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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)

(Listed Debt Securities Code: 5454)

SUMMARY OF THE UNAUDITED KEY FINANCIAL INFORMATION FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2023

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 2023 (the “**Reporting Period**”). This announcement is made pursuant to the Inside Information Provisions under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the “**SFO**”), 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.

Given that the industry in which the Company operates is still under a gradual recovery, in order to support the sustainable development of tenants and home furnishing materials industry, and increase the occupancy rate of the shopping malls to attract customers and promote business of the tenants in the shopping mall in the mean time, the Company plans to discuss a policy of granting preferential rent and management fee reductions (the “**Rent Concessions**”) within certain limits to specific tenants in specific shopping malls that meet the conditions required by the aforesaid policy. Such Rent Concessions may affect the valuation of the Company’s investment property to a certain extent. Accordingly, the Company will assess the impact in a prudent way and will further perform the procedures including board meeting and disclose the relevant influence subject to the influence degree of the amount.

SUMMARY OF THE UNAUDITED KEY FINANCIAL INFORMATION

In 2022, the Company issued credit enhanced bonds with a total principal amount of US\$249,700,000 at an interest of 5.20% per annum due in 2025 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 Stock Exchange of Hong Kong Limited on 24 August 2022 for details.

Set out below is the unaudited key financial information of the Group during the Reporting Period:

(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 (losses are presented with parantheses):

	For the nine months ended	
	30 September	
	(Unaudited)	
	2023	2022
	(RMB)	(RMB)
I. Revenue	8,675,386,414.22	10,483,872,179.16
Less: Cost of sales	3,639,515,732.66	4,174,858,231.79
Taxes and surcharges	308,591,098.52	310,021,693.43
Distribution and selling expenses	1,120,914,998.33	1,041,228,597.41
General and administrative expenses	1,051,877,168.88	975,732,589.76
Research and development expenses	13,771,845.42	34,414,109.82
Financial expenses	1,878,704,823.68	1,771,406,018.09
Including: Interest expenses	1,910,899,764.84	1,899,153,951.58
Interest income	124,654,518.65	174,617,731.89
Add: Other income	53,922,977.00	81,236,202.66
Investment income (losses are presented with parentheses)	91,028,122.25	127,178,057.99
Including: Investment income from associates and joint ventures	105,245,248.48	53,853,731.96
Gain from fair value changes (losses are presented with parentheses)	(456,774,308.99)	99,739,781.87
Impairment loss of credit (losses are presented with parentheses)	(329,749,669.89)	(203,974,120.15)
Impairment loss of assets (losses are presented with parentheses)	(411,365,767.72)	(5,635,373.42)
Gains from disposal of assets (losses are presented with parentheses)	6,448,431.22	(302,843.71)
	<u>6,448,431.22</u>	<u>(302,843.71)</u>

