Red Star Macalline Group Corporation Ltd.

紅星美凱龍家居集團股份有限公司

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

(Stock Code: 1528)

INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 JUNE 2015

The board of directors (the "**Board**") of Red Star Macalline Group Corporation Ltd. (the "**Company**" or "**Red Star Macalline**") is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (the "**Group**" or "**We**") for the six months ended 30 June 2015 (the "**Reporting Period**"), together with comparative figures for the same period of 2014.

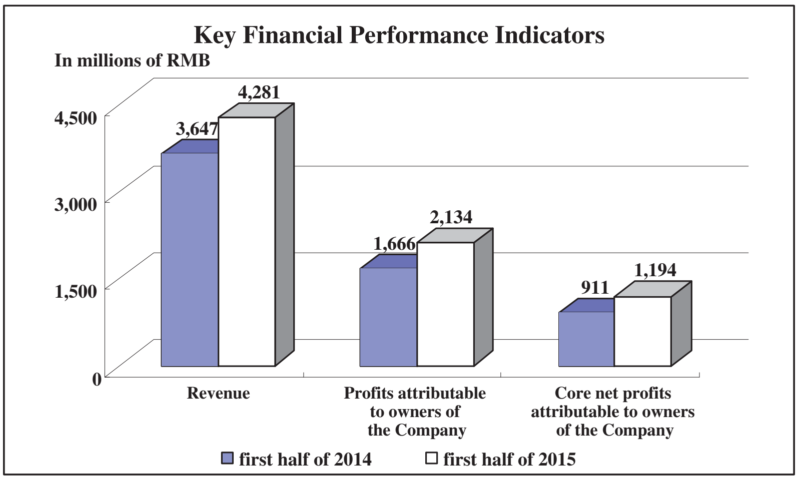
Financial highlights

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

Notes:

(a) Core net profits attributable to owners of the Company represent the profits attributable to owners of the Company after deducting the after-tax effects of changes in fair values of investment properties, other income, other gains and losses and other expenses etc., which are not related to daily operating activities.

(b) Core net profit margin attributable to owners of the Company represents the ratio of core profits attributable to owners of the Company divided by revenue.



Operational highlights

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

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

CONDENSED CONSOLIDATED INTERIM STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

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

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

	NOTES	**As at 30 June 2015**	As at 31 December 2014
		RMB'000	*RMB'000*
		(Unaudited)	(Audited)
Non-current Assets			
Investment properties	*10*	**65,896,000**	62,966,000
Property, plant and equipment		**337,138**	362,452
Intangible assets		**548,881**	548,916
Interests in associates		**224,861**	216,387
Interests in joint ventures		**727,256**	699,310
Available-for-sale investments		**192,310**	192,310
Loan receivables		**115,000**	45,000
Deferred tax assets		**338,156**	323,226
Restricted bank deposits		**88,056**	49,472
Other non-current assets		**1,540,686**	1,389,340
		70,008,344	66,792,413
Current Assets			
Inventories		**27,566**	38,495
Loan receivables		**130,000**	99,810
Trade and other receivables	*11*	**1,561,027**	1,292,239
Tax recoverable		**43,907**	22,895
Restricted bank deposits		**15,217**	7,180
Bank balances and cash		**9,136,064**	3,664,860
		10,913,781	5,125,479
Current Liabilities			
Trade and other payables	*12*	**5,683,291**	5,103,558
Rental and service fee received in advance		**1,735,109**	2,107,893
Tax liabilities		**224,738**	285,338
Bank and other borrowings	*13*	**3,525,662**	2,325,523
Bonds		**599,420**	597,681
		11,768,220	10,419,993
Net Current Liabilities		**(854,439)**	(5,294,514)
Total Assets Less Current Liabilities		**69,153,905**	61,497,899

