Red Star Macalline Group Corporation Ltd.

紅星美凱龍家居集團股份有限公司

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

(Stock Code: 1528)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2017

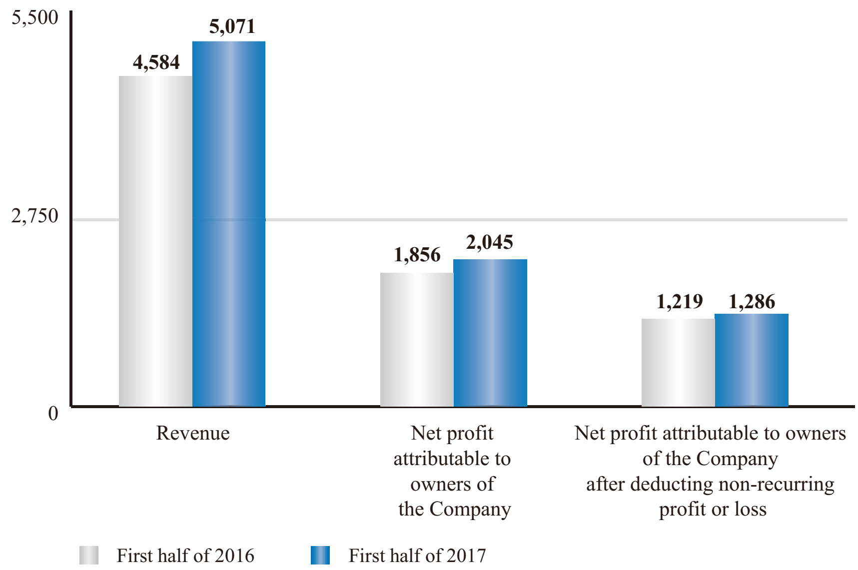
The board of directors (the "**Board**") of Red Star Macalline Group Corporation Ltd. (the "**Company**" or "**Red Star Macalline**") is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (the "**Group**" or "**we**") for the six months ended 30 June 2017 (the "**Reporting Period**"), together with comparative figures for the same period in 2016.

FINANCIAL HIGHLIGHTS

	Six months ended 30 June	
	2017	2016
	(RMB'000, except otherwise stated)	
	(Unaudited)	(Restated)
Revenue	**5,070,967**	4,583,698
Gross profit	**3,696,299**	3,407,687
Gross profit margin	**72.9%**	74.3%
Net profit	**2,156,491**	1,929,217
Net profit attributable to owners of the Company	**2,045,171**	1,856,426
Net profit margin attributable to owners of the Company	**40.3%**	40.5%
Net profit attributable to owners of the Company after deducting non-recurring profit or loss	**1,286,401**	1,218,897
Net profit margin attributable to owners of the Company after deducting non-recurring profit or loss	**25.4%**	26.6%
Earnings per share	**RMB0.56**	RMB0.51

Key Financial Performance Indicators

RMB million



According to the "Consultation Conclusions on Acceptance of Mainland Accounting and Auditing Standards and Mainland Audit Firms for Mainland Incorporated Companies Listed in Hong Kong" (《有關接受在香港上市的內地註冊成立公司採用內地的會計及審計準則以及聘用內地會計師事務所的諮詢總結》) published by The Stock Exchange of Hong Kong Limited (the "**Hong Kong Stock Exchange**") in December 2010, PRC incorporated issuers listed in Hong Kong are allowed to prepare their financial statements in accordance with the China Accounting Standards for Business Enterprise ("**CASBE**") and PRC audit firms approved by the Ministry of Finance and the China Securities Regulatory Commission are allowed to audit these financial statements in accordance with the CASBE. In order to improve the efficiency and reduce the cost of disclosure and audit expenses, the Board of the Company passed a resolution on 23 August 2017 to disclose overseas financial reports for the Company under the CASBE instead of the International Financial Reporting Standards. For details, please refer to the announcement of the Company dated 23 August 2017. From 2017 onwards, the Company will disclose its financial reports in accordance with the CASBE and related regulations.

OPERATIONAL HIGHLIGHTS

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

	As at 30 June 2017	As at 31 December 2016
Number of shopping malls	**214**	200
Operating area of shopping malls (sq.m.)	**13,296,491**	12,692,393
Number of cities covered	**150**	142
Number of Portfolio Shopping Malls	**69**	66
Operating area of Portfolio Shopping Malls (sq.m.)	**5,327,755**	5,083,326
Average occupancy rate of Portfolio Shopping Malls	**97.0%**	96.7%
Number of Managed Shopping Malls	**145**	134
Operating area of Managed Shopping Malls (sq.m.)	**7,968,737**	7,609,067
Average occupancy rate of Managed Shopping Malls	**96.6%**	96.2%

Note:

(1) See definitions in the 2016 annual report of the Company.

Consolidated Income Statement for the Six Months Ended 30 June 2017
(All amounts are expressed in RMB Yuan, except otherwise stated)

		Six months ended 30 June	
		2017	2016
	Notes	**(Unaudited)**	(Restated)
Revenue	*4*	**5,070,967,324.48**	4,583,698,181.17
Less: Costs of sales		**1,374,668,202.19**	1,176,010,849.52
Taxes and surcharges		**152,766,772.53**	270,884,619.38
Distribution and selling expenses		**577,191,949.36**	568,226,571.82
General and administrative expenses		**468,073,572.29**	352,949,816.17
Financial expenses	*5*	**544,212,823.71**	410,284,013.27
Impairment loss of assets		**104,678,298.05**	121,951,057.01
Add: Gain on fair value changes		**960,437,111.54**	856,983,362.13
Investment income		**60,754,608.04**	53,463,060.25
Including: Investment income from associates and joint ventures		**54,289,369.41**	52,455,275.31
Operating profit		**2,870,567,425.93**	2,593,837,676.38
Add: Non-operating income	*6*	**23,363,369.97**	17,505,052.44
Including: Gain on disposal of non-current assets		**72,105.26**	240,835.71
Less: Non-operating expenses		**12,457,297.08**	7,381,090.61
Including: Loss on disposal of non-current assets		**398,847.65**	3,058,057.10
Total profit		**2,881,473,498.82**	2,603,961,638.21
Less: income tax expenses	*7*	**724,982,916.95**	674,744,837.80
Net profit		**2,156,490,581.87**	1,929,216,800.41
Net profit attributable to owners of the Company		**2,045,171,145.99**	1,856,425,762.55
Non-controlling interests		**111,319,435.88**	72,791,037.86
Other comprehensive income		**1,606,854,307.56**	–
Total comprehensive income		**3,763,344,889.43**	1,929,216,800.41
Total comprehensive income attributable to owners of the Company		**3,491,340,022.79**	1,856,425,762.55
Total comprehensive income attributable to non-controlling interests		**272,004,866.64**	72,791,037.86
Earnings per share	*8*		
Basic earnings per share		**0.56**	0.51
Diluted earnings per share		**N/A**	N/A