	For the nine months ended	
	30 September	
	(Unaudited)	
	2023	2022
	(RMB)	(RMB)
II. Operating profit	(384,479,469.40)	2,274,452,644.10
Add: Non-operating income	23,860,051.49	32,074,944.43
Less: Non-operating expenses	189,125,081.95	25,898,221.48
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III. Total profit	(549,744,499.86)	2,280,629,367.05
Less: Income tax expenses	86,123,434.60	956,689,485.21
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IV. Net profit	(635,867,934.46)	1,323,939,881.84
According to the classification of ownership		
Net profit attributable to owners of the Company	(560,527,154.92)	1,317,956,964.82
Non-controlling interests	(75,340,779.54)	5,982,917.02
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V. Other comprehensive income (after tax)	(147,712,966.69)	(591,602,076.65)
Other comprehensive income (after tax) attributable to owners of the Company	(148,802,944.16)	(591,393,241.66)
Other comprehensive income that will not be reclassified to profit or loss	(150,169,923.35)	(508,224,795.87)
Changes in fair value of other equity instrument investments	(150,169,923.35)	(508,224,795.87)
Other comprehensive income that will be reclassified to profit or loss	1,366,979.19	(83,168,445.79)
Converted difference in Foreign Currency Statements	1,366,979.19	3,703,033.13
Others	–	(86,871,478.92)
Other comprehensive income (after tax) attributable to non-controlling interests	1,089,977.47	(208,834.99)
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VI. Total comprehensive income	(783,580,901.15)	732,337,805.19
Total comprehensive income attributable to owners of the Company	(709,330,099.08)	726,563,723.16
Total comprehensive income attributable to non-controlling interests	(74,250,802.07)	5,774,082.03
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VII. Earnings per share:		
(I) Basic earnings per share	(0.13)	0.30
(II) Diluted earnings per share	N/A	N/A
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Reference is made to the announcement of the Company dated 20 October 2023 in relation to the estimate results for the Reporting Period (the “**Estimate Results**”), the Company would like to clarify that, in relation to the disclosure in the Estimate Results, including that the Company expects to record a net profit attributable to the shareholders of the parent Company for the first three quarters of 2023 of around RMB-600.00 million to RMB-500.00 million, representing a decrease of RMB1,817.957 million to RMB1,917.957 million from the same period of last year, or a year-on-year decrease of 137.9% to 145.5%, the Company expects to record a net profit attributable to the shareholders of the parent Company for the first three quarters of 2023 after deducting non-recurring gain or loss of around RMB-370.00 million to RMB-270.00 million, representing a decrease of RMB1,390.7542 million to RMB1,490.7542 million from the same period of last year, or a year-on-year decrease of 124.1% to 133.0%, and other similar disclosure, the “-” denotes loss while the decrease over 100% as compared with same period of last year represents turnaround from profit to loss.

During the Reporting Period, the net profit attributable to owners of the Company (the “-” denotes loss) amounted to RMB-560,527,154.92, representing a decrease of 142.53% from RMB1,317,956,964.82 for the same period of 2022 (which represents turnaround from profit to loss), the net profit attributable to owners of the Company after deducting non-recurring profit or loss (the “-” denotes loss) amounted to RMB-335,356,567.21, representing a decrease of 129.92% from RMB1,120,754,212.76 for the same period of 2022 (which represents turnaround from profit to loss). The main reasons are as follows:

1. Loss from changes in fair values of investment property

The Company’s shopping mall occupancy rate decreased periodically as compared with the same period last year. while the Company waived part of the rents and management fees for qualified tenants, and the valuation of investment property was adjusted downward accordingly. Loss from changes in fair value from the beginning of 2023 to the end of the Reporting Period amounted to RMB457 million, representing an decrease of RMB557 million as compared with the same period last year (which represents turnaround from fair value gain to fair value loss), among which, loss due to fluctuations in fair value of investment property amounted to RMB404 million, representing an decrease of RMB511 million as compared with the same period last year (which represents turnaround from fair value gain to fair value loss).

2. Asset impairment provisions

The slow recovery of the real estate related industry led to the decrease in the number of new projects for the Company’s managed shopping malls related business and construction related business, and the promotion of existing projects experienced a slowdown, which led to a period-on-period decline in the Company’s operating income, and the Company accrued relevant impairment provisions in accordance with the expected credit loss model, with full consideration of changes in the financial position of certain cooperation partners, and recorded impairment losses of over RMB130 million on the managed shopping malls related business and over RMB210 million on the construction related business during the period from the beginning of 2023 to the end of the Reporting Period.

The Company, for the sake of prudence, made an impairment provision of approximately RMB166 million for certain long-term equity investments with unfavourable operating conditions.

The Company's management adjusted the future operating direction of its imported high-end furniture self-owned retail business in the third quarter of 2023 by proposing a clearance of existing inventory. In accordance with the planned inventory disposal program, an asset impairment loss of nearly RMB100 million was recorded on inventory by the Company during the Reporting Period.

For details about asset impairment provisions, please refer to the Announcement Regarding The Company's Provision For Impairment of Assets disclosed on the same day as this announcement.

