Region	Enterprise management and consultancy	70	—	A subsidiary acquired through establishment, investment or other ways
Chengdu Red Star Macalline Xinnan Business Management Company Limited (成都紅星美凱龍新南商業管理有限公司)	Chengdu	Chengdu	Enterprise management and consultancy	100	—	A subsidiary acquired through establishment, investment or other ways
Shanghai Huojing Business Management Company Limited (上海或京商業管理有限公司)	Shanghai	Shanghai	Enterprise management and consultancy	65	—	A subsidiary acquired through establishment, investment or other ways
Tianjin Jinrui Corporate Management Company Limited (天津津瑞企業管理有限公司)	Tianjin	Tianjin	Enterprise management and consultancy	100	—	A subsidiary acquired through establishment, investment or other ways
Shanghai Mengsheng Industrial Co., Ltd. (上海夢晟實業有限公司)	Shanghai	Shanghai	Enterprise management and consultancy	—	100	A subsidiary acquired through establishment, investment or other ways
Suzhou Industrial Park Huojinju Business Management Co., Ltd. (蘇州工業園區霍金聚商業管理有限公司)	Jiangsu	Jiangsu	Enterprise management and consultancy	—	65	A subsidiary acquired through establishment, investment or other ways

Notes to the Financial Statements

For the period ended 30 June 2019

RMB

VII. INTERESTS IN OTHER ENTITIES (continued)

1. Interests in Subsidiaries (continued)

(1) Constitution of subsidiaries (continued)

(a) For the period from 1 January to 30 June 2019 (continued)

Subsidiary name	Main business site	Place of incorporation	Nature of business	Shareholding ratio (%)		Acquisition method
				Direct	Indirect	
Wuhan Red Star Macalline Global Home Furnishing Plaza Development Company Limited (武漢紅星美凱龍環球家居廣場發展有限公司)	Hubei	Hubei	Site leasing management	100	—	A subsidiary acquired through establishment, investment or other ways
Hefei Red Star Macalline Shibo Furniture Plaza Company Limited (合肥紅星美凱龍世博家居廣場有限公司)	Anhui	Anhui	Site leasing management	100	—	A subsidiary acquired through establishment, investment or other ways
Nanjing Red Star Macalline International Home Living Company Limited (南京紅星美凱龍國際家居有限責任公司)	Jiangsu	Jiangsu	Site leasing management	100	—	A subsidiary acquired through establishment, investment or other ways
Tianjin Red Star Macalline International Home Furnishing Expo Company Limited (天津紅星美凱龍國際家居博覽有限公司)	Tianjin	Tianjin	Site leasing management	65	—	A subsidiary acquired through establishment, investment or other ways
Tianjin Red Star Macalline World Trade Home Furnishing Company Limited (天津紅星美凱龍世貿家居有限公司)	Tianjin	Tianjin	Site leasing management	100	—	A subsidiary acquired through establishment, investment or other ways
Harbin Red Star Macalline International Home Furnishing Company Limited (哈爾濱紅星美凱龍國際家居有限公司)	Heilongjiang	Heilongjiang	Site leasing management	100	—	A subsidiary acquired through establishment, investment or other ways

VII. INTERESTS IN OTHER ENTITIES (continued)

1. Interests in Subsidiaries (continued)

(1) Constitution of subsidiaries (continued)

(a) For the period from 1 January to 30 June 2019 (continued)

Subsidiary name	Main business site	Place of incorporation	Nature of business	Shareholding ratio (%)		Acquisition method
				Direct	Indirect	
Changchun Red Star Macalline Shibo Home Living Plaza Company Limited (長春紅星美凱龍世博家居生活廣場有限公司)	Jilin	Jilin	Site leasing management	100	—	A subsidiary acquired through establishment, investment or other ways
Shanghai Xingyi Tonghui Business Service Company Limited (上海星易通匯商務服務有限公司)	Shanghai	Shanghai	Commercial service	100	—	A subsidiary acquired through establishment, investment or other ways
Shanghai Red Star Macalline Financial Leasing Company Limited (上海紅星美凱龍融資租賃有限公司)	Shanghai	Shanghai	Equipment leasing	100	—	A subsidiary acquired through establishment, investment or other ways
Shanghai Ozing Digital Technology Co., Ltd. (上海好記星數碼科技有限公司)	Shanghai	Shanghai	Warehouse logistics	—	100	A subsidiary acquired through establishment, investment or other ways
Bright Rainbow Investments Limited (合樂投資有限公司)	Hong Kong	Hong Kong	Market service, investment	—	100	A subsidiary acquired through establishment, investment or other ways
Shanghai Red Star Macalline Global Home Furnishing Market Management Company Limited (上海紅星美凱龍全球家居市場經營管理有限公司)	Shanghai	Shanghai	Market company	—	99.7	A subsidiary acquired through establishment, investment or other ways

Notes to the Financial Statements

For the period ended 30 June 2019

RMB

VII. INTERESTS IN OTHER ENTITIES (continued)

1. Interests in Subsidiaries (continued)

(1) Constitution of subsidiaries (continued)

(a) For the period from 1 January to 30 June 2019 (continued)

Subsidiary name	Main business site	Place of incorporation	Nature of business	Shareholding ratio (%)		Acquisition method
				Direct	Indirect	
Shanghai Red Star Ogloria Home Living Market Management Company Limited (上海紅星歐麗洛雅家居市場經營管理有限公司)	Shanghai	Shanghai	Market company	100	—	A subsidiary acquired through establishment, investment or other ways
Shanghai Red Star Macalline Longmei Home Furnishing Market Management Company Limited (上海紅星美凱龍美家居市場經營管理有限公司)	Shanghai	Shanghai	Market company	100	—	A subsidiary acquired through establishment, investment or other ways
Shanghai Jingdu Investment Company Limited (上海晶都投資有限公司)	Shanghai	Shanghai	Investment management	51	—	A subsidiary acquired through establishment, investment or other ways
Shanghai Red Star Macalline Business Consulting Company Limited (上海紅星美凱龍商務諮詢有限公司)	Shanghai	Shanghai	Investment management	65	—	A subsidiary acquired through establishment, investment or other ways
Shanghai Red Star Macalline Trading Company Limited (上海紅星美凱龍商貿有限公司)	Shanghai	Shanghai	Investment management	100	—	A subsidiary acquired through establishment, investment or other ways
Red Star Xizhao Investment Company Limited (紅星喜兆投資有限公司)	Tibet Autonomous Region	Tibet Autonomous Region	Investment management	90	—	A subsidiary acquired through establishment, investment or other ways
Red Star Macalline Home Furnishing Mall Management Company Limited (紅星美凱龍家居商場管理有限公司)	Tibet Autonomous Region	Tibet Autonomous Region	Investment management	100	—	A subsidiary acquired through establishment, investment or other ways

VII. INTERESTS IN OTHER ENTITIES (continued)

1. Interests in Subsidiaries (continued)

(1) Constitution of subsidiaries (continued)

(a) For the period from 1 January to 30 June 2019 (continued)

Subsidiary name	Main business site	Place of incorporation	Nature of business	Shareholding ratio (%)		Acquisition method
				Direct	Indirect	
Shanghai Red Star Macalline Assets Management Company Limited (上海紅星美凱龍資產管理有限公司)	Shanghai	Shanghai	Investment management	—	70	A subsidiary acquired through establishment, investment or other ways
Shanghai Qixing Investment Company Limited (上海祁星投資有限公司)	Shanghai	Shanghai	Investment management	—	100	A subsidiary acquired through establishment, investment or other ways
Hong Kong Red Star Macalline Global Home Furnishing Company Limited (香港紅星美凱龍全球家居有限公司)	Hong Kong	Hong Kong	Investment management	100	—	A subsidiary acquired through establishment, investment or other ways
Shanghai Jiajinsuo Financial Technology Information Services Company Limited (上海家金所金融科技信息服務有限公司)	Shanghai	Shanghai	Investment management	—	100	A subsidiary acquired through establishment, investment or other ways
Shanghai Jiajinsuo Investment Holding Company Limited (上海家金所投資控股有限公司)	Shanghai	Shanghai	Investment management	100	—	A subsidiary acquired through establishment, investment or other ways
Shanghai Jiajinsuo Investment Management Company Limited (上海家金所投資管理有限公司)	Shanghai	Shanghai	Investment management	—	100	A subsidiary acquired through establishment, investment or other ways
Shanghai Fanju Network Technology Company Limited (上海泛居網絡科技有限公司)	Shanghai	Shanghai	Network technique	—	53.69	A subsidiary acquired through establishment, investment or other ways
Shanghai Huaixing Culture Development Co., Ltd. (上海懷星文化發展有限公司)	Shanghai	Shanghai	Cultural and artistic exchange	80	—	A subsidiary acquired through establishment, investment or other ways

Notes to the Financial Statements

For the period ended 30 June 2019

RMB

VII. INTERESTS IN OTHER ENTITIES (continued)

1. Interests in Subsidiaries (continued)

(1) Constitution of subsidiaries (continued)

(a) For the period from 1 January to 30 June 2019 (continued)

Subsidiary name	Main business site	Place of incorporation	Nature of business	Shareholding ratio (%)		Acquisition method
				Direct	Indirect	
Red Star Macalline Group (Shanghai) Logistics Company Limited (紅星美凱龍家居集團(上海)物流有限公司)	Shanghai	Shanghai	Logistics service	60	—	A subsidiary acquired through establishment, investment or other ways
Henan Xixiliya Property Management Company Limited (河南西西里亞物業管理有限公司)	Henan	Henan	Property management	—	100	A subsidiary acquired through establishment, investment or other ways
Shanghai Red Star Macalline Design Cloud Information Technology Co., Ltd. (上海紅星美凱龍設計雲信息科技有限公司)	Shanghai	Shanghai	Information science and technology development	100	—	A subsidiary acquired through establishment, investment or other ways
Shanghai Red Star Macalline Commercial Factoring Company Limited (上海紅星美凱龍商業保理有限公司)	Shanghai	Shanghai	Accounts receivable financing	100	—	A subsidiary acquired through establishment, investment or other ways
Shanghai Red Star Macalline Exhibition Service Company Limited (上海紅星美凱龍展覽服務有限公司)	Shanghai	Shanghai	Exhibition services	55	—	A subsidiary acquired through establishment, investment or other ways
Nanning Red Star Macalline Shibo Home Furnishing Exhibition Centre Company Limited (南寧紅星美凱龍世博家居展覽中心有限公司)	Guangxi	Guangxi	Exhibition services	100	—	A subsidiary acquired through establishment, investment or other ways

VII. INTERESTS IN OTHER ENTITIES (continued)

1. Interests in Subsidiaries (continued)

(1) Constitution of subsidiaries (continued)

(a) For the period from 1 January to 30 June 2019 (continued)

Subsidiary name	Main business site	Place of incorporation	Nature of business	Shareholding ratio (%)		Acquisition method
				Direct	Indirect	
Ningbo Meishan Bonded Port Area Xingkaiyong Asset Management Company Limited (寧波梅山保稅港區星凱贏資產管理有限公司)	Zhejiang	Zhejiang	Assets management	—	51	A subsidiary acquired through establishment, investment or other ways
Changzhou Jiapindao Home Furnishing and Decorating Company Limited (常州家頻道家居飾品有限公司)	Jiangsu	Jiangsu	Proprietary sales	—	100	A subsidiary acquired through establishment, investment or other ways
Shanghai Youmei Home Furnishing Company Limited (上海悠美家居有限公司)	Shanghai	Shanghai	Proprietary sales	—	100	A subsidiary acquired through establishment, investment or other ways
Red Star Macalline Glory Casa (Shanghai) Home Furnishing Company Limited (紅星美凱龍凱撒至尊(上海)家居有限公司)	Shanghai	Shanghai	Proprietary sales	100	—	A subsidiary acquired through establishment, investment or other ways
Shanghai Red Star Macalline Decoration Technology Company Limited (上海紅星美凱龍住建裝配科技有限公司)	Shanghai	Shanghai	Enterprise management and consultancy	—	100	A subsidiary acquired through establishment, investment or other ways
Shanghai Hongxin Oukai Home Furnishing Company Limited (上海虹欣歐凱家居有限公司)	Shanghai	Shanghai	Site leasing management	50	—	A subsidiary merged from enterprises not under common control
Shanghai Xinwei Property Company Limited (上海新偉置業有限公司)	Shanghai	Shanghai	Site leasing management	40	58.2	A subsidiary merged from enterprises not under common control

Notes to the Financial Statements

For the period ended 30 June 2019

RMB

VII. INTERESTS IN OTHER ENTITIES (continued)

1. Interests in Subsidiaries (continued)

(1) Constitution of subsidiaries (continued)

(a) For the period from 1 January to 30 June 2019 (continued)

Subsidiary name	Main business site	Place of incorporation	Nature of business	Shareholding ratio (%)		Acquisition method
				Direct	Indirect	
Chengdu Changyi Red Star Macalline Home Living Market Management Company Limited (成都長益紅星美凱龍家居市場經營管理有限公司)	Sichuan	Sichuan	Site leasing management	—	50	A subsidiary merged from enterprises not under common control
Wuxi Red Star Macalline Home Furnishing Plaza Company Limited (無錫紅星美凱龍家居生活廣場有限公司)	Jiangsu	Jiangsu	Site leasing management	100	—	A subsidiary merged from enterprises not under common control
Langfang Kaihong Home Living Plaza Company Limited (廊坊市凱宏家居廣場有限公司)	Hebei	Hebei	Site leasing management	70	—	A subsidiary merged from enterprises not under common control
Hohhot Red Star Macalline Shibo Home Furnishing Plaza Company Limited (呼和浩特市紅星美凱龍世博家居廣場有限責任公司)	Inner Mongolia Autonomous Region	Inner Mongolia Autonomous Region	Site leasing management	100	—	A subsidiary merged from enterprises not under common control
Kunming Diken Trading Company Limited (昆明迪肯商貿有限公司)	Yunnan	Yunnan	Site leasing management	63	—	A subsidiary merged from enterprises not under common control
Suzhou Industry Park Red Star Macalline Home Living Company Limited (蘇州工業園區紅星美凱龍家居有限公司)	Jiangsu	Jiangsu	Site leasing management	55	—	A subsidiary merged from enterprises not under common control
Ningbo Red Star Macalline Home Shopping Plaza Company Limited (寧波紅星美凱龍家居購物廣場有限公司)	Zhejiang	Zhejiang	Site leasing management	80	20	A subsidiary merged from enterprises not under common control

VII. INTERESTS IN OTHER ENTITIES (continued)

1. Interests in Subsidiaries (continued)

(1) Constitution of subsidiaries (continued)

(a) For the period from 1 January to 30 June 2019 (continued)

Subsidiary name	Main business site	Place of incorporation	Nature of business	Shareholding ratio (%)		Acquisition method
				Direct	Indirect	
Zhengzhou Red Star Macalline Shibo Home Furnishing Company Limited (鄭州紅星美凱龍世博家居有限公司)	Henan	Henan	Site leasing management	55	—	A subsidiary merged from enterprises not under common control
Anhui Shengshi Dingtong Logistics Company Limited (安徽盛世鼎通物流有限公司)	Anhui	Anhui	Warehouse logistics	—	100	A subsidiary merged from enterprises not under common control
Shanghai Red Star Macalline Building Design Company Limited (上海紅星美凱龍建築設計有限公司)	Shanghai	Shanghai	Engineering design	—	100	A subsidiary merged from enterprises not under common control
Shanghai Betterhome Decoration Engineering Co., Ltd. (上海家倍得裝飾工程有限公司)	Shanghai	Shanghai	Home design	—	80	A subsidiary merged from enterprises not under common control
Yintai (Yongqing) New City Investment Co., Ltd. (銀泰(永清)新城投資有限公司)	Hebei	Hebei	Industrial investment	—	70	A subsidiary merged from enterprises not under common control
Cangzhou Yintai Jiye Construction and Development Co., Ltd. (滄州銀泰基業建設開發有限公司)	Hebei	Hebei	Building construction	—	52.5	A subsidiary merged from enterprises not under common control
Shanghai Xingyijia Business Management Co., Ltd. (上海星藝佳商業管理有限公司)	Shanghai	Shanghai	Management and consultancy	—	100	A subsidiary merged from enterprises not under common control
Shanghai Zengmin Enterprise Management Co., Ltd. (上海增敏企業管理有限公司)	Shanghai	Shanghai	Management and consultancy	—	100	A subsidiary merged from enterprises not under common control

Notes to the Financial Statements

For the period ended 30 June 2019

RMB

VII. INTERESTS IN OTHER ENTITIES (continued)

1. Interests in Subsidiaries (continued)

(1) Constitution of subsidiaries (continued)

(a) For the period from 1 January to 30 June 2019 (continued)

Subsidiary name	Main business site	Place of incorporation	Nature of business	Shareholding ratio (%)		Acquisition method
				Direct	Indirect	
Zhengzhou Red Star Macalline Global Home Living Plaza Management Company Limited (鄭州紅星美凱龍全球家居生活廣場經營管理有限公司)	Henan	Henan	Market company	51	9.31	A subsidiary merged from enterprises not under common control
Anhui Tenghui Investment Group Hefei Company Limited (安徽騰輝投資集團合肥有限公司)	Anhui	Anhui	Investment management	100	—	A subsidiary merged from enterprises not under common control
Shanghai Red Star Macalline Intellectual Property Agency Company Limited (上海紅星美凱龍知識產權代理有限公司)	Shanghai	Shanghai	Intellectual property	—	100	A subsidiary merged from enterprises not under common control
Changzhou Macalline International Computer and Electronics Furnishing Plaza Co., Ltd. (常州美凱龍國際電腦家電裝飾城有限公司)	Jiangsu	Jiangsu	Site leasing management	100	—	A subsidiary merged from enterprises under common control
Changzhou World Furniture and Home Plaza Co. Ltd. (常州世界傢俱家居廣場有限公司)	Jiangsu	Jiangsu	Site leasing management	100	—	A subsidiary merged from enterprises under common control
Wuxi Red Star International Home Furnishing Company Limited (無錫紅星美凱龍國際傢俱裝飾有限公司)	Jiangsu	Jiangsu	Site leasing management	90	10	A subsidiary merged from enterprises under common control
Lianyungang Red Star International Home Furnishing Plaza Company Limited (連雲港紅星美凱龍國際家居廣場有限公司)	Jiangsu	Jiangsu	Site leasing management	60	40	A subsidiary merged from enterprises under common control

VII. INTERESTS IN OTHER ENTITIES (continued)

1. Interests in Subsidiaries (continued)

(1) Constitution of subsidiaries (continued)

(a) For the period from 1 January to 30 June 2019 (continued)

Subsidiary name	Main business site	Place of incorporation	Nature of business	Shareholding ratio (%)		Acquisition method
				Direct	Indirect	
Nanjing Red Star International Home Furnishing Mall Company Limited (南京紅星國際傢俱裝飾城有限公司)	Jiangsu	Jiangsu	Site leasing management	100	—	A subsidiary merged from enterprises under common control
Nanjing Mingdu Home Furnishing Plaza Company Limited (南京名都家居廣場有限公司)	Jiangsu	Jiangsu	Site leasing management	60	40	A subsidiary merged from enterprises under common control
Shanghai Red Star Macalline Decorative Furniture Mall Co., Ltd. (上海紅星美凱龍裝飾傢俱城有限公司)	Shanghai	Shanghai	Site leasing management	92	5	A subsidiary merged from enterprises under common control
Shanghai Red Star Macalline Global Home Furnishing Company Limited (上海紅星美凱龍全球家居有限公司)	Shanghai	Shanghai	Site leasing management	100	—	A subsidiary merged from enterprises under common control
Shanghai Shanhai Art Furniture Company Limited (上海山海藝術家俱有限公司)	Shanghai	Shanghai	Site leasing management	—	90	A subsidiary merged from enterprises under common control
Changsha Red Star Macalline International Home Furnishing Art Expo Company Limited (長沙紅星美凱龍國際家居藝術博覽中心有限公司)	Hunan	Hunan	Site leasing management	100	—	A subsidiary merged from enterprises under common control
Jinan Red Star Macalline Shibo Home Living Plaza Company Limited (濟南紅星美凱龍世博家居生活廣場有限公司)	Shandong	Shandong	Site leasing management	70	—	A subsidiary merged from enterprises under common control

Notes to the Financial Statements

For the period ended 30 June 2019

RMB

VII. INTERESTS IN OTHER ENTITIES (continued)

1. Interests in Subsidiaries (continued)

(1) Constitution of subsidiaries (continued)

(a) For the period from 1 January to 30 June 2019 (continued)

Subsidiary name	Main business site	Place of incorporation	Nature of business	Shareholding ratio (%)		Acquisition method
				Direct	Indirect	
Chengdu Red Star Macalline Shibo Home Living Plaza Company Limited (成都紅星美凱龍世博家居生活廣場有限責任公司)	Sichuan	Sichuan	Site leasing management	100	—	A subsidiary merged from enterprises under common control
Zhengzhou Red Star Macalline International Home Furnishing Company Limited (鄭州紅星美凱龍國際家居有限公司)	Henan	Henan	Site leasing management	51	9.31	A subsidiary merged from enterprises under common control
Chongqing Red Star Macalline Shibo Home Living Plaza Company Limited (重慶紅星美凱龍世博家居生活廣場有限責任公司)	Chongqing	Chongqing	Site leasing management	100	—	A subsidiary merged from enterprises under common control
Changzhou Hongyang Home Furnishing Plaza Company Limited (常州紅陽家居生活廣場有限公司)	Jiangsu	Jiangsu	Site leasing management	—	75.01	A subsidiary merged from enterprises under common control

Notes to the Financial Statements

For the period ended 30 June 2019

RMB

VII. INTERESTS IN OTHER ENTITIES (continued)

1. Interests in Subsidiaries (continued)

(1) Constitution of subsidiaries (continued)

(a) For the period from 1 January to 30 June 2019 (continued)

Subsidiary name	Main business site	Place of incorporation	Nature of business	Shareholding ratio (%)		Acquisition method
				Direct	Indirect	
Shenyang Red Star Macalline Home Living Expo Company Limited (瀋陽紅星美凱龍博覽家居有限公司)	Liaoning	Liaoning	Site leasing management	100	—	A subsidiary merged from enterprises under common control
Beijing Red Star Macalline International Home Furnishing Plaza Company Limited (北京紅星美凱龍國際傢俱建材廣場有限公司)	Beijing	Beijing	Site leasing management	100	—	A subsidiary merged from enterprises under common control
Beijing Red Star Macalline Shibo Furniture Plaza Company Limited (北京紅星美凱龍世博傢俱廣場有限公司)	Beijing	Beijing	Site leasing management	100	—	A subsidiary merged from enterprises under common control
Red Star Macalline Global (Beijing) Home Furnishing Plaza Company Limited (紅星美凱龍環球(北京)傢俱建材廣場有限公司)	Beijing	Beijing	Site leasing management	—	100	A subsidiary merged from enterprises under common control
Baotou Red Star Macalline Home Furnishing Plaza Company Limited (包頭紅星美凱龍家居生活廣場有限責任公司)	Inner Mongolia Autonomous Region	Inner Mongolia Autonomous Region	Site leasing management	100	—	A subsidiary merged from enterprises under common control
Shanghai Hongmei E-Commerce Company Limited (上海紅美電子商務有限公司)	Shanghai	Shanghai	E-commerce	100	—	A subsidiary merged from enterprises under common control

Notes to the Financial Statements

For the period ended 30 June 2019

RMB

VII. INTERESTS IN OTHER ENTITIES (continued)

1. Interests in Subsidiaries (continued)

(1) Constitution of subsidiaries (continued)