Consolidated Balance Sheet as at 30 June 2017

	Notes	**As at 30 June 2017 (Unaudited)**	As at 31 December 2016 (Restated)
Current assets:			
Cash and bank		**7,753,911,384.65**	6,137,865,114.87
Notes receivable		**4,430,000.00**	900,000.00
Account receivables	*10*	**981,065,969.40**	799,810,037.69
Prepayments		**286,430,534.20**	164,841,803.45
Other receivables	*11*	**709,557,589.69**	978,680,238.37
Inventories		**62,603,233.73**	45,423,343.28
Non-current assets due within one year		**45,000,000.00**	45,000,000.00
Other current assets		**932,272,472.71**	623,564,454.04
Total current assets		**10,775,271,184.38**	8,796,084,991.70
Non-current assets:			
Available-for-sale financial assets		**2,829,959,188.97**	544,401,221.29
Long-term receivables		**1,050,390,028.79**	827,660,977.03
Long-term equity investments		**1,118,051,321.53**	1,012,646,573.83
Investment properties	*12*	**69,722,909,000.00**	66,948,000,000.00
Fixed assets		**143,439,768.87**	141,662,812.14
Construction in progress		**43,101,413.38**	65,975,322.44
Intangible assets		**462,172,618.91**	428,854,402.41
Development expenditure		**29,418,402.19**	38,967,363.83
Goodwill		**16,592,357.41**	16,592,357.41
Long-term prepaid expenses		**210,133,391.06**	171,207,612.77
Deferred tax assets		**844,383,498.33**	594,604,457.35
Other non-current assets		**3,886,115,649.42**	1,948,746,010.92
Total non-current assets		**80,356,666,638.86**	72,739,319,111.42
Total assets		**91,131,937,823.24**	81,535,404,103.12

	Notes	As at 30 June 2017 (Unaudited)	As at 31 December 2016 (Restated)
Current liabilities:			
Short-term loans	*13*	**267,848,000.00**	500,010,000.00
Account payables	*14*	**356,244,473.31**	353,219,391.21
Advance from customers		**2,244,261,120.66**	2,067,113,177.08
Payroll payable		**263,403,301.53**	540,096,177.35
Taxes payables		**603,499,297.12**	453,974,032.68
Interest payables		**393,478,437.43**	120,291,237.11
Dividends payable		**1,556,520,023.66**	138,500,000.00
Other payables	*15*	**5,539,828,985.10**	5,158,966,317.83
Non-current liabilities due within one year		**4,912,456,713.73**	4,210,031,348.15
Total current liabilities		**16,137,540,352.54**	13,542,201,681.41
Non-current liabilities:			
Long-term loans	*16*	**12,042,789,858.42**	8,447,537,245.75
Bonds payable		**8,446,688,893.07**	8,434,100,693.31
Long-term payables		**1,485,355,881.56**	1,475,711,651.18
Deferred income		**203,453,746.44**	195,413,309.31
Deferred tax liabilities		**9,906,764,492.69**	9,104,345,882.92
Other non-current liabilities		**767,620,500.00**	415,320,500.00
Total non-current liabilities		**32,852,673,372.18**	28,072,429,282.47
Total liabilities		**48,990,213,724.72**	41,614,630,963.88
Equity:			
Share capital	*17*	**3,623,917,038.00**	3,623,917,038.00
Capital reserve		**5,602,658,955.70**	5,620,013,738.96
Other comprehensive income		**1,446,168,876.80**	–
Surplus reserve		**1,226,111,855.65**	1,226,111,855.65
Retained earnings		**26,618,935,429.84**	26,095,809,439.81
Total equity attributable to shareholders of the Company		**38,517,792,155.99**	36,565,852,072.42
Non-controlling interests		**3,623,931,942.53**	3,354,921,066.82
Total equity		**42,141,724,098.52**	39,920,773,139.24
Total liabilities and equity		**91,131,937,823.24**	81,535,404,103.12

NOTES

1. GENERAL INFORMATION OF THE COMPANY

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

The Company completed the public initial offering of overseas listed foreign shares, namely H shares, and became listed on the Hong Kong Stock Exchange on 26 June 2015. The business scope of the Company includes providing invested enterprises with management service, providing enterprise management and product information consulting; providing business stores with design planning and management services, wholesale of furniture, building materials (steel exclusive) and decoration materials, and relevant supporting services. (Products involving quota license or special management provisions shall be subject to relevant state regulations). The Company and its subsidiaries (hereinafter referred to as the "**Group**") are principally engaged in the operation and management of and the professional consultancy for home improvement and furnishings shopping malls. The Company of the Company is RSM Holding, and the actual controller is Mr. Che Jianxing.

2. BASIS OF PREPARATION

The Group applies the Accounting Standards for Business Enterprises and relevant requirements (hereinafter referred to as the "**Accounting Standards for Business Enterprises**").

