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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 NINE MONTHS ENDED 30 SEPTEMBER 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 nine months ended 30 September 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, 2018 and 2019. 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 websites of the Shanghai Stock Exchange (the “**SSE**”) and The Stock Exchange of Hong Kong Limited (the “**Hong Kong Stock Exchange**”) dated 31 July 2015, 12 November 2015, 15 July 2016, 7 November 2018 and 20 June 2019, 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). For details, please refer to the announcement published by the Company on the website of the Hong Kong Stock Exchange on 21 September 2017.

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 issue 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 October 2019.

Set out below is the unaudited key financial information of the Group during the Reporting Period as published on the aforesaid two 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 nine months ended	
	30 September	
	(Unaudited)	
	2019	2018
	(RMB)	(RMB)
I. Revenue	11,823,756,730.33	9,991,410,787.72
Less: Cost of sales	3,893,370,376.05	3,197,797,290.29
Taxes and surcharges	307,379,561.77	281,079,816.16
Distribution and selling expenses	1,514,598,243.07	1,137,308,663.11
General and Administrative expenses	1,150,893,651.00	917,733,885.00
Research and development expenses	28,612,950.73	14,925,829.28
Financial expenses	1,634,963,452.04	1,179,812,349.59
Including: Interest expenses	1,714,835,231.20	1,210,653,030.06
Interest income	133,777,738.03	226,380,057.99
Add: Other income	71,808,287.97	101,734,128.72
Investment income	466,723,654.35	217,203,498.47
Including: Investment income from		
associates and joint ventures	9,883,063.20	143,661,017.82
Gain from fair value changes	1,404,319,334.94	1,697,612,356.91
Impairment loss of credit		
(losses are presented with parentheses)	(185,237,501.85)	(204,918,524.84)
Gain from disposal of assets	7,078,944.06	214,476,692.81
II. Operating profit	5,058,631,215.14	5,288,861,106.36
Add: Non-operating income	30,644,890.35	24,293,123.39
Less: Non-operating expenses	23,865,250.77	22,714,078.00

	For the nine months ended 30 September (Unaudited)	
	2019 (RMB)	2018 (RMB)
III. Total profit	5,065,410,854.72	5,290,440,151.75
Less: Income tax expenses	1,014,107,918.69	898,913,134.19
IV. Net profit	4,051,302,936.03	4,391,527,017.56
(I) According to the classification of continuity of operation		
1. Net profit from continuing operations	4,051,302,936.03	4,391,527,017.56
2. Net profit from discontinued operations	—	—
(II) According to the classification of ownership		
1. Non-controlling interests	267,832,733.12	231,291,393.41
2. Net profit attributable to owners of the Company	3,783,470,202.91	4,160,235,624.15
V. Other comprehensive income (after tax)	526,625,552.44	(250,454,949.44)
Other comprehensive income (after tax) attributable to owners of the Company	507,948,144.49	(203,302,964.36)
(I) Other comprehensive income that will not be reclassified to profit or loss	551,668,897.61	(203,302,964.36)
1. Changes in fair value of other equity instrument investments	551,668,897.61	(203,302,964.36)
(II) Other comprehensive income that will be reclassified to profit or loss	(43,720,753.12)	—
1. Others	(43,720,753.12)	—
Other comprehensive income (after tax) attributable to non-controlling interests	18,677,407.95	(47,151,985.08)
VI. Total comprehensive income	4,577,928,488.47	4,141,072,068.12
Total comprehensive income attributable to owners of the Company	4,291,418,347.40	3,956,932,659.79
Total comprehensive income attributable to non-controlling interests	286,510,141.07	184,139,408.33
VII. Earnings per share:		
Basic earnings per share	1.07	1.09
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 RMB2,312,145,285.73, representing an increase of 5.13% from RMB2,199,292,949.38 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 Standards for Business Enterprises No. 21 — Leases (Cai Kuai [2018] No. 35) (the “**New Lease Standards**”). 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 Standards 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 for 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 Group 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 nine months ended	
	30 September	
	(Unaudited)	
	2019	2018
	(RMB)	(RMB)
Net cash flow from operating activities	2,925,349,827.01	3,191,455,675.77
Net cash flow from investment activities	(4,098,801,312.35)	(8,263,077,268.64)
Net cash flow from financing activities	1,130,551,366.37	1,993,877,325.86
Effect of foreign exchange rate changes on cash and cash equivalents	(1,690,038.11)	(3,110,649.21)
Net (decrease)/increase in cash and cash equivalents	(44,590,157.08)	(3,080,854,916.22)
Opening balance of cash and cash equivalents	7,614,487,228.69	10,269,293,739.45
Closing balance of cash and cash equivalents	7,569,897,071.61	7,188,438,823.23