(a) For the period from 1 January to 30 June 2019 (continued)

Subsidiary name	Main business site	Place of incorporation	Nature of business	Shareholding ratio (%)		Acquisition method
				Direct	Indirect	
Shanghai Junmai Advertising Company Limited (上海雋邁廣告有限公司)	Shanghai	Shanghai	Advertisement company	—	100	A subsidiary merged from enterprises under common control
Jiangsu Sunan Construction and Installation Engineering Co., Ltd. (江蘇蘇南建築安裝工程有限公司)	Jiangsu	Jiangsu	Building construction	100	—	A subsidiary merged from enterprises under common control
Shanghai Red Star Macalline Home Furnishing Market Management Company Limited (上海紅星美凱龍家居市場經營管理有限公司)	Shanghai	Shanghai	Market company	90	—	A subsidiary merged from enterprises under common control
Changzhou Red Star Macalline Home Furnishing and Decorating Market Company Limited (常州紅星美凱龍裝飾家居用品市場有限公司)	Jiangsu	Jiangsu	Market company	—	100	A subsidiary merged from enterprises under common control
Shanghai Red Star Macalline Home Furnishing and Decorating Market Management Company Limited (上海紅星美凱龍傢俱裝飾市場經營管理有限公司)	Shanghai	Shanghai	Market company	45	53.35	A subsidiary merged from enterprises under common control
Beijing Macalline Home Furnishing Material Market Company Limited (北京美凱龍傢俱建材市場有限公司)	Beijing	Beijing	Market company	20	80	A subsidiary merged from enterprises under common control

Notes to the Financial Statements

For the period ended 30 June 2019

RMB

VII. INTERESTS IN OTHER ENTITIES (continued)

1. Interests in Subsidiaries (continued)

(1) Constitution of subsidiaries (continued)

(a) For the period from 1 January to 30 June 2019 (continued)

Subsidiary name	Main business site	Place of incorporation	Nature of business	Shareholding ratio (%)		Acquisition method
				Direct	Indirect	
Beijing Red Star Macalline Shibo Home Furnishing Plaza Company Limited (北京紅星美凱龍世博傢俱建材廣場有限公司)	Beijing	Beijing	Market company	—	100	A subsidiary merged from enterprises under common control
Shanghai Xingkai Chengpeng Business Management Company Limited (上海星凱程鵬企業管理有限公司)	Shanghai	Shanghai	Investment management	100	—	A subsidiary merged from enterprises under common control
Shanghai Red Star Macalline Industrial Company Limited (上海紅星美凱龍實業有限公司)	Shanghai	Shanghai	Investment management	100	—	A subsidiary merged from enterprises under common control
Red Star Macalline (Zhejiang) Information Technology Co., Ltd. (紅星美凱龍(浙江)信息技術有限公司)	Zhejiang	Zhejiang	Management and consultancy	100	—	A subsidiary acquired through establishment, investment or other ways
Qianzhi (Shanghai) Home Furnishing Co., Ltd. (乾智(上海)家居有限公司)	Shanghai	Shanghai	Sale of home furniture	60	—	Purchase of equity
Zhejiang Xingzhuo Decoration Co., Ltd. (浙江星卓裝飾有限公司)	Zhejiang	Zhejiang	Building construction	—	100	A subsidiary acquired through establishment, investment or other ways
Nanchang Red Star Macalline Global Home Expo Center Co., Ltd. (南昌紅星美凱龍環球家居博覽中心有限責任公司)	Jiangxi	Jiangxi	Commercial service	70	30	Purchase of equity

Notes to the Financial Statements

For the period ended 30 June 2019

RMB

VII. INTERESTS IN OTHER ENTITIES (continued)

1. Interests in Subsidiaries (continued)

(1) Constitution of subsidiaries (continued)

(a) For the period from 1 January to 30 June 2019 (continued)

Subsidiary name	Main business site	Place of incorporation	Nature of business	Shareholding ratio (%)		Acquisition method
				Direct	Indirect	
Tianjin Red Star Macalline Supply Chain Management Co., Ltd. (天津紅星美凱龍供應鏈管理有限公司)	Tianjin	Tianjin	Supply chain management	—	60	A subsidiary acquired through establishment, investment or other ways
Dalian Red Star Macalline Shibo Home Furnishing Plaza Company Limited (大連紅星美凱龍世博家居廣場有限公司)	Liaoning	Liaoning	Sale of home furniture	62	—	Repurchase
Shanghai Banlong Business Management Co., Ltd. (上海阪瓏商業管理有限公司)	Shanghai	Shanghai	Management and consultancy	—	100	A subsidiary acquired through establishment, investment or other ways
Shanghai Yingtai Lijin Technology Co., Ltd. (上海英太利金科技有限公司)	Shanghai	Shanghai	Information science and technology development	80	—	A subsidiary acquired through establishment, investment or other ways
Nantong Longmei International Home Furnishing Plaza Co., Ltd. (南通龍美國際家居生活廣場有限公司)	Jiangsu	Jiangsu	Site leasing management	100	—	A subsidiary acquired through establishment, investment or other ways
Shenzhen Red Star Macalline Gaosheng Production City Development Co., Ltd. (深圳市紅星美凱龍高盛產城發展有限公司)	Guangdong	Guangdong	Information science and technology development	51	—	A subsidiary acquired through establishment, investment or other ways
Beijing Xingmei Yongsheng Information Consulting Co., Ltd. (北京星美永盛信息諮詢有限公司)	Beijing	Beijing	Management and consultancy	—	70	A subsidiary acquired through establishment, investment or other ways

VII. INTERESTS IN OTHER ENTITIES (continued)

1. Interests in Subsidiaries (continued)

(1) Constitution of subsidiaries (continued)

(a) For the period from 1 January to 30 June 2019 (continued)

Subsidiary name	Main business site	Place of incorporation	Nature of business	Shareholding ratio (%)		Acquisition method
				Direct	Indirect	
Shanghai Zhiya Management Consulting Co., Ltd. (上海極雅管理諮詢有限公司)	Shanghai	Shanghai	Management and consultancy	—	100	A subsidiary acquired through establishment, investment or other ways
Red Star Macalline (Zhejiang) Enterprise Management Co., Ltd. (紅星美凱龍(浙江)企業管理有限公司)	Zhejiang	Zhejiang	Management and consultancy	95	—	A subsidiary acquired through establishment, investment or other ways
Shanghai Guixu Enterprise Management Co., Ltd. (上海歸翹企業管理有限公司)	Shanghai	Shanghai	Management and consultancy	100	—	Purchase of equity
Guangzhou Red Star Macalline Home Expo Center Co., Ltd. (廣州紅星美凱龍家居博覽中心有限公司)	Guangdong	Guangdong	Site leasing management	100	—	A subsidiary acquired through establishment, investment or other ways
Xi'an Comfort Meijia Housekeeping Service Co., Ltd. (西安舒適美佳家政服務有限責任公司)	Shaanxi	Shaanxi	Labor dispatching	65	—	A subsidiary acquired through establishment, investment or other ways
Shanghai Weilaishi Decoration Technology Co., Ltd. (上海威來適裝飾科技有限公司)	Shanghai	Shanghai	Home decoration	—	66.86	A subsidiary acquired through establishment, investment or other ways
Shanghai Red Star Macalline Construction Decoration (Group) Co., Ltd. (上海紅星美凱龍建築裝飾(集團)有限公司)	Shanghai	Shanghai	Building construction	100	—	A subsidiary acquired through establishment, investment or other ways

Notes to the Financial Statements

For the period ended 30 June 2019

RMB

VII. INTERESTS IN OTHER ENTITIES (continued)

1. Interests in Subsidiaries (continued)

(1) Constitution of subsidiaries (continued)

(a) For the period from 1 January to 30 June 2019 (continued)

Subsidiary name	Main business site	Place of incorporation	Nature of business	Shareholding ratio (%)		Acquisition method
				Direct	Indirect	
Red Star Macalline Life Aesthetics Center Management Co., Ltd. (紅星美凱龍生活美學中心管理有限公司)	Zhejiang	Zhejiang	Engineering design	95	—	A subsidiary acquired through establishment, investment or other ways
Zhejiang Xingyisheng Industrial Development Co., Ltd. (浙江星易盛實業發展有限公司)	Zhejiang	Zhejiang	Building construction	—	75	A subsidiary acquired through establishment, investment or other ways
Shanghai Beizheng Logistics Company Limited (上海倍正物流有限公司)	Shanghai	Shanghai	Inventory and logistics	—	100	A subsidiary acquired through establishment, investment or other ways
Yongqing Yintong Construction Development Co., Ltd. (永清銀通建設開發有限公司)	Hebei	Hebei	Building construction	—	70	Purchase of equity
Yongqing Yintai Future Land Construction And Development Co., Ltd. (永清銀泰新城建設開發有限公司)	Hebei	Hebei	Building construction	—	70	Purchase of equity
Shanghai Macalline Decoration Engineering Group Co., Ltd. (上海美凱龍裝飾工程集團有限公司)	Shanghai	Shanghai	Building construction	100	—	A subsidiary acquired through establishment, investment or other ways
Shijiazhuang Bochen Industrial Co., Ltd. (石家莊博宸實業有限公司)	Shijiazhuang	Shijiazhuang	Management and consultancy	—	100	A subsidiary acquired through establishment, investment or other ways

VII. INTERESTS IN OTHER ENTITIES (continued)

1. Interests in Subsidiaries (continued)

(1) Constitution of subsidiaries (continued)

(a) For the period from 1 January to 30 June 2019 (continued)

Subsidiary name	Main business site	Place of incorporation	Nature of business	Shareholding ratio (%)		Acquisition method
				Direct	Indirect	
Shanghai Dingshi Enterprise Management Partnership (Limited Partnership) (上海鼎識企業管理合夥企業(有限合夥))	Shanghai	Shanghai	Management and consultancy	—	95	A subsidiary acquired through establishment, investment or other ways
Shanghai Hezhu Enterprise Management Partnership (Limited Partnership) (上海合祝企業管理合夥企業(有限合夥))	Shanghai	Shanghai	Management and consultancy	—	1	A subsidiary acquired through establishment, investment or other ways
Shanghai Jiliang Enterprise Management Partnership (Limited Partnership) (上海集量企業管理合夥企業(有限合夥))	Shanghai	Shanghai	Management and consultancy	—	1	A subsidiary acquired through establishment, investment or other ways
Shanghai Juzun Enterprise Management Partnership (Limited Partnership) (上海聚尊企業管理合夥企業(有限合夥))	Shanghai	Shanghai	Management and consultancy	—	1	A subsidiary acquired through establishment, investment or other ways
Shanghai Juqin Enterprise Management Partnership (Limited Partnership) (上海聚欽企業管理合夥企業(有限合夥))	Shanghai	Shanghai	Management and consultancy	—	1	A subsidiary acquired through establishment, investment or other ways
Shanghai Juchu Enterprise Management Partnership (Limited Partnership) (上海聚楚企業管理合夥企業(有限合夥))	Shanghai	Shanghai	Management and consultancy	—	1	A subsidiary acquired through establishment, investment or other ways

Notes to the Financial Statements

For the period ended 30 June 2019

RMB

VII. INTERESTS IN OTHER ENTITIES (continued)

1. Interests in Subsidiaries (continued)

(1) Constitution of subsidiaries (continued)

(a) For the period from 1 January to 30 June 2019 (continued)

Subsidiary name	Main business site	Place of incorporation	Nature of business	Shareholding ratio (%)		Acquisition method
				Direct	Indirect	
Shanghai Jibin Enterprise Management Partnership (Limited Partnership) (上海集彬企業管理合夥企業(有限合夥))	Shanghai	Shanghai	Management and consultancy	99	1	A subsidiary acquired through establishment, investment or other ways
Shanghai Jici Enterprise Management Partnership (Limited Partnership) (上海集慈企業管理合夥企業(有限合夥))	Shanghai	Shanghai	Management and consultancy	—	1	A subsidiary acquired through establishment, investment or other ways
Shanghai Herou Enterprise Management Partnership (Limited Partnership) (上海合柔企業管理合夥企業(有限合夥))	Shanghai	Shanghai	Management and consultancy	—	1	A subsidiary acquired through establishment, investment or other ways
Shanghai Hezeng Enterprise Management Partnership (Limited Partnership) (上海合增企業管理合夥企業(有限合夥))	Shanghai	Shanghai	Management and consultancy	—	1	A subsidiary acquired through establishment, investment or other ways

VII. INTERESTS IN OTHER ENTITIES (continued)

1. Interests in Subsidiaries (continued)

(1) Constitution of subsidiaries (continued)

(b) Subsidiaries that create fixed returns for its minority shareholders

Pursuant to the relevant contracts signed between the Company and Shandong Lotus Group Company Limited (山東芙蓉集團有限公司), a shareholder of Jinan Red Star Macalline Shibo Home Living Plaza Company Limited (濟南紅星美凱龍世博家居生活廣場有限公司), upon completion of the properties under relevant cooperation projects, certain property ownership will be vested in Shandong Lotus Group Company Limited (山東芙蓉集團有限公司) and leased and used by the Group. The lease term shall be 10 years starting from the formal commence date of the project (2010 to 2020) and Shandong Lotus Group Company Limited shall be entitled to fixed rental returns. Shandong Lotus Group Company Limited will not participate in the daily operation and management and other profit distributions of Jinan Red Star. As stipulated in relevant contracts, the Group will reclassify the capital contribution made by Shandong Lotus Group Company Limited to liabilities, which will not be accounted as equity instruments.

Pursuant to the relevant contracts signed between the Company and Beijing Chaoyang Huayuan North Nong Gong Shang Company (北京市朝陽北花園農工商公司), a shareholder of Beijing Century Europe and America Business Investment Company Limited (北京世紀歐美商業投資有限公司), during the cooperation period of the project, the Group will undertake the contracting of operation of Beijing Europe and America Business (北京歐美商業) and, starting from the date after twelve months of the formal commencement of the project, pay the fixed contracting profit to Beijing Chaoyang Huayuan North Nong Gong Shang Company. The cooperation and operation period shall be 50 years (2011 to 2060). Upon expiry of the cooperation and operation period, all land parcels, properties and unmovable facilities of the Project Company will be shared among the shareholders of both parties on a pro rata basis based on the registered capital. As stipulated in relevant contracts, the Group will reclassify the capital contribution made by Beijing Chaoyang Huayuan North Nong Gong Shang Company to liabilities, which will not be accounted as equity instruments.

Pursuant to the relevant contracts signed between the Company and Chengdu Great-wall Industrial Group Company Limited (成都長城實業集團有限公司), a shareholder of Chengdu Changyi Red Star Macalline Home Living Market Management Company Limited (成都長益紅星美凱龍家居市場經營管理有限公司), within 10 years starting from 2017, Chengdu Great-wall Industrial Group Company Limited shall be entitled to fixed returns and will not be entitled to other profit distributions of Chengdu Changyi Red Star Macalline Home Living Market Management Company Limited. As stipulated in the relevant contracts, the Group will divide the corresponding non-controlling interests into two parts, namely financial liabilities and equity instruments, and make separate presentation.

Notes to the Financial Statements

For the period ended 30 June 2019

RMB

VII. INTERESTS IN OTHER ENTITIES (continued)

1. Interests in Subsidiaries (continued)

(1) Constitution of subsidiaries (continued)

(c) Basis for having not more than half of voting rights but maintaining control over invested units as well as having more than half of voting rights but waiving control over invested units:

Shanghai Red Star Macalline International Trading Company Limited (上海紅星美凱龍國際貿易有限公司) controlled by the Group accounts for 55% of the percentage of equity of Shanghai Ditu Home Furnishing Company Limited (上海締圖家居有限公司). Pursuant to the Articles of Association, resolutions of the general meeting shall be approved by shareholders representing at least half of voting rights of the whole shareholders, and the Group could exercise control over it.

Other shareholders of Longzhihui (Shanghai) Facility Management Services Co., Ltd. (龍之惠(上海)設施管理服務有限公司) will not participate in the specific operation and management of Company and the Group has the rights to determine its financial and operational policies, and could exercise control over it.

The board of directors of Shanghai Hongxin Oukai Home Furnishing Company Limited (上海虹欣歐凱家居有限公司) totally sets five seats. CHE Jianxing (車建興), the chairman of the Group, serves as its chairman and CHE Jianfang (車建芳) servers as its director, and they could exercise control over it.

The board of directors of Chengdu Changyi Red Star Macalline Home Living Market Management Company Limited totally sets five seats, three of which were appointed by the Group. CHE Jianxing serves as the chairman, and the Group could exercise control over it.

Red Star Zhongying Investment Company Limited (紅星眾盈投資有限公司) controlled by the Group accounts for 80% of the percentage of equity of Shanghai Fanju Network Technology Company Limited (上海泛居網絡科技有限公司). Pursuant to the Articles of Association, resolutions of the general meeting shall be approved by shareholders representing at least half of voting rights of the whole shareholders, and the Group could exercise control over it.

Notes to the Financial Statements

For the period ended 30 June 2019

RMB

VII. INTERESTS IN OTHER ENTITIES (continued)

1. Interests in Subsidiaries (continued)

(2) Important non-wholly owned subsidiaries

RMB

Subsidiary name	Minority shareholders' interests ratio (%)	Profit/loss attributable to minority shareholders in the current period	Dividend announced to be distributed to minority shareholders in the current period	Accumulated minority shareholders interests by the end of the period
Chengdu Changyi Red Star Macalline Home Living Market Management Company Limited (成都長益 紅星美凱龍家居市場經營管 理有限公司)	50.00%	13,405,631.03	—	377,823,479.94
Zhengzhou Red Star Macalline International Home Furnishing Company Limited (鄭州紅星美凱龍國際家居有 限公司)	39.69%	61,862,840.06	42,000,000.00	916,286,748.66
Yintai (Yongqing) New City Investment Co., Ltd. (銀泰(永 清)新城投資有限公司)	30.00%	(3,254,274.05)	—	428,795,640.13

Notes to the Financial Statements

For the period ended 30 June 2019

RMB

VII. INTERESTS IN OTHER ENTITIES (continued)

1. Interests in Subsidiaries (continued)

(3) Important financial information of important non-wholly owned subsidiaries

Subsidiary name	30 June 2019						31 December 2018					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Zhengzhou Red Star Macalline International Home Furnishing Company Limited (鄭州紅星美凱龍國際家居有限公司)	1,679,839,029.54	3,384,259,099.71	5,064,098,129.25	1,070,757,652.01	1,519,332,222.19	2,590,089,874.20	1,064,749,991.54	3,312,336,742.56	4,377,086,734.10	1,036,249,982.69	938,693,550.68	1,974,943,533.37
Yintai (Yongqing) New City Investment Co., Ltd. (銀泰(永清)新城投資有限公司)	269,239,195.25	2,317,398,661.39	2,586,697,856.64	698,127,244.96	459,251,811.26	1,157,379,056.22	36,906,323.85	2,187,586,210.15	2,224,492,534.00	309,261,363.32	475,064,790.08	784,326,153.40
Chengdu Changyi Red Star Macalline Home Living Market Management Company Limited (成都長益紅星美凱龍家居市場經營管理有限公司)	470,049,730.64	1,238,143,412.84	1,708,193,143.48	336,785,651.91	315,760,531.70	652,546,183.61	451,839,023.10	1,229,596,693.53	1,681,435,716.63	368,935,529.00	283,664,489.81	652,600,018.81

Subsidiary name	For the period from 1 January to 30 June 2019				For the period from 1 January to 30 June 2018			
	Operating revenue	Net profit	Total comprehensive income	Cash flow from operating activities	Operating Revenue	Net profit	Total comprehensive income	Cash flow from operating activities
Zhengzhou Red Star Macalline International Home Furnishing Company Limited (鄭州紅星美凱龍國際家居有限公司)	172,918,274.13	155,865,054.32	155,865,054.32	123,180,652.91	159,400,409.01	128,619,859.10	128,619,859.10	128,539,551.19
Yintai (Yongqing) New City Investment Co., Ltd. (銀泰(永清)新城投資有限公司)	—	(10,847,580.18)	(10,847,580.18)	(5,224,330.77)	—	—	—	—
Chengdu Changyi Red Star Macalline Home Living Market Management Company Limited (成都長益紅星美凱龍家居市場經營管理有限公司)	32,451,953.84	26,811,262.05	26,811,262.05	(5,111,588.45)	37,046,311.49	39,156,265.54	23,652,913.18	(7,811,274.72)

VII. INTERESTS IN OTHER ENTITIES (continued)

2. Transactions with Changes in Shares of Equities Attributable to Owners of Subsidiaries and with Control over the Subsidiaries

(1) Description of changes in shares of equities attributable to owners of subsidiaries

(a) For the period from 1 January to 30 June 2019

In March 2019, the Group acquired its 30% equity held in Shanghai Jiajinsuo Investment Holding Company Limited (上海家金所投資控股有限公司) from minority shareholders of Shanghai Jiajinsuo Investment Holding Company Limited, at RMB1.00. After the completion of the acquisition, the shares of equities attributable to owners of Shanghai Jiajinsuo Investment Holding Company Limited attributable to the Group increased from 70% to 100%, writing down capital reserve by RMB1,100,450.40.

In March 2019, the Group acquired its 49% equity held in Changzhou Hongyang Home Furnishing Plaza Company Limited (常州紅陽家居生活廣場有限公司) from minority shareholders of Changzhou Hongyang Home Furnishing Plaza Company Limited, at RMB139,400,000. After the completion of the acquisition, the shares of equities attributable to owners of Changzhou Hongyang Home Furnishing Plaza Company Limited attributable to the Group increased from 26% to 75%, writing down capital reserve by RMB157,028,794.60.

In May 2019, the Group acquired its 3% equity held in Shanghai Red Star Macalline Decorative Furniture Mall Co., Ltd (上海紅星美凱龍裝飾傢俱城有限公司) from minority shareholders of Shanghai Red Star Macalline Decorative Furniture Mall Co., Ltd, at RMB160,000,000.00. After the completion of the acquisition, the shares of equities attributable to owners of Shanghai Red Star Macalline Decorative Furniture Mall Co., Ltd attributable to the Group increased from 94% to 97%, writing down capital reserve by RMB114,747,851.85.

In May 2019, former shareholder Shanghai Red Star Macalline Network Technology Company Limited (上海紅星美凱龍網絡技術有限公司) transferred its 100% equity held in Shanghai Aiguangjia E-commerce Company Limited (上海愛逛家電子商務有限公司) to Shanghai Zhiya Management Consulting Co., Ltd. (上海樞雅管理諮詢有限公司) at the consideration of RMB0.00, and the Group indirectly controlled Shanghai Aiguangjia E-commerce Company Limited on a 100% basis, writing down capital reserve by RMB0.00.

Notes to the Financial Statements

For the period ended 30 June 2019

RMB

VII. INTERESTS IN OTHER ENTITIES (continued)

2. Transactions with Changes in Shares of Equities Attributable to Owners of Subsidiaries and with Control over the Subsidiaries (continued)

(1) Description of changes in shares of equities attributable to owners of subsidiaries (continued)

(b) For the period from 1 January to 30 June 2018

The Group acquired its 30% equity held in Changchun Red Star (長春紅星) from minority shareholders of Changchun Red Star, at RMB350,000,000.00. After the completion of the acquisition, the shares of equities attributable to owners of Changchun Red Star attributable to the Group increased from 70% to 100%, writing down capital reserve by RMB217,271,045.23.

