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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 2019 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 2019 (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

The Company issued domestic corporate bonds (the “**Domestic Corporate Bonds**”) in 2015, 2016 and 2018. For the details of the issue of the Domestic Corporate Bonds and the completion of the issue, please refer to the announcements published by the Company on the website of The Stock Exchange of Hong Kong Limited (the “**Hong Kong Stock Exchange**”) dated 31 July 2015, 12 November 2015, 15 July 2016 and 7 November 2018, respectively.

In 2017, Hong Kong Red Star Macalline Universal Home Furnishings Limited, 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 announcement published by the Company on the website of the Hong Kong Stock Exchange on 21 September 2017 for details.

The Company also issued 2018 first tranche of mid-term notes and 2019 first tranche of mid-term notes (the “**Mid-term notes**”) in October 2018 and January 2019, respectively. For the details of the Mid-term notes and the completion of the issue, please refer to the announcements of the Company dated 24 October 2018 and 25 January 2019, respectively. Pursuant to the requirements of relevant regulations of 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 website of Shanghai Clearing House (www.shclearing.com) and the website of Chinamoney (www.chinamoney.com.cn) before 30 April 2019.

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)	
	2019	2018
	(RMB)	(RMB)
I. Revenue	3,534,967,245.82	2,888,685,164.00
Less: Costs of sales	1,027,424,595.70	849,744,081.79
Taxes and surcharges	100,781,845.30	82,860,131.47
Distribution and selling expenses	372,536,651.23	259,877,229.90
General and Administrative expenses	360,905,013.03	285,653,941.07
Research and development costs	9,053,788.82	—
Financial expenses	452,717,930.11	292,342,849.43
Including: Interest expenses	517,215,230.51	364,770,767.98
Interest income	56,993,784.61	40,475,156.79
Impairment loss of credit	24,712,257.80	27,014,858.76
Add: Other income	8,749,914.20	4,620,960.13
Investment income	154,658,041.71	49,376,545.11
Including: Investment income from		
associates and joint ventures	27,954,303.09	39,400,135.14
Gain on fair value changes	418,777,908.00	497,800,630.23
Gain/(loss) from disposal of assets	7,413,246.09	(327,297.05)
II. Operating profit	1,776,434,273.83	1,642,662,910.00
Add: Non-operating income	6,483,377.78	3,896,878.79
Less: Non-operating expenses	2,517,765.61	5,173,896.74
III. Total profit	1,780,399,886.00	1,641,385,892.05
Less: Income tax expenses	387,177,220.13	377,043,371.92

For the three months ended		
31 March		
(Unaudited)		
	2019	2018
	(RMB)	(RMB)
IV. Net profit	1,393,222,665.87	1,264,342,520.13
According to the classification of ownership		
Non-controlling interests	79,223,172.90	82,012,288.34
Net profit attributable to owners of the Company	1,313,999,492.97	1,182,330,231.79
V. Other comprehensive income (after tax)	641,929,535.93	379,547,268.75
Other comprehensive income (after tax) attributable to owners of the Company	575,935,205.03	343,720,723.37
Other comprehensive income that will not be reclassified to profit or loss		
Changes in fair value of other equity instrument investments	575,935,205.03	343,720,723.37
Other comprehensive income (after tax) attributable to non-controlling interests	65,994,330.90	35,826,545.38
VI. Total comprehensive income	2,035,152,201.80	1,643,889,788.88
Total comprehensive income attributable to owners of the Company	1,889,934,698.00	1,526,050,955.16
Total comprehensive income attributable to non-controlling interests	145,217,503.80	117,838,833.72
VII. Earnings per share		
(1) Basic earnings per share	0.37	0.30
(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 Company amounted to RMB847,689,668.62, representing an increase of 5.8% from RMB800,974,751.70 for the same period of 2018.

On 7 December 2018, the Ministry of Finance promulgated the Notice on the Amendment and Issuance of the Accounting Standard for Business Enterprises No. 21 — Leases (Cai Kuai [2018] No. 35). The New Lease Standards shall become effective from 1 January 2019 on enterprises that are concurrently listed on domestic and overseas markets and enterprises that are listed on overseas markets and adopt IFRS or Accounting Standards for Business Enterprises to prepare financial statements, and become effective from 1 January 2021 on other enterprises implementing Accounting Standards for Business Enterprises. The New Lease Standards allow enterprises with parent companies or subsidiaries that are listed on overseas markets and adopt IFRS or Accounting Standards for Business Enterprises to prepare its international financial statements to implement such standard in advance, but the implementation date shall not be earlier than the date on which the mentioned enterprises simultaneously implement Accounting Standard for Business Enterprises No. 22 — Recognition and measurement for financial instruments issued by the Ministry of Finance on 31 March 2017 and Accounting Standards for Business Enterprises No. 14 — Revenue issued by the Ministry of Finance on 5 July 2017.

The New Lease Standards mainly revised the guidelines for the definition of lease, subleasing, contract consolidation and split; cancelled the classification of operating leases and finance leases of the lessee, and required right-of-use assets and lease liabilities to be recognised for all leases (except short-term leases and low-value asset leases); improved lessee's subsequent measurement, added accounting treatment methods under the scenarios of option revaluation and modification of lease; enriched lessor's disclosure contents and provided the users of statements with more useful information.

