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)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 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 audited consolidated annual results of the Company and its subsidiaries (the "**Group**" or "**we**") for the year ended 31 December 2015 (the "**Reporting Period**"), together with comparative figures for the same period of 2014.

Financial highlights

	For the year ended 31 December	
	2015	2014
	(in thousands of RMB, except otherwise stated)	
Revenue	**8,756,120**	7,935,131
Gross Profit	**6,514,139**	5,881,061
Gross profit margin	**74.4%**	74.1%
Profit attributable to owners of the Company	**4,098,068**	3,632,917
Profit margin attributable to owners of the Company	**46.8%**	45.8%
Core net profit attributable to owners of the Company(1)	**2,552,735**	2,125,396
Core net profit margin attributable to owners of the Company(2)	**29.2%**	26.8%
Earnings per share (basic)	**RMB1.22**	RMB1.21
Dividend per share (tax inclusive)	**RMB0.47**	RMB0.83

Notes:

(1) Core net profit attributable to owners of the Company represents 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.

(2) 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

	As at 31 December 2015	As at 31 December 2014
Number of shopping malls	**177**	158
Operating area of shopping malls (sq. m.)	**11,660,468**	10,752,853
Number of Portfolio Shopping Malls[1]	**55**	52
Operating area of Portfolio Shopping Malls (sq. m.)	**4,386,128**	4,033,458
Average occupancy rate of Portfolio Shopping Malls	**94.1%**	96.1%
Number of Managed Shopping Malls[1]	**122**	106
Operating area of Managed Shopping Malls (sq. m.)	**7,274,340**	6,719,395
Average occupancy rate of Managed Shopping Malls	**92.7%**	95.5%

Note:

(1) See definitions in the prospectus of the Company dated 16 June 2015 (the "**Prospectus**").

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2015

	NOTES	**2015** **RMB'000**	2014 RMB'000
Revenue	5	**8,756,120**	7,935,131
Cost of sales and services		**(2,241,981)**	(2,054,070)
Gross profit		**6,514,139**	5,881,061
Other income	6	**194,302**	169,717
Changes in fair value of investment properties		**2,381,694**	2,415,278
Other gains and losses	7	**(206,330)**	(187,197)
Selling and distribution expenses		**(1,196,889)**	(1,054,911)
Administrative expenses		**(882,418)**	(922,573)
Other expenses	8	**(120,834)**	(112,855)
Share of profit of associates		**62,954**	14,133
Share of profit of joint ventures		**50,024**	3,680
Finance costs	9	**(854,285)**	(856,162)
Profit before tax	10	**5,942,357**	5,350,171
Income tax expense	11	**(1,572,602)**	(1,428,167)
Profit and total comprehensive income for the year		**4,369,755**	3,922,004
Profit and total comprehensive income for the year attributable to:			
Owners of the Company		**4,098,068**	3,632,917
Non-controlling interests		**271,687**	289,087
		4,369,755	3,922,004
EARNINGS PER SHARE	13		
— Basic (RMB)		**1.22**	1.21
— Diluted (RMB)		**1.22**	N/A

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2015

	NOTES	2015 RMB'000	2014 RMB'000
NON-CURRENT ASSETS			
Investment properties	14	**70,593,000**	62,966,000
Property, plant and equipment		**333,293**	362,452
Goodwill		**16,592**	—
Intangible assets		**539,267**	548,916
Interests in associates	15	**159,207**	216,387
Interests in joint ventures	16	**749,334**	699,310
Available-for-sale investments	17	**402,930**	192,310
Loan receivables	18	**112,580**	45,000
Deferred tax assets		**347,444**	323,226
Restricted bank deposits	21	**71,758**	49,472
Other non-current assets	19	**2,003,413**	1,389,340
		75,328,818	66,792,413
CURRENT ASSETS			
Inventories		**16,173**	38,495
Loan receivables	18	**160,100**	99,810
Other financial assets		**61,000**	—
Trade and other receivables	20	**1,627,561**	1,292,239
Tax recoverable		**41,834**	22,895
Restricted bank deposits	21	**—**	7,180
Bank balances and cash	22	**5,954,087**	3,664,860
		7,860,755	5,125,479
CURRENT LIABILITIES			
Trade and other payables	23	**5,766,274**	5,103,558
Rental and service fee received in advance		**1,776,581**	2,107,893
Tax liabilities		**285,375**	285,338
Bank and other borrowings	24	**2,297,382**	2,325,523
Bonds	25	**497,195**	597,681
		10,622,807	10,419,993
NET CURRENT LIABILITIES		**(2,762,052)**	(5,294,514)
TOTAL ASSETS LESS CURRENT LIABILITIES		**72,566,766**	61,497,899

	NOTES	2015 RMB'000	2014 RMB'000
NON-CURRENT LIABILITIES			
Deferred tax liabilities		**10,667,539**	9,719,525
Bank and other borrowings	*24*	**7,027,170**	9,083,476
Bonds	*25*	**7,335,011**	2,861,317
Obligations under finance leases		**349,065**	351,758
Deferred income		**194,354**	198,498
Other non-current liabilities	*26*	**1,725,423**	1,870,232
		27,298,562	24,084,806
NET ASSETS		**45,268,204**	37,413,093
CAPITAL AND RESERVES			
Share capital		**3,623,917**	3,000,000
Share premium		**5,617,001**	234,616
Reserves		**31,903,641**	30,210,376
Equity attributable to owners of the Company		**41,144,559**	33,444,992
Non-controlling interests		**4,123,645**	3,968,101
TOTAL EQUITY		**45,268,204**	37,413,093

1. GENERAL INFORMATION

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 Shanghai Red Star Macalline Enterprise Management Company Limited (上海紅星美凱龍企業管理有限公司) (formerly known as Shanghai Red Star Macalline Home Furnishing Company Limited (上海紅星美凱龍家居家飾品有限公司)), a company with limited liability incorporated in the PRC. The parent and ultimate holding company of the Company is Shanghai Red Star Macalline Investment Company Limited (上海紅星美凱龍投資有限公司), a company with limited liability incorporated in the PRC. The ultimate controlling shareholder is Mr. Che Jianxing.

The Company was listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 26 June 2015.

