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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)

CORRECTIONS TO CONSOLIDATED FINANCIAL STATEMENTS

This announcement is published by Red Star Macalline Group Corporation Ltd. (the “**Company**”, together with its subsidiaries, collectively the “**Group**”) pursuant to Rule 13.09 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Inside Information Provisions under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

An inspection team of the Ministry of Finance of the People's Republic of China (“**MOF**”) conducted a review over the quality of the accounting information of the Company for the year ended December 31, 2022 and issued a Notification on Administrative Penalty (Cai Jian Fa [2024] No. 36) (《財政部行政處罰事項告知書(財監法[2024]36號)》, “**Notification on Penalty**”), proposing to impose an administrative penalty of RMB50,000 on the Company (the “**Penalty**”). The Notifications on Penalty is still under proposal stage. Upon receipt of the Notification on Penalty, the Company attached great importance to it and has submitted defense documents to the office for supervision and evaluation of MOF. As of the date of this announcement, the Company has not received any conclusive opinion or decision in respect of Penalty or the defense made by the Company from MOF. The above matter remains uncertain and the Company will closely monitor the progress of above matter and will implement the final decision of MOF and strictly comply with relevant requirements to fulfill the information disclosure obligation. Please refer to below for details.

The property located at No. 701 Gudun Road, Hangzhou (Hangzhou Gudun Mall (杭州古墩商場)) held by Hangzhou Red Star Macalline Shibo Furniture Plaza Company Limited (杭州紅星美凱龍世博家居有限公司), a subsidiary of the Company, has not completed the registration procedures as to the transfer of property rights of the second-floor of the podium building to the Company due to the collective land policy. As provided in the Provisional Property Transfer and Lease Agreement entered into between the Company and Hangzhou Zijin Industrial Investment Co., Ltd. (杭州紫金實業投資有限公司), the Company shall not transfer the subscribed property or any rights and interests under the agreement to any third party (excluding any controlling subsidiary designated by the Company) in any matter without the consent of Hangzhou Zijin Industrial Investment Co., Ltd., otherwise, the Company shall be deemed to breach the contract unless otherwise provided in the agreement. Therefore, the property cannot be sold separately.

The nature of the property located at No. 1 Courtyard, North Beach, Chaoyang District, Beijing (North Fourth ring Mall (北四環商場)) held by Red Star Macalline Global (Beijing) Home Furnishing Plaza Company Limited (紅星美凱龍環球(北京)家具建材廣場有限公司), a wholly-owned subsidiary of the Company, is property for research and development. As China Academy of Agricultural Mechanization Sciences (中國農業機械化科學研究院), the previous property owner, has not completed all necessary procedures as to the change from allocated land (劃撥用地) into land for transfer (出讓用地) and the change of land use purpose to commercial operation, the property cannot be sold separately.

According to the Notification on Penalty, the North Fourth-ring Mall and the Hangzhou Gudun Mall under Company's accounting item of "investment properties", can not be sold separately and do not meet the requirement that the investment properties shall be able to be measured and sold separately. The Company makes relevant retrospective adjustments. Considering the immaterial effect of such accounting errors modification on the financial statements of the Company before the year of 2019, the Company made retrospective adjustments to the financial statements of the Company for the year from 2019 to 2022, among which, the Company's annual financial statements for the year of 2019, 2020 and 2021 published on the website of The Stock Exchange of Hong Kong Limited (the "**Hong Kong Stock Exchange**") were prepared and disclosed based on Chinese Accounting Standards pursuant to the Consultation Conclusions on Acceptance of Mainland Accounting and Auditing Standards and Mainland Audit Firms for Mainland Incorporated Companies Listed in Hong Kong 《有關接受在香港上市的內地註冊成立公司採用內地的會計及審計準則以及聘用內地會計師事務所的諮詢總結》. Therefore, the modification below applies to such financial statement. Since the year of 2022, the annual financial statements of the Company published on the website of the Hong Kong Stock Exchange are prepared and published in accordance with International Accounting Standards, and the annual financial statements of the Company published on the website of the Shanghai Stock Exchange are prepared and published in accordance with Chinese Accounting Standard, therefore the annual financial statement of the Company for the year of 2022 published on the website of the Hong Kong Stock Exchange are not subject to relevant modification according to the International Accounting Standards. The effect of such modification represents 6.50%, 0.81%, 2.56% and 25.39% of respective net profit attributable to shareholders of the Company for the year of 2019, 2020, 2021 and 2022, and 1.37%, 1.29%, 1.31% and 1.58% of the respective total assets of the Company for the year of 2019, 2020, 2021 and 2022. The modification will not result in any turnaround of profits or losses in the above relevant financial statements of the Company. The modification of accounting errors is China Accounting Standards and does not involve the adjustment under adjustment based on the International Accounting Standards. Please see below for details.