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 30 September 2019 (Unaudited) (RMB)	As at 31 December 2018 (Audited) (RMB)
Current assets		
Cash and bank balances	8,336,793,724.34	8,527,607,964.92
Financial assets held for trading	130,013,938.70	236,256,219.87
Derivative financial assets	36,862,853.35	—
Accounts receivable	2,067,203,312.87	1,687,918,584.76
Financing receivables	1,260,000.00	55,000,000.00
Prepayments	484,865,353.39	319,437,303.71
Other receivables	2,156,657,496.79	1,936,025,518.72
Inventories	318,597,716.04	251,352,502.91
Contract assets	766,014,639.28	807,109,773.17
Non-current assets due within one year	344,850,000.00	314,950,000.00
Other current assets	1,137,923,316.34	1,582,934,842.98
Total current assets	15,781,042,351.10	15,718,592,711.04
Non-current assets		
Long-term receivables	1,780,732,872.32	1,795,159,925.01
Long-term equity investments	3,476,810,288.83	3,026,101,128.50
Other equity instrument investments	3,635,403,619.81	3,302,748,467.57
Other non-current financial assets	357,674,540.60	324,850,000.00
Investment properties	83,011,000,000.00	78,533,000,000.00
Fixed assets	232,708,814.48	192,418,042.50
Construction in progress	196,694,025.21	84,866,598.69
Right-of-use assets	3,141,033,021.31	—
Intangible assets	446,881,116.85	460,830,931.51
Development expenditure	12,658,444.53	—
Goodwill	16,592,357.41	16,592,357.41
Long-term prepaid expenses	417,075,669.35	400,731,940.53
Deferred tax assets	1,359,472,266.58	822,269,149.42
Other non-current assets	8,145,891,973.91	6,182,556,566.38
Total non-current assets	106,230,629,011.19	95,142,125,107.52
Total assets	122,011,671,362.29	110,860,717,818.56

	As at 30 September 2019 (Unaudited) (RMB)	As at 31 December 2018 (Audited) (RMB)
Current liabilities		
Short-term loans	4,051,168,108.44	5,148,516,740.00
Accounts payable	1,030,256,330.85	970,116,980.34
Advance from customers	936,210,735.86	1,249,019,601.25
Contract liabilities	2,129,531,944.62	2,601,978,507.73
Payroll payable	438,376,828.86	913,986,023.52
Taxes payable	754,887,664.70	607,676,739.98
Other payables	8,804,758,861.40	8,712,208,081.24
Non-current liabilities due within one year	6,587,736,375.69	3,948,619,684.75
Other current liabilities	75,081,302.38	1,161,684,557.80
Total current liabilities	24,808,008,152.80	25,313,806,916.61
Non-current liabilities		
Long-term loans	16,152,939,271.07	14,306,362,773.00
Bonds payable	9,771,405,999.54	7,156,394,519.96
Lease liabilities	3,583,525,738.91	—
Long-term payables	677,787,631.43	1,385,921,007.85
Deferred income	227,016,011.37	212,456,044.43
Deferred tax liabilities	11,716,764,514.57	11,008,662,811.23
Other non-current liabilities	7,091,086,304.53	6,181,288,065.26
Total non-current liabilities	49,220,525,471.42	40,251,085,221.73
Total liabilities	74,028,533,624.22	65,564,892,138.34
Equity		
Share capital	3,550,000,000.00	3,550,000,000.00
Capital reserve	4,214,835,157.76	4,490,018,895.43
Other comprehensive income	1,334,797,331.93	1,227,776,839.27
Surplus reserve	1,816,847,121.56	1,816,847,121.56
Retained earnings	33,644,512,440.20	30,629,417,859.13
Total equity attributable to owners of the Company	44,560,992,051.45	41,714,060,715.39
Non-controlling interests	3,422,145,686.62	3,581,764,964.83
Total equity	47,983,137,738.07	45,295,825,680.22
Total liabilities and equity	122,011,671,362.29	110,860,717,818.56

As of the end of the Reporting Period, the balance of the total borrowings of the Group amounted to RMB41,399,955,865.61.

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
29 October 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, JING Jie and XU Hong; and the independent non-executive Directors are QIAN Shizheng, LEE Kwan Hung, Eddie, WANG Xiao and ZHAO Chongyi.