As at 30 June 2017, the Group's current liabilities in aggregate exceeded its current assets. The management of the Group had assessed its ongoing operation during the 12 months starting from 30 June 2017, and after taking into account the unutilized facilities held by the Group for the issuance of corporate bonds and super short-term commercial paper as at 30 June 2017, believe that the liquidity risk the Group is exposed to falls within the range of control due to the fact that its current assets is less than its current liabilities as at 30 June 2017, and thus has no material effect on the ongoing operation of the Group. Therefore, these financial statements have been prepared on a going concern basis.

3. BASIS OF PREPARATION AND PRINCIPLE OF MEASUREMENT

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

* *For identification only*

4. REVENUE AND SEGMENT REPORT

Reporting by segment:

	Owned/leased portfolio shopping malls	Managed shopping malls	Sales of merchandise and related services	Other	Unallocated item	Total
Six months ended 30 June 2017 (Unaudited)						
Segment revenue – external transaction revenue	**3,188,830,865.46**	**1,473,052,100.58**	**109,284,985.25**	**299,799,373.19**	**–**	**5,070,967,324.48**
Segment operating profit	**1,708,326,154.41**	**719,533,882.28**	**(43,232,213.00)**	**149,758,009.77**	**336,181,592.47**	**2,870,567,425.93**
Six months ended 30 June 2016 (Unaudited)						
Segment revenue – external transaction revenue	2,966,245,991.60	1,308,898,546.99	92,625,009.42	215,928,633.16	–	4,583,698,181.17
Segment operating profit	1,577,706,825.85	562,221,185.55	(31,861,537.50)	129,427,423.09	356,343,779.39	2,593,837,676.38

5. FINANCIAL EXPENSES

	Six months ended 30 June	
	2017	2016
	(Unaudited)	(Restated)
Interest expenses	**650,222,248.82**	571,890,572.07
Less: Capitalized interest expenses	**(75,251,880.82)**	(128,782,803.62)
Less: Interest income	**(39,982,040.44)**	(36,902,736.98)
Net interest expenses	**534,988,327.56**	406,205,031.47
Foreign exchange gain or loss	**(470,457.37)**	(2,224.40)
Others	**9,694,953.52**	4,081,206.20
	544,212,823.71	410,284,013.27

6. NON-OPERATING INCOME

	Six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
Gain on disposal of non-current assets	**72,105.26**	240,835.71
Government grants	**12,686,612.36**	9,185,746.89
Income from default compensation	**1,876,804.47**	1,429,303.00
Income from project termination	**1,415,094.34**	1,415,094.33
Others	**7,312,753.54**	5,234,072.51
	23,363,369.97	17,505,052.44

7. INCOME TAX EXPENSES

	Six months ended 30 June	
	2017	2016
	(Unaudited)	(Restated)
Current income tax based on tax law and relevant regulations	**429,281,114.67**	401,293,755.10
Deferred income tax	**268,505,840.16**	274,101,817.03
Difference from income tax annual settlement for prior year	**27,195,962.12**	(650,734.33)
	724,982,916.95	674,744,837.80

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

Certain subsidiaries have been approved to have access to the 15% preferential tax rate pursuant to the EIT Law and relevant laws and regulations under the Plan for Development of the West Regions within the Reporting Period and the same period of last year; certain subsidiaries have been approved to be exempted from the enterprise income tax pursuant to the EIT Law and relevant laws and regulations within the Reporting Period under the initiative to foster key industrial enterprises in the impoverished area of Xinjiang.

8. EARNINGS PER SHARE

Calculation of the basic earnings per share for the six months ended 30 June 2017 and 30 June 2016 is as follows:

	Six months ended 30 June	
	2017	2016
	(Unaudited)	(Restated)
Net profit for the period attributable to owners of the Company	**2,045,171,145.99**	1,856,425,762.55
Including: Net profit attributable to ongoing operations	**2,045,171,145.99**	1,856,425,762.55
Net profit attributable to terminated operations	**–**	–
Weighted number of ordinary shares for the purpose of basic earnings per share	**3,623,917,038**	3,623,917,038

The Group does not have dilutive potential ordinary shares.

9. DIVIDENDS

During the Reporting Period, the Company has declared a final dividend of RMB0.42 per share to the owners of the Company for the year ended 31 December 2016, with the total final dividend declared amounting to approximately RMB1,522,045,155.96, and such dividend has been paid after the Reporting Period. The Board of the Company does not recommend any dividend for the Reporting Period.

10. ACCOUNT RECEIVABLES

Account receivables are disclosed by category:

	As at 30 June 2017 (Unaudited)				
	Book balance		Bad debt allowance		Book value
Category	Amount	Proportion *(%)*	Amount	Percentage *(%)*	Amount
Account receivables of significant individual amount and individually provided for bad debts	535,886,075.88	31.89	499,869,925.17	93.28	36,016,150.71
Account receivables of insignificant individual amount but individually provided for bad debts	115,182,340.91	6.85	107,493,541.40	93.32	7,688,799.51
Account receivables for which provision for bad debt is recognized by group with distinctive credit risk characteristics	1,029,417,374.48	61.26	92,056,355.30	8.94	937,361,019.18
Total	1,680,485,791.27	100.00	699,419,821.87	41.62	981,065,969.40

	As at 31 December 2016 (Restated)				
	Book balance		Bad debt allowance		Book value
Category	Amount	Proportion (%)	Amount	Percentage (%)	Amount
Account receivables of significant individual amount and individually provided for bad debts	556,216,624.37	39.16	460,011,935.57	82.70	96,204,688.80
Account receivables of insignificant individual amount but individually provided for bad debts	142,951,833.23	10.07	93,979,411.15	65.74	48,972,422.08
Account receivables for which provision for bad debt is recognized by group with distinctive credit risk characteristics	720,990,526.45	50.77	66,357,599.64	9.20	654,632,926.81
Total	1,420,158,984.05	100.00	620,348,946.36	43.68	799,810,037.69

Ageing analysis of the book value of account receivables:

	As at 30 June 2017	As at 31 December 2016
	(Unaudited)	(Restated)
Within 1 year	**579,142,042.76**	437,025,528.30
1 to 2 years	**294,578,833.32**	257,279,029.94
2 to 3 years	**95,545,093.32**	103,546,575.34
Over 3 years	**11,800,000.00**	1,958,904.11
Total	**981,065,969.40**	799,810,037.69

