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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)

BUSINESS UPDATE

Reference is made to the announcement of Red Star Macalline Group Corporation Ltd. (the “**Company**”) dated 15 January 2018, in relation to the prospectus for initial public offering of A shares and, among others, the financial statements of the Company for the third quarter of 2017.

Key indicators of the financial statements of the Company for the third quarter of 2017 are stated as below:

Item	As of 30 September 2017 (Unless otherwise stated, in RMB0'000)	As of 31 December 2016 (Unless otherwise stated, in RMB0'000)	Year- on-year changes (%)
Current assets	1,602,542.08	879,608.50	82.19%
Current liabilities	1,776,033.31	1,354,220.17	31.15%
Total assets	9,579,129.79	8,153,540.41	17.48%
Owner's equity attributable to owners of the Company	3,896,046.26	3,656,585.21	6.55%
Net asset per share attributable to owners of the Company (RMB/share)	10.75	10.09	6.55%

Item	From January to September 2017 <i>(Unless otherwise stated, in RMB0'000)</i>	From January to September 2016 <i>(Unless otherwise stated, in RMB0'000)</i>	Year- on-year changes <i>(%)</i>
Total operating revenue	772,151.83	683,874.97	12.91%
Operating profit	426,355.56	355,614.16	19.89%
Total profit	436,538.64	361,128.67	20.88%
Net profit	304,243.23	268,910.47	13.14%
Net profit attributable to owners of the Company	283,975.17	250,641.60	13.30%
Net profit attributable to owners of the Company after deducting non- recurring profit or loss	172,437.85	158,943.41	8.49%
Basic earnings per share <i>(RMB/share)</i>	0.78	0.69	13.30%
Basic earnings per share after deducting non-recurring profit or loss <i>(RMB/share)</i>	0.48	0.44	8.49%
Weighted average return on net asset	7.45%	7.05%	0.40%
Weighted return on net asset after deducting non-recurring profit or loss	4.53%	4.47%	0.06%
Net cash flow from operating activities	412,592.76	230,296.89	79.16%
Net cash flow per share from operating activities <i>(RMB)</i>	1.14	0.64	79.16%

Note:

1. Changes of the return on net asset and the return on net asset after deducting non-recurring profit or loss for this reporting period as compared to those for the same period of 2016 represent the differences between these two figures.
2. Financial data for January to September 2016 have been reviewed but unaudited.

As of 30 September 2017, current assets of the Company amounted to RMB16,025,420,800, representing an increase of 82.19% as compared with that of the end of 2016. The increase was mainly attributable to the cash received from the asset securitization transaction, the issuance of US dollar denominated bonds, and the issuance of commercial real estate mortgage backed securities in the third quarter of 2017, which led to increase in cash and bank balance of the Company.

As of 30 September 2017, current liabilities of the Company amounted to RMB17,760,333,100, representing an increase of 31.15% as compared with that of the end of 2016. The increase was mainly attributable to the increase in non-current liabilities due within one year, other payables and advances from customers.

As of 30 September 2017, total assets of the Company amounted to RMB95,791,297,900, representing an increase of 17.48% as compared with that of the end of 2016. The increase was mainly attributable to the increase in cash and bank balance and the appreciation of available-for-sale financial assets and investment property. Total liabilities of the Company amounted to RMB53,209,918,900, representing an increase of 27.86% as compared with that of the end of 2016. The increase was mainly attributable to the increase in long-term borrowings and the increase in other non-current liabilities due to the inclusion of commercial real estate mortgage backed securities into other non-current liabilities.

From January to September 2017, the Company realized operating revenue of RMB7,721,518,300, representing an increase of 12.91% as compared with the same period of 2016. Net profit amounted to RMB3,042,432,300, up by 13.14% as compared with the same period of 2016. Net profit attributable to the parent company after deducting non-recurring profit or loss was RMB1,724,378,500, representing an increase of 8.49% as compared with the same period of 2016. The scale of business of the Company experienced continuous growth and there are no material adverse changes.

From January to September 2017, net cash flow from operating activities amounted to RMB4,125,927,600, representing an increase of 79.16% as compared with the same period of 2016. The increase was mainly attributable to significant increase in cash inflow from operating activities as a result of the continuous growth in the Company's revenue, advances from customers and other payables (including quality guarantee and deposits from tenants and rental deposits from tenants, which were related to the operations of the Company) and business expansion.

With reference to industry development trends and the actual operations of the Company, it is expected that the Company will achieve operating income of approximately RMB10,579,340,000 to RMB10,668,020,000 for the year 2017, representing a change of 12.12% to 13.06% as compared to the end of 2016; net profits attributable to the owners of the parent company after deducting non-recurring profit or loss (whichever is less) of approximately RMB2,131,020,000 to RMB2,280,030,000, representing a change of 2.82% to 10.01% as compared to the end of 2016 (the aforementioned financial data does not represent the profit forecast made by the Company).

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

Shanghai, the PRC
16 January 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.