	NOTES	As at 30 June 2015 RMB'000 (Unaudited)	As at 31 December 2014 RMB'000 (Audited)
Non-current liabilities			
Deferred tax liabilities		**10,152,860**	9,719,525
Bank and other borrowings	*13*	**11,106,477**	9,083,476
Bonds		**2,864,883**	2,861,317
Obligations under finance leases		**350,304**	351,758
Deferred income		**197,031**	198,498
Other non-current liabilities		**1,452,524**	1,870,232
		26,124,079	24,084,806
Net assets		**43,029,826**	37,413,093
Capital and reserves			
Share capital	*14*	**3,623,917**	3,000,000
Share premium		**5,617,001**	234,616
Reserves		**29,880,176**	30,210,376
Equity attributable to owners of the Company		**39,121,094**	33,444,992
Non-controlling interests		**3,908,732**	3,968,101
Total equity		**43,029,826**	37,413,093

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2015

1. GENERAL

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

The Company's H shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 26 June 2015 (the "**Listing Date**").

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

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

2. BASIS OF PREPARATION

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

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

3. PRINCIPAL ACCOUNTING POLICIES

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

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

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

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

4. REVENUE AND SEGMENT INFORMATION

Segment revenues and results

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

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

5. FINANCE COSTS

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

6. PROFIT BEFORE TAX

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

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

7. INCOME TAX EXPENSES

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

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

8. DIVIDENDS

During the Reporting Period, the Company has declared a final dividend of RMB0.83 per share in respect of the year ended 31 December 2014 to the owners of the Company. The aggregate amount of the final dividend declared amounted to RMB2,490,000,000. The board of directors of the Company does not recommend payment of any dividend in respect of the current interim period.

9. EARNINGS PER SHARE

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

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

10. INVESTMENT PROPERTIES

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

11. TRADE AND OTHER RECEIVABLES

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

Notes:

(a) The amounts are unsecured, interest free and repayable on demand.

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

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

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

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

12. TRADE AND OTHER PAYABLES

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

Note:

(a) The following is an ageing analysis of trade payables and bills payable presented based on the invoice date at the end of the reporting period:

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

13. BANK AND OTHER BORROWINGS

	As at 30 June 2015	As at 31 December 2014
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Bank loans, secured	**12,186,209**	9,970,829
Bank loans, unsecured	**1,344,410**	114,700
Other loans, secured	**1,101,520**	1,323,470
	14,632,139	11,408,999
The borrowings are repayable:		
Within one year or on demand	**3,525,662**	2,325,523
More than one year, but not exceeding two years	**2,447,407**	1,727,965
More than two years, but not exceeding five years	**5,726,101**	4,163,599
More than five years	**2,932,969**	3,191,912
	14,632,139	11,408,999

14. SHARE CAPITAL

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

Notes:

(a) On 4 January 2015, Candlewood Investment SRL ("**Candlewood**") and Springwood Investment SRL ("**Springwood**") entered into a capital increase and subscription agreement with the Company, RSM Investment and other shareholders of the Company, pursuant to which Candlewood and Springwood further subscribed for 60,917,952 shares and 19,411,086 shares of the Company for RMB5.39 each. The total consideration amounted to approximately RMB432,973,000, out of which approximately RMB80,329,000 was paid up as registered share capital and approximately RMB352,644,000 was recorded as the share premium of the Company. The capital contribution was fully completed in February 2015. After the capital contribution, the registered capital of the Company increased from RMB3,000,000,000 to RMB3,080,329,038.

(b) On 26 June 2015, upon the approval of the Stock Exchange, the Company completed its initial public offering of 543,588,000 H shares, which were listed on the Main Board of the Stock Exchange. Moreover, the 519,225,069 foreign shares held by Candlewood and Springwood were converted into H shares upon completion of the initial public offering.

(c) Except for the currency in which dividends are paid, H shares and domestic shares rank pari passu in all respects with each other.

15. CAPITAL COMMITMENTS

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

16. EVENTS AFTER THE REPORTING PERIOD

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

Management discussion and analysis

1. Overview

During the Reporting Period, the Group, centering on the strategic position of growing into “an omni-channel platform for the home improvement and furnishings industry”, actively sought opportunities for market expansion and business development, took initiative to improve the operation and management standards, and obtained satisfactory results.