3. *Non-operating expenses*

For individual projects, the Company estimated that their rates of return would be lower than expected if they were going forward, and upon assessment by the relevant departments, the Company decided to discontinue further investment on them, and recognize the previous investments as losses in the form of sunk cost, resulting in a total of approximately RMB190 million no-operating expense during the Reporting Period, among which:

Nanjing Business Travel Runliang Investment Co., Ltd. (南京商旅潤糧投資有限公司) ("**Runliang Investment**") entered into the Equity Transaction Contract with the Company at the end of 2021. Runliang Investment has filed a civil lawsuit with the Intermediate People's Court of Nanjing City, Jiangsu Province regarding the payment of equity transfer payment in 2023, requesting the Company to continue to perform the Equity Transaction Contract and pay the final balance of equity transfer payment of RMB124.488 million. During the pre filing stage of the lawsuit, the Company reached a settlement with Runliang Investment and signed the Termination Agreement on 18 July 2023 in which, both parties agreed that the Company bears damages on breach of contracts of RMB63.352 million and terminate a series of cooperation agreements, including the Equity Transaction Contract and Runliang Investment withdraws the aforementioned lawsuit request.

The Company updated the operational measurement of certain leased shopping malls with unsatisfactory operating conditions, and after the overall consideration, the Company decided to terminate the leases in advance and proceed with the store closure procedure. As a result of the relevant matters, nearly RMB68 million non-operating expenses were recognized during the Reporting Period.

The table below sets forth the key data of the Statement of Consolidated Cash Flows of the Group during the Reporting Period (outflow of net cash flow or decrease in cash or cash equivalents are presented with parentheses):

	For the nine months ended	
	30 September	
	2023	2022
	<i>(RMB)</i>	<i>(RMB)</i>
Net cash flow from operating activities	2,768,453,497.54	3,975,737,906.64
Net cash flow from investing activities	535,999,807.85	170,509,021.62
Net cash flow from financing activities	(2,794,817,455.40)	(5,053,574,314.65)
Impact of exchange rate changes on cash and cash equivalents	351,576.87	1,654,559.58
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Net increase in cash and cash equivalents	509,987,426.86	(905,672,826.81)
Opening balance of cash and cash equivalents	2,608,263,749.30	6,097,986,723.20
Closing balance of cash and cash equivalents	3,118,251,176.16	5,192,313,896.39
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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	As at 31 December
	2023	2022
	<i>(Unaudited)</i>	<i>(Audited)</i>
	<i>(RMB)</i>	<i>(RMB)</i>
Current assets		
Cash and bank balances	3,674,555,625.95	2,928,468,586.28
Financial assets held for trading	595,168,667.42	921,837,612.31
Notes receivable	29,835,984.62	18,248,679.40
Accounts receivable	1,526,623,870.90	1,962,169,419.59
Receivables financing	2,740,000.00	767,209.39
Prepayments	342,862,937.93	366,585,465.41
Other receivables	1,099,173,811.03	991,627,850.74
Inventories	166,994,163.15	302,869,151.08
Contract assets	1,631,350,615.52	1,818,468,202.29
Non-current assets due within one year	923,724,514.77	346,261,776.46
Other current assets	1,704,827,330.85	1,796,285,510.01
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Total current assets	11,697,857,522.14	11,453,589,462.96
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	As at 30 September 2023 (Unaudited) (RMB)	As at 31 December 2022 (Audited) (RMB)
Non-current assets		
Long-term receivables	487,064,336.18	496,551,740.74
Long-term equity investments	3,504,649,210.39	3,757,062,104.96
Other equity instrument investments	1,905,397,819.86	2,586,569,213.72
Other non-current financial assets	260,024,540.60	332,274,540.60
Investment properties	95,357,765,886.50	95,709,000,000.00
Fixed assets	2,662,259,816.72	2,562,713,453.33
Construction in progress	32,601,751.78	89,425,176.04
Right-of-use assets	2,747,422,941.64	3,009,298,346.20
Intangible assets	103,586,969.40	94,762,755.97
Development expenditure	–	12,522,655.66
Goodwill	97,597,047.85	97,597,047.85
Long-term prepaid expenses	361,358,577.99	430,114,609.90
Deferred tax assets	3,319,685,571.81	2,998,869,059.68
Other non-current assets	3,537,818,933.81	4,480,318,946.21
	<u>114,377,233,404.53</u>	<u>116,657,079,650.86</u>
Total non-current assets		
	<u>114,377,233,404.53</u>	<u>116,657,079,650.86</u>
Total assets	<u>126,075,090,926.67</u>	<u>128,110,669,113.82</u>
	<u>126,075,090,926.67</u>	<u>128,110,669,113.82</u>
Current liabilities		
Short-term loans	1,398,555,792.60	1,998,588,895.61
Notes payable	38,510,688.20	44,411,884.31
Accounts payable	1,989,903,482.95	2,452,581,844.43
Advance from customers	1,051,443,645.80	873,854,704.72
Contract liabilities	1,246,451,037.07	1,839,929,633.10
Payroll payable	492,270,694.33	480,929,334.90
Taxes payable	945,269,190.94	1,306,094,822.58
Other payables	11,744,927,514.19	9,331,802,119.58
Non-current liabilities due within one year	6,750,917,866.86	6,787,035,526.55
Other current liabilities	305,673,226.23	246,363,068.48
	<u>25,963,923,139.17</u>	<u>25,361,591,834.26</u>
Total current liabilities	<u>25,963,923,139.17</u>	<u>25,361,591,834.26</u>