The Group acquired its 30% equity held in Betterhome Decoration (家倍得裝飾) from minority shareholders of Betterhome Decoration, at RMB51,000,000.00. After the completion of the acquisition, the shares of equities attributable to owners of Betterhome Decoration attributable to the Group increased from 50% to 80%, writing down capital reserve by RMB42,529,830.35.

The Group acquired its 27% equity held in Shenyang Shibo Home Furnishing (瀋陽世博家居) from minority shareholders of Shenyang Shibo Home Furnishing with RMB12,296,340.00 in cash, RMB34,079,044.40 in debt exemption, and other non-current assets with fair value of RMB215,026,964.96 as consideration. After the completion of the acquisition, the shares of equities attributable to owners of Shenyang Shibo Home Furnishing attributable to the Group increased from 73% to 100%, writing down capital reserve by RMB0.00.

Notes to the Financial Statements

For the period ended 30 June 2019

RMB

VII. INTERESTS IN OTHER ENTITIES (continued)

2. Transactions with Changes in Shares of Equities Attributable to Owners of Subsidiaries and with Control over the Subsidiaries (continued)

(2) Impact of transactions on non-controlling interests and equity attributable to owners of the parent company

(a) For the period from 1 January to 30 June 2019

RMB

	Changzhou Hongyang Home Furnishing Plaza Company Limited (常州紅 陽家居生活廣場 有限公司)	Shanghai Red Star Macalline Decorative Furniture Mall Co., Ltd. (上海紅 星美凱龍裝飾傢 俱城有限公司)	Shanghai Jiajinsuo Investment Holding Company Limited (上海家金所投資 控股有限公司)	Shanghai Aiguangjia E-commerce Company Limited (上海愛逛家電子 商務有限公司)
Purchase cost/disposal consideration				
Cash	139,400,000.00	160,000,000.00	1.00	—
Total purchase cost/disposal consideration	139,400,000.00	160,000,000.00	1.00	—
Less: The share of net assets of the subsidiary calculated based on the percentage of equity acquired/disposed of	(17,628,794.60)	45,252,148.15	(1,100,450.40)	
Differences	157,028,794.60	114,747,851.85	1,100,451.40	
Including: Capital reserve adjustment	157,028,794.60	114,747,851.85	1,100,451.40	—

(b) For the period from 1 January to 30 June 2018

RMB

	Changchun Red Star	Betterhome Decoration	Shenyang Shibo Home Furnishing
Purchase cost			
— Cash	350,000,000.00	51,000,000.00	12,296,340.00
— Debt exemption	—	—	34,079,044.40
— Other non-current assets			215,026,964.96
Total purchase cost and consideration	350,000,000.00	51,000,000.00	261,402,349.36
Less: the share of net assets of the subsidiary calculated based on the percentage of equity acquired	132,728,954.77	8,470,169.65	261,402,349.36
Differences	217,271,045.23	42,529,830.35	—
Including: Capital reserve adjustment	217,271,045.23	42,529,830.35	—

Notes to the Financial Statements

For the period ended 30 June 2019

RMB

VII. INTERESTS IN OTHER ENTITIES (continued)

3. Interests in Joint Ventures or Associates

(1) Important joint ventures or associates

Name of joint venture or associate	Main business site	Place of incorporation	Nature of business	Shareholding ratio (%)		Accounting treatment of investments in joint ventures or associates
				Direct	Indirect	
Chengdu Dongtai Shopping Mall Company Limited (成都東泰商城有限公司)	Sichuan	Sichuan	Site leasing management	50.00	—	Equity method

(2) Major financial information of important joint ventures

	Chengdu Dongtai Shopping Mall Company Limited (成都東泰商城有限公司)	
	30 June 2019/ For the period from 1 January to 30 June 2019	31 December 2018/ For the period from 1 January to 30 June 2018
Current assets	371,293,077.48	414,184,788.69
Including: Cash and cash equivalents	49,536,457.31	107,020,013.70
Non-current assets	1,858,641,314.96	1,877,673,835.57
Total assets	2,229,934,392.44	2,291,858,624.26
Current liabilities	276,078,049.96	94,547,054.26
Non-current liabilities	397,952,165.45	400,714,909.18
Total liabilities	674,030,215.41	495,261,963.44
Net assets share calculated based on the shareholding ratio	777,952,088.52	898,298,330.42
Book value of joint venture equity investment	777,952,088.52	898,298,330.42
Fair value of joint venture equity investment of public offer	N/A	N/A
Revenue	78,963,760.67	80,466,897.19
Financial expenses	(1,880,369.15)	(159,819.67)
Income tax expense	7,772,935.24	26,917,273.71
Net profit	10,484,188.86	79,621,307.08
Other comprehensive income	—	—
Total comprehensive income	10,484,188.86	79,621,307.08
Dividends received from joint ventures for the period	133,233,703.73	—

RMB

Notes to the Financial Statements

For the period ended 30 June 2019

RMB

VII. INTERESTS IN OTHER ENTITIES (continued)

3. Interests in Joint Ventures or Associates (continued)

(3) Consolidated financial information of unimportant joint ventures and associates

RMB

	30 June 2019/ For the period from 1 January to 30 June 2019	31 December 2018/ For the period from 1 January to 30 June 2018
Joint ventures:		
Total book value of the investments	169,989,454.87	114,375,616.68
The aggregate of following items calculated based on the shareholding ratio		
– Net profit	11,774,655.24	4,973,516.94
– Other comprehensive income	–	–
– Total comprehensive income	11,774,655.24	4,973,516.94
Associates:		
Total book value of the investments	2,158,737,870.90	2,013,427,181.40
The aggregate of following items calculated based on the shareholding ratio		
– Net profit	(37,858,672.26)	45,479,784.29
– Other comprehensive income	–	–
– Total comprehensive income	(37,858,672.26)	45,479,784.29

(4) Descriptions of significant restrictions on the ability of joint ventures or associates to transfer capital to the Company

None.

(5) Contingent liabilities related to investments in joint ventures or associates

None.

(6) Unconfirmed commitments related to investments in joint ventures

None.

Notes to the Financial Statements

For the period ended 30 June 2019

RMB

VIII. RISKS RELATED TO FINANCIAL INSTRUMENTS

Major financial instruments of the Group include cash and bank balances, other equity instrument investments, financial assets held for trading, accounts receivable, notes receivable, receivables financing, other receivables, other current assets, non-current assets due within one year, long-term receivables, other non-current assets, accounts payable, other payables, loans, bonds payable, non-current liabilities due within one year, long-term payables, other non-current liabilities, etc., for details of each financial instrument, please see “Notes to the Financial Statements – V. Notes to the Major Items of Consolidated Financial Statements”. The following will show the risks relating to these financial instruments and the risk management policies the Group adopted to reduce the relative risks.

Management of the Group manages and supervises the exposures of these financial instruments to ensure that they are controlled within the limited extent. Sensitivity analysis is adopted by the Group to analyze possible impact on the current profit or loss or shareholders' equity by the reasonable and possible changes of risk variables. Since any risk variables seldom happen individually, relativity between variables will cause significant influences on the ultimate impacted amount of the change in a risk variable, so the following statement is based on supposition that each variable happens independently.

1. Goal and Policies of Risk Management

The goal of risk management of the Group is to achieve balance between risk and income, reducing the negative impacts by risk on the operation result of the Group to the lowest level, and maximizing interests of shareholders and other equity investors. For the purpose of risk management, the basic strategy of risk management for the Group is to ascertain and analyze all the risks that the Group confronts, establish appropriate bottom line for risk-taking, and manage the risks accordingly, in the meantime supervise all the risks in a timely and reliable manner, controlling the risks within the limited extent.

1.1 Market risk

The interest rate risk is the main risk faced by the Group. There has been no significant change in the Group's market risk exposure and the way in which these risks are managed and recognized during the current and prior period.

1.1.1 Foreign exchange risk

Foreign exchange risk refers to the risk arising from the loss on exchange rate changes. The Group is mainly exposed to foreign exchange risk that relates to US dollars and Hong Kong dollars. The principal business activities of the Group's subsidiaries are settled in Renminbi.

VIII. RISKS RELATED TO FINANCIAL INSTRUMENTS (continued)

1. Goal and Policies of Risk Management (continued)

1.1 Market risk (continued)

1.1.1 Foreign exchange risk (continued)

As at 30 June 2019, except for the US dollar and Hong Kong dollar adopted by each entity as functional currencies for financial assets and financial liabilities as stated in the below table, the balance of the financial assets and financial liabilities of the Group are all in Renminbi. As at the end of the Reporting Period, financial assets and liabilities denominated in currencies other than the functional currency of the Group mainly included the US\$300 million USD denominated bonds issued on 21 September 2017, 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.

RMB'000		
Items	30 June 2019	31 December 2018
US dollars		
Cash and bank balances	93,804	4,476
Bonds payable	2,035,632	2,036,293
HK dollars		
Cash and bank balances	1,083	4,528

Notes to the Financial Statements

For the period ended 30 June 2019

RMB

VIII. RISKS RELATED TO FINANCIAL INSTRUMENTS (continued)

1. Goal and Policies of Risk Management (continued)

1.1 Market risk (continued)

1.1.1 Foreign exchange risk (continued)

Sensitive analysis on foreign exchange risk

The Group closely monitors the impact of changes in exchange rates on the foreign exchange risk of the Group. Where other variables remain constant, the potential reasonable changes in exchange rates against the net profit after tax calculated by profit or loss and shareholders' equity for the period are set out as follows:

RMB'000

Items	Exchange rate changes	30 June 2019		31 December 2018	
		Impact on profit	Impact on shareholders' equity	Impact on profit	Impact on shareholders' equity
Entity with Renminbi as its functional currency					
Net profit and equity	5% depreciation of US dollars against Renminbi	97,091	97,091	76,193	76,193
	5% depreciation of HK dollars against Renminbi	42,389	42,389	34,584	34,584

1.1.2 Interest rate risk – Risk of changes in cash flow

Risks related to changes in financial instruments' cash flow due to interest rates' variation mainly involve bank borrowings and bank deposits with floating interest rates. These items adopt a deposit interest rate or floating interest rate based on the benchmark interest rate published by the People's Bank of China. The Group's policy is to maintain the floating interest rate of these borrowings to eliminate the risk of changes in the fair value of interest rates.

The section of "Liquidity risk" of this Note details the Group's exposure to risks of interest rates on financial liabilities.

VIII. RISKS RELATED TO FINANCIAL INSTRUMENTS (continued)

1. Goal and Policies of Risk Management (continued)

1.1 Market risk (continued)

1.1.2 Interest rate risk – Risk of changes in cash flow (continued)

The following sensitivity analysis is based on the fact that the balance of bank deposits and bank borrowings with floating interest rate at the end of the reporting year is not paid throughout the year. When reporting interest rate risks to the management, the bank borrowings with floating interest rate terms are increased or decreased by 50 basis points, and by 25 basis points for bank deposits, which represent the estimations made by the management on the possibly reasonable changes in the relevant interest rates of bank borrowings and bank deposits.

If the interest rate of the bank borrowings with the floating interest rate rises by 50 basis points and all other variables remain unchanged, the decreases in net profit after tax of the Group (excluding the impact of interest capitalization) for the current period and prior year are as follows:

	30 June 2019	31 December 2018
	RMB'000	RMB'000
Decrease in net profit	81,919	72,956
Decrease in shareholders' equity	81,919	72,956

If the interest rate of bank borrowings with the floating interest rate falls by 50 basis points and all other variables remain unchanged, the annual net profit will increase by the same amounts in the above table.

If the interest rate of bank account balance and the restricted bank deposits rises by 25 basis points and all other variables remain unchanged, the increases in net profit of the Group for the current period and prior year are as follows:

	30 June 2019	31 December 2018
	RMB'000	RMB'000
Increase in net profit	40,960	36,478
Increase in shareholders' equity	40,960	36,478

If the interest rate of bank deposits falls by 25 basis points and all other variables remain unchanged, the annual net profit will decrease by the same amounts in the above table.

Notes to the Financial Statements

For the period ended 30 June 2019

RMB

VIII. RISKS RELATED TO FINANCIAL INSTRUMENTS (continued)

1. Goal and Policies of Risk Management (continued)

1.2 Credit risks

For the current period and prior year, the biggest exposure of credit risks that can cause financial losses of the Group when the other party of the contract does not carry out its obligations, including:

- (1) At the end of the year, the carrying amount of the financial assets that have been separately recognized in the consolidated balance sheet.
- (2) The amount of contingent liabilities related to the financial guarantee of the Group.

A special team has been set up to be in charge of setting credit lines, approving credit limits and exercising other supervisory procedures to make sure all necessary measures are taken to retrieve overdue creditor's rights, thus reducing credit risk. Moreover, the Group reviewed the recoverable amounts of receivables on every balance sheet date to make sure sufficient provision on bad debt will be in place for those irretrievable receivables. Therefore, the management considers the Group exposure to the credit risks greatly reduced.

There is no significant credit concentration risk for accounts receivable from non-related parties of the Group, since accounts receivable are from a large number of customers in various industries and regions.

There is a credit concentration risk in the accounts receivable from the related parties of the Group, but the risk is very limited due to the good financial position of the related parties.

There is a credit concentration risk in the Group's liquidity as it is mainly deposited with several banks with high ratings by international credit rating agencies, therefore the credit concentration risk is very limited.

VIII. RISKS RELATED TO FINANCIAL INSTRUMENTS (continued)

1. Goal and Policies of Risk Management (continued)

1.3 Liquidity risks

The Group's management has established an appropriate liquidity risk management framework to meet the Group's short-, medium- and long-term capital and liquidity management requirements. The Group manages the liquidity risk by maintaining sufficient reserves, new shares issued, bank credit lines and reserve loan credit lines, continuously monitoring expected and actual cash flows, matching the maturity date of the portfolio of financial assets and liabilities.

In addition, the following table sets out the remaining contract maturities of the Group's non- derivative financial liabilities based on the repayment terms specified in the contract. The table is prepared based on the undiscounted cash flow of the earliest time that the Group may be required to repay. The following table includes interests and principal cash flows.

If the changed floating interest rate is different from the interest rate estimated at the end of each Reporting Period, the amount of non-derivative financial liabilities with floating interest rate listed in the table below will also change.

RMB'000

30 June 2019	On demand or due within				Total
	1 year	1 to 2 years	2 to 5 years	over 5 years	
Accounts payable	994,602	—	—	—	994,602
Other payables	7,714,923	—	—	—	7,714,923
Long-term payables	—	214,227	459,703	610,136	1,284,066
Short-term loans	3,417,677	—	—	—	3,417,677
Long-term loans	—	3,640,954	7,804,833	6,873,820	18,319,607
Bonds payable	—	8,477,031	6,885,673	—	15,362,704
Non-current liabilities due within one year	5,914,983	—	—	—	5,914,983
Commercial mortgage backed securities	—	2,649,381	3,893,135	—	6,542,516
Total	18,042,185	14,981,593	19,043,344	7,483,956	59,551,078

Notes to the Financial Statements

For the period ended 30 June 2019

RMB

VIII. RISKS RELATED TO FINANCIAL INSTRUMENTS (continued)

1. Goal and Policies of Risk Management (continued)

1.3 Liquidity risks (continued)

	RMB'000				
	On demand or due within				
31 December 2018	1 year	1 to 2 years	2 to 5 years	Over 5 years	Total
Accounts payable	970,116,980.34	–	–	–	970,116,980.34
Other payables	8,695,651,670.29	–	–	–	8,695,651,670.29
Long-term payables	–	322,012,163.63	584,124,913.97	972,904,273.74	1,879,041,351.34
Short-term loans	5,307,377,037.49	–	–	–	5,307,377,037.49
Non-current liabilities due					
within one year	4,074,428,918.22	–	–	–	4,074,428,918.22
Other current liabilities	1,054,750,000.00	–	–	–	1,054,750,000.00
Long-term loans	725,561,341.06	3,430,891,032.83	7,309,818,318.76	6,297,554,355.47	17,763,825,048.12
Bonds payable	363,672,607.60	3,502,355,139.38	4,238,268,624.54	–	8,104,296,371.52
Other non-current liabilities	340,020,054.79	2,671,795,808.22	2,660,164,901.37	–	5,671,980,764.38
	21,531,578,609.79	9,927,054,144.06	14,792,376,758.64	7,270,458,629.21	53,521,468,141.70

1.4 Capital risk management

The Group manages its own capital to ensure that companies consolidated in the Group will be able to continue as a going concern while optimizing indebtedness and balancing equities in order to maximize the return to shareholders. The Group's overall strategy remains unchanged for the Reporting Period.

The capital structure of the Group consists of net liabilities including bank loans, bonds payable and financial leases payable (deducting cash and cash equivalents) and the Group's equity attributable to the parent company (including share capital, capital reserve, surplus reserve and retained earnings).

VIII. RISKS RELATED TO FINANCIAL INSTRUMENTS (continued)

1. Goal and Policies of Risk Management (continued)

1.4 Capital risk management (continued)

The management of the Group regularly reviews the capital structure. In reviewing, the management of the Group will consider capital cost and risks related to capital of various classes. By adopting recommendations of the Group's management, the Group will balance the overall capital structure of the Group through dividend payment and new shares issued as well as the issuance of new indebtedness or redemption of existing indebtedness.

IX. DISCLOSURE OF FAIR VALUE

1. Closing Fair Value of Assets and Liabilities Measured at Fair Value

RMB

Item	30 June 2019			Total
	Fair value measurement in first level	Fair value measurement in second level	Fair value measurement in third level	
1. Persistent fair value measurement				
(I) Financial assets held for trading	65,519,022.97	—	15,776,419.88	81,295,442.85
1. Financial assets measured at fair value through profit or loss				
(1) Debt instrument investments	—	—	3,000,000.00	3,000,000.00
(2) Equity instrument investments	65,519,022.97	—	—	65,519,022.97
(3) Derivative financial assets	—	—	12,776,419.88	12,776,419.88
(II) Other equity instrument investments	1,651,735,441.18	201,043,524.00	1,822,781,291.32	3,675,560,256.50
(III) Investment properties	—	—	81,171,000,000.00	81,171,000,000.00
1. Buildings leased out	—	—	81,171,000,000.00	81,171,000,000.00
(IV) Other non-current financial assets	—	—	360,674,540.60	360,674,540.60
Total assets measured continuously at fair value	1,717,254,464.15	201,043,524.00	83,370,232,251.80	85,288,530,239.95

Notes to the Financial Statements

For the period ended 30 June 2019

RMB

IX. DISCLOSURE OF FAIR VALUE (continued)

1. Closing Fair Value of Assets and Liabilities Measured at Fair Value (continued)

Item	31 December 2018			Total
	Fair value measurement in first level	Fair value measurement in second level	Fair value measurement in third level	
1. Persistent fair value measurement				
(I) Financial assets held for trading	184,031,019.87	—	52,225,200.00	236,256,219.87
1. Financial assets measured at fair value through profit or loss				
(1) Debt instrument investments	—	—	52,225,200.00	52,225,200.00
(2) Equity instrument investments	184,031,019.87	—	—	184,031,019.87
(II) Other equity instrument investments	1,385,139,862.92	190,553,624.00	1,727,054,980.65	3,302,748,467.57
(III) Investment properties	—	—	78,533,000,000.00	78,533,000,000.00
1. Buildings leased out	—	—	78,533,000,000.00	78,533,000,000.00
(IV) Other non-current financial assets	—	—	324,850,000.00	324,850,000.00
(V) Other current financial assets	—	—	55,000,000.00	55,000,000.00
Total assets measured continuously at fair value	1,569,170,882.79	190,553,624.00	80,692,130,180.65	82,451,854,687.44

During the periods from 1 January to 30 June 2019 and from 1 January and 30 June 2018, there was no mutual transfer between the fair value levels.

2. Valuation Techniques Used and the Qualitative and Quantitative Information of Key Parameters for Recurring and Non-Recurring Fair Value Measurements Categorised within Level 3

The Group's valuation techniques used for investment properties are as follows:

We use the income approach for the valuation of the completed properties put into use: With reference to the market monthly rent of leasable area per unit (per square meter) of the completed properties or the expected rental income based on market condition, adopt an appropriate capitalization rate to discount to determine the appraised value of investment properties.

We use direct comparison approach for the valuation of the properties under construction at an early development stage: We make adjustments based on the income that can be received immediately on disposal of investment properties in its current state, with reference to the relevant information on the comparable transactions in the market where the investment properties are located and depending on the specific condition of the completed properties.

Notes to the Financial Statements

For the period ended 30 June 2019

RMB

IX. DISCLOSURE OF FAIR VALUE (continued)

2. Valuation Techniques Used and the Qualitative and Quantitative Information of Key Parameters for Recurring and Non-Recurring Fair Value Measurements Categorised within Level 3 (continued)

We use hypothetical development method for the valuation of investment properties at other stages of development: Assuming that such investment properties will be developed to the condition for use according to the established development plan. In order to obtain their fair value, a direct comparison is made by taking into account the available and comparable sales data in the relevant markets and deducting the construction costs and professional costs incurred by the valuer from the valuation date to the date of completion of development.

The fair value of the Group's investment properties as at 30 June 2019 and 31 December 2018 were assessed by Beijing Huaya Zhengxin Assets Appraisal Co., Ltd, an independent valuer from the Group. In estimating the fair value of the properties, the best use purpose of investment properties is its current use. There is no change in the valuation methods used.

The valuation techniques of the financial instruments adopted by the Group are as follows:

Next-round valuation method: valuation of projects with next-round investment when additional capital was invested in shares is adopted to determine the fair value.

Comparable company analysis method: in reference to the comparable companies with similar business at the second market, its multiplier and discount rate for deficiency of liquidity are calculated to determine the fair value.

3. Adjustment Information of Carrying Amounts between the Beginning of Period and the End of Period for Recurring Fair Value Measurements Categorised within Level 3

Item	1 January 2019	Transferred into level 3	Transferred out of level 3	Total gain or loss for the current year		Purchase, issue, sell and settle				30 June 2019	Changes in the unrealized gain or loss for the current period from assets held at the end of the reporting period included in the profit or loss
				Included in profit or loss	Included in other comprehensive income	Purchase	Issue	Sell	Settle		
Investment properties	78,533,000,000.00	–	–	893,402,356.50	–	1,744,597,643.50	–	–	–	81,171,000,000.00	893,402,356.50
Other equity instrument investments	1,727,054,980.65	–	–	–	42,904,039.02	52,822,271.65	–	–	–	1,822,781,291.32	–
Other non-current financial assets	324,850,000.00	–	–	15,024,540.60	–	20,800,000.00	–	–	–	360,674,540.60	15,024,540.60
Financial assets held for trading	52,225,200.00	–	–	–	–	3,000,000.00	–	52,225,200.00	–	3,000,000.00	–
Derivative financial assets	–	–	–	24,950,000.00	(31,698,316.12)	19,524,736.00	–	–	–	12,776,419.88	24,950,000.00
Total	80,637,130,180.65	–	–	933,376,897.10	11,205,722.90	1,840,744,651.15	–	52,225,200.00	–	83,370,232,251.80	933,376,897.10

Notes to the Financial Statements

For the period ended 30 June 2019

RMB

IX. DISCLOSURE OF FAIR VALUE (continued)

4. Financial Assets and Financial Liabilities not Measured at Fair Value but Disclosed at Fair Value

The Group's financial assets and financial liabilities measured at amortized cost mainly include: accounts receivable, other receivables, non-current assets due within one year, other current assets, long-term receivables, other non-current assets, short-term loans, accounts payable, other payables, non-current liabilities due within one year, bonds payable, long-term loans, long-term payables and other non-current liabilities, etc.