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

Note:

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

To achieve the strategic positioning of growing into “an omni-channel platform for the home improvement and furnishings industry” of the Group, we aim to increase our market share and enhance our leading position in China’s home improvement and furnishing industry by promoting a series of strategic measures. We develop and optimize the shopping mall layout firmly under the two-pronged business model of Portfolio Shopping Malls and Managed Shopping Malls. As of the end of the Reporting Period, we had operated a total of 163 shopping malls in 120 cities across the country, with a total operating area of shopping malls of 10,827,722 sq.m. We continuously improved the operation and management of shopping malls through tenant sourcing and management, operation management, marketing management and property management and proactively made efforts to develop new businesses such as online to offline (“**O2O**”), bulk procurement of light construction and furnishings materials (“**Bulk Procurement**”) and pre-paid card. We also explored commercial application of information technology by “Star Cloud” information system and “Smart Shopping Mall” project and optimized human resources management to support the rapid growth of our businesses. In the future, we will continue to serve our development goal of establishing the most superior and the most professional “omni-channel platform for the home improvement and furnishings industry” in China.

2. Revenue

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

The following table sets forth our revenue by business segment:

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

3. Gross profit margin

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

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

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

4. Selling and distribution expenses and administrative expenses

During the Reporting Period, the Group's selling and distribution expenses amounted to RMB555 million (accounting for 13.0% of the revenue), representing an increase of 21.7% from RMB456 million for the same period of 2014, primarily due to growing advertising and publicity expenses as a result of the increase in shopping malls during the Reporting Period. Administrative expense increased 5.7% to RMB426 million from RMB403 million in the same period in 2014, accounting for 10.0% of revenue, compared to 11.1% in the same period of 2014, as a result of more effective cost control.

5. Finance costs

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

6. Income tax expenses

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

7. Profits, core net profits attributable to owners of the Company and earnings per share

During the Reporting Period, profits attributable to owners of the Company amounted to RMB2,134 million, an increase of 28.1% from RMB1,666 million for the same period of 2014; core net profits attributable to owners of the Company amounted to RMB1,194 million, an increase of 31.1% from RMB911 million for the same period of 2014. The above increases were a result of our enhanced cost control, improved operating efficiency and reasonable expense planning amid revenue growth.

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

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

8. Trade receivables and other receivables

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

9. Investment properties

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

10. Capital expenditures

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

11. Bank balances, cash and cash flow

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

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

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

12. Major debt ratio

The following table sets out our major debt ratio:

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

	For the six months ended 30 June	
	2015	2014
Interest expenses coverage ratio[(b)]	**3.56**	3.43

Notes:

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

(b) Interest expense coverage ratio is our adjusted EBITDA divided by our interest expenses before capitalization for each period.

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

13. Pledge of assets of the Company

As of the end of the Reporting Period, the Group had pledged investment properties (the book value of which was RMB54,147 million) as well as restricted bank deposits of RMB103 million for obtaining loans and providing guarantees.

14. Contingent liabilities

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

15. Capital commitment

As of the end of the Reporting Period, the Group had entered into agreements involving RMB3,428 million but has not made provision for it in the financial statements.

16. Material acquisitions and disposals

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

17. Foreign exchange risk

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

18. Business development: stable development of shopping malls

As of the end of the Reporting Period, we had managed a total of 163 shopping malls covering 120 cities nationwide, with a total operating area of 10,827,722 sq.m. With a development model combining portfolio and managed shopping malls, we have occupied the properties in the core areas of Tier I and II cities, accumulated extensive experience in operation of shopping malls, constantly strengthened the brand value, and set a relatively high threshold for other companies planning to enter the industry.

During the Reporting Period, we continued to execute the policy of strategically locating our Portfolio Shopping Malls to make sure that most of our Portfolio Shopping Malls are located in the core areas of Tier I and II cities. As of the end of the Reporting Period, we had managed 51 Portfolio Shopping Malls covering a total operating area of 3,974,073 sq.m. with the average occupancy rate of 97%. The same mall growth[a] during the Reporting Period was 6.2%. We closed one Portfolio Shopping Mall in March 2015, the operating area of which was 49,747 sq.m.