The registered office of the Company is at Suite F801, 6/F, No. 518, Linyu Road, Pudong New District, Shanghai PRC, and the principal place of business in Hong Kong is at 36/F, Tower 2, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong. The principal activities of the Group are operating and managing home furnishing shopping malls.

The consolidated financial statements are presented in Renminbi ("**RMB**"), which is also the functional currency of the Company and its subsidiaries.

2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

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

3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

The Group has applied the following amendments to IFRSs issued by the International Accounting Standards Board ("**IASB**") for the first time in the current year:

Amendments to IAS 19	Defined Benefit Plan: Employee Contributions
Amendments to IFRSs	Annual Improvements to IFRSs 2010–2012 Cycle
Amendments to IFRSs	Annual Improvements to IFRSs 2011–2013 Cycle

The application of amendments to IFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with IFRSs issued by the IASB. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for investment properties and certain financial instruments that are measured at fair values at the end of the Reporting Period.

5. REVENUE

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*
Year ended 31 December 2015					
Revenue from external customers	**5,259,961**	**3,141,708**	**115,838**	**238,613**	**8,756,120**
Inter-segment revenue	—	—	—	—	—
Segment revenue	**5,259,961**	**3,141,708**	**115,838**	**238,613**	**8,756,120**
Segment profit	**2,712,363**	**1,779,606**	**(101,944)**	**80,121**	**4,470,146**
Year ended 31 December 2014					
Revenue from external customers	4,883,838	2,786,354	140,896	124,043	7,935,131
Inter-segment revenue	—	—	—	—	—
Segment revenue	4,883,838	2,786,354	140,896	124,043	7,935,131
Segment profit	2,386,040	1,610,650	(148,475)	81,092	3,929,307

Reconciliations of segment revenues and results

	2015	2014
	RMB'000	*RMB'000*
Revenue		
Segment revenue and consolidated revenue	**8,756,120**	7,935,131
Profit		
Segment profit	**4,470,146**	3,929,307
Other income	**194,302**	169,717
Changes in fair value of investment properties	**2,381,694**	2,415,278
Other gains and losses	**(206,330)**	(187,197)
Central administrative expense	**(35,314)**	(25,730)
Other expenses	**(120,834)**	(112,855)
Share of profits of associates	**62,954**	14,133
Share of profits of joint ventures	**50,024**	3,680
Finance costs	**(854,285)**	(856,162)
Consolidated profit before tax	**5,942,357**	5,350,171

Revenue from major products and services

The following is an analysis of the Group's revenue from external customers:

	2015	2014
	RMB'000	*RMB'000*
Revenue from own/leased portfolio shopping malls	**5,259,961**	4,883,838
Revenue from managed shopping malls:		
— Initiation and entrance fees	**1,409,903**	1,014,121
— Annual management fees	**1,268,071**	1,092,892
— Construction consultation and management fees	**463,734**	679,341
	3,141,708	2,786,354
Revenue from sales of merchandise and related services:		
— Sales of merchandise	**58,292**	96,735
— Provision of related services	**57,546**	44,161
	115,838	140,896
Others	**238,613**	124,043
	8,756,120	7,935,131

6. OTHER INCOME

	2015	2014
	RMB'000	*RMB'000*
Interest income on:		
— bank deposits	**79,492**	30,310
— other loans and receivables	**21,344**	28,127
Total interest income	**100,836**	58,437
Government grants	**67,599**	87,234
Dividends from unlisted equity investments	**5,965**	—
Compensation received and receivable	**19,902**	24,046
	194,302	169,717

7. OTHER GAINS AND LOSSES

	2015	2014
	RMB'000	*RMB'000*
Allowance on doubtful receivables, net	**(198,599)**	(65,426)
Loss on disposal of property, plant and equipment	**(441)**	(57,588)
Loss on disposal of intangible assets	**(2,575)**	—
Gain (loss) on disposal of subsidiaries, net	**1,930**	(66,855)
Gain on disposal of an associate	**3,969**	—
Gain from business combination achieved in stages	**2,236**	—
Gain from bargain purchases in business combinations	**1,845**	—
Net foreign exchange losses	**(953)**	—
Others	**(13,742)**	2,672
	(206,330)	(187,197)

8. OTHER EXPENSES

	2015	2014
	RMB'000	*RMB'000*
Donations	**2,337**	244
Compensation paid and payable	**73,087**	103,091
Listing expense	**45,410**	9,520
	120,834	112,855

9. FINANCE COSTS

	2015	2014
	RMB'000	*RMB'000*
Interest on bank and other borrowings	**950,851**	856,927
Interest on finance leases	**23,324**	23,513
Interest on bonds	**276,549**	180,968
Total borrowing costs	**1,250,724**	1,061,408
Less: amount capitalised in the cost of qualifying assets	**(396,439)**	(205,246)
	854,285	856,162

10. PROFIT BEFORE TAX

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

	2015	2014
	RMB'000	*RMB'000*
Staff costs (including directors):		
— Salary and other benefits	**1,561,246**	1,542,879
— Retirement benefits scheme contributions	**169,065**	120,772
Total staff costs	**1,730,311**	1,663,651
Rental income and related management fee from investment properties	**5,259,961**	4,662,801
Less: direct operating expenses	**(1,224,836)**	(1,075,287)
	4,035,125	3,587,514
Operating lease rentals	**577,570**	541,178
Auditors' remuneration	**10,990**	15,241
Cost of inventories recognised as an expense	**90,003**	89,054
Depreciation for property, plant and equipment	**102,019**	102,260
Amortisation of intangible assets	**25,811**	14,562
Allowance for doubtful receivables, net	**198,599**	65,426

11. INCOME TAX EXPENSE

	2015	2014
	RMB'000	*RMB'000*
Income tax expenses comprise:		
Current tax:		
PRC enterprise income tax	**737,550**	729,460
(Over) under provision in prior years	**(11,471)**	9,901
	726,079	739,361
Deferred tax — current year	**846,523**	688,806
Income tax expenses	**1,572,602**	1,428,167

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 of the Group in the PRC 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.

12. DIVIDENDS

	2015	2014
	RMB'000	*RMB'000*
Dividends recognised as distribution during the year		
— 2014 Final (RMB0.83 per share)	**2,490,000**	—
— 2013 Final (RMB0.24 per share)	**—**	720,000
	2,490,000	720,000

Subsequent to the end of the Reporting Period, a final dividend in respect of the year ended 31 December 2015 of RMB0.47 per share has been proposed by the directors of the Company and is subject to approval by the shareholders in the forthcoming annual general meeting.