	As at 30 September 2023 (Unaudited) (RMB)	As at 31 December 2022 (Audited) (RMB)
Non-current liabilities		
Long-term loans	20,725,018,466.08	21,798,182,061.22
Bonds payable	1,781,275,066.48	1,723,399,633.59
Lease liabilities	3,085,007,903.61	3,336,523,938.34
Long-term payables	551,476,826.45	641,305,212.80
Deferred income	211,321,820.58	218,122,006.69
Deferred tax liabilities	13,794,119,743.93	13,655,812,782.52
Other non-current liabilities	4,100,948,145.86	4,380,374,556.81
	<u>44,249,167,972.99</u>	<u>45,753,720,191.97</u>
Total non-current liabilities		
	<u>44,249,167,972.99</u>	<u>45,753,720,191.97</u>
Total liabilities	<u>70,213,091,112.16</u>	<u>71,115,312,026.23</u>
Equity		
Share capital	4,354,732,673.00	4,354,732,673.00
Capital reserve	6,884,592,342.60	6,881,596,618.59
Less: Treasury stock	5,003,481.44	5,003,481.44
Other comprehensive income	715,747,273.47	1,012,724,841.48
Surplus reserve	2,293,732,034.41	2,293,732,034.41
Retained earnings	38,249,175,184.77	39,009,822,745.68
	<u>52,492,976,026.81</u>	<u>53,547,605,431.72</u>
Total equity attributable to owners of the Company		
	<u>52,492,976,026.81</u>	<u>53,547,605,431.72</u>
Non-controlling interests	3,369,023,787.70	3,447,751,655.87
	<u>3,369,023,787.70</u>	<u>3,447,751,655.87</u>
Total equity	<u>55,861,999,814.51</u>	<u>56,995,357,087.59</u>
Total liabilities and equity	<u>126,075,090,926.67</u>	<u>128,110,669,113.82</u>

As of the end of the Reporting Period, the balance of the total borrowings of the Group amounted to RMB32,695,451,845.44.

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.
QIU Zhe
Secretary of the Board and Joint Company Secretary

Shanghai, the PRC
30 October 2023

As at the date of this announcement, the executive Directors of the Company are CHE Jianxing, SHI Yaofeng, LI Jianhong and YANG Yingwu; the non-executive Directors are ZHENG Yongda, WANG Wenhui, ZOU Shaorong, SONG Guangbin and XU Di; and the independent non-executive Directors are XUE Wei, HUANG Jianzhong, CHEN Shanang, WONG Chi Wai and CAI Qinghui.