11. OTHER RECEIVABLES

Other receivables are disclosed by category:

	As at 30 June 2017 (Unaudited)				
	Book balance		**Bad debt allowance**		**Book value**
Category	**Amount**	**Proportion (%)**	**Amount**	**Percentage (%)**	**Amount**
Other receivables of significant individual amount and individually provided for bad debts	**53,259,800.42**	**6.41**	**53,259,800.42**	**100.00**	**-**
Other receivables of insignificant individual amount but individually provided for bad debts	**20,055,836.09**	**2.41**	**15,155,460.79**	**75.57**	**4,900,375.30**
Other receivables for which provision for bad debt is recognized by group with distinctive credit risk characteristics	**757,273,211.72**	**90.88**	**52,615,997.33**	**6.95**	**704,657,214.39**
Total	**830,588,848.23**	**100.00**	**121,031,258.54**	**14.57**	**709,557,589.69**

	As at 31 December 2016 (Restated)				
	Book balance		Bad debt allowance		Book value
Category	Amount	Proportion (%)	Amount	Percentage (%)	Amount
Other receivables of significant individual amount and individually provided for bad debts	53,498,978.73	4.92	53,259,800.39	99.55	239,178.34
Other receivables of insignificant individual amount but individually provided for bad debts	16,276,786.08	1.50	11,984,807.08	73.63	4,291,979.00
Other receivables for which provision for bad debt is recognized by group with distinctive credit risk characteristics	1,017,549,255.96	93.58	43,400,174.93	4.27	974,149,081.03
Total	1,087,325,020.77	100.00	108,644,782.40	9.99	978,680,238.37

12. INVESTMENT PROPERTIES

	Completed properties	Properties under construction	Total
As at 1 January 2016 (Restated)	54,391,000,000.00	6,970,000,000.00	61,361,000,000.00
Additions during the period	681,357,345.92	2,322,158,716.18	3,003,516,062.10
Additions from acquisition of subsidiaries	829,451,629.90	–	829,451,629.90
Changes in fair value	1,542,191,024.18	211,841,283.82	1,754,032,308.00
Transfer from properties under construction to completed properties	4,618,000,000.00	(4,618,000,000.00)	–
As at 31 December 2016 (Restated)	**62,062,000,000.00**	**4,886,000,000.00**	**66,948,000,000.00**
Additions during the period	**226,652,801.09**	**1,291,659,400.65**	**1,518,312,201.74**
Additions from acquisition of subsidiaries	**–**	**296,159,686.72**	**296,159,686.72**
Changes in fair value	**1,013,609,198.91**	**(53,172,087.37)**	**960,437,111.54**
Transfer from properties under construction to completed properties	**1,003,000,000.00**	**(1,003,000,000.00)**	**–**
As at 30 June 2017 (Unaudited)	**64,305,262,000.00**	**5,417,647,000.00**	**69,722,909,000.00**

13. SHORT-TERM LOANS

Item	As at 30 June 2017 (Unaudited)	As at 31 December 2016 (Unaudited)
Pledge loans	**10,000.00**	10,000.00
Mortgage and pledge	**22,000,000.00**	500,000,000.00
Credit loans	**245,838,000.00**	–
Total	**267,848,000.00**	500,010,000.00

14. ACCOUNT PAYABLES

Item	As at 30 June 2017 (Unaudited)	As at 31 December 2016 (Unaudited)
Amount payables for advertisements and purchase of goods	**356,244,473.31**	353,219,391.21
Total	**356,244,473.31**	353,219,391.21

Ageing analysis of account payables:

Item	As at 30 June 2017 (Unaudited)	As at 31 December 2016 (Unaudited)
Within 1 year	**346,522,953.06**	343,198,520.80
From 1 year to 2 years	**4,678,958.36**	5,011,770.62
From 2 years to 3 years	**4,472,768.90**	4,555,215.60
Over 3 years	**569,792.99**	453,884.19
Total	**356,244,473.31**	353,219,391.21

15. OTHER PAYABLES

Item	As at 30 June 2017	As at 31 December 2016
	(Unaudited)	(Unaudited)
Proceeds collected on behalf of the tenants	**1,163,410,281.05**	1,303,284,841.62
Deposits from tenants	**1,550,056,203.76**	1,421,900,377.11
Payment received in advance from partners	**271,350,000.00**	270,400,000.00
Amounts payable to partners	**603,217,713.74**	580,285,509.25
Accrual expenses	**162,732,399.72**	250,615,063.76
Rental deposits from tenants	**715,007,749.49**	387,412,777.26
Amounts payable to construction contractors	**712,312,747.78**	599,649,921.94
Lease payable	**43,800,029.63**	51,603,323.91
Amounts payable to equity transfer	**30,988,965.89**	30,988,965.89
Amounts payable to prepaid cards	**70,724,697.74**	88,341,679.60
Others	**216,228,196.30**	174,483,857.49
Total	**5,539,828,985.10**	5,158,966,317.83

16. LONG-TERM LOANS

Item	As at 30 June 2017	As at 31 December 2016
	(Unaudited)	(Unaudited)
Mortgage loans	**6,847,191,060.55**	6,034,082,209.80
Mortgage and pledge loans	**1,742,538,461.00**	756,750,000.00
Pledge loans	**1,739,000,000.00**	–
Mortgage and guaranteed loans	**1,021,693,303.57**	917,500,000.00
Mortgage, pledge and guaranteed loans	**552,367,033.30**	739,205,035.95
Credit loans	**140,000,000.00**	–
Total	**12,042,789,858.42**	8,447,537,245.75