13. EARNINGS PER SHARE

The calculation of basic and diluted earnings per share for the year ended 31 December 2015 and 2014 is based on the following data:

	2015	2014
	RMB'000	*RMB'000*
Earning for the purpose of basic and diluted earnings per share (profit for the year attributable to owners of the Company)	**4,098,068**	3,632,917
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share (2014: number of ordinary shares)	**3,352,560,031**	3,000,000,000

14. INVESTMENT PROPERTY

	Completed investment properties	Investment properties under development	Total
	RMB'000	*RMB'000*	*RMB'000*
Fair Value			
At 1 January 2014	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 recognised in profit or loss	1,503,764	911,514	2,415,278
Disposal of a subsidiary	—	(592,000)	(592,000)
At 1 January 2015	**56,239,000**	**6,727,000**	**62,966,000**
Additions	**206,865**	**3,004,257**	**3,211,122**
Acquisition of subsidiaries	**922,302**	**1,111,882**	**2,034,184**
Transfer	**2,943,000**	**(2,943,000)**	**—**
Change in fair value recognised in profit or loss	**1,517,833**	**863,861**	**2,381,694**
At 31 December 2015	**61,829,000**	**8,764,000**	**70,593,000**

15. INTERESTS IN ASSOCIATES

	2015	2014
	RMB'000	*RMB'000*
Cost of investments in unlisted associates	**146,850**	181,350
Share of post-acquisition profits and other comprehensive income, net of dividends received	**12,357**	35,037
	159,207	216,387

16. INTERESTS IN JOINT VENTURES

	2015	2014
	RMB'000	*RMB'000*
Cost of investment in unlisted joint venture:	**261,877**	261,877
Share of post-acquisition profits and other comprehensive income, net of dividends received	**487,457**	437,433
	749,334	699,310

17. AVAILABLE-FOR-SALE INVESTMENTS

	2015	2014
	RMB'000	*RMB'000*
Unlisted equity investments, at cost:		
— Oppein	**157,560**	157,560
— Other private entities established in the PRC	**245,370**	34,750
	402,930	192,310

18. LOAN RECEIVABLES

	2015	2014
	RMB'000	*RMB'000*
Non-current		
Zhejiang Mingdu	**30,000**	45,000
Daqing Xusheng	**46,080**	—
Ningbo Longkai	**36,500**	—
	112,580	45,000
Current		
Zhejiang Mingdu	**70,000**	70,000
Zhejiang Borui	**30,100**	29,810
Wuhan Zhuyeshan	**60,000**	—
	160,100	99,810

19. OTHER NON-CURRENT ASSETS

	2015	2014
	RMB'000	*RMB'000*
Prepayment for acquisition of land use rights	**242,319**	284,236
Prepayment for construction of investment properties	**468,910**	428,397
Prepayment for acquisition of investment properties	**304,454**	49,156
Amounts due from non-controlling shareholders of subsidiaries	**121,324**	55,000
Amount due from a former subsidiary	**—**	41,041
Prepayment for acquisition of a subsidiary	**—**	62,191
Prepayment to a related party for repurchase interests in a transferred shopping mall	**247,705**	—
Amount due from a related party	**42,092**	96,752
Deposits paid for construction of investment properties	**135,252**	134,308
Deposits paid under medium term operating lease	**55,278**	45,264
Preliminary development cost	**141,562**	133,909
Equity investment with fixed return	**219,400**	29,150
Others	**25,117**	29,936
	2,003,413	1,389,340

20. TRADE AND OTHER RECEIVABLES

	2015	2014
	RMB'000	*RMB'000*
Trade receivables		
— due from third parties	**1,214,667**	701,206
— due from related parties	**9,711**	10,445
Less: allowance for doubtful debts	**(257,813)**	(117,283)
	966,565	594,368
Bills receivable	**2,200**	38,970
	968,765	633,338
Prepayments to third parties	**92,877**	117,441
Prepayments to related parties	**—**	55,150
Other taxes recoverable	**29,978**	40,159
Amounts due from third parties	**258,472**	178,139
Amounts due from non-controlling shareholders of subsidiaries	**27,324**	90,301
Amounts due from related parties	**143,842**	82,257
Deposits	**81,890**	64,880
Proceeds to be collected on behalf of the tenants	**72,636**	45,064
Other	**23,956**	22,163
Less: allowance for doubtful debts	**(72,179)**	(36,653)
	658,796	658,901
	1,627,561	1,292,239

The following is an analysis of trade receivables and bills receivable by age, net of allowance for doubtful debts, presented based on the date of recognition of revenue at the end of the Reporting Period:

	2015	2014
	RMB'000	*RMB'000*
Less than 1 year	**715,619**	536,373
1–2 years	**207,786**	78,938
2–3 years	**37,996**	14,245
Over 3 years	**7,364**	3,782
	968,765	633,338

Movement in the allowance for doubtful debts

	2015	2014
	RMB'000	*RMB'000*
Balance at beginning of the year	**153,936**	93,389
Impairment losses recognised during the year	**203,599**	65,426
Impairment losses reversed	**(5,000)**	—
Amounts written off during the year as uncollectable	**(22,543)**	(4,879)
Balance at end of the year	**329,992**	153,936

21. RESTRICTED BANK DEPOSITS

	2015	2014
	RMB'000	*RMB'000*
Deposits pledged for banking facilities (including bank borrowings) granted to the Group	**69,126**	56,652
Other restricted bank deposits	**2,632**	—
	71,758	56,652
Analysed for reporting purposes as:		
— Non-current	**71,758**	49,472
— Current	**—**	7,180
	71,758	56,652

22. BANK BALANCES AND CASH

	2015	2014
	RMB'000	*RMB'000*
Cash	**14,882**	12,156
Bank deposits with original maturity within three months or less	**5,833,582**	3,580,248
Cash and cash equivalents	**5,848,464**	3,592,404
Bank deposits with original maturity over three months	**105,623**	72,456
Bank balances and cash	**5,954,087**	3,664,860