Note:

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

In addition, with a good reputation in the home improvement and furnishing industry and extensive experience in shopping mall development, tenant sourcing and operation management, we continued to develop Managed Shopping Malls in Tier III cities and other cities. As of the end of the Reporting Period, we had 112 Managed Shopping Malls covering a total operating area of 6,853,649 sq.m., and the average occupancy rate of Managed Shopping Malls was 94%. During the Reporting Period, we opened 7 new Managed Shopping Malls with a total operating area of 277,058 sq.m., and closed one Managed Shopping Mall with operating area of 109,052 sq.m.. As of the end of the Reporting Period, we had 409 pipeline Managed Shopping Malls, 215 of which have obtained the land use right.

19. Business management: Continuous improvement of shopping mall operations and management

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

19.1 Tenant sourcing management

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

19.2 Operational management

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

Regarding operational management of shopping malls, we launched a “word of mouth advertising system”, specifying detailed requirements on “price, quality, service, environment and employees”, on the basis of which we further established a non-operating profit index system featuring “healthy shopping mall operation level”, aiming to improve customer satisfaction by setting high standards for and strict requirements on shopping mall operation.

We continued to launch campaigns to vote for leading green brands, striving to ensure the home health of each consumer, and 200 famous home furnishings brands had participated in the campaigns.

19.3 Marketing management

During the Reporting Period, we started M-Style Membership program to meet the core values and demands of customers. Through shopping malls, communities marketing, cross-industry interaction programs, WeChat and other channels, we had recruited 2.1 million members who contributed to a total purchase amount of RMB7.1 billion.

We carried out large-scale promotional campaigns for festivals and holidays such as "March 15", "Lu Ban Cultural Festival", "The Two Days" and other holidays to promote the Company as a "home furnishings expert" and to boost sales.

We expanded the "channel" for developing home furnishings shopping malls by way of targeted marketing modes such as cross-industry interaction programs. We cooperated with real developers, such as Jindi Zhonghai Property in various shopping malls. During the Reporting Period, we generated approximately 183,000 potential (increment) customers via cross-industry interaction and targeted marketing modes.

19.4 Property management

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

20. New businesses: robust development

During the Reporting Period, all new business sections had robust development. Especially, we accelerated the construction of O2O platform, further explored Bulk Procurement business and developed pre-paid cards.

20.1 Construction of O2O platform

During the Reporting Period, we focused on constructing e-commerce channels centered on O2O platform, provided consumers and tenants with targeted services which enhanced their loyalty to the Group, and made in-depth analysis of the data collected via the platform in order to improve the operation efficiency and customers' loyalty.

20.2 Bulk Procurement Business

During the Reporting Period, our Bulk Procurement Division actively developed businesses, in cooperation with regional real estate developers in such aspects as refined decoration design, materials supply and construction and integrated the idea of "Internet +" into business development, in order to achieve online and offline integration of Bulk Procurement.

20.3 Development of pre-paid cards

During the Reporting Period, we issued pre-paid cards in the amount of approximately RMB1.28 billion, which brought an operating income of RMB16.8 million and boosted the product sales of shopping mall tenants. Moreover, pre-paid cards have created good synergies with our other businesses and helped enhance customer stickiness.

21. Commercial application of information technology

During the Reporting Period, regarding information technology application, we continued to promote the Star Cloud, which is the first comprehensive Enterprise Resource Planning system used in the home improvement and furnishings industry. At present, there are 128 shopping malls which have been entirely linked in Star Cloud.

At the same time, we have been actively constructing an information technology project of "Smart Shopping Malls". At present, we have completed the infrastructure work concerning WIFI and positioning system in major shopping malls such as Shanghai Zhenbei Shopping Mall.

22. Efficient human resources management policies

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

As for full-employment performance optimization, we attached great importance to performance management in daily work and conducted systematic performance management among all members and on a daily basis, such that performance management became an important management tool for management at all levels and greatly increased employees' enthusiasm and vigour so as to achieve better performance.