17. SHARE CAPITAL

Shareholder	Opening amount	Changes during the period: Issue of new shares	Changes during the period: Others	Changes during the period: Sub-total	Closing amount
1 January to 30 June 2017 (Unaudited):					
RSM Holding	2,480,315,772.00	–	–	–	**2,480,315,772.00**
Ping'An Pharmacy	3,688,206.00	–	–	–	**3,688,206.00**
Shanghai Jinghai Assets Management Center (Limited Partnership)	56,849,998.00	–	–	–	**56,849,998.00**
Shanghai Kaixing Business Administration Center (Limited Partnership)	7,589,999.00	–	–	–	**7,589,999.00**
Shanghai Hongmei Investment Management Center (Limited Partnership)	12,659,994.00	–	–	–	**12,659,994.00**
Shareholders of H shares	1,062,813,069.00	–	–	–	**1,062,813,069.00**
Total	3,623,917,038.00	–	–	–	**3,623,917,038.00**

MANAGEMENT DISCUSSION AND ANALYSIS

1. Overview

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

During the Reporting Period, the Group achieved a revenue of RMB5,071.0 million, representing an increase of 10.6% from RMB4,583.7 million for the same period in 2016. Gross profit margin decreased by 1.4 percentage points to 72.9% from 74.3% for the same period last year. During the Reporting Period, net profit attributable to owners of the Company after deducting non-recurring profit or loss amounted to RMB1,286.4 million, representing an increase of 5.5% from RMB1,218.9 million for the same period in 2016. As at the end of the Reporting Period, the Group's cash and bank balance amounted to RMB7,753.9 million, representing an increase of 26.3% from RMB6,137.9 million as at the end of 2016. As at the end of the Reporting Period, the net gearing ratio[Note] of the Group increased to 43.4% from 39.7% as at the end of 2016.

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

During the Reporting Period, we continued to implement the two-pronged business model of Portfolio Shopping Malls and Managed Shopping Malls, with a focus on continuing development of our asset-light business model, and strategically expanded our shopping mall network nationwide in order to further enhance our market share, thereby strengthening our market leadership in China's home improvement and furnishings industry. As at the end of the Reporting Period, we operated a total of 214 shopping malls with a nationwide coverage across 150 cities, with a total shopping mall operating area of 13,296,491 sq.m. We continuously improved the operation and management of shopping malls through tenant sourcing management, operation management, marketing management and property management, and proactively made efforts to develop explorative business such as Internet pan home improvement and furnishings consumption business, Internet home decoration business, home furnishings financial services and full-range logistics service. We also explored the commercial application of information technology through the "Star Cloud" information system and the "Smart Shopping Mall" project, and optimized human resources management in order to support the rapid growth of our business. In the future, we will continue to pursue our development goal of becoming the most advanced and professional "omni-channel platform service provider for the pan home improvement and furnishings industry" in China.

2. Revenue

During the Reporting Period, the Group's revenue amounted to RMB5,071.0 million, representing an increase of 10.6% from RMB4,583.7 million for the same period in 2016. The stable growth in our revenue was primarily due to an increase in revenue from our Owned/Leased Portfolio Shopping Malls and Managed Shopping Malls. During the Reporting Period, the increase in revenue from the leasing and management fees of our Owned/Leased Portfolio Shopping Malls was due to the increase in numbers of malls and the operating area. The increase in revenue from our Managed Shopping Malls during the Reporting Period was mainly the result of a new revenue source from the Group's expansion in the business of providing consulting and tenant sourcing advisory services to property owners.

The following table sets forth our revenue by segments:

	Six months ended 30 June			
	2017 (Unaudited)		2016 (Unaudited)	
	Amount	**%**	Amount	%
Owned/Leased Portfolio Shopping Malls	**3,188,830,865.46**	**62.9**	2,966,245,991.60	64.7
Managed Shopping Malls	**1,473,052,100.58**	**29.0**	1,308,898,546.99	28.6
Sales of merchandise and related services	**109,284,985.25**	**2.2**	92,625,009.42	2.0
Others	**299,799,373.19**	**5.9**	215,928,633.16	4.7
Total	**5,070,967,324.48**	**100.0**	4,583,698,181.17	100.0

3. Gross profit and gross profit margin

During the Reporting Period, the Group's gross profit was RMB3,696.3 million, representing an increase of 8.5% from RMB3,407.7 million for the same period in 2016; the Group's integrated gross profit margin was 72.9%, representing a decrease of 1.4 percentage points from 74.3% for the same period in 2016, primarily due to the decrease in the gross profit margin of the revenue derived from Owned/Leased Portfolio Shopping Malls and Managed Shopping Malls and other revenue.

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

	Six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
Owned/Leased Portfolio Shopping Malls	**78.1%**	78.6%
Managed Shopping Malls	**65.6%**	67.3%
Sales of merchandise and related services	**22.2%**	30.4%
Others	**71.5%**	76.6%
Total	**72.9%**	74.3%

4. Distribution and selling expenses and general and administrative expenses

During the Reporting Period, the Group's selling expenses amounted to RMB577.2 million (accounting for 11.4% of the revenue), representing an increase of 1.6% from RMB568.2 million (accounting for 12.4% of the revenue) for the same period in 2016, primarily due to growing advertising and promotional expenses as a result of the increase of the investment in advertisements and promotion made for our newly opened shopping malls.

During the Reporting Period, the Group's administrative expenses amounted to RMB468.1 million (accounting for 9.2% of the revenue), representing an increase of 32.6% from RMB352.9 million (accounting for 7.7% of the revenue) for the same period in 2016, primarily due to (i) increase in the number of staff for expansionary business; (ii) the increase in staff remuneration standard; and (iii) increase in the staff remuneration and benefits and office and administrative expenses arising from the increase in the newly-added internet application platform research and development team expenses based on the establishment of the strategic layout of the omni-channel consumption platform for the pan home improvement and furnishings industry.

5. Financial expenses

During the Reporting Period, the Group's financial expense amounted to RMB544.2 million, representing an increase of 32.6% from RMB410.3 million for the same period in 2016, of which, the total interest expense amounted to RMB650.2 million, representing an increase of 13.7% from RMB571.9 million for the same period in 2016, primarily due to the increase in the amount of interest-bearing liabilities as a result of the increase in bank loans and the issuance of domestic corporate bonds by the Company in the second half of 2016 and during the Reporting Period in order to meet the capital requirements in line with the expanding business scale of the Group.