23. TRADE AND OTHER PAYABLES

	2015	2014
	RMB'000	*RMB'000*
Trade payable	**279,541**	180,171
Other payables:		
Staff costs payables	**389,088**	389,068
Dividends payable to a non-controlling shareholder of a subsidiary	**28,850**	3,600
Other tax payables	**213,035**	107,815
Interests payables	**83,467**	69,150
Amounts due to third parties	**216,979**	436,367
Amount due to non-controlling shareholders of subsidiaries	**137,918**	150,413
Amounts due to related parties	**228,842**	279,478
Consideration payable to a related party for acquisition of subsidiaries	**175,572**	—
Consideration payable to a third party for acquisition of a subsidiary	**53,308**	—
Consideration payable for acquisition of additional interests in subsidiaries	**13,450**	—
Construction costs payables	**732,925**	531,674
Proceeds collected on behalf of the tenants	**809,945**	738,912
Deposit received from the tenants	**1,489,485**	1,377,784
Received in advance arising from pre-paid cards	**139,693**	127,325
Intention deposit received	**390,890**	400,890
Accrued rental and other expenses	**269,178**	223,038
Other	**114,108**	87,873
	5,486,733	4,923,387
	5,766,274	5,103,558

The following is an analysis of trade payables by ageing presented based on the invoice date at the end of the Reporting Period:

	2015	2014
	RMB'000	*RMB'000*
Less than 1 year	**268,677**	163,827
1–2 years	**5,731**	8,589
2–3 years	**5,034**	6,100
Above 3 years	**99**	1,655
	279,541	180,171

24. BANK AND OTHER BORROWINGS

	2015	2014
	RMB'000	*RMB'000*
Bank loans		
— Secured	**8,349,819**	9,970,829
— Unsecured	**535,000**	114,700
Other loans, secured	**439,733**	1,323,470
	9,324,552	11,408,999

	2015	2014
	RMB'000	*RMB'000*
Fixed-rate borrowings	**839,733**	1,703,470
Variable-rate borrowings	**8,484,819**	9,705,529
	9,324,552	11,408,999
The borrowings are repayable:		
Within one year or on demand	**2,297,382**	2,325,523
More than one year, but not exceeding two years	**2,192,768**	1,727,965
More than two years, but not exceeding five years	**3,339,116**	4,163,599
More than five years	**1,495,286**	3,191,912
	9,324,552	11,408,999
Less: Amount due within one year shown under current liabilities	**2,297,382**	2,325,523
Amount due after one year	**7,027,170**	9,083,476

25. BONDS

	2015	2014
	RMB'000	*RMB'000*
Unguaranteed medium term note:		
— Bonds 2015	**—**	597,681
— Bonds 2017	**889,791**	884,966
— Bonds 2018	**495,449**	494,012
— Bonds 2016	**497,195**	494,600
Private placement notes:		
— Private Bonds 2017	**989,277**	987,739
Corporate bonds:		
— Corporate Bonds 2020	**4,960,494**	—
	7,832,206	3,458,998

The movements of Bonds 2015, Bonds 2017, Bonds 2018, Bonds 2016, Private Bonds 2017 and Corporate Bonds 2020 are set out below:

	2015	2014
	RMB'000	*RMB'000*
As at 1 January	**3,494,977**	2,488,939
Net proceeds from Private Bonds 2017 issued on 8 December 2014	**—**	987,700
Net proceeds from Corporate Bonds 2020 issued on 11 October 2015	**4,958,670**	—
Redemption of Bonds 2015 on 31 August 2015.	**(600,000)**	—
Interests and issue cost amortized year	**276,549**	180,968
Interest paid during the year	**(242,630)**	(162,630)
As at 31 December	**7,887,566**	3,494,977

The balance of Bonds 2015, Bonds 2017, Bonds 2018, Bonds 2016, Private Bonds 2017 and Corporate Bonds 2020 at the end of the Reporting Period represented by:

	2015	2014
	RMB'000	*RMB'000*
Other payables — accrued interests	**55,360**	35,979
Bonds (current)	**497,195**	597,681
Bonds (non-current)	**7,335,011**	2,861,317
	7,887,566	3,494,977

26. OTHER NON-CURRENT LIABILITIES

	2015	2014
	RMB'000	*RMB'000*
Initiation and entrance fees received in advance	**696,821**	744,417
Rental payable	**330,307**	292,323
Amounts due to non-controlling shareholders of subsidiaries	**698,295**	414,147
Amounts due to related parties	**—**	419,345
	1,725,423	1,870,232

27. PLEDGED ASSETS

	2015	2014
	RMB'000	*RMB'000*
Investment properties	**45,009,000**	54,208,000
Restricted bank deposits	**69,126**	56,652
	45,078,126	54,264,652

28. CAPITAL COMMITMENTS

	2015	2014
	RMB'000	*RMB'000*
Contracted but not provided for in the consolidated financial statements:		
— Capital expenditure in respect of acquisition and construction of investment properties (including through acquisition of subsidiaries)	**2,483,600**	4,707,735

29. OPERATING LEASES

The Group as lessee

	2015	2014
	RMB'000	*RMB'000*
Within one year	**551,469**	562,414
In the second to fifth years inclusive	**2,114,832**	2,218,732
Over five years	**3,235,381**	3,649,027
	5,901,682	6,430,173

The Group as lessor

	2015	2014
	RMB'000	*RMB'000*
Within one year	**2,356,705**	2,918,492
In the second year	**64,242**	156,557
	2,420,947	3,075,049

Management discussion and analysis

— Industry review

During the Reporting Period, in view of the complex and volatile domestic and overseas economic situation and the ever-increasing economic downturn pressure, China's social and economic development, as a whole, remained reasonable. Under a series of macro-control policies of stabilizing growth, adjusting structure, benefiting people's living and preventing risks, the key economic indicators were increasing steadily each month, and psoitive factors continued to emerge. China's economy maintained an "overall stable and bettering" development trend.

According to the statistics of Frost & Sullivan, in 2015, in terms of sales, we dominated 11.1% of the chain home improvement and furnishings retail mall sector and 4.1% of the mall sector, and the largest market share in China's rapid-growing home improvement and furnishings retail industry.