I. THE IMPACT OF THE MODIFICATION ON FINANCIAL POSITION AND OPERATING RESULTS OF THE COMPANY

Based on the above description, the Company has retrospectively adjusted the annual financial statement of the Company for the year from 2019 to 2021 published on the website of Shanghai Stock Exchange and Hong Kong Stock Exchange and the annual financial statement of the Company for the year of 2022 published on the website of Shanghai Stock Exchange. Please see below for the effect of such modification of accounting errors on the relevant financial statements of the Company.

(I) The impact of the above modification of accounting errors on the consolidated financial statements of the Company for 2022

Unit: RMB (same for below)

Statement items	Amount before adjustment	Adjustment amount	Amount after adjustment
Investment properties	95,709,000,000.00	-2,475,000,000.00	93,234,000,000.00
Fixed assets	2,562,713,453.33	140,166,521.79	2,702,879,975.12
Right-of-use assets	3,009,298,346.20	316,041,063.06	3,325,339,409.26
Total assets	128,110,669,113.82	-2,018,792,415.15	126,091,876,698.67
Deferred tax liabilities	13,655,812,782.52	-504,698,103.79	13,151,114,678.73
Total liabilities	71,115,312,026.23	-504,698,103.79	70,610,613,922.44
Equity attributable to the parent company	53,547,605,431.72	-1,514,094,311.36	52,033,511,120.36
Minority shareholders' interests	3,447,751,655.87	-	3,447,751,655.87
Cost of sales	5,887,051,636.83	28,865,190.38	5,915,916,827.21
Gain on fair value changes	-118,720,608.23	-224,622,289.44	-343,342,897.67
Total profit	1,652,214,924.91	-253,487,479.82	1,398,727,445.09
Income tax expenses	794,409,239.52	-63,371,869.95	731,037,369.57
Net profit	857,805,685.39	-190,115,609.87	667,690,075.52
Net profit attributable to owner of the parent company	748,701,678.14	-190,115,609.87	558,586,068.27
Minority shareholders' profit and loss	109,104,007.25	-	109,104,007.25

Note: The above modification of accounting errors will not affect the consolidated cash flow statement of the Company or the financial statements of the then parent company of the Company.

(II) The impact of the above modification of accounting errors on the consolidated financial statements of the Company for 2021

Statement items	Amount before adjustment	Adjustment amount	Amount after adjustment
Investment properties	95,575,000,000.00	-2,250,000,000.00	93,325,000,000.00
Fixed assets	2,655,001,955.04	157,479,816.97	2,812,481,772.01
Right-of-use assets	3,899,861,973.84	327,215,247.70	4,227,077,221.54
Total assets	135,187,542,000.02	-1,765,304,935.33	133,422,237,064.69
Deferred tax liabilities	13,401,316,273.63	-441,326,233.84	12,959,990,039.79
Total liabilities	77,656,323,854.91	-441,326,233.84	77,214,997,621.07
Equity attributable to the parent company	53,981,799,417.41	-1,323,978,701.49	52,657,820,715.92
Minority shareholders' interests	3,549,418,727.70	-	3,549,418,727.70
Cost of sales	5,946,476,374.29	27,888,633.03	5,974,365,007.32
Gain on fair value changes	371,721,560.94	-42,100,862.86	329,620,698.08
Total profit	2,801,975,580.90	-69,989,495.89	2,731,986,085.01
Income tax expenses	612,975,607.73	-17,497,373.98	595,478,233.75
Net profit	2,188,999,973.17	-52,492,121.91	2,136,507,851.26
Net profit attributable to owner of the parent company	2,047,401,906.98	-52,492,121.91	1,994,909,785.07
Minority shareholders' profit and loss	141,598,066.19	-	141,598,066.19

Note: The above modification of accounting errors will not affect the consolidated cash flow statement of the Company and the financial statement of the then parent company of the Company.

(III) The impact of the above modification of accounting errors on the consolidated financial statements of the Company for 2020

Statement items	Amount before adjustment	Adjustment amount	Amount after adjustment
Investment properties	93,150,000,000.00	-2,191,000,000.00	90,959,000,000.00
Fixed assets	2,737,965,196.94	157,295,127.22	2,895,260,324.16
Right-of-use assets	3,852,597,418.85	338,389,433.34	4,190,986,852.19
Total assets	131,547,918,635.49	-1,695,315,439.44	129,852,603,196.05
Deferred tax liabilities	12,517,571,618.93	-423,828,859.86	12,093,742,759.07
Total liabilities	80,450,075,839.86	-423,828,859.86	80,026,246,980.00
Equity attributable to the parent company	47,563,218,943.87	-1,271,486,579.58	46,291,732,364.29
Minority shareholders' interests	3,534,623,851.76	-	3,534,623,851.76
Cost of sales	5,480,170,024.86	26,946,666.86	5,507,116,691.72
Gain on fair value changes	494,132,525.69	8,219,697.82	502,352,223.51
Total profit	2,814,148,451.58	-18,726,969.04	2,795,421,482.54
Income tax expenses	750,071,048.61	-4,681,742.25	745,389,306.36
Net profit	2,064,077,402.97	-14,045,226.79	2,050,032,176.18
Net profit attributable to owner of the parent company	1,730,581,791.56	-14,045,226.79	1,716,536,564.77
Minority shareholders' profit and loss	333,495,611.41	-	333,495,611.41

Note: The above modification of accounting errors will not affect the consolidated cash flow statement of the Company and the financial statement of the then parent company of the Company.