The Group's management believes that the carrying amounts of other financial assets and financial liabilities in the financial statements are close to the fair value of such assets and liabilities.

X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS

1. Parent of the Company

Parent company name	Company type	Place of incorporation	Legal representative	Nature of business	Registered capital	Equity proportion of the parent in the Company (%)	Voting rights proportion of the parent in the Company (%)	Ultimate controlling party of the Company	Organization code
Red Star Macalline Holding Group Company Limited (紅星美凱龍控股集團有限公司)	Limited liability company	Shanghai, China	CHE Jianxing	Investment management	RMB200 million	69.88	69.88	CHE Jianxing	66071460-7

2. Subsidiaries of the Company

For details of subsidiaries of the Company, please refer to the "Financial Reports VII. 1. Interests in Subsidiaries".

3. Joint Ventures and Associates of the Company

For details of joint ventures and associates of the Company, please refer to the "Financial Reports VII. 3. Interests in Joint Ventures or Associates".

X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (continued)

4. Other Related Parties of the Company

Name of other related parties	Relationship between other related parties and the Company
CHEN Shuhong	Family member who has a close relationship with the ultimate actual controller
CHE Jianfang	Family member who has a close relationship with the ultimate actual controller
QIAN Yumei (錢玉梅)	Family member who has a close relationship with the ultimate actual controller
CHE Guoxing (車國興)	Family member who has a close relationship with the ultimate actual controller
CHE Mianzhen (車冕楨)	Family member who has a close relationship with the ultimate actual controller
Red Star Furniture Group Co., Ltd. (紅星傢俱集團有限公司)	Corporate controlled by the ultimate actual controller
Changzhou Red Star Home Furnishing City (常州市紅星裝飾城)	Corporate controlled by the ultimate actual controller
Changzhou Red Star Furniture General Factory Co., Ltd. (常州市紅星傢俱總廠有限公司)	Corporate controlled by the family member who has a close relationship with the ultimate actual controller
Jining Hongrui Real Estate Co., Ltd. (濟寧鴻瑞置業有限公司)	Corporate controlled by the family member who has a close relationship with the ultimate actual controller
Shaanxi Hongrui Home Furnishings Plaza Co., Ltd. (陝西鴻瑞家居生活廣場有限公司)	Corporate controlled by the family member who has a close relationship with the ultimate actual controller
Xuzhou Red Star Macalline Global Home Furnishings Plaza Co., Ltd. (徐州紅星美凱龍全球家居生活廣場有限公司)	Corporate controlled by the family member who has a close relationship with the ultimate actual controller
Xuzhou Red Star Macalline International Home Furnishings City Co., Ltd. (徐州紅星美凱龍國際傢俱裝飾城有限公司)	Corporate controlled by the family member who has a close relationship with the ultimate actual controller
Yangzhou Kailong Consulting Co., Ltd. (揚州凱龍管理諮詢有限公司)	Corporate controlled by the family member who has a close relationship with the ultimate actual controller
Yangzhou Red Star Macalline Global Home Furnishings Plaza Property Co., Ltd. (揚州紅星美凱龍全球家居生活廣場置業有限公司)	Corporate controlled by the family member who has a close relationship with the ultimate actual controller

Notes to the Financial Statements

For the period ended 30 June 2019

RMB

X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (continued)

4. Other Related Parties of the Company (continued)

Name of other related parties	Relationship between other related parties and the Company
Xinghua Xingkai Home Furnishing Plaza Company Limited (興化市星凱家居生活廣場有限公司)	Corporate significantly influenced by the family member who has a close relationship with the ultimate actual controller
Chongqing Red Star Macalline Enterprise Development Co., Ltd. (重慶紅星美凱龍企業發展有限公司)	Corporate held by RSM Holding
Shanghai AEGEAN Commercial Group Co., Ltd. (上海愛琴海商業集團股份有限公司)	Corporate held by RSM Holding
Shanghai Xingcheng Yijia Home Furnishings Co., Ltd. (上海星誠藝佳家居有限責任公司)	Corporate held by RSM Holding
Suzhou Red Star Macalline Property Development Company Limited (蘇州紅星美凱龍房地產開發有限公司)	Corporate held by RSM Holding
Ningbo Huixin Property Company Limited (寧波匯鑫置業有限公司)	Corporate held by RSM Holding
Chengdu Red Star Macalline Real Estate Co., Ltd. (成都紅星美凱龍置業有限公司)	Subsidiary of RSED
Ningbo Kailong Property Company Limited (寧波凱龍置業有限公司)	Subsidiary of RSED
Shanghai Hongmei Property Company Limited (上海洪美置業有限公司)	Subsidiary of RSED
Shenyang Red Star Macalline Property Management Co., Ltd. (瀋陽紅星美凱龍物業管理有限公司)	Subsidiary of RSED
Shanghai Xinglong Property Development Co., Ltd. (上海星龍房地產開發有限公司)	Subsidiary of RSED
Greenland Group Chengdu Jinniu Real Estate Development Co., Ltd. (綠地集團成都金牛房地產開發有限公司)	Joint venture of RSED
CAO Zhongmin (曹仲民)	Family member who has a close relationship with director, supervisor or senior management
ZHANG Jianfang (張建芳)	Family member who has a close relationship with the actual controller

X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (continued)

4. Other Related Parties of the Company (continued)

Name of other related parties	Relationship between other related parties and the Company
ZHU Qingling (朱青嶺)	Family member who has a close relationship with director, supervisor or senior management
Changzhou Yizhi Furniture Company Limited (常州市藝致傢俱有限公司)	Corporate invested or controlled by family member who has a close relationship with director, supervisor or senior management
Business Division of Nanjing Pukou Lilicheng Furniture (南京市浦口區立力成傢俱經營部)	Corporate controlled by or being served by family member who has a close relationship with the actual controller
Yunnan Red Star Macalline Property Management Company Limited (雲南紅星美凱龍物業管理有限公司)	Subsidiary of Chongqing Qifa
Shanghai Huangpu Red Star Microfinance Co., Ltd. (上海黃浦紅星小額貸款有限公司)	Corporate held by RSM Holding
Qingdao Red Star International Property Company Limited (青島紅星國際置業有限公司)	Subsidiary of Chongqing Qifa
Shanghai Red Star Macalline Real Estate Co. Ltd (上海紅星美凱龍置業有限公司)	Subsidiary of Chongqing Qifa
Shanghai Xingchen Interactive Entertainment Technology Co., Ltd. (上海星琛互動娛樂科技有限公司)	Corporate held by RSM Holding
Nanjing Macalline Business Information Consulting Co., Ltd. (南京美凱龍商務信息諮詢有限公司)	Corporate held by RSM Holding
Shanxi Yatai Shengjing Real Estate Development Co., Ltd. (山西亞泰聖景房地產開發有限公司)	Subsidiary of Chongqing Qifa
Tianjin Huayun Commercial Property Company Limited (天津市華運商貿物業有限公司)	Subsidiary of Chongqing Qifa
Shanghai Kaixin Cinema Management Co., Ltd. (上海凱昕影院管理有限公司)	Corporate held by RSM Holding
Shanghai Red Star Macalline Enterprise Operation and Management Co., Ltd. (上海紅星美凱龍企業經營管理有限公司)	Subsidiary of Chongqing Qifa

Notes to the Financial Statements

For the period ended 30 June 2019

RMB

X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (continued)

4. Other Related Parties of the Company (continued)

Name of other related parties	Relationship between other related parties and the Company
Wuhu Minghui Business Management Co., Ltd. (蕪湖明輝商業管理有限公司)	Other corporates controlled by the actual controller, director, supervisor and senior management and their family members who have a close relationship with them or where the said persons served as director or senior management
Chengdu Dongtai Shopping Mall Company Limited (成都東泰商城有限公司)	Other corporates controlled by the actual controller, director, supervisor and senior management and their family members who have a close relationship with them or where the said persons served as director or senior management
Kaiqianjia Enterprise Management Co., Ltd. (凱乾嘉企業管理有限公司)	Legal persons of the substantial shareholders (with more than 10% voting rights) of the Company and its subsidiaries and their associates and venture partners
Changzhou Longyao Equity Investment Management Co., Ltd. (常州龍耀股權投資管理有限公司)	Other corporates controlled by the actual controller, director, supervisor and senior management and their family members who have a close relationship with them or where the said persons served as director or senior management
Shanghai Xingchen Interactive Entertainment Co., Ltd. (上海星琛互動娛樂科技有限公司)	Legal persons of the substantial shareholders (with more than 10% voting rights) of the Company and its subsidiaries and their associates and venture partners

X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (continued)

5. Related Party Transactions

(1) Purchase and sale of goods, provision and receipt of services

Related parties	Details of related party transactions	For the period from 1 January to 30 June 2019	For the period from 1 January to 30 June 2018
Greenland Group Chengdu Jinniu Real Estate Development Co., Ltd. (綠地集團成都金牛房地產開發有限公司)	Revenue from the annual brand consulting and management service for the project	1,886,792.45	1,886,792.46
Xuzhou Red Star Macalline Global Home Furnishings Plaza Co., Ltd. (徐州紅星美凱龍全球家居生活廣場有限公司)	Revenue from the annual brand consulting and management service for the project	1,657,232.72	1,169,811.36
Wuhan Zhengkai Logistics Co., Ltd. (武漢市正凱物流有限公司)	Revenue from the annual brand consulting and management service for the project	1,415,094.34	—
Yangzhou Red Star Macalline Global Home Furnishings Plaza Property Co., Ltd. (揚州紅星美凱龍全球家居生活廣場置業有限公司)	Revenue from the annual brand consulting and management service for the project	1,415,094.34	943,396.20
Jining Hongrui Real Estate Co., Ltd. (濟寧鴻瑞置業有限公司)	Revenue from the annual brand consulting and management service for the project	1,415,094.34	1,415,094.36
Wuhu Minghui Business Management Co., Ltd. (蕪湖明輝商業管理有限公司)	Income from the Revenue from the annual brand consulting and management service for the project	1,415,094.34	1,415,094.36

Notes to the Financial Statements

For the period ended 30 June 2019

RMB

X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (continued)

5. Related Party Transactions (continued)

(1) Purchase and sale of goods, provision and receipt of services (continued)

Related parties	Details of related party transactions	For the period from 1 January to 30 June 2019	For the period from 1 January to 30 June 2018
Shaanxi Hongrui Home Furnishings Plaza Co., Ltd. (陝西鴻瑞家居生活廣場有限公司)	Revenue from the annual brand consulting and management service for the project	1,415,094.34	1,415,094.36
Xuzhou Red Star Macalline International Home Furnishings City Co., Ltd. (徐州紅星美凱龍國際傢俱裝飾城有限公司)	Revenue from the annual brand consulting and management service for the project	1,015,723.29	716,981.16
Xinghua Xingkai Home Furnishing Plaza Company Limited (興化市星凱家居生活廣場有限公司)	Revenue from the annual brand consulting and management service for the project	707,547.17	1,179,245.31
Ningbo Aoyang Home Shopping Plaza Company Limited (寧波澳洋家居購物廣場有限公司)	Revenue from the annual brand consulting and management service for the project	—	2,161,949.70
Total		12,342,767.33	12,303,459.27
Shaanxi Red Star Heji Home Shopping Plaza Company Limited (陝西紅星和記家居購物廣場有限公司)	Design consultation income	22,089,805.79	—
Ningbo Kailong Property Company Limited (寧波凱龍置業有限公司)	Design consultation income	2,240,928.83	3,484,670.48
Suzhou Red Star Macalline Property Development Company Limited (蘇州紅星美凱龍房地產開發有限公司)	Design consultation income	—	3,500,000.00

Notes to the Financial Statements

For the period ended 30 June 2019

RMB

X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (continued)

5. Related Party Transactions (continued)

(1) Purchase and sale of goods, provision and receipt of services (continued)

Related parties	Details of related party transactions	For the period from 1 January to 30 June 2019	For the period from 1 January to 30 June 2018
Ningbo Huixin Property Company Limited (寧波匯鑫置業有限公司)	Design consultation income	—	600,406.17
Total		24,330,734.62	7,585,076.65
Shaanxi Hongrui Home Furnishings Plaza Co., Ltd. (陝西鴻瑞家居生活廣場有限公司)	Xingyi Tonghui commission income regarding prepaid cards	378.97	27,550.00
Chengdu Dongtai Shopping Mall Company Limited (成都東泰商城有限公司)	Xingyi Tonghui commission income regarding prepaid cards	95.11	22,117.38
Xuzhou Red Star Macalline International Home Furnishings City Co., Ltd. (徐州紅星美凱龍國際傢俱裝飾城有限公司)	Xingyi Tonghui commission income regarding prepaid cards	—	20,415.27
Wuhu Minghui Business Management Co., Ltd. (蕪湖明輝商業管理有限公司)	Xingyi Tonghui commission income regarding prepaid cards	—	3,396.23
Yangzhou Kailong Consulting Co., Ltd. (揚州凱龍管理諮詢有限公司)	Xingyi Tonghui commission income regarding prepaid cards	—	32,905.66
Xiamen Baoxiang Red Star Macalline Home Furnishing Plaza Company Limited (廈門寶象紅星美凱龍家居生活廣場有限公司)	Xingyi Tonghui commission income regarding prepaid cards	—	84,150.94
Total		474.08	190,535.48

Notes to the Financial Statements

For the period ended 30 June 2019

RMB

X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (continued)

5. Related Party Transactions (continued)

(1) Purchase and sale of goods, provision and receipt of services (continued)

Related parties	Details of related party transactions	For the period from 1 January to 30 June 2019	For the period from 1 January to 30 June 2018
Shanghai CTME Economy & Trade Development Co., Ltd. (上海中質美凱龍經貿發展有限公司)	Service income	5,004,433.85	—
Wuhan Zhengkai Logistics Co., Ltd. (武漢市正凱物流有限公司)	Service income	1,007,560.00	—
Yunnan Red Star Macalline Property Management Company Limited (雲南紅星美凱龍物業管理有限公司)	Service income	564,910.77	—
Shanghai UIOT Technology Company Limited (上海紫光樂聯物聯網科技有限公司)	Service income	267,312.38	—
Shanghai AI.Pure Intelligent Technology Co., Ltd. (上海智諦智能科技有限公司)	Service income	182,751.00	—
Sheng Bao (Shanghai) Furniture Co., Ltd. (晟葆(上海)傢俱有限公司)	Service income	133,599.73	—
Shanghai Xingchen Interactive Entertainment Co., Ltd. (上海星琛互動娛樂科技有限公司)	Service income	54,540.00	—
Chengdu Dongtai Shopping Mall Company Limited (成都東泰商城有限公司)	Service income	49,528.30	18,980.62
Red Star Macalline Holding Group Company Limited (紅星美凱龍控股集團有限公司)	Service income	39,086.87	14,230.20

Notes to the Financial Statements

For the period ended 30 June 2019

RMB

X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (continued)

5. Related Party Transactions (continued)

(1) Purchase and sale of goods, provision and receipt of services (continued)

Related parties	Details of related party transactions	For the period from 1 January to 30 June 2019	For the period from 1 January to 30 June 2018
Xiamen Baoxiang Red Star Macalline Home Furnishing Plaza Company Limited (廈門寶象紅星美凱龍家居生活廣場有限公司)	Service income	16,081.79	7,127.84
Klas International Home Living Company Limited (克拉斯國際家居有限公司)	Service income	1,769.91	—
Shenzhen Red Star Macalline Home Furnishing Plaza Company Limited (深圳紅星美凱龍家居生活廣場有限公司)	Service income	1,000.00	—
Changzhou Red Star Furniture General Factory Co., Ltd. (常州市紅星傢俱總廠有限公司)	Service income	—	29,497.27
Shanghai AEGEAN Commercial Group Co., Ltd. (上海愛琴海商業集團股份有限公司)	Service income	—	136,310.68
Wuhu Minghui Business Management Co., Ltd. (蕪湖明輝商業管理有限公司)	Service income	—	18,933.52
Changzhou Yizhi Furniture Company Limited (常州市藝致傢俱有限公司)	Service income	—	4,528.30
Total		7,322,574.60	229,608.43

Notes to the Financial Statements

For the period ended 30 June 2019

RMB

X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (continued)

5. Related Party Transactions (continued)

(1) Purchase and sale of goods, provision and receipt of services (continued)

Related parties	Details of related party transactions	For the period from 1 January to 30 June 2019	For the period from 1 January to 30 June 2018
Chengdu Dongtai Shopping Mall Company Limited (成都東泰商城有限公司)	Joint marketing income	660,377.36	35,660.38
Jining Hongrui Real Estate Co., Ltd. (濟寧鴻瑞置業有限公司)	Joint marketing income	—	143,330.19
Xiamen Baoxiang Red Star Macalline Home Furnishing Plaza Company Limited (廈門寶象紅星美凱龍家居生活廣場有限公司)	Joint marketing income	—	36,745.28
Wuhu Minghui Business Management Co., Ltd. (蕪湖明輝商業管理有限公司)	Joint marketing income	—	153,339.64
Yangzhou Kailong Consulting Co., Ltd. (揚州凱龍管理諮詢有限公司)	Joint marketing income	—	106,198.11
Total		660,377.36	475,273.60
Chengdu Dongtai Shopping Mall Company Limited (成都東泰商城有限公司)	Revenue from advertising space lease/ Administrative expenses	—	23,423.94
Jining Hongrui Real Estate Co., Ltd. (濟寧鴻瑞置業有限公司)	Revenue from advertising space lease/ Administrative expenses	—	115,680.00
Xiamen Baoxiang Red Star Macalline Home Furnishing Plaza Company Limited (廈門寶象紅星美凱龍家居生活廣場有限公司)	Revenue from advertising space lease/ Administrative expenses	—	371,573.26

Notes to the Financial Statements

For the period ended 30 June 2019

RMB

X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (continued)

5. Related Party Transactions (continued)

(1) Purchase and sale of goods, provision and receipt of services (continued)

Related parties	Details of related party transactions	For the period from 1 January to 30 June 2019	For the period from 1 January to 30 June 2018
Shaanxi Hongrui Home Furnishings Plaza Co., Ltd. (陝西鴻瑞家居生活廣場有限公司)	Revenue from advertising space lease/ Administrative expenses	—	310,699.52
Wuhu Minghui Business Management Co., Ltd. (蕪湖明輝商業管理有限公司)	Revenue from advertising space lease/ Administrative expenses	—	420,434.98
Xuzhou Red Star Macalline International Home Furnishings City Co., Ltd. (徐州紅星美凱龍國際傢俱裝飾城有限公司)	Revenue from advertising space lease/ Administrative expenses	—	40,952.38
Yangzhou Red Star Macalline Global Home Furnishings Plaza Property Co., Ltd. (揚州紅星美凱龍全球家居生活廣場置業有限公司)	Revenue from advertising space lease/ Administrative expenses	—	256,219.27
Total		—	1,538,983.35
Chengdu Dongtai Shopping Mall Company Limited (成都東泰商城有限公司)	Dividend distribution	133,233,703.73	—
Total		133,233,703.73	—

Notes to the Financial Statements

For the period ended 30 June 2019

RMB

X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (continued)

5. Related Party Transactions (continued)

(1) Purchase and sale of goods, provision and receipt of services (continued)

RMB

Related parties	Details of related party transactions	For the period from 1 January to 30 June 2019	For the period from 1 January to 30 June 2018
Xiamen Baoxiang Red Star Macalline Home Furnishing Plaza Company Limited (廈門寶象紅星美凱龍家居生活廣場有限公司)	Energy costs	15,191.52	—
Shanghai Xinglong Property Development Co., Ltd. (上海星龍房地產開發有限公司)	Energy costs	—	2,697,249.08
Shenyang Red Star Macalline Property Management Co., Ltd. (瀋陽紅星美凱龍物業管理有限公司)	Energy costs	962,022.78	1,881,132.95
Total		977,214.30	4,578,382.03
Shanghai AI.Pure Intelligent Technology Co., Ltd. (上海智諦智能科技有限公司)	Purchase of goods	992,652.29	—
Beijing Canny-Robot Technology Co., Ltd. (北京康力優藍機器人科技有限公司)	Purchase of goods	16,000.00	—
Changzhou Red Star Furniture General Factory Co., Ltd. (常州市紅星傢俱總廠有限公司)	Purchase of goods	—	183,240.00
Total		1,008,652.29	183,240.00

X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (continued)

5. Related Party Transactions (continued)

(1) Purchase and sale of goods, provision and receipt of services (continued)

Related parties	Details of related party transactions	For the period from 1 January to 30 June 2019	For the period from 1 January to 30 June 2018
Wuhu Minghui Business Management Co., Ltd. (蕪湖明輝商業管理有限公司)	Interest expenses	4,258.18	509.72
Xiamen Baoxiang Red Star Macalline Home Furnishing Plaza Company Limited (廈門寶象紅星美凱龍家居生活廣場有限公司)	Interest expenses	—	195.30
Total		4,258.18	705.02
Changzhou Red Star Home Furnishing City (常州市紅星裝飾城)	Lease interest expenses	699,945.90	—
Total		699,945.90	—
Qingdao Red Star International Property Company Limited (青島紅星國際置業有限公司)	Service costs	1,509,433.97	—
Suzhou Red Star Macalline Property Development Company Limited (蘇州紅星美凱龍房地產開發有限公司)	Service costs	1,307,396.23	—
Wuhu Minghui Business Management Co., Ltd. (蕪湖明輝商業管理有限公司)	Service costs	770,182.49	—
Yangzhou Kailong Consulting Co., Ltd. (揚州凱龍管理諮詢有限公司)	Service costs	159,528.30	—

Notes to the Financial Statements

For the period ended 30 June 2019

RMB

X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (continued)

5. Related Party Transactions (continued)

(1) Purchase and sale of goods, provision and receipt of services (continued)

Related parties	Details of related party transactions	For the period from 1 January to 30 June 2019	For the period from 1 January to 30 June 2018
Shenyang Red Star Macalline Property Management Co., Ltd. (瀋陽紅星美凱龍物業管理有限公司)	Service costs	152,830.19	—
Xiamen Baoxiang Red Star Macalline Home Furnishing Plaza Company Limited (廈門寶象紅星美凱龍家居生活廣場有限公司)	Service costs	62,798.26	39,521.31
Shenzhen Red Star Macalline Home Furnishing Plaza Company Limited (深圳紅星美凱龍家居生活廣場有限公司)	Service costs	58,983.32	168,066.22
Wuhan Zhengkai Logistics Co., Ltd. (武漢市正凱物流有限公司)	Service costs	58,669.81	—
Chengdu Dongtai Shopping Mall Company Limited (成都東泰商城有限公司)	Service costs	48,113.21	44,444.80
Total		4,127,935.78	252,032.33

X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (continued)

5. Related Party Transactions (continued)

(2) Particulars of related leasing

Statement of the Company as the lessor:

Lessee's name	Type of leased assets	Rental income	
		For the period from 1 January to 30 June 2019	For the period from 1 January to 30 June 2018
Klas International Home Living Company Limited (克拉斯國際家居有限公司)	Shop(s) in shopping mall	1,622,961.48	—
Shanghai UIOT Technology Company Limited (上海紫光樂聯物聯網科技有限公司)	Shop(s) in shopping mall	1,313,329.79	—
Jiangsu Baili Aijia Home Technology Co., Ltd. (江蘇佰麗愛家家居科技有限公司)	Shop(s) in shopping mall	646,272.00	—
Sheng Bao (Shanghai) Furniture Co., Ltd. (晟葆(上海)傢俱有限公司)	Shop(s) in shopping mall	495,711.48	—
CAO Zhongmin (曹仲民)	Shop(s) in shopping mall	388,931.33	410,489.28
CHE Mianzhen (車冕楨)	Shop(s) in shopping mall	369,581.61	—
Changzhou Yizhi Furniture Company Limited (常州市藝致傢俱有限公司)	Shop(s) in shopping mall	289,883.80	304,632.00
Business Division of Nanjing Pukou Lilicheng Furniture (南京市浦口區立力成傢俱經營部)	Shop(s) in shopping mall	217,325.04	—
Kaiqianjia Enterprise Management Co., Ltd. (凱乾嘉企業管理有限公司)	Shop(s) in shopping mall	47,645.27	—
Changzhou Longyao Equity Investment Management Co., Ltd. (常州龍耀股權投資管理有限公司)	Shop(s) in shopping mall	8,462.64	—
QIAN Yumei (錢玉梅)	Shop(s) in shopping mall	—	353,595.03
ZHANG Jianfang (張建芳)	Shop(s) in shopping mall	94,929.89	99,453.18
Total		5,495,034.33	1,168,169.49

Notes to the Financial Statements

For the period ended 30 June 2019

RMB

X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (continued)

5. Related Party Transactions (continued)

(2) Particulars of related leasing (continued)

Statement of the Company as the lessee:

Lessor's name	Type of leased assets	Leasing expenses	
		For the period from 1 January to 30 June 2019	For the period from 1 January to 30 June 2018
Changzhou Red Star Home Furnishing City (常州市紅星裝飾城)	Shopping mall(s)	—	8,127,065.16
Yangzhou Red Star Macalline Global Home Furnishings Plaza Property Co., Ltd. (揚州紅星美凱龍全球家居生活廣場置業有限公司)	Exhibition space	341,531.54	—
Shaanxi Hongrui Home Furnishings Plaza Co., Ltd. (陝西鴻瑞家居生活廣場有限公司)	Exhibition space	268,785.94	—
Wuhu Minghui Business Management Co., Ltd. (蕪湖明輝商業管理有限公司)	Exhibition space	205,051.95	—
Xuzhou Red Star Macalline Global Home Furnishings Plaza Co., Ltd. (徐州紅星美凱龍全球家居生活廣場有限公司)	Exhibition space	198,412.85	—
CHE Guoxing (車國興)	Dormitory	184,800.00	183,280.60
Jining Hongrui Real Estate Co., Ltd. (濟寧鴻瑞置業有限公司)	Exhibition space	178,090.23	—
Chengdu Dongtai Shopping Mall Company Limited (成都東泰商城有限公司)	Exhibition space	175,093.94	84,641.76
Xiamen Baoxiang Red Star Macalline Home Furnishing Plaza Company Limited (廈門寶象紅星美凱龍家居生活廣場有限公司)	Exhibition space	163,630.29	—

Notes to the Financial Statements

For the period ended 30 June 2019

RMB

X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (continued)

5. Related Party Transactions (continued)

(2) Particulars of related leasing (continued)

Statement of the Company as the lessee: (continued)

Lessor's name	Type of leased assets	Leasing expenses	
		For the period from 1 January to 30 June 2019	For the period from 1 January to 30 June 2018
Chengdu Dongtai Shopping Mall Company Limited (成都東泰商城有限公司)	Shopping mall(s)	85,094.35	—
CHEN Shuhong (陳淑紅)	Dormitory	52,000.00	52,000.00
Xuzhou Red Star Macalline International Home Furnishings City Co., Ltd. (徐州紅星美凱龍國際傢俱裝飾城有限公司)	Exhibition space	40,952.35	—
Wuhan Zhengkai Logistics Co., Ltd. (武漢市正凱物流有限公司)	Exhibition space	12,511.45	—
Xiamen Baoxiang Red Star Macalline Home Furnishing Plaza Company Limited (廈門寶象紅星美凱龍家居生活廣場有限公司)	Shopping mall(s)	2,760.00	—
Shenzhen Red Star Macalline Home Furnishing Plaza Company Limited (深圳紅星美凱龍家居生活廣場有限公司)	Exhibition space	—	4,538,877.40
Total		1,908,714.88	12,985,864.92

Notes to the Financial Statements

For the period ended 30 June 2019

RMB

X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (continued)

5. Related Party Transactions (continued)

(3) Guarantees from related parties

Receiving guarantees from related parties

As at 30 June 2019

Guarantor	Amount of guarantees	Inception date of guarantee	Expiration date of guarantee	Whether guarantee has been performed
Red Star Macalline Holding Group Company Limited (紅星美凱龍控股集團有限公司)	285,000,000.00	26 July 2018	26 July 2019	No
CHE Jianxing (車建興) (Note 1)	325,000,000.00	8 June 2016	8 June 2026	No
Red Star Macalline Holding Group Company Limited (紅星美凱龍控股集團有限公司), Suzhou Mudu Group Limited (蘇州市木瀆集團有限公司)	396,000,000.00	13 July 2018	12 July 2028	No
Red Star Macalline Holding Group Company Limited (紅星美凱龍控股集團有限公司) (Note 2)	336,000,000.00	26 February 2018	26 February 2026	No
Red Star Macalline Holding Group Company Limited (紅星美凱龍控股集團有限公司) (Note 3)	600,000,000.00	20 June 2019	20 June 2029	No
CHE Jianxing (車建興) (Note 4)	—	4 March 2014	19 February 2019	Yes

Note 1: The loan is also secured by the investment property of Chongqing Red Star Macalline Expo Home Furnishing Plaza Company Limited (重慶紅星美凱龍博覽家居生活廣場有限責任公司).

Note 2: The loan is also secured by the investment property of Chengdu Tianfu New District Red Star Macalline World Trade Home Furnishing Company Limited (成都天府新區紅星美凱龍世貿家居有限公司).

Note 3: The loan is also secured by the investment property of Zhengzhou Red Star Macalline International Home Furnishing Company Limited (鄭州紅星美凱龍國際家居有限公司).

Note 4: The loan is also secured by the investment property of Shanghai Hongxin Oukai Home Furnishing Company Limited (上海虹欣歐凱家居有限公司).

X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (continued)

5. Related Party Transactions (continued)

(3) Guarantees from related parties (continued)

Receiving guarantees from related parties (continued)

As at 31 December 2018

Guarantor	Amount of guarantees	Inception date of guarantee	Expiration date of guarantee	Whether guarantee has been performed
CHE Jianxing, CHEN Shuhong and Red Star Macalline Holding Group Company Limited (紅星美凱龍控股集團有限公司)	—	25 July 2017	25 July 2020	Yes
CHE Jianxing (Note 1)	115,000,000.00	4 March 2014	19 February 2019	No
CHE Jianxing (Note 2)	340,000,000.00	8 June 2016	8 June 2026	No
CHE Jianxing, Red Star Macalline Holding Group Company Limited (紅星美凱龍控股集團有限公司) and Red Star Furniture Group Co., Ltd. (紅星傢俱集團有限公司) (Note 3)	—	9 October 2012	9 October 2022	Yes
Red Star Macalline Holding Group Company Limited (紅星美凱龍控股集團有限公司)	285,000,000.00	26 July 2018	26 July 2019	No
Red Star Macalline Holding Group Company Limited (紅星美凱龍控股集團有限公司) and Suzhou Mudu Group Limited (蘇州市木瀆集團有限公司)	400,000,000.00	13 July 2018	12 July 2028	No
Red Star Macalline Holding Group Company Limited (紅星美凱龍控股集團有限公司) (Note 4)	279,000,000.00	26 February 2018	26 February 2026	No

Note 1: The loan is also secured by the investment property of Shanghai Hongxin Oukai Home Furnishing Company Limited.

Note 2: The loan is also secured by the investment property of Chongqing Red Star Macalline Expo Home Furnishing Plaza Company Limited.

Note 3: The loan is also secured by the investment property of Beijing Red Star Macalline Shibo Furniture Plaza Company Limited, and is pledged with cash and bank balances and all operating revenues of shopping malls during the loan period.

Note 4: The loan is also secured by the investment property of Chengdu Tianfu New District Red Star Macalline World Trade Home Furnishing Company Limited.

Rendering guarantees to related parties

As at 30 June 2019

Nil.

Notes to the Financial Statements

For the period ended 30 June 2019

RMB

X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (continued)

5. Related Party Transactions (continued)

(3) Guarantees from related parties (continued)

Rendering guarantees to related parties (continued)

As at 31 December 2018

	Amount of guarantees	Inception date of guarantee	Expiration date of guarantee	Whether guarantee has been performed
Haier Consume Financing Company Limited (海爾消費金融有限公司)	Nil	8 November 2016	8 November 2019	Yes

Instruction: On 8 November 2016, the Company provided 25% joint and several liability guarantees against the loan of RMB2,500,000,000.00 lent by Haier Consume Financing, our associated company, to Haier Group Finance Co., Ltd. for a term of 3 years. At the end of the period, the borrowings were fully repaid in 2018.

(4) Loans and borrowings of the related parties

Borrowings

For the period from 1 January to 30 June 2019

Related party	Lending amount	Inception date	Expiration date	Instructions
Chengdu Dongtai Shopping Mall Company Limited (成都東泰商城 有限公司)	40,000,000.00	21 May 2019	31 December 2020	

For the period from 1 January to 30 June 2018

Nil.

X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (continued)

5. Related Party Transactions (continued)

(4) Loans and borrowings of the related parties (continued)

Lendings

For the period from 1 January to 30 June 2019

Related party	Lending amount	Inception date	Expiration date	Instructions
Shaanxi Red Star Heji Home Shopping Plaza Company Limited (陝西紅星和記家居購物廣場有限公司)	150,000,000.00	22 January 2019	22 January 2022	
Shanghai Mingyi Enterprise Development Co., Ltd. (上海名藝商業企業發展有限公司)	8,000,000.00	28 June 2019		Repayable on demand and interest-free
Baoxiang Red Star Macalline (Xiamen) Global Home Furnishing Plaza Company Limited (寶象紅星美凱龍(廈門)全球家居廣場有限公司)	5,000,000.00	30 May 2019		Repayable on demand and interest-free
Baoxiang Red Star Macalline (Xiamen) Global Home Furnishing Plaza Company Limited (寶象紅星美凱龍(廈門)全球家居廣場有限公司)	10,000,000.00	28 April 2019		Repayable on demand and interest-free
Hangzhou Red Star Macalline Global Home Living Company Limited (杭州紅星美凱龍環球家居有限公司)	100,000,000.00	20 June 2019		Repayable on demand and interest-free
Hangzhou Red Star Macalline Global Home Living Company Limited (杭州紅星美凱龍環球家居有限公司)	9,500,000.00	25 January 2019		Repayable on demand and interest-free
Shaanxi Red Star Heji Home Shopping Plaza Company Limited (陝西紅星和記家居購物廣場有限公司)	5,000,000.00	27 June 2019		Repayable on demand and interest-free
Xiamen Baoxiang Red Star Macalline Home Furnishing Plaza Company Limited (廈門寶象紅星美凱龍家居生活廣場有限公司)	5,000,000.00	2 April 2019		Repayable on demand and interest-free

Notes to the Financial Statements

For the period ended 30 June 2019

RMB

X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (continued)

5. Related Party Transactions (continued)

(4) Loans and borrowings of the related parties (continued)

Lendings (continued)

For the period from 1 January to 30 June 2018

Related party	Lending amount	Inception date	Expiration date	Instructions
Shanghai Mingyi	3,600,000.00	Nil	Nil	No rate and no fixed term
Xiamen Baoxiang	5,000,000.00	Nil	Nil	No rate and no fixed term
Hangzhou Global (杭州環球家居)	4,504,425.00	Nil	Nil	No rate and no fixed term
Handan Fengfeng	300,000,000.00	Nil	Nil	No rate and no fixed term
Nanchang Global (南昌環球博覽)	172,121,511.79	21 June 2018	20 June 2019	Benchmark lending rate of financial institutions
Total	485,225,936.79			

(5) Compensation for key management personnel

RMB'0000

Item	For the period	
	from 1 January to 30 June 2019	from 1 January to 30 June 2018
Compensation for key management personnel	1,300	1,769

Notes to the Financial Statements

For the period ended 30 June 2019

RMB

X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (continued)

5. Related Party Transactions (continued)

(6) Amounts due from/to related parties

	30 June 2019		31 December 2018	
	Book balance	Bad debt allowance	Book balance	Bad debt allowance
Accounts receivable				
Shanghai Jiazhan Construction Engineering Company Limited (上海嘉展建築裝潢工程有限公司)	13,000,000.00	13,000,000.00	13,000,000.00	13,000,000.00
Ningbo Kailong Property Company Limited (寧波凱龍置業有限公司)	3,279,546.49	147,579.59	1,829,041.31	82,306.86
Shanghai Xingcheng Yijia Home Furnishings Co., Ltd. (上海星誠藝佳家居有限責任公司)	1,220,467.20	54,921.02	1,220,467.20	54,921.02
Shenzhen Huasheng Home Furnishing Group Co., Ltd. (深圳華生大家居集團有限公司)	1,916,666.66	340,208.33	666,666.66	30,000.00
Xinghua Xingkai Home Furnishing Plaza Company Limited (興化市星凱家居生活廣場有限公司)	369,657.53	42,510.62	468,333.43	57,605.01
Shanghai UIOT Technology Company Limited (上海紫光樂聯物聯網科技有限公司)	11,467.54	573.38	451,693.15	55,558.26
Ningbo Huixin Property Company Limited (寧波匯鑫置業有限公司)	140,876.53	6,339.44	370,876.53	16,689.44
Shanghai Harbour Home Investment Management Co., Ltd. (上海灣寓投資管理有限公司)	254,710.00	11,461.95	254,710.00	11,461.95
Shanghai Hongmei Property Company Limited (上海洪美置業有限公司)	84,840.95	3,817.84	84,840.95	3,817.84
Shanghai Kaixin Cinema Management Co., Ltd. (上海凱昕影院管理有限公司)	—	—	50,000.00	6,150.00
Shanghai Xingchen Interactive Entertainment Technology Co., Ltd. (上海星琛互動娛樂科技有限公司)	9,090.00	409.05	38,412.58	4,724.75
Red Star Macalline Holding Group Company Limited (紅星美凱龍控股集團有限公司)	7,934.00	357.03	3,967.00	487.94
Wuhu Minghui Business Management Co., Ltd. (蕪湖明輝商業管理有限公司)	815,753.42	93,811.64	—	—

Notes to the Financial Statements

For the period ended 30 June 2019

RMB

X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (continued)

5. Related Party Transactions (continued)

(6) Amounts due from/to related parties (continued)

	30 June 2019		31 December 2018	
	Book balance	Bad debt allowance	Book balance	Bad debt allowance
Xuzhou Red Star Macalline Global Home Furnishings Plaza Co., Ltd. (徐州紅星美凱龍全球家居生活廣場有限公司)	91,288.20	10,498.14	—	—
Tianjin Xingkai Real Estate Development Co., Ltd. (天津星凱房地產開發有限公司)	600,000.00	53,580.00	—	—
Tianjin Meilong Real Estate Development Co., Ltd. (天津美龍房地產開發有限公司)	930,000.00	83,049.00	—	—
Qingdao Red Star International Property Company Limited (青島紅星國際置業有限公司)	1,600,000.00	142,880.00	—	—
ZHANG Hong (張虹)	20,186.04	908.37	—	—
Chengdu Dongtai Shopping Mall Company Limited (成都東泰商城有限公司)	22,575.00	1,015.88	—	—
ZHANG Li (張麗)	17,508.49	787.88	—	—
CHEN Min (陳敏)	1,200.00	54.00	—	—
WANG Yi (王毅)	4,800.00	216.00	—	—
ZHANG Ying (張穎)	12,939.90	582.30	—	—
CHEN Chen (陳晨)	9,600.00	432.00	—	—
Ningbo Kaixing Cinema Management Co., Ltd. (寧波凱星影院管理有限公司)	66,664.00	2,999.88	—	—
Jiangsu Davemall Business Management Co., Ltd. (江蘇大衛茂商業管理有限公司)	13,811.32	621.51	—	—
CHEN Donghui (陳東輝)	9,002.50	405.11	—	—
GAO Wei (高偉)	0.01	—	—	—
Total	24,510,585.78	14,000,019.96	18,439,008.81	13,323,723.07

Notes to the Financial Statements

For the period ended 30 June 2019

RMB

X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (continued)

5. Related Party Transactions (continued)

(6) Amounts due from/to related parties (continued)

	30 June 2019		31 December 2018	
	Book balance	Bad debt allowance	Book balance	Bad debt allowance
Prepayments				
Shenzhen Red Star Macalline Home Furnishing Plaza Company Limited (深圳紅星美凱龍家居生活廣場有限公司)	75,757.58	—	1,775,286.31	—
Shenyang Red Star Macalline Property Management Co., Ltd. (瀋陽紅星美凱龍物業管理有限公司)	600,000.00	—	600,000.00	—
Liaoning Cheng'an Construction Co., Ltd. (遼寧誠安建設有限公司)	570,000.00	—	600,000.00	—
Shanghai Jiazhan Construction Engineering Company Limited (上海嘉展建築裝潢工程有限公司)	572,805.00	—	572,805.00	—
Chengdu Dongtai Shopping Mall Company Limited (成都東泰商城有限公司)	25,278.33	—	200,372.27	—
Jining Hongrui Real Estate Co., Ltd. (濟寧鴻瑞置業有限公司)	9,523.84	—	187,614.06	—
Xiamen Baoxiang Red Star Macalline Home Furnishing Plaza Company Limited (廈門寶象紅星美凱龍家居生活廣場有限公司)	2,411.87	—	166,042.15	—
Wuhu Minghui Business Management Co., Ltd. (蕪湖明輝商業管理有限公司)	653,160.32	—	163,832.14	—
Shaanxi Hongrui Home Furnishings Plaza Co., Ltd. (陝西鴻瑞家居生活廣場有限公司)	238,837.44	—	159,633.42	—
Xuzhou Red Star Macalline Global Home Furnishings Plaza Co., Ltd. (徐州紅星美凱龍全球家居生活廣場有限公司)	245,714.22	—	150,476.39	—
Yangzhou Red Star Macalline Global Home Furnishings Plaza Property Co., Ltd. (揚州紅星美凱龍全球家居生活廣場置業有限公司)	419,752.32	—	130,969.33	—
Greenland Group Chengdu Jinniu Real Estate Development Co., Ltd. (綠地集團成都金牛房地產開發有限公司)	5,162.05	—	23,030.74	—
Wuhan Zhengkai Logistics Co., Ltd. (武漢市正凱物流有限公司)	4,726.54	—	17,237.99	—
Xuzhou Red Star Macalline International Home Furnishings City Co., Ltd. (徐州紅星美凱龍國際傢俱裝飾城有限公司)	40,952.35	—		
Total	3,464,081.86	—	4,747,299.80	—

Notes to the Financial Statements

For the period ended 30 June 2019

RMB

X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (continued)

5. Related Party Transactions (continued)

(6) Amounts due from/to related parties (continued)

	30 June 2019		31 December 2018	
	Book balance	Bad debt allowance	Book balance	Bad debt allowance
Other receivables				
Handan Fengfeng Mining District Royal Property Development Company Limited (邯鄲市峰峰礦區皇室房地產開發有限公司)	—	—	300,000,000.00	23,282,996.53
Shanghai Mingyi Enterprise Development Company Limited (上海名藝商業企業發展有限公司)	120,200,000.50	6,010,000.03	112,200,000.50	5,610,000.03
CHE Jianxing (車建興)	—	—	154,384,500.54	—
Wuhu Meihe Asset Management Company Limited (蕪湖美和資產管理有限公司)	—	—	10,000,000.00	776,099.88
Shanghai UIOT Technology Company Limited (上海紫光樂聯物聯網科技有限公司)	—	—	10,000,000.00	776,099.88
Shaanxi Hongrui Home Furnishings Plaza Co., Ltd. (陝西鴻瑞家居生活廣場有限公司)	5,761,446.87	3,233,745.42	4,954,532.02	1,504,325.49
Hangzhou Red Star Macalline Global Home Living Company Limited (杭州紅星美凱龍環球家居有限公司)	114,004,425.00	8,210,019.08	4,504,425.00	349,588.37
Shanghai Xingcheng Yijia Home Furnishings Co., Ltd. (上海星誠藝佳家居有限責任公司)	1,892,905.64	85,559.33	2,892,905.64	1,302,204.37
Xinghua Xingkai Home Furnishing Plaza Company Limited (興化市星凱家居生活廣場有限公司)	—	—	1,170,984.78	90,880.12
Wuhu Minghui Business Management Co., Ltd. (蕪湖明輝商業管理有限公司)	569,680.00	—	1,052,880.00	—
Shenzhen Red Star Macalline Century Center Home Furnishing Plaza Company Limited (深圳紅星美凱龍世紀中心家居生活廣場有限公司)	—	951,783.22	811,586.35	17,621.54
Shenzhen Red Star Macalline Home Furnishing Plaza Company Limited (深圳紅星美凱龍家居生活廣場有限公司)	37,877.00	1,712.04	37,877.00	2,939.63
Xuzhou Red Star Macalline Global Home Furnishings Plaza Co., Ltd. (徐州紅星美凱龍全球家居生活廣場有限公司)	1,837,900.29	103,973.56	32,944.17	2,556.80

X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (continued)

5. Related Party Transactions (continued)

(6) Amounts due from/to related parties (continued)

	30 June 2019		31 December 2018	
	Book balance	Bad debt allowance	Book balance	Bad debt allowance
Guangdong 3vjia Information Technology Co., Ltd. (廣東三維家信息科技有限公司)	—	—	21,961.22	—
Shanghai Red Star Macalline Enterprise Operation and Management Co., Ltd. (上海紅星美凱龍企 業經營管理有限公司)	—	—	6,642.00	—
Xiamen Baoxiang Red Star Macalline Home Furnishing Plaza Company Limited (廈門寶象紅星美凱龍家居生活廣場有限公司)	4,000.00	—	4,000.00	—
Suzhou Supin Home Culture Co., Ltd. (蘇州市蘇品宅配文化有限公司)	82,155.56	3,713.43	3,093.00	285.16
Xuzhou Red Star Macalline International Home Furnishings City Co., Ltd. (徐州紅星美凱龍國 際傢俱裝飾城有限公司)	1,910,110.78	108,058.65	1,912.38	—
Chengdu Dongtai Shopping Mall Company Limited (成都東泰商城有限公司)	7,800.00	352.56	—	—
ZHANG Yi (張毅)	1,047.00	47.32	—	—
Yunnan Red Star Macalline Property Company Limited (雲南紅星美凱龍置業有限公司)	4,031,492.11	228,069.27	—	—
Kunming Xingqin Business Management Co., Ltd. (昆明星琴商業管理有限公司)	66,030.00	66.03	—	—
ZHANG Ying (張穎)	3,000.00	135.60	—	—
WANG Yi (王毅)	3,000.00	135.60	—	—
WU Qiong (吳瓊)	500.00	22.60	—	—
ZHANG Fang (張芳)	500.00	22.60	—	—
ZHANG Li (張麗)	500.00	22.60	—	—
Total	250,414,370.75	18,937,438.94	602,080,244.60	33,715,597.80

Notes to the Financial Statements

For the period ended 30 June 2019

RMB

X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (continued)

5. Related Party Transactions (continued)

(6) Amounts due from/to related parties (continued)