— Business review

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

As at the end of the Reporting Period, we operated a total of 177 shopping malls with a total operating area of 11,660,468 sq.m. in 126 cities in 28 provinces, municipalities, and autonomous regions in China. Through the two-pronged business model of Portfolio Shopping Malls and Managed Shopping Malls, we have occupied the properties in the prime locations of Tier I and Tier II Cities, at the same time accumulated extensive experience in operating shopping malls, constantly strengthened the brand value, and set a relatively high barrier of entry for other companies.

During the Reporting Period, we continued to strategically locate our Portfolio Shopping Malls in prime locations in Tier I and Tier II Cities, especially in municipalities. As at the end of the Reporting Period, we operated 55 Portfolio Shopping Malls covering a total operating area of 4,386,128 sq.m. with an average occupancy rate of 94.1%. Among these Portfolio Shopping Malls, 17 Portfolio Shopping Malls, representing 30.9% of the total number of Portfolio Shopping Malls, were located in the four municipalities of Beijing, Shanghai, Tianjin and Chongqing. The operating area of the aforesaid Portfolio Shopping Malls was 1,449,634 sq.m., representing 33.1% of the total operating area of the Portfolio Shopping Malls. The same mall growth[(1)] during the Reporting Period was 6.0%.

During the Reporting Period, we opened six new Portfolio Shopping Malls, and one Managed Shopping Mall was converted into a Portfolio Shopping Mall. Four Portfolio Shopping Malls were closed. As at the end of the Reporting Period, we had 26 pipeline Portfolio Shopping Malls, with a total estimated gross floor area of approximately 3,500 thousand sq.m.; among which, nine shopping malls were expected to open by the end of 2016. 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.

Note:

(1) "Same mall growth" is the growth in income from operation for a particular year compared with the prior year for all Portfolio Shopping Malls that were in operation for at least 24 months as of the end of the second year and remained open as of the date of this announcement.

In addition, with a reputable brand name in home improvement and furnishings industry and extensive experience in shopping mall development, strength in tenant sourcing and managing operations, we continued to rapidly develop Managed Shopping Malls in Tier III and other cities. We also established a strict internal screening and reviewing mechanism to ensure steady and rapid development of our Managed Shopping Malls. As at the end of the Reporting Period, we had 122 Managed Shopping Malls in operation covering a total operating area of 7,274,340 sq.m., with an average occupancy rate of 92.7%. Among these Managed Shopping Malls, 87 Managed Shopping Malls, representing 71.3% of the total number of Managed Shopping Malls, were located at East China and North China. The operating area of the aforesaid Managed Shopping Malls was 5,136,604 sq.m., representing 70.6% of the total operating area of Managed Shopping Malls. In 2015, we opened 20 new Managed Shopping Malls and closed three Managed Shopping Malls. In addition, one Managed Shopping Mall was converted into a Portfolio Shopping Mall.

As at the end of the Reporting Period, we had 440 pipeline Managed Shopping Malls, among which, we had 35 shopping malls which had secured land parcels and were expected to open by the end of 2016, and 205 shopping malls which had secured land parcels and were expected to open after 2016, and signed the contracts for 200 pipeline Managed Shopping Malls which had not secured land parcels. Along with steady social and economic development of the country, further development of urbanization strategy, and stable growth in disposable income per capita, we will speed up the development of Managed Shopping Malls business on a priority basis throughout China.

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

2.1 Management of shopping malls construction

Our construction business center is responsible for the design and construction management of our shopping malls.

2.2 Tenant sourcing management

We set up an analysis model for rent determination and fully implemented classified pricing of exhibition space to lean rental management; we synchronized our contract management system with our tenant sourcing business management system to achieve financial and business integration; we introduced international brands, opened international pavilions and developed a multi-business operation mode to meet the customers' demands of one-stop shopping experience; we provide customized business analysis and recommendations for the brand factories to achieve management of brand resources and value-added services for key customers.

2.3 Operational management

We improved customer satisfaction through projects of "word of mouth advertising" and "quality shopping mall operations system." In addition, we continually launched "race for green" campaigns to enhance the quality of consumers' green living.

2.4 Marketing management

We are committed to improving the brand value, popularity and sales of Red Star Macalline, and maintaining a good relationship with the consumers by means of brand promotion, membership management, digital marketing, joint marketing and cross-industry cooperation.

As regard to brand promotion, we carried out large-scale promotional campaigns during festivals and holidays such as "March 15", "Lu Ban Cultural Festival", "The Two Days", and "Family Day" to promote the Company as a "Home Furnishings Expert."

During the Reporting Period, we officially started the M-Style Membership program to meet the core values and demands of consumers. As at the end of the Reporting Period, through shopping malls, community marketing, cross-industry cooperation programs, WeChat promotion and other channels, we had recruited more than 5 million membership holders.

During the Reporting Period, we established an all-round, digital marketing platform including the official website of the enterprise, WeChat subscription ID, and WeChat customer service ID to fit into the requirements for corporate image and brand promotion, home culture philosophy and customer service in the "Internet era".

During the Reporting Period, with the collaboration of the best industrial brands, organization of member marketing activities and initiation of large-scale regional marketing activity, we cooperated with famous brands, explored customer needs, and helped customize marketing activities for the brand, as well as enhanced and expanded the cooperation while carrying out brand activities for the industry, and thus became the market icon.

In addition, by means of cross-industry cooperation and precision marketing, we further expanded the marketing channels of home improvement and furnishings shopping malls.

2.5 Property management

We advocated our belief in energy saving and environmental protection, and devoted itself to constructing energy-saving and environmental properties and "green" shopping malls. Also, we effectively monitored safety-related risks and continued to raise safety standards in shopping malls.

We promoted the installation of energy-free exhaust fans and window shade throughout our shopping malls. As at the end of the Reporting Period, 96 shopping malls completed the refitting of energy-free exhaust fans and window shade. Through this mechanism, we reduced the energy consumption of exhaust fans and effectively improved indoor air quality which improved the experience of customers.

3. *Multiple-channels business: robust development*

3.1 Focusing on the construction of O2O platform

We are constantly committed to being the industry leader for consumer experience. Online platform is a significant strategic measure which aims to expand communication between consumers and us and increase overall consumer satisfaction.

The offline shopping malls still constitute an integral part of consumer experience and purchasing decisions. Therefore, online platforms will most likely succeed only by combining with the offline shopping malls. Our O2O platform focuses on the consumer experience and enhances consumer loyalty through online and offline interaction.