6. Income tax expense

During the Reporting Period, the income tax expenses of the Group amounted to RMB725.0 million, representing an increase of 7.4% from RMB674.7 million for the same period in 2016. Through effective tax planning, the rate of the effective income tax decreased from 25.9% for the same period of 2016 to 25.2% in the Reporting Period.

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

During the Reporting Period, net profit attributable to owners of the Company amounted to RMB2,045.2 million, representing an increase of 10.2% from RMB1,856.4 million for the same period in 2016; the net profit attributable to owners of the parent after deducting non-recurring profit or loss amounted to RMB1,286.4 million, representing an increase of 5.5% from RMB1,218.9 million for the same period in 2016. The above is a result of the substantial increase in our revenue as compared with that in the same period last year.

	Six months ended 30 June		
	2017	2016	Growth
	(Unaudited)	(Restated)	
Net profit attributable to owners of the Company	**2,045,171,145.99**	1,856,425,762.55	10.2%
Net profit margin attributable to owners of the Company	**40.3%**	40.5%	-0.2 ppts
Net profit attributable to owners of the Company after deducting non-recurring profit or loss	**1,286,401,391.88**	1,218,897,065.56	5.5%
Net profit margin attributable to owners of the Company after deducting non-recurring profit or loss	**25.4%**	26.6%	-1.2 ppts

During the Reporting Period, the Group's earnings per share was RMB0.56, as compared to RMB0.51 for the same period in 2016.

8. Account receivables

As at the end of the Reporting Period, the balance of account receivables of the Group amounted to RMB981.1 million (including the book balance of account receivables of RMB1,680.5 million and the bad debt allowance of RMB699.4 million), representing an increase of RMB181.3 million from RMB799.8 million as at the end of 2016, primarily due to the increase in account receivables arising from the growth of the Group's revenue from Managed Shopping Malls during the Reporting Period.

9. Investment properties and gain on fair value changes

As at the end of the Reporting Period, the balance of the Group's investment properties amounted to RMB69,722.9 million, representing an increase of 4.1% from RMB66,948.0 million as at the end of 2016. During the Reporting Period, the Group's investment properties realized gain on fair value changes of RMB960.4 million. The above growth trend was mainly due to the advancement in the construction of our Portfolio Shopping Malls and the increase of operating areas of the completed Portfolio Shopping Malls during the Reporting Period, and the increase in fair value of the properties as a result of sustained and steady growth of the leasing and management revenue level for certain shopping malls that commenced operations.

10. Capital expenditure

During the Reporting Period, the Group's capital expenditures amounted to RMB1,618.2 million (the same period in 2016: RMB1,897.4 million), primarily including the expenditures incurred for the acquisition of land for investment properties and construction works.

11. Cash and bank and cash flow

As at the end of the Reporting Period, the balance of the Group's cash and bank amounted to RMB7,753.9 million (of which, the balance of cash and cash equivalents amounted to RMB7,173.8 million), representing an increase of RMB1,616.0 million from RMB6,137.9 million (of which, the balance of cash and cash equivalents amounted to RMB5,892.4 million) as at the end of 2016.

During the Reporting Period, the Group's net cash flow from operating activities amounted to RMB2,516.2 million, net cash flow from investment activities amounted to RMB-4,886.0 million and net cash flow from financing activities amounted to RMB3,651.2 million.

	Six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
Net cash flow from operating activities	**2,516,150,714.39**	1,464,129,902.16
Net cash flow from investment activities	**(4,885,979,737.52)**	(2,322,219,571.77)
Net cash flow from financing activities	**3,651,200,236.14**	437,004,386.13
Net increase/(decrease) in cash and cash equivalents	**1,281,371,213.01**	(421,085,283.48)

12. Major debt ratios

The following table sets out our major debt ratios:

	As at 30 June 2017	As at 31 December 2016
	(Unaudited)	(Restated)
Asset-liability ratio[1]	**53.8%**	51.0%
Net gearing ratio	**43.4%**	39.7%

Note:

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

13. Pledged assets

As at the end of the Reporting Period, the Group had pledged investment properties with balance of RMB52,966.6 million and the restricted cash and bank balance of RMB37.1 million for obtaining loans and providing guarantees.

14. Contingent liabilities

The Group provided financial guarantees jointly with our cooperative partners to a bank in respect of a loan in the amount up to RMB400.0 million, which was granted to one of our joint ventures; As at the end of the Reporting Period, such loan was repaid by the joint venture (as at 31 December 2016: RMB 98.0 million had been utilized by the joint venture).

The Group and our cooperative partner provided financial guarantees to a financial institution in respect of a loan in the amount up to RMB2,500.0 million granted to one of our associates, of which the Group provided guarantee according to its equity proportion of 25%, which is RMB625.0 million, to secure the above facility. As at the end of the Reporting Period, of which, RMB 1,300.0 million had been utilized by the associate (as at 31 December 2016: RMB 1,000.0 million).

The directors of the Company believe that the amount of the above financial guarantees is not significant and the guaranteed joint venture and associate are in good financial status.

15. Capital commitments

As at the end of the Reporting Period, the amount of capital expenditure in respect of the acquisition and development of investment properties which the Group has contracted for but not recognized in the financial statements was RMB1,466.7 million. In addition, the Group has entered into agreements with its partners, pursuant to which the Group's commitment to contribute funds for development of investment properties jointly with the partners amounted to RMB644.1 million.

16. Financial resources and capital structure

As at the end of the Reporting Period, the net gearing ratio of the Group was 43.4%. The aggregate of bank loans, bonds payable and financial lease payables was RMB26,064.2 million, of which 80.2% are payable with a period above one year. In the future, the main sources of capital of the Group will be from cash generated from our operating activities, bank borrowings, issuance of bonds and share capital contributions from our Shareholders. To ensure the capital of the Group is effectively utilized, the Group will continue to regularly monitor our cash flow needs, comply with financing agreements and maintain the sufficiency of our cash reserves and credit limits so as to meet our cash flow needs.