	30 June 2019		31 December 2018	
	Book balance	Bad debt allowance	Book balance	Bad debt allowance
Long-term receivables				
Hangzhou Red Star Macalline Global Home Living Company Limited (杭州紅星美凱龍環球家居有限公司)	218,144,320.00	2,181,443.20	218,144,320.00	2,181,443.20
Shaanxi Red Star Heji Home Shopping Plaza Company Limited (陝西紅星和記家居購物廣場有限公司)	36,340,000.00	—	31,340,000.00	313,400.00
Xiamen Baoxiang Red Star Macalline Home Furnishing Plaza Company Limited (廈門寶象紅星美凱龍家居生活廣場有限公司)	22,500,000.00	—	27,500,000.00	275,000.00
Total	276,984,320.00	2,181,443.20	276,984,320.00	2,769,843.20

	30 June 2019		31 December 2018	
	Book balance	Bad debt allowance	Book balance	Bad debt allowance
Other non-current assets				
Chengdu Red Star Macalline Real Estate Co., Ltd. (成都紅星美凱龍置業有限公司)	247,705,000.00	—	247,705,000.00	—
Shaanxi Red Star Heji Home Shopping Plaza Company Limited (陝西紅星和記家居購物廣場有限公司)	150,000,000.00	—	—	—
Total	397,705,000.00	—	247,705,000.00	—

X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (continued)

5. Related Party Transactions (continued)

(6) Amounts due from/to related parties (continued)

	30 June 2019	31 December 2018
Other payables		
Shanghai Red Star Macalline Enterprise Operation and Management Co., Ltd. (上海紅星美凱龍企業經營管理有限公司)	—	58,316,168.31
Shenyudao Cultural Tourism Holding Co., Ltd. (神玉島文化旅遊控股股份有限公司)	31,300,000.00	35,000,000.00
Chongqing Red Star Macalline Enterprise Development Co., Ltd. (重慶紅星美凱龍企業發展有限公司)	200,000.00	7,870,158.00
Greenland Group Chengdu Jinniu Real Estate Development Co., Ltd. (綠地集團成都金牛房地產開發有限公司)	6,367,615.32	5,029,569.72
Xinghua Xingkai Home Furnishing Plaza Company Limited (興化市星凱家居生活廣場有限公司)	1,560,666.85	3,403,537.78
Wuhan Zhengkai Logistics Co., Ltd. (武漢市正凱物流有限公司)	2,166,387.52	1,770,960.23
Shanghai Jiazhan Construction Engineering Company Limited (上海嘉展建築裝潢工程有限公司)	106,765.45	1,300,296.24
Zhuzhou Red Star Xin An Ju Industrial Company Limited (株洲紅星新安居實業有限公司)	7,620,958.03	1,232,222.36
Liaoning Cheng'an Construction Co., Ltd. (遼寧誠安建設有限公司)	300,000.00	600,676.43
Shanghai UIOT Technology Company Limited (上海紫光樂聯物聯網科技有限公司)	—	415,088.33
Shanghai Tianhe Smart Home Technology Company Ltd. (上海天合智能科技股份有限公司)	—	235,904.32
Wuhu Minghui Business Management Co., Ltd. (蕪湖明輝商業管理有限公司)	149,326.58	149,320.69
Suzhou Supin Home Culture Co., Ltd. (蘇州市蘇品宅配文化有限公司)	—	115,615.32
Jiangsu Baili Aijia Home Technology Co., Ltd. (江蘇佰麗愛家家居科技有限公司)	—	110,371.00
Business Division of Nanjing Pukou Lilicheng Furniture (南京市浦口區立力成傢俱經營部)	—	85,075.20
CHE Jianfang (車建芳)	—	70,150.00
QIAN Yumei (錢玉梅)	—	61,003.20
Shaanxi Hongrui Home Furnishings Plaza Co., Ltd. (陝西鴻瑞家居生活廣場有限公司)	135,544.28	56,962.54

Notes to the Financial Statements

For the period ended 30 June 2019

RMB

X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (continued)

5. Related Party Transactions (continued)

(6) Amounts due from/to related parties (continued)

	30 June 2019	31 December 2018
Yangzhou Kailong Consulting Co., Ltd. (揚州凱龍管理諮詢有限公司)	8,076.92	45,191.59
Xuzhou Red Star Macalline Global Home Furnishings Plaza Co., Ltd. (徐州紅星美凱龍全球家居生活廣場有限公司)	8,023.76	41,436.68
Klas International Home Living Company Limited (克拉斯國際家居有限公司)	—	40,000.00
Shenzhen Huasheng Home Furnishing Group Co., Ltd. (深圳華生大家居集團有限公司)	—	40,000.00
Yunnan Red Star Macalline Property Company Limited (雲南紅星美凱龍置業有限公司)	36,104.33	36,104.33
LEAWOD Door and Window Profiles Company (四川良木道門窗型材有限公司)	—	30,000.00
Changzhou Red Star Furniture General Factory Co., Ltd. (常州市紅星傢俱總廠有限公司)	21,186.00	21,186.00
Changzhou Yizhi Furniture Company Limited (常州市藝致傢俱有限公司)	—	18,000.00
Shanghai Hongmei Property Company Limited (上海洪美置業有限公司)	—	15,910.00
CAO Zhongmin (曹仲民)	—	12,000.00
Chengdu Dongtai Shopping Mall Company Limited (成都東泰商城有限公司)	40,008,611.03	8,852.18
Xuzhou Red Star Macalline International Home Furnishings City Co., Ltd. (徐州紅星美凱龍國際傢俱裝飾城有限公司)	1,807.50	1,912.38
Xiamen Baoxiang Red Star Macalline Home Furnishing Plaza Company Limited (廈門寶象紅星美凱龍家居生活廣場有 限公司)	1,597.64	1,843.72
Taixing Red Star Macalline Home Furnishing Company Limited (泰興紅星美凱龍家居家飾品有限公司)	206,223.73	N/A
Shenzhen Red Star Macalline Century Center Home Furnishing Plaza Company Limited (深圳紅星美凱龍世紀 中心家居生活廣場有限公司)	40,038,585.66	N/A
Total	130,237,480.60	116,135,516.55

X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (continued)

5. Related Party Transactions (continued)

(6) Amounts due from/to related parties (continued)

	30 June 2019	31 December 2018
Advance from customers		
Shanghai UIOT Technology Company Limited (上海紫光樂聯物聯網科技有限公司)	336,702.21	577,040.25
Suzhou Supin Home Culture Co., Ltd. (蘇州市蘇品宅配文化有限公司)	—	471,522.23
Shaanxi Hongrui Home Furnishings Plaza Co., Ltd. (陝西鴻瑞家居生活廣場有限公司)	—	108,000.00
ZHANG Jianfang (張建芳)	—	16,573.28
CAO Zhongmin (曹仲民)	—	4,051.02
ZHANG Li (張麗)	117,042.57	—
Hangzhou Nobel Ceramics Co., Ltd. (杭州諾貝爾陶瓷有限公司)	71,643.28	—
CHE Jianfang (車建芳)	360.18	—
LIU Zhihong (劉志紅)	21,507.61	—
CHEN Min (陳敏)	2,819.60	—
CHEN Kai (陳凱)	8,288.48	—
CHE Jianguo (車建國)	252,101.86	—
LI Lei (李磊)	2,842.50	—
ZHANG Fang (張芳)	758.57	—
Kaiqianjia Enterprise Management Co., Ltd. (凱乾嘉企業管理有限公司)	243,922.00	—
YANG Qin (楊琴)	1,837.97	—
CHEN Jianxin (陳建新)	1,030.40	—
LI Shiqing (李世清)	139.08	—
ZHANG Yi (張毅)	13,541.47	—
WANG Yi (王毅)	25,750.08	—
CHEN Shuhong (陳淑紅)	4,448.41	—
GAO Wei (高偉)	6,915.19	—
ZHANG Ying (張穎)	9,346.26	—
Total	1,120,997.72	1,177,186.78

Notes to the Financial Statements

For the period ended 30 June 2019

RMB

X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (continued)

5. Related Party Transactions (continued)

(6) Amounts due from/to related parties (continued)

	30 June 2019	31 December 2018
Accounts payable		
Shanghai Jiazhan Construction Engineering Company Limited (上海嘉展建築裝潢工程有限公司)	12,278,472.42	19,801,237.74
Liaoning Cheng'an Construction Co., Ltd. (遼寧誠安建設有限公司)	14,784,550.45	12,272,932.21
Chongqing Nan'an District Hongmei Cinema Management Co., Ltd. (重慶市南岸區紅美影院管理有限公司)	3,495.00	—
Mofang (Shenzhen) Apartment Management Co., Ltd. (魔方(深圳)公寓管理有限公司)	6,225.00	—
Changzhou Red Star Furniture General Factory Co., Ltd. (常州市紅星傢俱總廠有限公司)	458,932.50	341,500.50
Total	27,531,675.37	32,415,670.45

	30 June 2019	31 December 2018
Lease liability		
Changzhou RSHFC (常州市紅星裝飾城)	24,344,799.99	N/A
Total	24,344,799.99	N/A

XI. COMMITMENTS AND CONTINGENCIES

1. Significant Commitments

	30 June 2019	31 December 2018
Contracted but not provisioned		
Capital commitments	3,310,000,000.00	3,310,000,000.00
Investment commitments	1,588,733,000.00	1,618,733,000.00
Total	4,898,733,000.00	4,928,733,000.00

2. Contingencies

As of the date of approval of the financial report, the Group has no significant contingencies that should be disclosed.

XII. EVENTS AFTER THE BALANCE SHEET DATE

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 Outlets all the principal amount for the first installment of the creditor's rights transfer of RMB30.00 million.

For details, please refer to the announcements 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 announcements dated 9 August and 22 August 2019 as disclosed on designated media in China.

Notes to the Financial Statements

For the period ended 30 June 2019

RMB

XII. EVENTS AFTER THE BALANCE SHEET DATE (continued)

3. Execution of the Sub-contract Agreement with the Related Party

On 28 August 2019, Jiangsu Sunan Construction and Installation Engineering Co., Ltd. (江蘇蘇南建築安裝工程有限公司) (“Jiangsu Sunan Construction”), a wholly-owned subsidiary of the Company, received the letter of acceptance from a connected person, Xishuangbanna Yunnan Investment Construction Pan-Asian Real Estate Co., Ltd. (西雙版納雲投建設泛亞置業有限公司) (“Xishuangbanna Yunnan Investment”) in respect of the invitation for bids of the project in International “Dai” Hot Spring Health Resort in Gasa Tourist Town (嘎灑旅遊小鎮國際「傣」溫泉養生旅遊度假區) (the “Gasa Tourist Town Project”), which confirmed that Jiangsu Sunan Construction was the bid winner of the Gasa Tourist Town Project. A Sub-contract Agreement of Decoration with a contract amount of RMB123,595,230.28 (tax inclusive) was entered into between Jiangsu Sunan Construction and Xishuangbanna Yunnan Investment on 10 September 2019 accordingly. For details, please refer to the announcement of the Company dated 28 August 2019 as disclosed on the website of the Hong Kong Stock Exchange (www.hkexnews.hk).

XIII. OTHER SIGNIFICANT EVENTS

1. Segment Reporting

For management purposes, the Group is organized into business units based on their products and services and has 5 reporting segments as follows:

- (1) Owned/Leased Portfolio Shopping Malls;
- (2) Managed Shopping Malls;
- (3) Construction and design;
- (4) Sales of merchandise and related services;
- (5) Others.

The management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance are evaluated based on the segment profits reported. It represents the indicator after adjustments have been made to total profit of continuing operation, and other than the exclusion of interest income, financial expenses, dividend income, gains from changes in fair value of financial instruments, and headquarters expenses, the indicator is consistent with the Group’s total profit of continuing operation.

Notes to the Financial Statements

For the period ended 30 June 2019

RMB

XIII. OTHER SIGNIFICANT EVENTS (continued)

1. Segment Reporting (continued)

(1) For the period from 1 January to 30 June 2019

Item	Owned/Leased Portfolio Shopping Malls	Managed Shopping Malls	Construction and Design	Sales of merchandise and related services	Others	Unallocated item	Adjustment and offset	Total
External 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
Inter-segment revenue	—	—	—	—	—	—	—	—
Total segment operating 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
Less: Cost of sales	808,393,623.53	746,302,209.26	642,568,338.90	142,535,402.83	222,660,569.47	—	—	2,562,460,143.99
Taxes and surcharges	177,698,175.47	11,536,987.56	7,237,259.38	420,962.04	4,950,541.31	—	—	201,843,925.76
Distribution and selling expenses	616,927,738.88	219,482,702.17	—	64,230,034.66	30,975,959.36	—	—	931,616,435.07
General and administrative expenses	279,937,372.63	181,175,983.78	48,094,347.66	39,328,204.22	154,043,070.11	—	—	702,578,978.40
Research and development costs	—	9,677,569.97	—	—	7,588,772.49	—	—	17,266,342.46
Financial expenses	—	—	—	—	—	984,694,930.36	—	984,694,930.36
Impairment losses of credit	—	—	—	—	—	104,004,939.19	—	104,004,939.19
Add: Other income	—	—	—	—	—	58,576,197.18	—	58,576,197.18
Investment income	—	—	—	—	—	339,678,258.34	—	339,678,258.34
Gain on changes in fair value	—	—	—	—	—	905,235,903.48	—	905,235,903.48
Gain from disposal of assets	—	—	—	—	—	7,106,901.16	—	7,106,901.16
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
Add: Non-operating income	—	—	—	—	—	21,942,159.07	—	21,942,159.07
Less: Non-operating expenses	—	—	—	—	—	10,542,968.10	—	10,542,968.10
Total profit/(loss)	2,069,165,267.06	994,274,045.09	239,941,210.13	(40,431,527.61)	78,399,667.11	233,296,581.58	—	3,574,645,243.36
Less: Income tax expenses	—	—	—	—	—	713,291,013.53	—	713,291,013.53
Net profit/(loss)	2,069,165,267.06	994,274,045.09	239,941,210.13	(40,431,527.61)	78,399,667.11	(479,994,431.95)	—	2,861,354,229.83

Notes to the Financial Statements

For the period ended 30 June 2019

RMB

XIII. OTHER SIGNIFICANT EVENTS (continued)

1. Segment Reporting (continued)

(2) For the period from 1 January to 30 June 2018

Item	Owned/Leased Portfolio Shopping Malls	Managed Shopping Malls	Construction and design	Sales of merchandise and related services	Others	Unallocated item	Adjustment and offset	Total
External 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
Inter-segment revenue	—	—	—	—	—	—	—	—
Total segment operating revenue	3,374,035,552.17	1,735,934,819.03	457,519,006.73	186,975,067.08	438,481,691.51	—	—	6,192,946,136.52
Less: Cost of sales	772,121,419.76	688,881,541.69	272,597,029.98	135,052,128.67	86,405,436.80	—	—	1,955,057,556.90
Taxes and surcharges	161,859,039.35	13,264,447.84	1,467,105.89	553,714.55	3,793,674.89	—	—	180,937,982.52
Distribution and selling expenses	524,692,210.62	35,171,778.29	—	49,194,379.05	37,014,693.98	—	—	646,073,061.94
General and administrative expenses	142,545,298.86	160,268,537.03	20,107,489.85	52,266,916.92	121,419,290.40	31,160,138.21	—	527,767,671.27
Research and development costs	—	—	2,841,417.87	—	—	6,740,573.70	—	9,581,991.57
Financial expenses	—	—	—	—	—	587,122,443.32	—	587,122,443.32
Impairment losses of credit	—	—	—	—	—	144,729,939.93	—	144,729,939.93
Add: Other income	—	—	—	—	—	55,801,019.59	—	55,801,019.59
Investment income	—	—	—	—	—	108,294,694.00	—	108,294,694.00
Gain on changes in fair value	—	—	—	—	—	1,065,984,523.07	—	1,065,984,523.07
Gain from disposal of assets	—	—	—	—	—	214,551,818.78	—	214,551,818.78
Operating profit/(loss)	1,934,676,622.93	851,612,962.02	161,973,069.03	(49,538,357.56)	193,642,270.33	674,878,960.28	—	3,767,245,527.03
Add: Non-operating income	—	—	—	—	—	7,993,510	—	7,993,510.02
Less: Non-operating expenses	—	—	—	—	—	7,822,961	—	7,822,960.77
Total profit/(loss)	1,934,676,622.93	851,612,962.02	161,973,069.03	(49,538,357.56)	193,642,270.33	675,049,509.53	—	3,767,416,076.28
Less: Income tax expenses	—	—	—	—	—	553,807,585.73	—	553,807,585.73
Net profit/(loss)	1,934,676,622.93	851,612,962.02	161,973,069.03	(49,538,357.56)	193,642,270.33	121,241,923.80	—	3,213,608,490.55

Notes to the Financial Statements

For the period ended 30 June 2019

RMB

XIV. NOTES TO THE MAJOR ITEMS IN FINANCIAL STATEMENTS OF THE COMPANY

1. Accounts Receivable

	30 June 2019	31 December 2018
Accounts receivable	1,497,261,525.11	1,517,778,273.71
Less: Bad debt allowance	943,211,315.26	940,816,218.89
	554,050,209.85	576,962,054.82

The movements on the allowance for bad debts in relation to accounts receivable are as follows:

Opening balance	Provision for the current period	Reversal for the current period	Write-off for the current period	Closing balance
940,816,218.89	45,777,121.38	43,882,025.01	—	943,211,315.26

	30 June 2019			
	Book balance		Bad debt allowance	
	Amount	Percentage (%)	Amount	Proportion (%)
Receivables for which bad debts are provided individually	780,383,592.71	52.12	767,392,716.35	98.34
Receivables for which bad debt allowance is provided by portfolio of credit risk characteristics	716,877,932.40	47.88	175,818,598.91	24.53
	1,497,261,525.11	100.00	943,211,315.26	63.00

Notes to the Financial Statements

For the period ended 30 June 2019

RMB

XIV. NOTES TO THE MAJOR ITEMS IN FINANCIAL STATEMENTS OF THE COMPANY (continued)

1. Accounts Receivable (continued)

	31 December 2018			
	Book balance		Bad debt allowance	
	Amount	Percentage (%)	Amount	Proportion (%)
Receivables for which bad debts are provided individually	886,000,865.46	58.37	806,961,654.65	91.08
Receivables for which bad debt allowance is provided by portfolio of credit risk characteristics	631,777,408.25	41.63	133,854,564.24	21.19
	1,517,778,273.71	100.00	940,816,218.89	61.99

The aging analysis of accounts receivable is as follows:

	30 June 2019	31 December 2018
Within 1 year	181,061,086.37	244,694,239.64
1 to 2 years	305,169,433.36	150,008,648.61
2 to 3 years	140,388,453.35	164,417,337.43
Over 3 years	870,642,552.03	958,658,048.03
Less: Allowance for bad debts for accounts receivable	943,211,315.26	940,816,218.89
	554,050,209.85	576,962,054.82

Notes to the Financial Statements

For the period ended 30 June 2019

RMB

XIV. NOTES TO THE MAJOR ITEMS IN FINANCIAL STATEMENTS OF THE COMPANY (continued)

1. Accounts Receivable (continued)

Our Company's accounts receivable for which bad debts are provided by aging analysis method are as follows:

	30 June 2019		
	Book balance expected to incur credit loss	ECL rate (%)	Lifetime ECL
Portfolio One: Brand consulting and management services for the early stage of project			
Within 1 year	75,800,000.00	8.93	6,768,940.00
1 to 2 years	116,700,000.00	16.43	19,173,810.00
2 to 3 years	74,090,000.00	21.39	15,847,851.00
3 to 4 years	94,500,000.00	30.49	28,813,050.00
4 to 5 years	62,650,000.00	50.17	31,431,505.00
5 to 6 years	13,240,000.00	72.69	9,624,156.00
Over 6 years	14,500,000.00	100	14,500,000.00
Total	451,480,000.00	27.94	126,159,312.00

	30 June 2019		
	Book balance expected to incur credit loss	ECL rate (%)	Lifetime ECL
Portfolio Two: Other consulting services			
Within 1 year	75,273,501.94	11.5	8,656,452.72
1 to 2 years	64,788,774.22	17.75	11,500,007.42
2 to 3 years	22,321,662.33	32.27	7,203,200.43
3 to 4 years	11,094,520.00	100	11,094,520.00
4 to 5 years	6,706,000.00	100	6,706,000.00
Total	180,184,458.49	25.06	45,160,180.57

Notes to the Financial Statements

For the period ended 30 June 2019

RMB

XIV. NOTES TO THE MAJOR ITEMS IN FINANCIAL STATEMENTS OF THE COMPANY (continued)

1. Accounts Receivable (continued)

Name	30 June 2019		
	Book balance expected to incur credit loss	ECL rate (%)	Lifetime ECL
Portfolio Three: Rental and related income			
Within 1 year	1,956,108.32	4.50%	88,024.87
Total	1,956,108.32	4.50%	88,024.87

Name	30 June 2019		
	Book balance expected to incur credit loss	ECL rate (%)	Lifetime ECL
Portfolio Four: Others			
Within 1 year	—	—	—
1 to 2 years	68,257,365.59	4.50%	3,071,581.45
Total	68,257,365.59	4.50%	3,071,581.45

Notes to the Financial Statements

For the period ended 30 June 2019

RMB

XIV. NOTES TO THE MAJOR ITEMS IN FINANCIAL STATEMENTS OF THE COMPANY (continued)

1. Accounts Receivable (continued)

	31 December 2018		
	Book balance expected to incur credit loss	ECL rate (%)	Lifetime ECL
Portfolio One: Brand consulting and management services for the early stage of project			
Within 1 year	137,400,000.00	9.00	12,366,000.00
1 to 2 years	92,500,000.00	14.00	12,950,000.00
2 to 3 years	90,572,817.43	20.00	18,114,563.48
3 to 4 years	103,300,000.00	31.50	32,539,500.00
4 to 5 years	44,707,182.57	48.61	21,733,701.53
5 to 6 years	14,000,000.00	61.83	8,656,200.00
Over 6 years	5,500,000.00	100.00	5,500,000.00
	487,980,000.00	22.92	111,859,965.01

	31 December 2018		
	Book balance expected to incur credit loss	ECL rate (%)	Lifetime ECL
Portfolio Two: Other consulting services			
Within 1 year	54,004,038.02	10.28	5,551,615.11
1 to 2 years	30,808,648.63	17.65	5,437,726.48
2 to 3 years	11,494,520.00	35.61	4,093,198.57
3 to 4 years	5,000,000.00	100	5,000,000.00
	101,307,206.65	19.82	20,082,540.16

Notes to the Financial Statements

For the period ended 30 June 2019

RMB

XIV. NOTES TO THE MAJOR ITEMS IN FINANCIAL STATEMENTS OF THE COMPANY (continued)

1. Accounts Receivable (continued)

	31 December 2018		
	Book balance expected to incur credit loss	ECL rate (%)	Lifetime ECL
Portfolio Three: Rental and related income			
Within 1 year	615,204.25	4.5	27,684.19

	31 December 2018		
	Book balance expected to incur credit loss	ECL rate (%)	Lifetime ECL
Portfolio Four: Others			
Within 1 year	25,174,997.37	4.5	1,132,874.88
1 to 2 years	16,699,999.98	4.5	751,500.00
	41,874,997.35	4.5	1,884,374.88

During the period, the provision for bad debts amounted to RMB45,777,121.38, the recovery or reversal of bad debt allowance amounted to RMB43,382,025.01. There was no actual write-off of accounts receivable.

There was no recovery or reversal of provision for bad debts with significant amount for the period.