3.2 Developing pre-paid cards

In addition to self-owned distribution channels, we put more efforts in promoting pre-paid card business through multiple channels. We established good cooperation relationships with commercial banks and consumer financing companies to jointly promote the home loan business based on pre-paid cards business, which pinned consumption in advance. During the process, we engaged in extensive interaction with real estate developers and agents. Our pre-paid card business also brought good synergies with our bulk procurement, home design, E-commerce and other businesses and enhanced consumers' loyalty to us.

3.3 New internet finance

As an important part of the Group's Internet strategy, one of our subsidiaries, Shanghai Jiajinsuo Financial Information Service Co. Ltd (the "**HomeFax**") was officially established during the reporting period. HomeFax is an Internet financial information service platform catering to the financing demands of our shopping mall partners, houseware factories, tenants and etc..

In addition, to further leverage on our extensive consumer base and also appeal to the increasing need for consumer financing in the high-end home improvement and furnishings retail industry, we cooperate with big commercial banks to provide consumer loans and provide installment services for consumers.

3.4 Home design and decoration service

As the industry pioneer in transformation and upgrade, our home design and decoration business aims to integrate the upstream and downstream industrial chain in home decoration industry using the home furnishing shopping malls as a platform and our great brand impact. We provided full services integrating home furnishing design proposals, sale of materials and furniture and construction service for consumers, in order to improve the shopping experiences of consumers, and drive sales in our shopping malls.

3.5 Providing bulk procurement service

During the Reporting Period, our bulk procurement division actively promoted our bulk procurement business and served as the second developer in bulk customization of home improvement products. By relying on years of long-term relationship with suppliers, professional experience in home improvement and furnishings industry and the advantage of having bargaining power in bulk procurement, we provide regional real estate developers, hotels, enterprises and institutions with a broad spectrum of ancillary services of "design — materials supply — construction — added value" to reduce customers' costs and meet their overall needs.

3.6 Uniform logistics service

We improved the distribution, installation and after-sale services, namely "the last kilometer", for the purpose of integrating upstream and downstream segments of home furnishing industry and enhancing customer satisfaction.

4. Commercial usage of information technology

During the Reporting Period, regarding information technology application, we continued to promote the Star Cloud, referring to the first ERP system used in home improvement and furnishings industry. At present, there are 136 shopping malls of which all necessary information has been entirely uploaded onto the Star Cloud. Through the Star Cloud, we collected, analyzed and utilized information regarding the customers, transactions and consumer behaviors by the "big data technology", so as to adopt more targeted and competitive operational strategies, enhance lean management, effectively increase income and save costs, and push forward the Group to achieve business innovation and resource sharing.

5. High efficiency of 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 aspects, such as optimization in overall performance, employee incentivization and talent development and support, as well as industry talent training.

Regarding optimization in overall performance and employee incentivization, adopting the principle of Amoeba, we adopted optimization of overall performance on an individual, daily and comprehensive basis. This has become an important management tool at all levels of management for streamlining the workforce, enhancing efficiency and improving the compensation structure. Moreover, increasing performance bonus incentives has greatly boosted passion and energy of the workforce.

Regarding talent development and support, we have continuously retained outstanding personnel to ensure the capability of continual promotion of personnel, initiated the "New Youth" project to establish a more innovative and dynamic management team, and at the same time established "Team Boost for New Business" to set up the new business management team and core professionals team to assist in the growth of new business.

Regarding professional talent cultivation, apart from persistent improvement of the management team's competence and reinforcement of our team of trainers, we have also established "Lu Ban Academy" and carried out several training plans, in order to improve the comprehensive quality of employees who engage in home improvement and furnishings industry.

We had a total of 17,086 employees as at the Reporting Period.

— Financial Review

1. Revenue

During the Reporting Period, the Group's revenue was RMB8,756.1 million, representing an increase of 10.3% from RMB7,935.1 million in 2014. The stable growth in our revenue was primarily due to an increase in revenue from our Owned/Leased Portfolio Shopping Malls and Managed Shopping Malls. In the Reporting Period, revenue from our Owned/Leased Portfolio Shopping Malls increased due to an increase in the operation area of our shopping malls and average rent and management fee; revenue from Managed Shopping Malls increased due to speedy expansion of our Managed Shopping Mall business, as a result of compound strategic development of our Portfolio Shopping Malls and Managed Shopping Malls.

The following table sets forth our revenue by business segment:

	For the year ended 31 December			
	2015	**2015**	2014	2014
	(in thousands of RMB)	***(%)***	*(in thousands of RMB)*	*(%)*
Owned/Leased Portfolio Shopping Malls	**5,259,961**	**60.1**	4,883,838	61.5
Managed Shopping Malls	**3,141,708**	**35.9**	2,786,354	35.1
Sales of merchandise and related services	**115,838**	**1.3**	140,896	1.8
Others	**238,613**	**2.7**	124,043	1.6
Total	**8,756,120**	**100.0**	7,935,131	100.0

2. *Gross profit and gross profit margin*

During the Reporting Period, the Group's gross profit was RMB6,514.1 million, representing an increase of 10.8% from RMB5,881.1 million in 2014. During the reporting period, the Group's integrated gross profit margin was 74.4%, representing an increase of 0.3 percentage points from 74.1% in 2014.

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

	For the year ended 31 December	
	2015	2014
Owned/Leased Portfolio Shopping Malls	**76.7%**	74.1%
Managed Shopping Malls	**73.8%**	75.8%
Sales of merchandise and related services	**22.3%**	32.5%
Others	**56.4%**	84.0%
Integrated gross profit	**74.4%**	74.1%

3. *Sales and distribution expenses and administrative expenses*

During the Reporting Period, the sales and distribution expenses increased from RMB1,054.9 million in 2014 to RMB1,196.9 million in 2015 (representing 13.7% of the sales and distribution expenses to the revenue of the Group), representing an increase of 13.5%. such as increase was mainly due to our corresponding strategic increase in advertising and promotional expenses to further strengthen the efforts for market expansion and brand promotion after the Company's H shares were listed.

During the Reporting Period, administrative expenses were reduced from RMB922.6 million in 2014 to RMB882.4 million in 2015 (representing 10.1% of the revenue of the Group) with a decline of 4.4%, which was mainly because we strengthened the control of wage costs and daily office expenses.

