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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)

ESTIMATED RESULTS FOR THE FIRST THREE QUARTERS OF 2023

This announcement is made by Red Star Macalline Group Corporation Ltd. (the “**Company**”), together with its subsidiaries (collectively, the “**Group**”), pursuant to Rule 13.09(2) and Rule 13.10B of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and the Inside Information Provisions (as defined in the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

IMPORTANT NOTICE:

1. 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%.
2. 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%.

I. RESULTS FORECAST FOR THE PERIOD

(I) Period for results forecast

1 January 2023 to 30 September 2023

(II) Results forecast

1. According to the preliminary calculation by the finance department, the expected net profit attributable to the shareholders of the parent Company for the first three quarters of 2023 reached around RMB-600.00 million to RMB-500.00 million, representing a decrease of RMB1,817.957 million to RMB1,917.957 million as compared with RMB1,317.957 million from the same period of last year, or a year-on-year decrease of 137.9% to 145.5%.

2. The expected net profit attributable to the shareholders of the parent Company for the first three quarters of 2023 after deducting non-recurring gain or loss reached around RMB-370.00 million to RMB-270.00 million, representing a decrease of RMB1,390.7542 million to RMB1,490.7542 million as compared with RMB1,120.7542 million from the same period of last year, or a year-on-year decrease of 124.1% to 133.0%.

(III) This results forecast is a preliminary forecast of the Company based on its business situations and has not been audited by a certified public accountant.

II. RESULTS FOR THE SAME PERIOD OF LAST YEAR

(I) The net profit attributable to the shareholders of the parent Company: RMB1,317.957 million. The net profit attributable to the shareholders of the parent Company after deducting non-recurring profit or loss: RMB1,120.7542 million.

(II) Earnings per share: RMB0.30.

III. MAIN REASONS OF THE DECREASE IN RESULTS FORECAST FOR THE PERIOD

Due to the factors including the macroeconomic environment and policies targeting the real estate sector, the residents' income is growing at a slower pace, leading to their weak confidence for consumption. Currently, the valuation of the industry in which the Company operates is at a low level, and it needs time to gradually restore its vitality.

As of the end of the third quarter of 2023, the occupancy rate for the Company's shopping malls periodically declined year-on-year. Meanwhile, in order to support the continued development of tenants and the home furnishing material industry, the Company reduced or waived part of the rents and management fees of qualified tenants, leading to the decrease in the Company's portfolio and leased business income, which has in turn resulted in a downwards adjustment on the valuation of its investment properties.

Affected by the regulatory policies targeting the real estate sector launched last year and the economic downturn, the market is recovering slowly, leading to the decrease in the number of new projects for the Company's managed business and construction-related business and a slower progress in advancing the existing projects.

At the same time, for the sake of prudence, the Company made a forecast on the recoverability of its overall assets in a more prudent manner and made corresponding provisions for the impairment.

In addition, 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.

In 2023, China frequently launched favourable policies to vigorously promote the normal cycle between the real estate and financial sectors and drive the smooth transitioning of the real estate industry to a new development model. Driven by the relevant policies for ensuring delivery, the real estate projects are being completed at a faster pace, which is expected to revitalize the home furnishing demands and is also conducive for the Company to promote its managed business.

With the implementation of the relevant policies, the home furnishing consumption demands are expected to recover and the industry will embrace a window of opportunities; the Company will seize the opportunity and devote to boosting and improving its operating efficiency and operating results.

IV. RISK WARNING

There are no material uncertainties in the Company that will affect the accuracy of the forecast on the results.

V. OTHER MATTERS

The results forecast above is only a preliminary forecast. Please refer to the Results Announcement for the Nine Months Ended 30 September 2023 Summary of the Unaudited Key Financial Information to be officially published by the Company for specific and accurate financial information. Investors are advised to be aware of investment risks.

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

Shanghai, the PRC
20 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.