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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)

**RESULTS ANNOUNCEMENT FOR
THE THREE MONTHS ENDED 31 MARCH 2018
SUMMARY OF THE UNAUDITED KEY
FINANCIAL INFORMATION**

The board of directors (the “**Board**”) of Red Star Macalline Group Corporation Ltd. (the “**Company**”) announced the summary of the unaudited key financial information of the Company and its subsidiaries (the “**Group**”) for the three months ended 31 March 2018 (the “**Reporting Period**”). This announcement is made pursuant to Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the “**SFO**”), and Rules 13.09(2) and 13.10B of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Hong Kong Listing Rules**”) and the Rules Governing the Listing of Stocks on Shanghai Stock Exchange.

SUMMARY OF THE UNAUDITED KEY FINANCIAL INFORMATION

Reference is made to the issuance of the domestic medium term notes by the Company from the period of 2012 to 2014. For the details of the domestic medium term notes, please refer to the prospectus of the Company dated 16 June 2015. Pursuant to the relevant regulations of the People’s Bank of China and the National Association of Financial Market Institutional Investors, the unaudited key financial information of the Group during the Reporting Period is required to be published by the Company on the websites of Chinamoney (www.chinamoney.com.cn) and Shanghai Clearing House (www.shclearing.com) on 26 April 2018.

The Company also issued domestic corporate bonds in 2015 and 2016. For the details of the domestic corporate bonds and the completion of the issue of the first tranche and second tranche of corporate bonds, please refer to the announcements of the Company dated 31 July 2015, 12 November 2015 and 15 July 2016 respectively. Pursuant to the relevant regulations of the China Securities Regulatory Commission and the Shanghai Stock Exchange, the unaudited key financial information of the Group during the Reporting Period is required to be published by the Company on the website of the Shanghai Stock Exchange (www.sse.com.cn) on 26 April 2018.

In 2017, Hong Kong Red Star Macalline Universal Home Furnishings Limited (“**Red Star Hong Kong**”), a wholly-owned subsidiary of the Company, also issued US\$300,000,000 3.375 per cent. guaranteed bonds due 2022 by way of debt issues to professional investors (as defined in Chapter 37 of the Hong Kong Listing Rules and the SFO). Please refer to the formal notice of listing published by Red Star Hong Kong on the website of The Stock Exchange of Hong Kong Limited (the “**Hong Kong Stock Exchange**”) on 21 September 2017 for details.

Set out below is the unaudited key financial information of the Group during the Reporting Period as published on the aforesaid three websites:

(i) Summary of the Unaudited Key Financial Information of the Group

The table below sets forth the data of Consolidated Income Statement of the Group during the Reporting Period:

| | For the three months ended | |
|---|-----------------------------------|-------------------|
| | 31 March | |
| | (unaudited) | |
| | 2018 | 2017 |
| | | (Restated) |
| | (RMB) | (RMB) |
| I. Revenue | 2,888,685,164.00 | 2,304,278,307.36 |
| Less: Costs of sales | 849,744,081.79 | 665,344,170.03 |
| Taxes and surcharges | 82,860,131.47 | 79,296,917.51 |
| Distribution and selling expenses | 259,877,229.90 | 264,508,062.87 |
| General and Administrative expenses | 285,653,941.07 | 205,769,204.38 |
| Financial expenses | 292,342,849.43 | 257,234,646.62 |
| Impairment loss of assets | 27,014,858.76 | 7,684,222.46 |
| Add: Gain on fair value changes | 497,800,630.23 | 463,565,799.27 |
| Investment income | 49,376,545.11 | 28,829,393.41 |
| Including: Investment income from associates and joint ventures | 39,400,135.14 | 27,804,393.41 |
| Gain/(loss) from disposal of assets | (327,297.05) | 157,510.03 |
| Other income | 4,620,960.13 | – |