As for employee motivation, we leaned the administrative structure to improve employee efficiency, kept optimizing the remuneration structure, increased performance-based bonus incentives and provided remunerations to the frontline department and business department.

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

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

As at 30 June 2015, we had 15,512 employees in total.

23. Prospects

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

23.1 Continue to implement the two-pronged business model of Portfolio and Managed Shopping Malls and develop and optimize the network of shopping malls.

23.2 As a platform operator, we control the two important ends of shopping mall operation. Aiming at consumer-end, we will focus on building O2O platform and continue to develop M-Style Membership program, to provide customers with superior and omni-channel consumption experience. Aiming at manufacturer-and-distributor end, we will continue to closely cooperate with home furnishings brands and will establish a green alliance, in order to enhance interaction within the industry.

23.3 Actively seek suitable investment and M&A targets and deeply integrate into upstream and downstream resources of the home furnishings industry, in order to enlarge our scale of operation and enhance our strength.

23.4 Vigorously develop relevant products and services, including consumer and vendor financing, logistics and delivery services, home design and decoration services and Bulk Procurement.

Other information

Interim dividends

The Board does not recommend payment of dividend in respect of the six months ended 30 June 2015.

Events after the Reporting Period

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

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

Corporate governance and other information

The Company is a sino-foreign joint venture incorporated in China under the Company Law of the People's Republic of China on 6 January 2011. The Company's H shares were listed on the Main Board of the Stock Exchange on 26 June 2015.

Compliance with Corporate Governance Code

Other than deviation from code provision A.2.1 of the Corporate Governance Code, our Company has complied with the principle and code provisions of the *Corporate Governance Code* ("**Corporate Governance Code**") as set out in Appendix 14 to the Listing Rules during the six months ended 30 June 2015.

Deviation from code provision A.2.1 of the Corporate Governance Code

Mr. CHE Jianxing ("**Mr. CHE**") is our Chairman and chief executive officer. In view of Mr. CHE's experience, personal profile and his roles in our Group as mentioned above and that Mr. CHE has assumed the role of chief executive officer and the general manager of our Company since June 2007, the Board considers it beneficial to the business prospect and operational efficiency of our Group that Mr. CHE, in addition to acting as the Chairman of the Board, continues to act as the chief executive officer of our Company. While this will constitute a deviation from Code Provision A.2.1 of the Corporate Governance Code, the Board believes that this structure will not impair the balance of power and authority between the Board and the management of the Company, given that: (i) any decision to be made by our Board requires approval by at least a majority of our directors and that our Board has four independent non-executive directors out of the 12 directors, which is in compliance with the Listing Rules requirement of one-third of the board, and we believe that there is sufficient checks and balances in the Board; (ii) Mr. CHE and the other directors are aware of and undertake to fulfill their fiduciary duties as directors, which require, among other things, that he acts for the benefit and in the best interests of our Group and will make decisions for our 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 Group. Moreover, the overall strategic and other key business, financial, and operational policies of our Group are made collectively after thorough discussion at both Board and senior management levels.

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

Compliance with Model Code

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

Purchase, sale or redemption of listed securities

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

Reviewing interim results

The Company's Audit Committee and external auditors have reviewed the interim results announcement and the unaudited condensed consolidated interim financial statements for the six months ended 30 June 2015.

Publication of the interim results announcement and interim report

This announcement is published on the website of the Stock Exchange at www.hkexnews.hk and on the website of the Company at www.chinaredstar.com. The Company's 2015 interim report containing all the data as required by the Listing Rules will be sent to shareholders and published on the website of the Stock Exchange at www.hkexnews.hk and on the website of the Company at www.chinaredstar.com in due course.

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

Hong Kong, 26 August 2015

At the date of this announcement, our executive directors are Che Jianxing, Zhang Qi, Che Jianfang and Jiang Xiaozhong; non-executive directors are Xu Guofeng, Chen Shuhong, Joseph Raymond Gagnon and Zhang Qiqi; and independent non-executive directors are Zhou Qinye, Li Zhenning, Ding Yuan and Li Junxiong.