17. Material acquisitions and disposals

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

18. Foreign exchange risk

The Group operates in China. All income and almost all expenditure of the Group are in RMB. The Group retains a small amount of bank deposit, bank loans and equity investment in Hong Kong dollars and US dollars, and the dividend in respect of H shares will be paid in Hong Kong dollars. Currently, we do not hedge foreign currency as we believe that our exposure to foreign exchange risk is minimal. The Group manages foreign exchange risks by regularly checking foreign currency exchange rates. The Group will consider hedging policies to manage material foreign exchange risks where necessary.

19. Human resources

As at the end of the Reporting Period, the Group employed 20,667 employees (the same period in 2016: 17,793 employees) in total. The Group enters into labor contracts with employees according to the Labor Law of the PRC and the relevant provisions of the employee's locality. The Group determines the employee's basic wage and bonus level according to the employee's performance, work experience and the market wage standard, and pays social insurance and housing provident fund for the employees. During the Reporting Period, the Group paid a total of RMB1,163.3 million for salary expenditures (the same period in 2016: RMB881.8 million). Meanwhile, the Group also continued to invest resources in providing various education and training opportunities for the staff, aiming to standardize the management work and improve the operation performance, and continuously improve the knowledge and technology level as well as business practice competence of the employees.

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

As at the end of the Reporting Period, we operated a total of 214 shopping malls with a nationwide coverage across 150 cities in 28 provinces, autonomous regions and municipalities, with a total operating area of 13,296,491 sq.m.. Through applying the two-pronged development model of Portfolio Shopping Malls and Managed Shopping Malls, we have occupied the properties in prime locations in Tier I Cities and Tier II Cities, accumulated extensive experience in the operation of shopping malls, strengthened brand value, and set a relatively high entry barrier for other companies.

During the Reporting Period, we continued to implement the policy of strategic distribution of our Portfolio Shopping Malls to make sure that most of our Portfolio Shopping Malls are located in prime locations in Tier I and Tier II Cities. As at the end of the Reporting Period, we operated 69 Portfolio Shopping Malls covering a total operating area of 5,327,755 sq.m. with an average occupancy rate of 97.0%. The same mall growth of mature shopping malls(1) was -0.7% during the Reporting Period, which was primarily affected by the segregation of price and tax(2) as a result of the implementation of the "Change from Business Tax to Value-Added Tax" policy in 2016. If the effect of this policy and a shopping mall not in continuous operation is not taken into consideration, the same mall growth of mature shopping malls would be 4.3%.

Note:

(1) "Same mall growth of mature shopping malls" is the growth in average effective unit income from operation for a particular period compared with the same period in the prior year for all Portfolio Shopping Malls that were in operation for at least three financial years and were still in operation as at the end of the Reporting Period.

(2) Pursuant to the "Circular of the Ministry of Finance ("**MOF**") and the State Administration of Taxation ("**SAT**") regarding the Pilot Program on Comprehensive Implementation of Value Added Taxes from Business Taxes Reform" (Cai Shui [2016] No. 36) issued by the MOF and the SAT, the Group shall pay value added tax instead of business tax for rental income and construction business, etc. starting from 1 May 2016. For illustration purposes, we present the income for the first half of 2016 as the income after the segregation of price and tax of the value added tax.

In addition, by virtue of a reputable brand name in the home improvement and furnishings industry and developed capabilities in shopping mall development, tenant sourcing and operation management, we continued to develop Managed Shopping Malls. We also had internally put in practice a stringent selection and evaluation mechanism to ensure the steady and rapid development of Managed Shopping Malls. As at the end of the Reporting Period, we operated 145 Managed Shopping Malls covering a total operating area of 7,968,737 sq.m., with an average occupancy rate of 96.6%. As at the end of the Reporting Period, we had 354 pipeline Managed Shopping Malls under contracts and have obtained land licenses for these projects.

21. Operation and management of shopping malls

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

21.1 Tenant Sourcing Management

We catered to the consumption trend in the market, and continuously optimized the brands and the categories of merchandise in shopping malls with a view to leading the consumption trend of the home furnishings industry. We also stepped up our efforts in introducing global brands and continued to build the international pavilions.

21.2 Operational Management

We comprehensively promoted the "Word of Mouth Advertising" project, and set high standards for and stringent requirements on the operation and management of shopping malls with respect to price, quality, service etc., aiming to improve customer satisfaction; meanwhile, we continually launched "Leading Green" campaigns to promote consumers' green home life and improve operational and management efficiency of shopping malls by means of digital space management.

21.3 Marketing Management

We promoted ourselves as the "Home Furnishings Expert" through continuingly raising our level of brand communication and focusing on a unified management of our brand image. We connected online and offline systems of membership management, thereby further improving the shopping experience of our members. We continuously upgraded our digital marketing platforms to carry out precision marketing, expanded the channels with different industries to continuously improve our reputation, and shared resources to carry out joint marketing.

21.4 Property Management

We improved the environment of shopping malls and took stringent measures to ensure the safety in shopping malls, thus striving to improve customer experience. We advocate energy conservation and environmental protection, and aim to build green shopping malls. During the Reporting Period, we recorded a total of 2.6% reduction in power consumption in 57 major shopping malls as compared to the same period in 2016.

22. Expansionary business: robust development

During the Reporting Period, the development of our expansionary businesses flourished. We continued to carry out upstream and downstream cross-border business extension and build a business life community for pan-home improvement and furnishings industry with the orientation on the "omni-channel platform service provider for the pan-home improvement and furnishings industry" and by upholding the core concept "home". During the Reporting Period, our internet platform provided consumers with industry chain services such as home renovation and purchase of household-related products. We also provided full-range and all-dimensional logistics services to satisfy multiple needs of users on both ends of the platform so as to realise resources sharing.

23. Commercial application of information technology

During the Reporting Period, in respect of our information technology infrastructure, we continued to promote the "Star Cloud" information system, which is the first comprehensive enterprise resource planning system used in the home improvement and furnishings industry. At the same time, we also actively constructed the information technology project of "Smart Shopping Malls" and made further progress on the infrastructure construction in relation to the wifi network and positioning systems in shopping malls.