| | For the three months ended | |
|---|-----------------------------------|------------------|
| | 31 March | |
| | (unaudited) | |
| | 2018 | 2017 |
| | <i>(RMB)</i> | <i>(RMB)</i> |
| | | (Restated) |
| II. Operating profit | 1,642,662,910.00 | 1,316,993,786.20 |
| Add: Non-operating income | 3,896,878.79 | 7,501,845.70 |
| Less: Non-operating expenses | 5,173,896.74 | 18,614,141.89 |
| III. Total profit | 1,641,385,892.05 | 1,305,881,490.01 |
| Less: Income tax expenses | 377,043,371.92 | 328,974,243.45 |
| IV. Net profit | 1,264,342,520.13 | 976,907,246.56 |
| (1) According to the classification of continuity of operation | | |
| 1. Net profit from continuing operations | 1,264,342,520.13 | 976,907,246.56 |
| 2. Net profit from discontinued operations | – | – |
| (2) According to the classification of ownership | | |
| 1. Non-controlling interests | 82,012,288.34 | 72,716,760.52 |
| 2. Net profit attributable to owners of the Company | 1,182,330,231.79 | 904,190,486.04 |
| V. Other comprehensive income (after tax) | 379,547,268.75 | 1,631,856,495.00 |
| Other comprehensive income (after tax) attributable to owners of the Company | 343,720,723.37 | 1,468,670,845.50 |
| (1) Other comprehensive income that will not be reclassified to profit or loss | 343,720,723.37 | – |
| 1. Gain or loss on changes in fair value of financial assets at fair value through other comprehensive income | 343,720,723.37 | N/A |
| (2) Other comprehensive income that will be reclassified to profit or loss | – | 1,468,670,845.50 |
| 1. Gain or loss on changes in fair value of available-for-sale financial assets | N/A | 1,468,670,845.50 |
| Other comprehensive income (after tax) attributable to non-controlling interests | 35,826,545.38 | 163,185,649.50 |

| | For the three months ended | |
|--|-----------------------------------|------------------|
| | 31 March | |
| | (unaudited) | |
| | 2018 | 2017 |
| | | (Restated) |
| | <i>(RMB)</i> | <i>(RMB)</i> |
| VI. Total comprehensive income | 1,643,889,788.88 | 2,608,763,741.56 |
| Total comprehensive income attributable to owners of the Company | 1,526,050,955.16 | 2,372,861,331.54 |
| Total comprehensive income attributable to non-controlling interests | 117,838,833.72 | 235,902,410.02 |
| VII. Earnings per share | | |
| (1) Basic earnings per share | 0.30 | 0.25 |
| (2) Diluted earnings per share | N/A | N/A |

During the Reporting Period, the net profit after deducting non-recurring profit or loss attributable to owners of the Group amounted to RMB800,974,751.70, representing an increase of 37.4% from RMB583,156,163.00 for the same period of 2017.

Notes:

1. Restatement of gain on fair value changes during comparable period

According to the resolution passed by the Board of the Company on 23 August 2017, having made reference to valuation performed based on the PRC accepted asset valuation standards and adjustment would have to be made to the valuation method previously used (for details, please see the announcement of the Company published on the Hong Kong Stock Exchange entitled “Alignment in the Disclosure of Financial Statements in Accordance with China Accounting Standards for Business Enterprises in Domestic and International Markets and Adjustment of Fair Value of Investment Properties in Accordance with PRC Accepted Asset Valuation Standards” on the same date), the Group has accordingly adjusted the amounts of gain on fair value changes from investment properties during comparable period.

2. Overview of the New Revenue Standard

On 5 July 2017, the Ministry of Finance promulgated the revised “Accounting Standards for Business Enterprises No. 14 – Revenue” (Cai Kuai [2017] No. 22) (the “New Revenue Standard”). The New Revenue Standard shall become effective from 1 January 2018 on enterprises that are concurrently listed on domestic and overseas markets and adopting IFRS or Accounting Standards for Business Enterprises to prepare financial statements, become effective from 1 January 2020 on other domestic listed enterprises and from 1 January 2021 on non-listed enterprises implementing Accounting Standards for Business Enterprises, and The New Revenue Standard allows enterprises to implement such standard in advance. Due to the promulgation and revision of the above accounting standards, the Group has adopted relevant provisions of the New Revenue Standard for the accounting treatment on revenue since 1 January 2018.