4. *Finance costs*

During the Reporting Period, finance costs were reduced from RMB856.2 million in 2014 to RMB854.3 million in 2015 with a drop of 0.2%. The total borrowing costs increased from RMB1,061.4 million in 2014 to RMB1,250.7 million in 2015, representing an increase of 17.8%, which was mainly because the expansion of the scale of operation and capital demand of the Group resulted in the increase of the amount of total loans. However, the efficiency in the use of funds has also increased.

The average cost of borrowing of the Group dropped from 7.3% in 2014 to 6.9% in 2015, mainly because during the Reporting Period, the Group optimized the loan structure, broadened the financing channels and issued domestic corporate bonds with lower rates.

5. *Income tax expense*

During the Reporting Period, the income tax expenses of the Group were RMB1,572.6 million, representing an increase of 10.1% compared with RMB1,428.2 million in 2014, which was in line with the increase of the pre-tax profit. Through effective tax planning, the rate of the effective income tax decreased from 26.7% in 2014 to 26.5% in 2015.

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

During the Reporting Period, profit attributable to owners of the Company amounted to RMB4,098.1 million, representing an increase of 12.8% from RMB3,632.9 million in 2014; core net profit attributable to owners of the Company amounted to RMB2,552.7 million, representing an increase of 20.1% from RMB2,125.4 million in 2014. The above was a result of the blended contributions from the increase in our revenue and the simultaneous strengthening of cost control, increase in operational efficiency together with reasonable cost planning.

	For the year ended 31 December		
	2015	2014	Growth
	RMB'000	*RMB'000*	
Profit attributable to owners of the Company	**4,098,068**	3,632,917	12.8%
Profit margin attributable to owners of the Company	**46.8%**	45.8%	1.0ppts
Core net profit attributable to owners of the Company	**2,552,735**	2,125,396	20.1%
Core net profit margin attributable to owners of the Company	**29.2%**	26.8%	2.4ppts

During the Reporting Period, the Group's earnings per share was RMB1.22, comparing with RMB1.21 in 2014.

7. *Trade and other receivables*

As at the end of the Reporting Period, the trade and other receivables of the Group were RMB1,627.6 million, of which the trade receivables were RMB968.8 million, which increased by RMB335.4 million as compared with that at the end of 2014, mainly because of the increase in revenue of Managed Shopping Malls during the Reporting Period.

8. *Investment properties*

As at the end of the Reporting Period, the Group's book value of investment properties amounted to RMB70,593.0 million, representing an increase of 12.1% from RMB62,966.0 million as at the end of 2014, mainly due to the increase in rent and management fees of the Owned Portfolio Shopping Malls and progress made in the development of investment properties during the Reporting Period.

9. *Capital expenditures*

During the Reporting Period, the Group's capital expenditures amounted to RMB3,288.1 million (in 2014, the Group's capital expenditures amounted to RMB3,040.6 million), primarily due to the progress made in the development of investment properties during the Reporting Period.

10. *Bank balances, cash and cash flow*

As at the end of the Reporting Period, the Group's bank balances and cash were RMB5,954.1 million, representing an increase of RMB2,289.2 million from RMB3,664.9 million as at the end of 2014.

During the Reporting Period, the Group's net cash inflow from operational activities was RMB3,309.3 million, net cash outflow from investment activities was RMB3,913.0 million and net cash inflow from financing activities was RMB2,859.7 million. Increase in the net cash flow from financing activities was primarily due to multiple factors such as the Group's completion in the global offering and listing of H shares, issue of corporate bonds and distribution of dividends.

	For the year ended 31 December	
	2015	2014
	RMB'000	*RMB'000*
Net cash generated from operating activities	**3,309,333**	3,247,292
Net cash used in investment activities	**(3,912,985)**	(2,564,096)
Net cash generated from (used in) financing activities	**2,859,712**	(895,717)
Net increase/(decrease) in cash and cash equivalents	**2,256,060**	(212,521)

11. Major debt ratios

The following table sets out our major debt ratios:

	As at 31 December 2015	As at 31 December 2014
Asset-liability ratio[(1)]	**45.6%**	48.0%
Net gearing ratio[(2)]	**25.5%**	30.9%

Notes:

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

(2) Net gearing ratio means the 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.

12. Pledge of assets of the Group

As at the end of the Reporting Period, the Group had pledged investment properties with book value of RMB45,009.0 million and restricted bank deposits of RMB69.1 million for obtaining loans and providing guarantees.

13. Contingent liabilities

As at the end of the Reporting Period, the Group issued financial guarantees jointly with our partners to a bank in respect of a loan in the amount of up to RMB400.0 million granted to one of our joint ventures. The joint venture had utilized RMB178.0 million of such loan as at 31 December 2015 (31 December 2014: RMB258.0 million).

As at the end of the reporting period, the Group issued financial guarantees to the financial institutions in respect of a loan up to RMB1,500.0 million granted to an associate company together with its cooperative partner, of which the Group provided corresponding guarantees for the above financial commitments based on the 25% shareholding (RMB375.00 million); as at 31 December 2015, RMB1,000.0 million of which was utilized by the associate company.

The Group considered that the amount of the above financial guarantees are not significant and the financial position of the guaranteed joint venture and associate company are in good condition.

14. Material acquisitions and disposals

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

15. Capital Commitment

As at the end of the Reporting Period, the amount of which the Group has contracted for but not provided in the financial statements was RMB2,483.6 million.

16. Foreign exchange risk

The Group operates in China. All income and almost all expenditure of the Group are in RMB. The Group owns a small amount of bank deposit in Hong Kong dollars, and the dividend for H-share shareholders will be paid in HK dollars. The directors of the Company believe that the Group's foreign exchange risk is relatively low, and the Group currently does not implement any foreign currency hedging policy. The Group manages foreign exchange risks by regularly checking foreign currency exchange rates. The Group will consider hedging policies to deal with material foreign exchange risks where necessary.

17. Human Resources

As at the end of the Reporting Period, the Group has employed 17,086 employees (as at the end of 2014: 15,536 employees). The Group enters into labor contract with employees according to the Labor Law of the PRC and the relevant provisions of the employee's locality. The Group will determine the employee's basic wage and bonus level according to the employee's performance, work experience and the market wage standard, and shall pay social insurance and housing provident fund for the employees. During the Reporting Period, the Group has paid a total of RMB1,730.3 million for salary expenditures (2014: RMB1,633.7 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 improving the operation performance, and continuously improved the knowledge and technology level as well as professional competence of the employees.