Notes to the Financial Statements

For the period ended 30 June 2019

RMB

XIV. NOTES TO THE MAJOR ITEMS IN FINANCIAL STATEMENTS OF THE COMPANY (continued)

1. Accounts Receivable (continued)

As at 30 June 2019, the top five accounts receivable were as follows:

	Closing balance	Proportion to total balance of accounts receivable (%)	Bad debt allowance Closing balance
Changzhou Wujin Construction Engineering Co., Ltd. (常州市武進建設工程有限公司)	55,000,000.00	3.67	55,000,000.00
The Second Construction Group Corporation Limited of Yancheng Jiangsu (江蘇鹽城二建集團有限公司)	30,600,000.00	2.04	30,600,000.00
Jiangsu Provincial Construction Group Co., Ltd. (江蘇省建築工程集團有限公司)	26,000,000.00	1.74	23,000,000.00
Guizhou Jinyuan Huafu Property Co., Ltd. (貴州金源華府置業有限公司)	23,000,000.00	1.54	23,000,000.00
Xuanwei Xintiandi Real Estate Development Co., Ltd. (宣威市新天地房地產開發有限公司)	20,000,000.00	1.34	20,000,000.00
Total	154,600,000.00	10.33	151,600,000.00

2. Other Receivables

	30 June 2019	31 December 2018
Interest receivables	91,866,963.23	67,912,338.35
Dividend receivables	1,881,182,005.75	2,734,160,000.00
Other receivables	24,628,955,218.45	22,464,077,505.65
Total	26,602,004,187.43	25,266,149,844.00

Notes to the Financial Statements

For the period ended 30 June 2019

RMB

XIV. NOTES TO THE MAJOR ITEMS IN FINANCIAL STATEMENTS OF THE COMPANY (continued)

2. Other Receivables (continued)

Interest receivables

	30 June 2019	31 December 2018
Entrusted loans	7,103,590.73	—
Loan interest	84,763,372.50	67,912,338.35
Total	91,866,963.23	67,912,338.35

Dividend receivables

	30 June 2019	31 December 2018
Red Star Macalline Home Furnishing Mall Management Company Limited (紅星美凱龍家居商場管理有限公司)	637,000,000.00	637,000,000.00
Shanghai Xingkai Chengpeng Business Management Company Limited (上海星凱程鵬企業管理有限公司)	323,856,949.26	976,000,000.00
Shanghai Red Star Macalline Global Home Furnishing Company Limited (上海紅星美凱龍全球家居有限公司)	210,000,000.00	210,000,000.00
Chongqing Red Star Macalline Shibo Home Living Plaza Company Limited (重慶紅星美凱龍世博家居生活廣場有限責任公司)	156,000,000.00	156,000,000.00
Shenyang Red Star Macalline Home Furnishing Company Limited (瀋陽紅星美凱龍家居有限公司)	126,000,000.00	126,000,000.00
Shanghai Red Star Macalline Decorative Furniture Mall Co., Ltd (上海紅星美凱龍裝飾傢俱城有限公司)	83,660,000.00	83,660,000.00
Chengdu Dongtai Shopping Mall Company Limited (成都東泰商城有限公司)	70,875,000.00	—
Changzhou Macalline International Computer and Electronics Furnishing Plaza Co., Ltd. (常州美凱龍國際電腦家電裝飾城有限公司)	55,500,000.00	55,500,000.00
Beijing Red Star Macalline International Home Furnishing Plaza Company Limited (北京紅星美凱龍國際傢俱建材廣場有限公司)	55,000,000.00	55,000,000.00
Changzhou World Furniture and Home Plaza Co. Ltd. (常州世界傢俱家居廣場有限公司)	54,000,000.00	54,000,000.00

XIV. NOTES TO THE MAJOR ITEMS IN FINANCIAL STATEMENTS OF THE COMPANY (continued)

2. Other Receivables (continued)

Dividend receivables (continued)

	30 June 2019	31 December 2018
Shenyang Red Star Macalline Shibo Home Furnishing Company Limited (瀋陽紅星美凱龍世博家居有限公司)	39,000,000.00	39,000,000.00
Nanjing Mingdu Home Furnishing Plaza Company Limited (南京名都家居廣場有限公司)	31,200,000.00	31,200,000.00
Changsha Red Star Macalline Home Furnishing Plaza Company Limited (長沙紅星美凱龍家居生活廣場有限公司)	23,000,000.00	23,000,000.00
Yunnan Red Star Macalline Home Furnishing Plaza Company Limited (雲南紅星美凱龍家居生活廣場有限公司)	7,090,056.49	—
Shanghai Jisheng Wellborn Global Home Furnishing Brand Management Company Limited (上海吉盛偉邦環球家居品牌管理有限公司)	6,000,000.00	6,000,000.00
Changsha Red Star Macalline International Home Furnishing Art Expo Company Limited (長沙紅星美凱龍國際家居藝術博覽中心有限公司)	3,000,000.00	3,000,000.00
Beijing Red Star Macalline Shibo Furniture Plaza Company Limited (北京紅星美凱龍世博傢俱廣場有限公司)	—	82,000,000.00
Wuxi Red Star International Home Furnishing Company Limited (無錫紅星美凱龍國際傢俱裝飾有限公司)	—	64,800,000.00
Chongqing Red Star Macalline Global Home Furnishing Plaza Company Limited (重慶紅星美凱龍環球家居生活廣場有限責任公司)	—	44,000,000.00
Hangzhou Red Star Macalline Shibo Furniture Plaza Company Limited (杭州紅星美凱龍世博家居有限公司)	—	37,000,000.00
Nanjing Red Star International Home Furnishing Mall Company Limited (南京紅星國際傢俱裝飾城有限公司)	—	27,000,000.00
Yangzhou Red Star Macalline International Home Furnishing Plaza Company Limited (揚州紅星美凱龍國際家居廣場有限公司)	—	15,000,000.00
Shanghai Red Star Macalline Kaiheng Household Company Limited (上海紅星美凱龍楷恒家居有限公司)	—	9,000,000.00
Total	1,881,182,005.75	2,734,160,000.00

Notes to the Financial Statements

For the period ended 30 June 2019

RMB

XIV. NOTES TO THE MAJOR ITEMS IN FINANCIAL STATEMENTS OF THE COMPANY (continued)

2. Other Receivables (continued)

The aging analysis of other receivables is as follows:

	30 June 2019	31 December 2018
Within 1 year	21,859,506,857.38	19,054,734,114.39
1 to 2 years	129,294,394.57	98,560,020.00
2 to 3 years	9,200,000.00	9,700,000.00
Over 3 years	3,312,982,686.50	3,975,629,242.67
Less: Bad debt allowance for other receivables	682,028,720.00	674,545,871.41
	24,628,955,218.45	22,464,077,505.65

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

	Stage 1 Expected credit losses in the next 12 months	Stage 2 Lifetime expected credit losses (No credit-impaired)	Stage 3 Lifetime expected credit losses (Credit- impaired)	Total
Balance on 1 January 2019	26,372,534.44	—	648,173,336.97	674,545,871.41
— Transfer to stage 2	—	—	—	—
— Transfer to stage 3	—	—	—	—
— Reverse to stage 2	—	—	—	—
— Reverse to stage 1	—	—	—	—
Provision during the period	7,482,848.59	—	—	7,482,848.59
Reversal during the period	—	—	—	—
Balance on 30 June 2019	33,855,383.03	—	648,173,336.97	682,028,720.00

Notes to the Financial Statements

For the period ended 30 June 2019

RMB

XIV. NOTES TO THE MAJOR ITEMS IN FINANCIAL STATEMENTS OF THE COMPANY (continued)

2. Other Receivables (continued)

	Stage 1 Expected credit losses in the next 12 months	Stage 2 Lifetime expected credit losses (No credit-impaired)	Stage 3 Lifetime expected credit losses (Credit- impaired)	Total
Balance on 1 January 2018	22,625,422.87	—	569,649,239.60	592,274,662.47
— Transfer to stage 2	—	—	—	—
— Transfer to stage 3	—	—	—	—
— Reverse to stage 2	—	—	—	—
— Reverse to stage 1	—	—	—	—
Provision during the period	3,747,111.57	—	78,524,097.37	82,271,208.94
Reversal during the period	—	—	—	—
Balance on 31 December 2018	26,372,534.44	—	648,173,336.97	674,545,871.41

During the period, bad debt allowance amounted to RMB7,482,848.59. There was no recovered or reversed bad debt allowance or actual written-off of accounts receivable.

Other receivables are classified by nature as follows:

	30 June 2019	31 December 2018
Loan and advances		
— to related parties	24,482,197,169.16	22,310,629,865.39
— to third parties	80,581,798.67	98,870,935.64
Deposits	62,808,161.83	52,802,821.76
Others	3,368,088.79	1,773,882.86
	24,628,955,218.45	22,464,077,505.65

Notes to the Financial Statements

For the period ended 30 June 2019

RMB

XIV. NOTES TO THE MAJOR ITEMS IN FINANCIAL STATEMENTS OF THE COMPANY (continued)

2. Other Receivables (continued)

On 30 June 2019, the top five entities with the largest amounts of other receivables are as follows:

	Closing balance	Proportion to the total amount of other receivables (%)	Nature	Aging	Bad debt allowance Closing balance
Shanghai Red Star Macalline Home Furnishing Design Expo Company Limited (上海紅星美凱龍家居藝術設計博覽有限公司)	1,460,605,233.60	5.77	Amounts due to and from subsidiaries	Within 1 year, 1 to 2 years	129,552,550.73
Nanjing Mingdu Home Furnishing Plaza Company Limited (南京名都家居廣場有限公司)	1,376,054,272.83	5.44	Amounts due to and from subsidiaries	1 to 2 years	—
Red Star Macalline Shibo (Tianjin) Home Furnishing Plaza Company Limited (紅星美凱龍世博(天津)家居生活廣場有限公司)	898,193,008.21	3.55	Amounts due to and from subsidiaries	Within 1 year, 1 to 2 years	80,000,000.00
Wuhan Red Star Macalline Shibo Home Furnishing Plaza Development Company Limited (武漢紅星美凱龍世博家居廣場發展有限公司)	886,479,657.24	3.50	Amounts due to and from subsidiaries	Within 1 year, 1 to 2 years	100,000,000.00
Shanghai Hongxin Oukai Home Furnishing Company Limited (上海虹欣歐凱家居有限公司)	852,672,612.78	3.37	Amounts due to and from subsidiaries	Within 1 year, 1 to 2 years	—
Total	5,474,004,784.66	21.63			309,552,550.73

Notes to the Financial Statements

For the period ended 30 June 2019

RMB

XIV. NOTES TO THE MAJOR ITEMS IN FINANCIAL STATEMENTS OF THE COMPANY (continued)

2. Other Receivables (continued)

On 31 December 2018, the top five entities with the largest amounts of other receivables are as follows:

	Closing balance	Proportion to the total amount of other receivables (%)	Nature	Aging	Bad debt allowance Closing balance
Nanjing Mingdu Home Furnishing Plaza Company Limited (南京名都家居廣場有限公司)	1,445,966,149.79	6.25	Amounts due to and from subsidiaries	Within 1 year	—
Shanghai Red Star Macalline Home Furnishing Design Expo Company Limited (上海紅星美凱龍家居藝術設計博覽有限公司)	985,216,304.45	4.26	Amounts due to and from subsidiaries	Within 1 year	129,552,550.73
Red Star Macalline Shibo (Tianjin) Home Furnishing Plaza Company Limited (紅星美凱龍世博(天津)家居生活廣場有限公司)	889,756,259.43	3.85	Amounts due to and from subsidiaries	Within 1 year	80,000,000.00
Wuhan Red Star Macalline Shibo Home Furnishing Plaza Development Company Limited (武漢紅星美凱龍世博家居廣場發展有限公司)	871,357,784.03	3.77	Amounts due to and from subsidiaries	Within 1 year	100,000,000.00
Shanghai Hongxin Oukai Home Furnishing Company Limited (上海虹欣歐凱家居有限公司)	782,329,717.28	3.38	Amounts due to and from subsidiaries	Within 1 year	—
Total	4,974,626,214.98	21.51			309,552,550.73

At the end of the current period and prior year, the Group has no other receivables involving government grants and other receivables derecognized due to the transfer of financial assets.

Notes to the Financial Statements

For the period ended 30 June 2019

RMB

XIV. NOTES TO THE MAJOR ITEMS IN FINANCIAL STATEMENTS OF THE COMPANY (continued)

3. Long-term Equity Investments

For the period from 1 January to 30 June 2019

	Opening balance	Increase/decrease during the period		Book value at the end of the period
		Increase in investment	Decrease in investment	
Investments in subsidiaries				
Changzhou World Furniture and Home Plaza Co., Ltd. (常州世界傢俱家居廣場有限公司)	15,447,913.31	—	—	15,447,913.31
Wuxi Red Star International Home Furnishing Company Limited (無錫紅星美凱龍國際傢俱裝飾有限公司)	47,998,405.33	—	—	47,998,405.33
Lianyungang Red Star International Home Furnishing Plaza Company Limited (連雲港紅星美凱龍國際家居廣場有限公司)	3,465,415.12	—	—	3,465,415.12
Nanjing Red Star International Home Furnishing Mall Company Limited (南京紅星國際傢俱裝飾城有限公司)	59,689,261.20	—	—	59,689,261.20
Nanjing Mingdu Home Furnishing Plaza Company Limited (南京名都家居廣場有限公司)	47,227,734.43	—	—	47,227,734.43
Shanghai Red Star Macalline Decorative Furniture Mall Co., Ltd (上海紅星美凱龍裝飾傢俱城有限公司)	136,115,702.30	160,000,000.00	—	296,115,702.30
Shanghai Red Star Macalline Global Home Furnishing Company Limited (上海紅星美凱龍全球家居有限公司)	138,455,620.20	11,544,379.80	11,544,379.80	138,455,620.20
Shanghai Hongxin Oukai Home Furnishing Company Limited (上海虹欣歐凱家居有限公司)	92,508,623.92	—	—	92,508,623.92
Shanghai Xinwei Property Company Limited (上海新偉置業有限公司)	272,756,078.13	—	—	272,756,078.13
Shanghai Red Star Macalline Home Furnishing Market Management Company Limited (上海紅星美凱龍家居市場經營管理有限公司)	-1,408,244.71	—	—	-1,408,244.71
Changsha Red Star Macalline Home Furnishing Plaza Company Limited (長沙紅星美凱龍家居生活廣場有限公司)	5,000,000.00	—	—	5,000,000.00
Changsha Red Star Macalline International Home Furnishing Art Expo Company Limited (長沙紅星美凱龍國際家居藝術博覽中心有限公司)	871,353.75	—	—	871,353.75

Notes to the Financial Statements

For the period ended 30 June 2019

RMB

XIV. NOTES TO THE MAJOR ITEMS IN FINANCIAL STATEMENTS OF THE COMPANY (continued)

3. Long-term Equity Investments (continued)

	Opening balance	Increase/decrease during the period		Book value at the end of the period
		Increase in investment	Decrease in investment	
Jinan Red Star Macalline Shibo Home Living Plaza Company Limited (濟南紅星美凱龍世博家居生活廣場有限公司)	71,243,669.12	—	—	71,243,669.12
Chengdu Red Star Macalline Shibo Home Living Plaza Company Limited (成都紅星美凱龍世博家居生活廣場有限責任公司)	30,275,655.03	—	—	30,275,655.03
Zhengzhou Red Star Macalline International Home Furnishing Company Limited (鄭州紅星美凱龍國際家居有限公司)	15,300,000.00	—	—	15,300,000.00
Shanghai Red Star Macalline Home Furnishing and Decorating Market Management Company Limited (上海紅星美凱龍傢俱裝飾市場經營管理有限公司)	1,349,876.56	—	—	1,349,876.56
Zhengzhou Red Star Macalline Global Home Living Plaza Management Company Limited (鄭州紅星美凱龍全球家居生活廣場經營管理有限公司)	510,000.00	—	—	510,000.00
Hangzhou Red Star Macalline Shibo Furniture Plaza Company Limited (杭州紅星美凱龍世博家居有限公司)	20,000,000.00	—	—	20,000,000.00
Shanghai Red Star Macalline Brand Management Company Limited (上海紅星美凱龍品牌管理有限公司)	5,000,000.00	—	—	5,000,000.00
Chongqing Red Star Macalline Global Home Furnishing Plaza Company Limited (重慶紅星美凱龍環球家居生活廣場有 限責任公司)	10,000,000.00	—	—	10,000,000.00
Chongqing Red Star Macalline Shibo Home Living Plaza Company Limited (重慶紅星美凱龍世博家居生活廣場有限責任公司)	23,496,190.89	—	—	23,496,190.89
Wuhan Red Star Macalline Shibo Home Furnishing Plaza Development Company Limited (武漢紅星美凱龍世博家居廣場發展有限公司)	552,878,664.00	—	—	552,878,664.00

Notes to the Financial Statements

For the period ended 30 June 2019

RMB

XIV. NOTES TO THE MAJOR ITEMS IN FINANCIAL STATEMENTS OF THE COMPANY (continued)

3. Long-term Equity Investments (continued)

	Opening balance	Increase/decrease during the period		Book value at the end of the period
		Increase in investment	Decrease in investment	
Shanghai Red Star Macalline Home Furnishing Design Expo Company Limited (上海紅星美凱龍家居藝術設計博覽有限公司)	445,000,000.00	—	—	445,000,000.00
Yantai Red Star Macalline Home Furnishing Company Limited (煙台紅星美凱龍家居有限公司)	192,120,000.00	—	—	192,120,000.00
Shenyang Mingdu Home Furnishing Plaza Company Limited (瀋陽名都家居廣場有限公司)	153,000,000.00	—	—	153,000,000.00
Chongqing Red Star Macalline Expo Home Furnishing Plaza Company Limited (重慶紅星美凱龍博覽家居生活廣場有限責任公司)	280,000,000.00	—	—	280,000,000.00
Changsha Yinhong Home Furnishing Company Limited (長沙市銀紅家居有限公司)	249,990,049.97	—	—	249,990,049.97
Shanghai Jingdu Investment Company Limited (上海晶都投資有限公司)	5,100,000.00	—	—	5,100,000.00
Tianjin Red Star Macalline Home Furnishings Plaza Co., Ltd (天津紅星美凱龍家居家飾生活廣場有限公司)	424,878,664.00	—	—	424,878,664.00
Panjin Red Star Macalline Global Home Furnishings Plaza Co., Ltd. (盤錦紅星美凱龍全球家居生活廣場有限公司)	154,087,000.00	—	—	154,087,000.00
Changzhou Macalline International Computer and Electronics Furnishing Plaza Co., Ltd. (常州美凱龍國際電腦家電裝飾城有限公司)	-1,955,167.87	—	—	-1,955,167.87
Shanghai Red Star Macalline Business Consulting Company Limited (上海紅星美凱龍商務諮詢有限公司)	650,000.00	—	—	650,000.00
Shenyang Red Star Macalline Home Furnishing Company Limited (瀋陽紅星美凱龍家居有限公司)	28,058,441.28	—	—	28,058,441.28
Shanghai Xingkai Chengpeng Business Management Company Limited (上海星凱程騰企業管理有限公司)	10,000,000.00	—	—	10,000,000.00

Notes to the Financial Statements

For the period ended 30 June 2019

RMB

XIV. NOTES TO THE MAJOR ITEMS IN FINANCIAL STATEMENTS OF THE COMPANY (continued)

3. Long-term Equity Investments (continued)

	Increase/decrease during the period			Book value at the end of the period
	Opening balance	Increase in investment	Decrease in investment	
Shanghai Red Star Macalline Trading Company Limited (上海紅星美凱龍商貿有限公司)	50,000,000.00	—	—	50,000,000.00
Harbin Red Star Macalline Shibo Furniture Plaza Company Limited (哈爾濱紅星美凱龍世博家居廣場有限公司)	310,000,000.00	—	—	310,000,000.00
Chongqing Red Star Macalline Zhongkun Home Living Plaza Company Limited (重慶紅星美凱龍中坤家居生活廣場有限責任公司)	55,000,000.00	—	—	55,000,000.00
Zhongshan Red Star Macalline Shibo Furniture Plaza Company Limited (中山紅星美凱龍世博家居廣場有限公司)	149,939,332.00	—	—	149,939,332.00
Shenyang Dadong Red Star Macalline Home Furnishing Company Limited (瀋陽大東紅星美凱龍傢俱建材市場有限公司)	3,000,000.00	—	—	3,000,000.00
Wuxi Red Star Macalline Home Furnishing Plaza Company Limited (無錫紅星美凱龍家居生活廣場有限公司)	534,818,797.96	—	—	534,818,797.96
Xi'an Red Star Macalline Home Furnishing Plaza Company Limited (西安紅星美凱龍家居生活廣場有限公司)	30,000,000.00	—	—	30,000,000.00
Daqing Red Star Macalline Shibo Furniture Company Limited (大慶紅星美凱龍世博家居有限公司)	70,000,000.00	—	—	70,000,000.00
Langfang Kaihong Home Living Plaza Company Limited (廊坊市凱宏家居廣場有限公司)	70,000,000.00	—	—	70,000,000.00
Wuhan Red Star Macalline Global Home Furnishing Plaza Development Company Limited (武漢紅星美凱龍環球家居 廣場發展有限公司)	149,939,332.00	—	—	149,939,332.00
Beijing Century Kailong Business Investment Company Limited (北京世紀凱隆商業投資有限公司)	10,000,000.00	—	—	10,000,000.00
Tianjin Red Star Macalline Home Fashion Plaza Company Limited (天津紅星美凱龍時尚家居廣場有限公司)	5,000,000.00	—	—	5,000,000.00

Notes to the Financial Statements

For the period ended 30 June 2019

RMB

XIV. NOTES TO THE MAJOR ITEMS IN FINANCIAL STATEMENTS OF THE COMPANY (continued)

3. Long-term Equity Investments (continued)

	Opening balance	Increase/decrease during the period		Book value at the end of the period
		Increase in investment	Decrease in investment	
Shanghai Red Star Ogloria Home Living Market Management Company Limited (上海紅星歐麗洛雅家居市場經營管理有限公司)	500,000.00	—	—	500,000.00
Hefei Red Star Macalline Shibo Furniture Plaza Company Limited (合肥紅星美凱龍世博家居廣場有限公司)	349,848,330.00	—	—	349,848,330.00
Nanjing Red Star Macalline International Home Living Company Limited (南京紅星美凱龍國際家居有限責任公司)	764,016,993.00	—	—	764,016,993.00
Shanghai Xingyi Tonghui Business Service Company Limited (上海星易通匯商務服務有限公司)	150,000,000.00	—	—	150,000,000.00
Tianjin Red Star Macalline International Home Furnishing Expo Company Limited (天津紅星美凱龍國際家居博覽有限公司)	204,285,714.29	—	—	204,285,714.29
Tianjin Red Star Macalline World Trade Home Furnishing Company Limited (天津紅星美凱龍世貿家居有限公司)	200,000,000.00	—	—	200,000,000.00
Harbin Red Star Macalline International Home Furnishing Company Limited (哈爾濱紅星美凱龍國際家居有限公司)	349,817,995.00	—	—	349,817,995.00
Changchun Red Star Macalline Shibo Home Living Plaza Company Limited (長春紅星美凱龍世博家居生活廣場有限公司)	397,600,000.00	—	—	397,600,000.00
Red Star Xizhao Investment Company Limited (紅星喜兆投資有限公司)	90,000,000.00	—	—	90,000,000.00
Red Star Macalline Home Furnishing Mall Management Company Limited (紅星美凱龍家居商場管理有限公司)	50,000,000.00	—	—	50,000,000.00
Yangzhou Red Star Macalline International Home Furnishing Plaza Company Limited (揚州紅星美凱龍國際家居廣場有限公司)	3,000,000.00	—	—	3,000,000.00
Shanghai Red Star Macalline Longmei Home Furnishing Market Management Company Limited (上海紅星美凱龍龍美家居市場經營管理有限公司)	1,000,000.00	—	—	1,000,000.00
Jiangsu Sunan Construction and Installation Engineering Co., Ltd. (江蘇蘇南建築安裝工程有限公司)	153,170,000.00	—	—	153,170,000.00