The Impact of the New Revenue Standard on the Group

According to the relevant provisions of the New Revenue Standard, if one of the following conditions is fulfilled, the Company shall perform its performance obligations within a certain period. Otherwise, the Company is regarded to fulfill its performance obligation at a certain time:

- (1) When the customer simultaneously receives and consumes the benefits provided by the enterprise when the enterprise performs its obligations under the contract.
- (2) When the customer is able to control the commodity in progress in the course of performance by the enterprise under the contract.
- (3) The product produced by the enterprise under the contract is irreplaceable and the enterprise has the right to payment for performance completed to date.

With respect to the performance obligations fulfilled within a certain period, the Group shall recognize its revenue based on the performance progress during such period. With respect to the performance obligations fulfilled at a certain time, the enterprise shall recognize its revenue when the customer obtains the right of control over the related products.

The Group recognizes and measures the performance obligations stipulated in the contracts according to the above provisions, and the accounting treatment in relation to the revenue differs from that as adopted under the original Accounting Standards for Business Enterprises No.14-Revenue (the “**Original Revenue Standard**”). Among which, the impact on the revenue from the consulting and management services titled the Company’s name during the early stage of the projects is set out as follows:

| | The Original Revenue Standard | The New Revenue Standard |
|--|---|--|
| The initial revenue from the consulting and management services titled the Company’s name during the early stage of the projects | The initial revenue from the consulting and management services titled the Company’s name during the early stage of the projects is recognized by the Group at the amount agreed in the contract, under the circumstance that there is no significant uncertainty about the recoverability of the amount under the right to payment collection acquired in the contract and that the following conditions are satisfied: (1) the Group and the partners have entered into management framework agreement or contract; (2) the partners have obtained land transaction confirmation or land use right certificate; | 1) Make assessment on the consulting and management services titled the Company’s name during the early stage of the projects as required in management contract to identify the single performance obligation included in the “consulting and management services”. |
| Remaining revenue from the consulting and management service titled the Company’s name during the early stage of the projects | The remaining revenue from the consulting and management service titled the Company’s name during the early stage of the project is recognized by the Group at the amount agreed in the contract, under the circumstance that the Managed Shopping Malls have commenced business and there is no significant uncertainty about the recoverability of the amount under the right to payment collection acquired in the contract. | 2) For the above identified single performance obligation, the revenue shall be recognized in relevant periods based on the progress of the performance. |

At the same time, according to the transitional provisions of the New Revenue Standard, the Group will not adjust the information during the comparable periods.

Investors are advised to note that, in light of the above, the operating revenue of the Group recorded a relatively substantial increase during the first quarter of 2018 as compared to comparable periods.

3. Change of financial instrument standards

On 31 March 2017, the Ministry of Finance revised and promulgated three accounting standards for financial instrument including the “Accounting Standards for Business Enterprises No. 22 – Recognition and Measurement of Financial Instruments”, “Accounting Standards for Business Enterprises No. 23 – Transfer of Financial Assets”, “Accounting Standards for Business Enterprises No. 24 – Hedge Accounting; on 2 May 2017, the Ministry of Finance revised and promulgated the “Accounting Standards for Business Enterprises No. 37 – Presentation and Reporting of Financial Instruments” (the above four items are collectively referred to as “New Financial Instrument Standards”). The New Financial Instrument Standards shall become effective from 1 January 2018 on the enterprises concurrently listed on domestic and overseas markets and enterprises listed overseas and adopting International Financial Reporting Standards or Accounting Standards for Business Enterprises to prepare financial statements.