— Outlook

We persistently adhered to its mission of "building a warm and harmonious home, enhancing consumption and living taste". From 2016 onwards, we will continue to follow the operation and management mode of market-oriented and shopping-mall-based management, so as to continuously strengthen cooperation with home improvement and furnishings manufacturers and distributors, and persistently optimize the structure of brands operated by us in home improvement and furnishings shopping malls. By means of precision marketing and cross-industry cooperation, we are able to provide consumers with better services and better understandings of the home culture philosophy.

In the future, we will continue to vigorously develop our asset-light business model and strategically expand our shopping mall network nationwide to further enhance our market share, and thereby persistently strengthen our market leadership in China's home improvement and furnishings industry. Meanwhile, we will gradually expand the application of the Internet in home improvement and furnishings business based on our physical shopping malls network and strengthen the Red Star Macalline brand as the expert of home living in the minds of consumers with integrated online and offline operations. As such, the Company aims at being China's most professional and advanced "omni-channel platform provider in home improvement and furnishings industry". Our future development plans are as follows:

1. To continue the implementation of two-pronged business model of Portfolio Shopping Malls and Managed Shopping Malls; to strengthen the market leadership through strategic expansion of shopping mall network and brand portfolio;

2. As the platform operator to focus on the two most important ends, ie. customers, suppliers as well as distributor of the shopping malls;

3. To vigorously develop Internet-related O2O platform business, home design and decoration business and consumer financing;

4. To vigorously explore the supply chain-related products and services, ie. logistics and distribution services and bulk procurement;

5. To actively seek suitable investment and acquisition targets;

6. To actively carry out information technology construction and strive to build better service platforms such as O2O platform, home design and decoration, internet finance and the Group can share the platforms of membership holders, users, data, commodities, payment services, etc. in a unified manner, and strengthen the Group's management in the aspects of human resources, finance, material, procurement and internal control; and

7. To continue to promote human resources management to support the efficient business growth.

Final dividend

The Board recommended the payment of a final dividend of RMB0.47 per share for the year ended 31 December 2015. The final dividend is subject to the approval of the shareholders of the Company (the "**Shareholders**") at the forthcoming annual general meeting of the Company to be held on 8 June 2016 (the "**AGM**"). The expected payment date is 29 July 2016.

Important Events after the Reporting Period

At the Board meeting on 12 February 2016, the Board resolved to submit to the extraordinary general meeting, the domestic shareholders' class meeting and the H shareholders' class meeting to be held on 30 March 2016 for consideration and approval by the shareholders by way of special resolution a proposal for the A share offering. The Board also resolved to approve the proposal of submitting a registration application for the issue of the super short-term commercial paper in the PRC, subject to the shareholders' approval at the extraordinary general meeting. Please refer to the Company's related announcements and circulars on 12 February 2016 for details.

At the Board meeting on 21 March 2016, a final dividend in respect of the year ended 31 December 2015 of RMB0.47 per share has been proposed by the directors of the Company and is subject to approval by the shareholders in the forthcoming AGM.

Use of proceeds from listing

Net proceeds from the global offering amounting to RMB5,573.3 million were intended to be used in the development of nine Portfolio Shopping Malls, investment in or acquisition of other retailers or market participants in home improvement and furnishings industry, refinancing of existing debts and development of E-commerce and information technology systems, working capital and other general group purposes. As disclosed in the Company's 2015 interim report, to raise the utilization rate and effectiveness of the use of proceeds from the global offering, the Board passed a resolution on 31 July 2015 to change the use of proceeds of approximately HKD1,437.7 million from the global offering to the refinancing of existing debts of the Company, including, as of the date of this announcement, six loan facilities with outstanding principal amounts of approximately RMB89.7 million from Ping An Bank, RMB60.0 million from Ping An Bank, RMB400.0 million from Bank of Communications, RMB250.0 million from China Minsheng Bank, RMB250.0 million from China CITIC Bank and RMB1,400.0 million from China Minsheng Bank, respectively, and with maturities in December 2015, March 2016, June 2016, June 2016, March 2017 and December 2017, respectively, and the effective interest rates of 7.0%, 6.6875%, 6.0%, 6.9756%, 6.90% and 6.8750%, respectively.

As at the end of the Reporting Period, the Company cumulatively used 39.0% of the proceeds from the global offering in the abovementioned fundraising investment projects.

Closure of the register of members

The register of members of the Company will be closed from 9 May 2016 to 8 June 2016, both days inclusive, in order to determine the identity of the H Shareholders who are entitled to attend the AGM on 8 June 2016, during which period no share transfers will be registered. To be eligible to attend the AGM, all properly completed transfer forms accompanied by the relevant share certificates must be lodged for registration with the Company's H share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on 6 May 2016.

The Shareholders whose names appear on the register of members of the Company on Friday, 6 May 2016 after close of business are entitled to attend and vote at the AGM.

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 (the "**Corporate Governance Code**") as set out in Appendix 14 to the Listing Rules for the period from 26 June 2015 (the "**Listing Date**") up to 31 December 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 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 (the "**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 as set out in the Model Code for the period from the Listing Date up to 31 December 2015.

Purchase, sale or redemption of listed securities

The Group did not purchase, sell or redeem any listed securities of the Company for the period from the Listing Date up to 31 December 2015.

Audit Committee

The audit committee of the Company reviewed the annual results announcement and the audited consolidated annual financial statements of the Group for the year ended 31 December 2015.

Publication of the annual results announcement and 2015 annual 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 annual report 2015 containing all the information as required by the Listing Rules will be dispatched to Shareholders and published on the website of the Stock Exchange and on the website of the Company in due course.

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

Hong Kong, 21 March 2016

As at the date of this announcement, the executive Directors of the Company are CHE Jianxing, ZHANG Qi, CHE Jianfang and JIANG Xiaozhong; the non-executive Directors are XU Guofeng, CHEN Shuhong, Joseph Raymond GAGNON, ZHANG Qiqi; and the independent non-executive Directors are ZHOU Qinye, LI Zhenning, DING Yuan, LEE Kwan Hung.