XIV. NOTES TO THE MAJOR ITEMS IN FINANCIAL STATEMENTS OF THE COMPANY (continued)

3. Long-term Equity Investments (continued)

	Opening balance	Increase/decrease during the period		Book value at the end of the period
		Increase in investment	Decrease in investment	
Shenyang Red Star Macalline Shibo Home Furnishing Company Limited (瀋陽紅星美凱龍世博家居有限公司)	81,443,441.90	—	—	81,443,441.90
Shanghai Red Star Macalline Bulk Purchasing of Construction and Furnishing Materials Trading Company (上海紅星美凱龍住建集採商貿有限公司)	10,000,000.00	—	—	10,000,000.00
Shenyang Red Star Macalline Home Living Expo Company Limited (瀋陽紅星美凱龍博覽家居有限公司)	50,000,000.00	—	—	50,000,000.00
Lanzhou Red Star Macalline Shibo Home Furnishing Plaza Company Limited (蘭州紅星美凱龍世博家居廣場有限公司)	30,000,000.00	—	—	30,000,000.00
Shanghai Jisheng Wellborn Global Home Furnishing Brand Management Company Limited (上海吉盛偉邦環球家居品牌管理有限公司)	5,000,000.00	—	—	5,000,000.00
Urumchi Red Star Macalline Shibo Furniture Plaza Company Limited (烏魯木齊紅星美凱龍家居世博廣場有限公司)	50,000,000.00	—	—	50,000,000.00
Dongguan Red Star Macalline Shibo Furniture Plaza Company Limited (東莞紅星美凱龍世博家居廣場有限公司)	70,000,000.00	—	—	70,000,000.00
Hohhot Red Star Macalline Shibo Home Furnishing Plaza Company Limited (呼和浩特市紅星美凱龍世博家居廣場有限責任公司)	123,280,264.00	—	—	123,280,264.00
Kunming Diken Trading Company Limited (昆明迪肯商貿有限公司)	177,690,900.00	—	—	177,690,900.00
Suzhou Industry Park Zhongxiang Meitong Storage Company Limited (蘇州工業園區中翔美通倉儲銷售有限公司)	160,934,831.55	—	—	160,934,831.55
Shanghai Xinghe Zhaipei Home Furnishing Service Company Limited (上海星和宅配家居服務有限公司)	20,000,000.00	—	—	20,000,000.00
Red Star Macalline Group (Shanghai) Logistics Company Limited (紅星美凱龍家居集團(上海)物流有限公司)	54,000,000.00	6,000,000.00	—	60,000,000.00

Notes to the Financial Statements

For the period ended 30 June 2019

RMB

XIV. NOTES TO THE MAJOR ITEMS IN FINANCIAL STATEMENTS OF THE COMPANY (continued)

3. Long-term Equity Investments (continued)

	Increase/decrease during the period			Book value at the end of the period
	Opening balance	Increase in investment	Decrease in investment	
Shanghai Red Star Macalline Industrial Company Limited (上海紅星美凱龍實業有限公司)	206,841,181.40	—	—	206,841,181.40
Shanghai Red Star Macalline Xinglong Home Furnish Company Limited (上海紅星美凱龍星龍家居有限公司)	39,000,000.00	—	—	39,000,000.00
Chengdu Tianfu New District Red Star Macalline World Trade Home Furnishing Company Limited (成都天府新區紅星美凱龍世貿家居有限公司)	210,000,000.00	—	—	210,000,000.00
Hong Kong Red Star Macalline Global Home Furnishing Company Limited (香港紅星美凱龍全球家居有限公司)	112,839,554.51	—	—	112,839,554.51
Red Star Macalline (Shanghai) Business Management Company Limited (紅星美凱龍(上海)企業管理有限公司)	100,000,000.00	—	—	100,000,000.00
Changsha Red Star Macalline Jinxia Home Living Plaza Company Limited (長沙紅星美凱龍金霞家居生活廣場有限公司)	120,000,000.00	—	—	120,000,000.00
Shanghai Jiajinsuo Investment Holding Company Limited (上海家金所投資控股有限公司)	140,000,000.00	1.00	—	140,000,001.00
Red Star Zhongying Investment Company Limited (紅星眾盈投資有限公司)	—	50,000,000.00	—	50,000,000.00
Shanghai Macalline Xinghe Asset Management Company Limited (上海美凱龍星荷資產管理有限公司)	10,000,000.00	—	—	10,000,000.00
Shanghai Yumu Enterprise Management Company Limited (上海宇慕企業管理有限公司)	5,000,000.00	—	—	5,000,000.00
Shanghai Yuxu Enterprise Management Company Limited (上海宇煦企業管理有限公司)	5,000,000.00	—	—	5,000,000.00
Shanghai Yuzhu Enterprise Management Company Limited (上海宇築企業管理有限公司)	5,000,000.00	—	—	5,000,000.00

Notes to the Financial Statements

For the period ended 30 June 2019

RMB

XIV. NOTES TO THE MAJOR ITEMS IN FINANCIAL STATEMENTS OF THE COMPANY (continued)

3. Long-term Equity Investments (continued)

	Increase/decrease during the period			Book value at the end of the period
	Opening balance	Increase in investment	Decrease in investment	
Shanghai Yuxiao Enterprise Management Company Limited (上海宇霄企業管理有限公司)	5,000,000.00	—	—	5,000,000.00
Red Star Macalline Glory Casa (Shanghai) Home Furnishing Company Limited (紅星美凱龍凱撒至尊(上海)家居有限公司)	200,000,000.00	—	—	200,000,000.00
Anhui Tenghui Investment Group Hefei Company Limited (安徽騰輝投資集團合肥有限公司)	40,000,000.00	—	—	40,000,000.00
Shanghai Red Star Macalline Labour Dispatch Company Limited (上海紅星美凱龍勞務派遣有限公司)	2,000,000.00	—	—	2,000,000.00
Xining Red Star Macalline Shibo Home Furnishing Plaza Company Limited (西寧紅星美凱龍世博家居廣場有限公司)	247,162,700.00	—	—	247,162,700.00
Red Star Macalline Home Furnishing Group Finance Company Limited (紅星美凱龍家居集團財務有限責任公司)	270,000,000.00	300,000,000.00	—	570,000,000.00
Nanchang Red Star Macalline Global Home Furnishing Plaza Company Limited (南昌紅星美凱龍全球家居廣場有限公司)	15,300,000.00	—	—	15,300,000.00
Nanchang Red Star Macalline Global Home Expo Center Co., Ltd. (南昌紅星美凱龍環球家居博覽中心有限責任公司)	—	50,936,271.03	—	50,936,271.03
Shanghai Xingyijia Business Management Co., Ltd. (上海星藝佳商業管理有限公司)	120,000.00	—	120,000.00	—
Chongqing Red Star Macalline International Home Furnishing Plaza Company Limited (重慶紅星美凱龍國際家居生活廣場有限責任公司)	50,000,000.00	—	—	50,000,000.00
Shanghai Red Star Macalline Financial Leasing Company Limited (上海紅星美凱龍融資租賃有限公司)	—	300,751,635.68	—	300,751,635.68
Shanghai Jinshan Red Star Macalline Global Home Furnishing Company Limited (上海金山紅星美凱龍全球家居有限公司)	25,000,000.00	—	—	25,000,000.00

Notes to the Financial Statements

For the period ended 30 June 2019

RMB

XIV. NOTES TO THE MAJOR ITEMS IN FINANCIAL STATEMENTS OF THE COMPANY (continued)

3. Long-term Equity Investments (continued)

	Increase/decrease during the period			Book value at the end of the period
	Opening balance	Increase in investment	Decrease in investment	
Khorgos Hongju Corporate Management Co., Ltd. (霍爾果斯紅居企業管理有限公司)	7,000,000.00	—	—	7,000,000.00
Chengdu Red Star Macalline Xinnan Business Management Company Limited (成都紅星美凱龍新南商業管理有限公司)	5,000,000.00	—	—	5,000,000.00
Shanghai Red Star Ogloria Brand Management Company Limited (上海紅星歐麗洛雅品牌管理有限公司)	100,000.00	—	—	100,000.00
Khorgos Red Star Yiming Venture Capital Company Limited (霍爾果斯紅星易鳴創業投資有限公司)	9,000,000.00	—	—	9,000,000.00
Kunshan Red Star Macalline Decoration Materials Company Limited (昆山紅星美凱龍裝飾材料有限公司)	50,428,227.57	59,639.14	—	50,487,866.71
Shanghai Red Star Macalline Commercial Factoring Company Limited (上海紅星美凱龍商業保理有限公司)	—	206,060,071.54	—	206,060,071.54
Suzhou Red Star Macalline Shibo Home Furnishing Plaza Company Limited (蘇州紅星美凱龍世博家居廣場有限公司)	151,611,912.79	—	—	151,611,912.79
Yunnan Red Star Macalline Home Furnishing Plaza Company Limited (雲南紅星美凱龍家居生活廣場有限公司)	69,976,000.00	—	—	69,976,000.00
Dalian Red Star Macalline Shibo Home Furnishing Plaza Company Limited (大連紅星美凱龍世博家居廣場有限公司)	—	24,800,000.00	—	24,800,000.00
Shanghai Huojing Business Management Company Limited (上海或京商業管理有限公司)	6,500,000.00	—	—	6,500,000.00
Tianjin Jinrui Corporate Management Company Limited (天津津瑞企業管理有限公司)	1,220,000,000.00	—	—	1,220,000,000.00
Ningbo Red Star Macalline Home Shopping Plaza Company Limited (寧波紅星美凱龍家居購物廣場有限公司)	1.00	—	—	1.00

Notes to the Financial Statements

For the period ended 30 June 2019

RMB

XIV. NOTES TO THE MAJOR ITEMS IN FINANCIAL STATEMENTS OF THE COMPANY (continued)

3. Long-term Equity Investments (continued)

	Increase/decrease during the period			Book value at the end of the period
	Opening balance	Increase in investment	Decrease in investment	
Shanghai Huaixing Culture Development Co., Ltd. (上海懷星文化發展有限公司)	1,600,000.00	—	—	1,600,000.00
Shanghai Red Star Macalline Design Cloud Information Technology Company Limited (上海紅星美凱龍設計雲信息科技有限 公司)	50,000,000.00	—	—	50,000,000.00
Tibet Red Star Macalline Business Management Company Limited (西藏紅星美凱龍企業管理有限 公司)	51,000,000.00	118,000,000.00	—	169,000,000.00
Taiyuan Red Star Macalline Global Home Furnishing Plaza Company Limited (太原紅星美凱龍全球家居廣場有 限公司)	5,100,000.00	—	—	5,100,000.00
Changzhou Meilong Trading Company Limited (常州美龍貿易有 限公司)	30,000.00	—	—	30,000.00
Zhengzhou Huashanghui Huarong Real Estate Co., Ltd. (鄭州華商匯華融置業有 限公司)	5,500,000.00	—	—	5,500,000.00
Nantong Hongmei Shibo Home Furnishing Plaza Company Limited (南通紅美世博家居廣場有 限公司)	—	150,000,000.00	—	150,000,000.00
Red Star Macalline (Zhejiang) Information Technology Co., Ltd. (紅星美凱龍(浙江)信息技術有 限公司)	—	7,000,000.00	—	7,000,000.00
Qianzhi (Shanghai) Home Furnishing Co., Ltd. (乾智(上海)家居有 限公司)	—	2,961,238.96	—	2,961,238.96
Nanning Red Star Macalline Shibo Home Furnishing Exhibition Centre Company Limited (南寧紅星美凱龍世博家居展覽中心有 限公司)	—	50,000,000.00	—	50,000,000.00
Shanghai Yingtai Lijin Technology Co., Ltd. (上海英太利金科技有 限公司)	—	1,600,000.00	—	1,600,000.00
Xi'an Comfort Meijia Housekeeping Service Co., Ltd. (西安舒適美佳家政服務有 限責任公司)	—	1,852,500.00	—	1,852,500.00
Changzhou Hongyang Home Furnishing Plaza Company Limited (常州紅陽家居生活廣場有 限公司)	—	139,400,000.00	—	139,400,000.00

Notes to the Financial Statements

For the period ended 30 June 2019

RMB

XIV. NOTES TO THE MAJOR ITEMS IN FINANCIAL STATEMENTS OF THE COMPANY (continued)

3. Long-term Equity Investments (continued)

	Opening balance	Increase/decrease during the period		Book value at the end of the period
		Increase in investment	Decrease in investment	
Beijing Red Star Macalline International Home Furnishing Plaza Company Limited (北京紅星美凱龍國際傢俱建材廣場有限公司)	344,780,641.87	—	—	344,780,641.87
Beijing Red Star Macalline Shibo Furniture Plaza Company Limited (北京紅星美凱龍世博傢俱廣場有限公司)	31,856,462.57	—	—	31,856,462.57
Beijing Macalline Home Furnishing Material Market Company Limited (北京美凱龍傢俱建材市場有限公司)	630,335.17	—	—	630,335.17
Red Star Macalline Shibo (Tianjin) Home Furnishing Plaza Company Limited (紅星美凱龍世博(天津)家居生活廣場有限公司)	230,851,821.21	—	—	230,851,821.21
Kunshan Red Star Macalline Global Home Furnishing Company Limited (昆山紅星美凱龍全球家居有限公司)	1,000,000.00	—	—	1,000,000.00
Tongxiang Red Star Macalline Shibo Home Furnishing Plaza Management Company Limited (桐鄉紅星美凱龍世博家居廣場管理有限公司)	500,000.00	—	—	500,000.00
Beijing Red Star Macalline Business Management Company Limited (北京紅星美凱龍企業經營管理有限公司)	2,700,000.00	—	—	2,700,000.00
Wuxi Red Star Macalline Business Management Company Limited (無錫紅星美凱龍企業經營管理有限公司)	700,000.00	—	—	700,000.00
Total	12,526,525,675.75	1,580,965,737.15	11,664,379.80	14,095,827,033.10

Notes to the Financial Statements

For the period ended 30 June 2019

RMB

XIV. NOTES TO THE MAJOR ITEMS IN FINANCIAL STATEMENTS OF THE COMPANY (continued)

3. Long-term Equity Investments (continued)

	Opening balance	Increase/decrease during the period					Book value at the end of the period
		Increase in investment	Decrease in investment	Investment gain/loss under equity method	Cash dividend or profit declared	Others	
Joint ventures							
Chengdu Dongtai Shopping Mall Company Limited (成都東泰商城有限公司)	898,298,330.42	—	—	12,887,461.83	133,233,703.73	—	777,952,088.52
Shanghai Mingyi Enterprise Development Co., Ltd. (上海名藝商業企業發展有限公司)	41,011,996.63	—	—	10,691,975.07	—	—	51,703,971.70
Shenzhen Red Star Macalline Business Management Company Limited (深圳紅星美凱龍商業管理有限公司)	174,031.72	—	—	(6,677.90)	—	—	167,353.82
Xiamen Baoxiang Red Star Macalline Home Furnishing Plaza Company Limited (廈門寶象紅星美凱龍家居生活廣場有限公司)	723,947.41	—	—	(723,947.41)	—	—	—
Baoxiang Red Star Macalline (Xiamen) Global Home Furnishing Plaza Company Limited (寶象紅星美凱龍(廈門)全球家居廣場有限公司)	—	15,000,000.00	—	(922,948.10)	—	—	14,077,051.90
Nanchang Red Star Macalline Global Home Expo Center Co., Ltd. (南昌紅星美凱龍環球家居博覽中心有限責任公司)	17,986,574.32	—	—	(1,709,803.29)	—	(16,276,771.03)	—
Sub-total	958,194,880.50	15,000,000.00	—	20,216,060.20	133,233,703.73	(16,276,771.03)	843,900,465.94

Notes to the Financial Statements

For the period ended 30 June 2019

RMB

XIV. NOTES TO THE MAJOR ITEMS IN FINANCIAL STATEMENTS OF THE COMPANY (continued)

3. Long-term Equity Investments (continued)

	Increase/decrease during the period						Book value at the end of the period
	Opening balance	Increase in investment	Decrease in investment	Investment gain/loss under equity method	Cash dividend or profit declared	Others	
Associates							
Shandong Inzone Green Home Co., Ltd. (山東銀座家居有限公司)	—	348,916,600.00	—	—	—	—	348,916,600.00
Zhejiang Mingdu Investment Company Limited (浙江名都投資有限公司)	165,300,000.00	—	—	—	—	—	165,300,000.00
Hangzhou Red Star Macalline Global Home Living Company Limited (杭州紅星美凱龍環球家居有限公司)	63,856,230.69	—	—	11,371,811.63	—	—	75,228,042.32
Meiwu 365 (Tianjin) Technology Company Limited (美屋三五(天津)科技有限公司)	17,116,874.25	—	—	(1,359,606.80)	—	—	15,757,267.45
Shanghai Jiazhan Construction Engineering Company Limited (上海嘉展建築裝潢工程有限公司)	7,634,822.89	—	—	(188,041.32)	—	—	7,446,781.57
Wuhan Zhengkai Logistics Co., Ltd. (武漢市正凱物流有限公司)	126,983,174.58	3,528,501.05	—	765,433.43	1,836,000.00	—	129,441,109.06
Shenyudao Cultural Tourism Holding Co., Ltd. (神玉島文化旅遊控股股份有限公司)	194,763,453.50	—	—	(3,296,102.31)	—	—	191,467,351.19
Shaanxi Red Star Heji Home Shopping Plaza Company Limited (陝西紅星和記家居購物廣場有限公司)	4,500,000.00	—	—	5,968,607.37	—	—	10,468,607.37

Notes to the Financial Statements

For the period ended 30 June 2019

RMB

XIV. NOTES TO THE MAJOR ITEMS IN FINANCIAL STATEMENTS OF THE COMPANY (continued)

3. Long-term Equity Investments (continued)

	Opening balance	Increase/decrease during the period					Book value at the end of the period
		Increase in investment	Decrease in investment	Investment gain/loss under equity method	Cash dividend or profit declared	Others	
Shenzhen Yatai Macalline Life Space Technology Co., Ltd. (深圳市亞泰美凱龍空間科技有限公司)	–	9,800,000.00	–	222,737.23	–	–	10,022,737.23
Qianzhi (Shanghai) Home Furnishing Co., Ltd. (乾智(上海)家居有限公司)	1,500,000.00	–	–	(38,761.04)	–	(1,461,238.96)	–
Sub-total	581,654,555.91	362,245,101.05	–	13,446,078.19	1,836,000.00	(1,461,238.96)	954,048,496.19
Total	1,539,849,436.41	377,245,101.05	–	33,662,138.39	135,069,703.73	(17,738,009.99)	1,797,948,962.13

4. Revenue and Cost of Sales

	For the period from 1 January to 30 June 2019		For the period from 1 January to 30 June 2018	
	Revenue	Costs	Revenue	Costs
Principal business	748,342,425.52	192,949,821.79	781,636,841.40	174,445,477.52
Other business	72,266,143.02	–	82,654,175.11	–
Total	820,608,568.54	192,949,821.79	864,291,016.51	174,445,477.52

Notes to the Financial Statements

For the period ended 30 June 2019

RMB

XIV. NOTES TO THE MAJOR ITEMS IN FINANCIAL STATEMENTS OF THE COMPANY (continued)

4. Revenue and Cost of Sales (continued)

The revenue sets out as follows:

	For the period from 1 January to 30 June 2019	For the period from 1 January to 30 June 2018
Revenue from the brand consulting and management service for the early stage of the project	14,676,811.27	96,745,873.62
Revenue from annual brand consulting and management service for the project	153,173,112.35	152,018,081.95
Revenue from commercial management and consultation service for construction project	61,320,754.72	—
Rental and related income	398,315,117.47	400,030,905.03
Other revenues	193,122,772.73	132,841,980.80
Total	820,608,568.54	781,636,841.40

5. Investment Income

	For the period from 1 January to 30 June 2019	For the period from 1 January to 30 June 2018
Gain on long-term equity investment based on cost method	49,090,056.49	222,422,000.00
Gain on long-term equity investment based on equity method	33,662,138.39	83,303,068.29
Investment gain/(loss) from disposal of long-term equity investments	(120,000.00)	(44,125,400.00)
Total	82,632,194.88	261,599,668.29

XV. APPROVAL OF THE FINANCIAL STATEMENTS

The Company's consolidated financial statements and the financial statements of the parent's company have been approved by the Board of the Company.

XVI. SUPPLEMENTARY INFORMATION

1. Statement of Non-Recurring Profit or Loss

	Amount for current period
Gain or loss on disposal of non-current assets	7,106,901.16
Government grants credited to profit or loss for the current period (exclusive of those that are closely related to the operation of enterprise and received in a certain amount or fixed quantity in conformity with the common standards of the state)	58,576,197.18
Funds-use income received from non-financial enterprises and credited to the profit or loss for the current period	112,034,777.55
Gains derived from the excess of the attributable fair value of net identifiable assets of the investee upon acquisition of the investment over the cost of investment of acquisition of subsidiaries, associates and joint ventures	2,940,219.22
Gains or losses on changes in fair values derived from financial assets held for trading, derivative financial assets, financial liabilities held for trading and derivative financial liabilities and investment income from disposal of financial assets held for trading, derivative financial assets, financial liabilities held for trading, derivative financial liabilities and other equity investments, except for effective hedging operations related to the normal operations of the Company	97,733,704.24
Reverse of the impairment allowance for accounts receivables and contract assets tested for impairment individually	31,296,596.37
Gain or loss arising from changes in fair value of investment properties measured subsequently at fair value	893,402,356.50
Trustee fee income from entrusted operations	8,458,971.75
Non-operating income and expenses other than the above items	128,138,717.39
Investment gain on acquisition of associates	14,211,107.37
The value-added portion of investment gains from investment properties valuation of associates and joint ventures attributable to the enterprise	84,992,350.33
Investment gain on disposal of associates	(362,403,868.16)
Impact on income tax	(83,980,829.04)
Impact on non-controlling interests (after tax)	992,507,201.86
Total	992,507,201.86

Notes to the Financial Statements

For the period ended 30 June 2019

RMB

XVI. SUPPLEMENTARY INFORMATION (continued)

1. Statement of Non-Recurring Profit or Loss (continued)

Non-recurring profit or loss is recognized by our Group in accordance with the requirements of Explanatory Announcement No. 1 on Information Disclosure by Companies Offering Securities to the Public — Non-recurring Profit or Loss (CSRC Announcement [2008] No. 43).

2. Return on Net Assets and Earnings per Share

For the period from 1 January to 30 June 2019	Weighted average return on net assets (%)	Earnings per share	
		Basic	Diluted
Net profit attributable to shareholders of ordinary shares of the Company	6.36	0.76	N/A
Net profit attributable to shareholders of ordinary shares of the Company, after deducting non-recurring gains and losses	4.07	0.48	N/A

For the period from 1 January to 30 June 2018	Weighted average return on net assets (%)	Earnings per share	
		Basic	Diluted
Net profit attributable to shareholders of ordinary shares of the Company	6.93	0.78	N/A
Net profit attributable to shareholders of ordinary shares of the Company, after deducting non-recurring gains and losses	3.74	0.42	N/A

The Group has no diluted potential ordinary shares.