24. 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 aspects, such as optimization in overall performance, employee incentives, talent development, training and cultivation, etc.

25. Outlook and prospects

In the second half of 2017 and going forward, we will transform and upgrade to pursue our enterprise development goal of growing into China's most advanced and professional "omni-channel platform service provider for the pan home improvement and furnishings industry".

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

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

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

4. We will actively seek suitable investment and acquisition targets and enhance the integration of upstream and downstream resources of the pan home improvement and furnishings industry to realize our strategic layout; explore opportunities of asset securitization in order to enlarge our scale of operation and enhance our corporate capability.

CORPORATE GOVERNANCE AND OTHER INFORMATION

The Company is a sino-foreign joint venture incorporated in the PRC under the Company Law of the PRC 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

During the six months ended 30 June 2017, other than deviation from code provision A.2.1 of the Corporate Governance Code, the Company has complied with the provisions of the Corporate Governance Code ("**Corporate Governance Code**") as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("**Listing Rules**"), which set out principles of good corporate governance in relation to, among other matters, the directors, the chairman and chief executive officer, board composition, the appointment, re- election and removal of directors, their responsibilities and remuneration, and communications with shareholders. Directors are satisfied that sufficient corporate governance measures have been put in place to manage conflicts of interest between the Group and the controlling shareholders (as defined under the Listing Rules) and/or directors to protect the interest of the minority shareholders.

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

Mr. CHE Jianxing ("**Mr. CHE**") is the Chairman and chief executive officer of the Company. In view of Mr. CHE's experience, personal profile and his roles in the Group as mentioned above and the fact that Mr. CHE has assumed the role of chief executive officer and the general manager of the Group since June 2007, the Board considers it beneficial to the business prospect and operational efficiency of the Group that Mr. CHE, in addition to acting as the Chairman of the Board, continues to act as the chief executive officer of the Company. While this will constitute a deviation from Code Provision A.2.1 of the Corporate Governance Code, the Board believes that this structure will not impair the balance of power and authority between the Board and the management of the Company, given that: (i) decision to be made by our Board requires approval by at least a majority of our directors and that our Board comprises 4 independent non-executive directors out of the 12 directors, which is in compliance with the Listing Rules requirement that one-third of the board shall be independent non-executive directors, 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 shall act for the benefit and in the best interests of the Company and will make decisions for the Group accordingly; and (iii) the balance of power and authority is ensured by the operations of the Board which comprises experienced and high caliber individuals who meet regularly to discuss issues affecting the operations of the Company. Moreover, the overall strategic and other key business, financial, and operational policies of the Group are made collectively 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 securities transactions by directors and supervisors of the Company ("**Supervisors**") on terms as required under the Model Code for Securities Transactions by Directors of Listed Issuers ("**Model Code**") as set out in Appendix 10 to the Listing Rules. The Company has conducted specific enquiries to the directors and Supervisors, and all directors and Supervisors have confirmed that they had complied with all the provisions and standards set out in the Model Code during the six months ended 30 June 2017.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

The Group did not purchase, sell or redeem any listed securities of the Company during the six months ended 30 June 2017.

INTERIM DIVIDENDS

The Board does not recommend payment of dividend for the six months ended 30 June 2017.

USE OF PROCEEDS FROM GLOBAL OFFERING

The net proceeds from the Company's global offering ("**Global Offering**") amounted to approximately RMB5,573.3 million. As at the end of the Reporting Period, the Company has utilized 84% of the net proceeds in total for fundraising investment projects as required, including RMB1,817.8 million for the development of Portfolio Shopping Malls, RMB1,208.8 million for refinancing of our existing indebtedness, and RMB1,664.3 million in total for investment or acquisition of other market participants in the home furnishings industry, development of our e-commerce and information technology systems, working capital and other general corporate purposes. The Board resolved on 31 July 2015 to change the intended use of part of the net proceeds from the Global Offering. For further details, please refer to the announcement of the Company dated 31 July 2015.

EVENTS AFTER THE REPORTING PERIOD

Progress of the Quasi-REITS Programme

As at the date of this announcement, the relevant PRC regulatory authority has issued an approval for the Quasi-REITS Programme. The contractual private equity fund initiated by Tianjin Changhe Shareholding Investment Fund Management Company Limited ("**GoHigh Capital**") has completed the acquisition of 100% equity interests in Tianjin Red Star Macalline International Home Furnishings Construction Materials Company Limited and Tianjin Red Star Macalline International Home Furnishings Malls Company Limited, respectively. Currently, GoHigh Capital is actively liaising with potential investors in connection with the issuance and will work with professional parties to find the right time in the near future to commence the issuance. The Company will also provide necessary support to such issuance. For further details, please refer to the announcements of the Company dated 4 May, 16 May, 18 May and 29 June 2017, respectively.

Connected Transaction of Acquiring the Jinshan Property from Shanghai Red Star Macalline Real Estate Co., Ltd.

The Company entered into an equity transfer agreement with Shanghai Red Star Macalline Real Estate Co., Ltd. (the "**Seller**"), Shanghai Jinshan Red Star Macalline Global Home Furnishing Company Limited (the "**Project Company**") and Shanghai Hongmei Properties Limited on 28 August 2017, pursuant to which the Seller conditionally agreed to sell and the Company conditionally agreed to acquire 100% equity interests in the Project Company for an aggregate consideration of RMB520,000,000. The transaction pursuant to the equity transfer agreement is yet to be completed. For further details, please refer to the announcement of the Company dated 28 August 2017.

REVIEW OF INTERIM RESULTS

The Company's audit committee has reviewed the interim results announcement for the six months ended 30 June 2017 and the unaudited condensed consolidated financial statements for the six months ended 30 June 2017.

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 2017 interim report containing the information as required by the Listing Rules will be sent 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.
Che Jianxing
Chairman

Shanghai, the PRC
28 August 2017

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