The Company shall implement New Lease Standards on 1 January 2019 and adjust the cumulative effect of the application of New Lease Standards into the opening balance of retained earnings and other related items in the financial statements at the beginning of 2019, and shall not adjust the information in 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)	
	2019	2018
	(RMB)	(RMB)
Net cash flow from operating activities	116,476,958.11	(108,049,000.15)
Net cash flow from investment activities	(1,038,328,343.64)	(2,426,211,825.13)
Net cash flow from financing activities	151,392,143.25	3,567,571,293.52
Effect of foreign exchange rate changes on cash and cash equivalents	179,198.83	(8,969,064.06)
Net (decrease)/increase in cash and cash equivalents	(770,280,043.45)	1,024,341,404.18
Opening balance of cash and cash equivalents	7,614,487,228.69	10,269,293,739.45
Closing balance of cash and cash equivalents	6,844,207,185.24	11,293,635,143.63

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

	As at 31 March 2019 (Unaudited) (RMB)	As at 31 December 2018 (Audited) (RMB)
Current assets		
Cash and bank balances	7,442,475,857.72	8,527,607,964.92
Financial assets held for trading	84,539,668.45	236,256,219.87
Notes receivable and accounts receivable	1,729,408,111.06	1,687,918,584.76
Prepayments	407,954,438.67	319,437,303.71
Other receivables	1,898,375,346.81	1,936,025,518.72
Inventories	278,612,768.75	251,352,502.91
Contract assets	813,552,348.04	807,109,773.17
Non-current assets due within one year	314,950,000.00	314,950,000.00
Other current assets	1,418,575,578.19	1,637,934,842.98
Total current assets	14,388,444,117.69	15,718,592,711.04
Non-current assets		
Long-term receivables	1,592,447,974.91	1,795,159,925.01
Long-term equity investments	3,105,035,312.74	3,026,101,128.50
Other equity instrument investments	4,248,088,000.28	3,302,748,467.57
Other non-current financial assets	324,850,000.00	324,850,000.00
Investment properties	79,877,000,000.00	78,533,000,000.00
Right-of-use assets	2,761,327,039.20	—
Fixed assets	192,168,399.32	192,418,042.50
Construction in progress	100,682,820.03	84,866,598.69
Intangible assets	460,531,860.11	460,830,931.51
Development expenditure	4,212,873.68	—
Goodwill	16,592,357.41	16,592,357.41
Long-term prepaid expenses	387,428,450.55	400,731,940.53
Deferred tax assets	1,064,734,406.84	822,269,149.42
Other non-current assets	6,638,635,904.12	6,182,556,566.38
Total non-current assets	100,773,735,399.19	95,142,125,107.52
Total assets	115,162,179,516.88	110,860,717,818.56

	As at 31 March 2019 (Unaudited) (RMB)	As at 31 December 2018 (Audited) (RMB)
Current liabilities		
Short-term loans	5,624,044,483.00	5,148,516,740.00
Notes payable and accounts payable	731,174,832.96	970,116,980.34
Advance from customers	859,518,272.07	1,249,019,601.25
Contract liabilities	2,201,768,411.46	2,601,978,507.73
Payroll payable	436,768,275.83	913,986,023.52
Taxes payable	544,737,501.54	607,676,739.98
Other payables	8,968,402,738.84	8,712,208,081.24
Other current liabilities	239,496,104.70	1,161,684,557.80
Non-current liabilities due within one year	4,334,663,147.13	3,948,619,684.75
Total current liabilities	23,940,573,767.53	25,313,806,916.61
Non-current liabilities		
Long-term loans	15,150,627,058.78	14,306,362,773.00
Bonds payable	7,621,310,843.40	7,156,394,519.96
Lease liabilities	2,662,047,853.23	—
Long-term payables	1,395,521,332.60	1,385,921,007.85
Deferred income	210,999,371.84	212,456,044.43
Deferred tax liabilities	11,325,204,790.50	11,008,662,811.23
Other non-current liabilities	6,160,164,563.01	6,181,288,065.26
Total non-current liabilities	44,525,875,813.36	40,251,085,221.73
Total liabilities	68,466,449,580.89	65,564,892,138.34
Equity		
Share capital	3,550,000,000.00	3,550,000,000.00
Capital reserve	4,487,712,254.62	4,490,018,895.43
Other comprehensive income	1,803,712,044.30	1,227,776,839.27
Surplus reserve	1,816,847,121.56	1,816,847,121.56
Retained earnings	31,732,614,078.43	30,629,417,859.13
Total equity attributable to shareholders of the Company	43,390,885,498.91	41,714,060,715.39
Non-controlling interests	3,304,844,437.08	3,581,764,964.83
Total equity	46,695,729,935.99	45,295,825,680.22
Total liabilities and equity	115,162,179,516.88	110,860,717,818.56

As of the end of the Reporting Period, the balance of the total borrowings of the Group amounted to RMB36,977,774,290.68.

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
Vice Chairman

Shanghai, the PRC
26 April 2019

As at the date of this announcement, the executive Directors of the Company are CHE Jianxing, GUO Binghe, 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 QIAN Shizheng, LEE Kwan Hung, WANG Xiao and ZHAO Chongyi.