(IV) The impact of the above modification of accounting errors on the consolidated financial statements of the Company for 2019

Statement items	Amount before adjustment	Adjustment amount	Amount after adjustment
Investment properties	85,107,000,000.00	-2,193,000,000.00	82,914,000,000.00
Fixed assets	897,496,154.61	166,847,897.62	1,064,344,052.23
Right-of-use assets	3,087,184,216.82	349,563,631.98	3,436,747,848.80
Total assets	122,294,418,558.66	-1,676,588,470.40	120,617,830,088.26
Deferred tax liabilities	11,989,277,103.64	-419,147,117.61	11,570,129,986.04
Total liabilities	73,309,568,163.93	-419,147,117.61	72,890,421,046.33
Equity attributable to the parent company	45,714,637,942.01	-1,257,441,352.80	44,457,196,589.22
Minority shareholders' interests	3,270,212,452.72	-	3,270,212,452.72
Cost of sales	5,735,611,011.50	27,991,468.94	5,763,602,480.44
Gain on fair value changes	1,632,073,263.93	-360,106,931.34	1,271,966,332.59
Total profit	6,203,078,019.55	-388,098,400.28	5,814,979,619.27
Income tax expenses	1,516,836,338.46	-97,024,600.08	1,419,811,738.38
Net profit	4,686,241,681.09	-291,073,800.20	4,395,167,880.89
Net profit attributable to owner of the parent company	4,479,681,652.61	-291,073,800.20	4,188,607,852.41
Minority shareholders' profit and loss	206,560,028.48	-	206,560,028.48

Note: The above error corrections will not affect the consolidated cash flow statement of the Company or the financial statements of the parent company for the time being of the Company.

II. SPECIAL DESCRIPTION OF THE AUDITOR ON THE MODIFICATION ON ACCOUNTING ERRORS

RSM China, the China Accounting Standards auditor currently engaged by the Company, has issued the Special Description on the Modification of Past Accounting Errors of Red Star Macalline Group Corporation Ltd. [RCZZ[2024]No. 215Z0103] (《關於紅星美凱龍家居集團股份有限公司前期會計差錯更正的專項說明》[容誠專字[2024]215Z0103 號]), and is of the view that the description of the Company on the modification of past accounting errors was prepared in accordance with relevant regulations including the Accounting Standards for Business Enterprises No. 28 – Changes of Accounting Policies and Accounting Estimates and Modification of Accounting Errors (《企業會計準則第 28 號 – 會計政策、會計估計變更和差錯更正》) and the Rules for Information Disclosure by Companies Offering Securities to the Public No. 19 – Correction of Financial Information and Relevant Disclosure (《公開發行證券的公司信息披露編製規則第 19 號 – 財務信息的更正及相關披露》) issued by the China Securities Regulatory Commission, which truthfully reflects the modification of past accounting errors by the Company

III. OPINION OF THE AUDIT COMMITTEE, THE BOARD OF DIRECTORS AND THE BOARD OF SUPERVISORS

The audit committee of the Company is of the view that modification of past accounting errors by the Company complies with the requirements of relevant regulations including the Accounting Standards for Business Enterprises No. 28 – Changes of Accounting Policies and Accounting Estimates and Modification of Accounting Errors and the Rules for Information Disclosure by Companies Offering Securities to the Public No. 19 – Correction of Financial Information and Relevant Disclosure, and the financial data and financial statements after the modification can reflect the financial position and operating results of the Company more objectively, accurately and truly, and agrees to submit the Resolution on Modification of Past Accounting Errors and Retrospective Adjustments to the board (“**Board**”) of directors of the Company (“**Directors**”) for consideration.

The Resolution on Modification of Past Accounting Errors and Retrospective Adjustments was considered and approved on the 3rd meeting of the fifth session of the Board on 28 March 2024. The Board is of the view that such modification on accounting errors better complies with principles and requirements of the Accounting Standards for Business Enterprises (《企業會計準則》) without harm to the interests of the Company and shareholders as a whole, hence approves such modification on accounting errors and adjustment.

The Resolution on Modification of Past Accounting Errors and Retrospective Adjustments was considered and approved on the 3rd meeting of the fifth session of the board of supervisors of the Company on 28 March 2024. The board of supervisors of the Company is of the view that such modification on accounting errors better complies with principles and requirements of Accounting Standards for Business Enterprises and can reflect the financial position of the Company more accurately, hence approves such modification on accounting errors and adjustment.

By order of the Board
Red Star Macalline Group Corporation Ltd.
QIU Zhe
Secretary of the Board and Joint Company Secretary

Shanghai, the PRC
28 March 2024

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.