In 2017, the Group recognised the fair value changes of available-for-sale financial assets measured at fair value as other comprehensive income and presented as “other comprehensive income (2) – items that may be reclassified subsequently to profit or loss: fair value changes on available-for-sale financial assets”. In 2018, pursuant to the requirements of New Financial Instrument Standards, the Group recognised the fair value changes of financial assets measured at fair value through other comprehensive income as other comprehensive income and presented as “other comprehensive income (1) – items that will not be reclassified subsequently to profit or loss – fair value changes on equity investment measured at fair value through other comprehensive income”.

Pursuant to the transitional provisions of New Financial Instrument Standards, New Financial Instrument Standards are applicable to use retrospective method, but shall not require subjects to adjust the figures in the comparable period.

The table below sets forth the key data of the Statement of Consolidated Cash Flows of the Group during the Reporting Period:

| | For the three months ended | |
|--|-----------------------------------|--------------------------------|
| | 31 March | |
| | (unaudited) | |
| | 2018 | 2017 |
| | | (Restated) |
| | (RMB) | (RMB) |
| Net cash flow from operating activities | (108,049,000.15) | 641,670,463.60 |
| Net cash flow from investment activities | (2,426,211,825.13) | (1,363,307,895.98) |
| Net cash flow from financing activities | 3,567,571,293.52 | 580,162,753.99 |
| Effect of Foreign Exchange Rate | | |
| Changes on cash and cash equivalents | (8,969,064.06) | – |
| Net increase in cash and cash equivalents | 1,024,341,404.18 | (141,474,678.39) |
| Opening balance of cash and cash equivalents | 10,269,293,739.45 | 5,892,424,707.42 |
| Closing balance of cash and cash equivalents | <u>11,293,635,143.63</u> | <u>5,750,950,029.03</u> |

The table below sets forth the data of the Consolidated Balance Sheet of the Group as at the end of the Reporting Period:

| | As of | As of |
|---|---------------------------------|---------------------------------|
| | 31 March | 31 December |
| | 2018 | 2017 |
| | (Unaudited) | (Audited) |
| | (RMB) | (RMB) |
| Current assets | | |
| Cash and bank | 11,496,935,145.66 | 10,626,917,788.54 |
| Financial assets at fair value through profit or loss | 108,974,449.56 | – |
| Notes receivable | – | 3,000,000.00 |
| Accounts receivable | 1,383,604,753.65 | 1,167,430,013.77 |
| Other receivables | 2,413,143,272.03 | 1,734,498,124.83 |
| Prepayments | 298,401,438.91 | 267,777,107.29 |
| Inventories | 147,871,160.05 | 120,291,360.44 |
| Non-current assets due within one year | 120,000,000.00 | 120,000,000.00 |
| Other current assets | 708,172,695.07 | 527,577,887.53 |
| Total current assets | <u>16,677,102,914.93</u> | <u>14,567,492,282.40</u> |

| | As of 31 March 2018 (Unaudited) (RMB) | As of 31 December 2017 (Audited) (RMB) |
|--|---|--|
| Non-current assets | | |
| Available-for-sale financial assets | – | 3,062,451,062.40 |
| Financial assets at fair value through other comprehensive income | 3,859,405,721.41 | – |
| Long-term receivables | 1,586,233,275.43 | 1,301,785,294.30 |
| Long-term equity investments | 1,743,218,430.71 | 1,613,818,294.75 |
| Investment properties | 72,020,000,000.00 | 70,831,000,000.00 |
| Fixed assets | 167,935,764.38 | 158,862,688.00 |
| Construction in progress | 63,995,295.80 | 66,100,052.88 |
| Intangible assets | 451,849,850.60 | 458,617,045.42 |
| Long-term prepaid expenses | 256,780,391.11 | 229,333,419.48 |
| Goodwill | 16,592,357.41 | 16,592,357.41 |
| Development expenditure | 29,418,402.19 | 29,418,402.19 |
| Deferred tax assets | 811,593,567.62 | 718,579,066.08 |
| Other non-current assets | 4,749,436,191.77 | 3,960,574,126.00 |
| Total non-current assets | <u>85,756,459,248.43</u> | <u>82,447,131,808.91</u> |
| Total assets | <u>102,433,562,163.36</u> | <u>97,014,624,091.31</u> |
| Current liabilities | | |
| Short-term loans | 475,010,000.00 | 300,010,000.00 |
| Account payables | 371,720,752.22 | 491,215,018.66 |
| Advance from customers | 3,626,012,312.95 | 3,068,282,301.16 |
| Interest payables | 237,915,070.20 | 178,691,354.69 |
| Payroll payable | 373,916,419.41 | 800,537,116.04 |
| Dividends payable | 109,652,168.31 | 61,960,000.00 |
| Taxes payables | 897,457,152.53 | 927,266,639.50 |
| Other payables | 7,309,338,002.11 | 7,338,709,537.17 |
| Non-current liabilities due within one year | 9,607,945,519.04 | 9,550,075,473.97 |
| Total current liabilities | <u>23,008,967,396.77</u> | <u>22,716,747,441.19</u> |

| | As of 31 March 2018 (Unaudited) (RMB) | As of 31 December 2017 (Audited) (RMB) |
|---|---|--|
| Non-current liabilities | | |
| Long-term loans | 12,114,716,284.31 | 11,372,664,484.81 |
| Bonds payable | 4,827,691,990.85 | 4,896,478,160.15 |
| Long-term payables | 1,413,749,630.43 | 1,415,698,075.42 |
| Deferred income | 190,750,295.08 | 192,141,221.74 |
| Deferred tax liabilities | 10,071,347,644.17 | 9,714,400,823.89 |
| Other non-current liabilities | 2,843,777,431.52 | 2,774,520,500.00 |
| Total non-current liabilities | 31,462,033,276.36 | 30,365,903,266.01 |
| Total liabilities | 54,471,000,673.13 | 53,082,650,707.20 |
| Equity | | |
| Share capital | 3,938,917,038.00 | 3,623,917,038.00 |
| Capital reserve | 8,306,105,796.34 | 5,362,115,385.55 |
| Other comprehensive income | 1,927,663,132.29 | 1,562,965,633.10 |
| Surplus reserve | 1,623,080,808.19 | 1,623,080,808.19 |
| Retained earnings | 28,840,766,718.43 | 28,254,693,080.77 |
| Total equity attributable to shareholders of the Company | 44,636,533,493.25 | 40,426,771,945.61 |
| Non-controlling interests | 3,326,027,996.98 | 3,505,201,438.50 |
| Total equity | 47,962,561,490.23 | 43,931,973,384.11 |
| Total liabilities and equity | 102,433,562,163.36 | 97,014,624,091.31 |

As of the end of the Reporting Period, the balance of the total borrowings of the Group amounted to RMB29,353,985,567.91.

The aforesaid unaudited key financial information of the Group during the Reporting Period was prepared in accordance with the relevant management accounts and the Generally Accepted Accounting Principles in the People's Republic of China (the "PRC"), and has not been reviewed or audited by the auditors of the Company.

Shareholders of the Company and potential investors are advised by the Board that, the data above is based on the internal records and the relevant management accounts of the Group as of the end of the Reporting Period, therefore, the data above is for reference only. When dealing in the shares of the Company, shareholders of the Company and potential investors are advised to exercise caution.

By order of the Board
Red Star Macalline Group Corporation Ltd.
GUO Binghe
Company Secretary

Shanghai, the PRC
26 April 2018

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 CHEN Shuhong, XU Guofeng, Joseph Raymond GAGNON and ZHANG Qiqi; and the independent non-executive Directors are LI Zhenning, DING Yuan, LEE Kwan Hung and QIAN Shizheng.