

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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)

ANNOUNCEMENT REGARDING THE COMPANY'S PROVISION FOR IMPAIRMENT OF ASSETS

This announcement is made by Red Star Macalline Group Corporation Ltd. (the “**Company**”, together with its subsidiaries, collectively referred to as 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).

I. OVERVIEW OF THE PROVISION FOR IMPAIRMENT OF ASSETS

In accordance with relevant provisions of Accounting Standards for Business Enterprises (the “**ASBE**”) No. 22 – Recognition and Measurement of Financial Instruments (2017) (《企業會計準則第22號 – 金融工具確認和計量(2017年)》), ASBE No. 8 – Impairment of Assets (《企業會計準則第8號 – 資產減值》), ASBE No. 1 – Inventories (《企業會計準則第1號 – 存貨》), ASBE No. 2 – Long-term Equity Investments (《企業會計準則第2號 – 長期股權投資》) and the accounting policies implemented by the Company, the Group accrued impairment for provision for financial assets measured at amortized costs, contract assets and inventories based on expected credit loss. For non-current assets such as fixed assets, intangible assets and long-term equity investments, the Group determines whether there is any indication of impairment on the assets at the balance sheet date. For non-current assets for which there is an indication of impairment and goodwill arising from company merger, the Company performs an impairment test at the balance sheet date to estimate the recoverable amount of the assets.

In the third quarter of 2023, the Group accrued provision for impairment of RMB493,131,883.96 on various assets, and reversed and wrote off provision for impairment of RMB51,386,018.46 on various assets, of which provision for impairment of RMB4,354,645.33 on various assets was reversed and provision for impairment of RMB47,031,373.13 on various assets was written off. The change in impairment provision items resulted in reduction of the Group's total profit in the consolidated statement for the third quarter of 2023 by RMB488,777,238.63 (which represents resulting in loss of RMB 488,777,238.63). Details are set out below:

	<i>Unit: RMB</i>	
Items	Amount of provision accrued in the third quarter of 2023	Amount of provision reversed in the third quarter of 2023
Provision for impairment of account receivables	132,547,947.65	4,147,805.25
Provision for impairment of other receivables	47,713,152.45	–
Provision for impairment of long-term receivables	–	206,840.08
Provision for impairment of contract assets	-2,081,992.70*	–
Provision for impairment of other current assets	609,163.89	–
Provision for impairment of non-current assets due within one year	4,475,499.51	–
Provision for impairment of other non-current assets	45,486,088.39	–
Provision for impairment of long-term equity investments	165,881,604.23	–
Provision for impairment of inventories	98,500,420.54	–
Total	<u>493,131,883.96</u>	<u>4,354,645.33</u>

* “-” was due to decrease in provision for impairment caused by decrease in original value of contract assets

II. REASONS OF PROVISION FOR ASSETS IMPAIRMENT AND DETAILS OF PROVISION

(I) Financial Assets Measured at Amortized Cost and Impairment for Contract Assets

In accordance with the ASBE and the Company's accounting policies, the Company has carried out impairment accounting treatment on accounts receivable, other receivables, long-term receivables, contract assets, other current assets, non-current assets due within one year and financial assets measured at amortized cost in other non-current assets and recognized loss allowance based on expected credit losses in accordance with the difference between the contract cash flow which should be received according to the contract and is discounted at the original actual interest rate and the cash flow expected to be received. Based on the above analysis and impairment test, the impairment provision for accounts receivable, other receivables, contract assets, other current assets, non-current assets due within one year and other non-current assets in the third quarter of 2023 were RMB132,547,947.65, RMB47,713,152.45, RMB-2,081,992.70, RMB609,163.89, RMB4,475,499.51 and RMB23,416,201.00, respectively. The impairment provision for accounts receivable and long-term receivables reversed in the third quarter of 2023 were RMB4,147,805.25 and RMB206,840.08, respectively. The impairment provision for accounts receivable and long-term receivables written off in the third quarter of 2023 were RMB11,238,213.21 and RMB35,793,159.92, respectively.

(II) Provision for Impairment of Long-term Equity Investments and Other Non-current Assets

According to the requirements of the "ABSE No. 8 – Assets Impairment" and "ABSE No. 2 — Long-term Equity Investment", the Company determined whether there is any indication of impairment on the assets on the balance sheet date. If there is any indication of impairment on the assets, the Company will estimate its recoverable amount. Recoverable amount should be determined in light of the higher one of the net amount of the fair value of assets minus the expenses on disposal and the current value of the expected future cash flow of assets. Where the measurement results show the recoverable amount of an asset is lower than its book value, the book value of the assets shall be written down to the recoverable amount, and the amount written down shall be recognized as impairment loss of the assets included in profit or loss for that period, and provision for assets impairment shall be accrued accordingly. Based on the above analysis and impairment test, the Company accrued provision of impairment of RMB165,881,604.23 in respect of certain long-term equity investments with unfavorable operation conditions and RMB22,069,887.39 in respect of other non-current assets in the third quarter of 2023.

(III) Impairment Provisions for Inventories

According to the requirements of the “ASBE No. 1 – Inventory”, the Company determined whether there is any indication of impairment on inventories on the balance sheet date. If there is any indication of impairment on inventories, the Company will estimate its net realizable value. Net realizable value should be determined as the amount derived by deducting the potential cost to be incurred up to the completion date, estimated sale cost and related tax and expense from the estimated selling price of the inventory. Where the measurement results show the net realizable value of an inventory is lower than its book value, the book value of the inventories shall be written down to the net realizable value, and the amount written down shall be recognized as impairment provisions for inventories included in profit or loss for that period, and provision for inventories impairment shall be accrued accordingly. In the third quarter of 2023, the company’s management adjusted the future direction of the imported high-end furniture self-owned business. The Company intends to sell off the existing inventories in bulk. Pursuant to the inventory disposal plan, the Company conducted an impairment test on the inventories and accrued provisions for inventories impairment of RMB98,500,420.54 in the third quarter of 2023.

III. IMPACT OF PROVISION FOR IMPAIRMENT OF ASSETS ON THE COMPANY

In the third quarter of 2023, the Company accrued provision for impairment of the above-mentioned assets of RMB493,131,883.96, and reversed and wrote off provision for impairment of various assets of RMB51,386,018.46, of which provision for impairment of various assets of RMB4,354,645.33 was reversed and provision for impairment of various assets of RMB47,031,373.13 was written off. The change in impairment provision items resulted in reduction of the Company’s total profit in the consolidated statement for the third quarter of 2023 by RMB488,777,238.63 (which represents resulting in loss of RMB 488,777,238.63).

IV. EXPLANATION OF REASONABLENESS OF THE BOARD REGARDING THE PROVISION FOR IMPAIRMENT OF ASSETS OF THE COMPANY

The Board is of the view that the provision for impairment of assets of the Company is in accordance with the relevant requirements of the ASBE, and is based on the principle of prudence, which fairly reflects the assets position of the Company and is in line with the actual situation of the Company.

V. AUDIT OPINIONS OF THE SUPERVISOR COMMITTEE REGARDING THE PROVISION FOR IMPAIRMENT OF ASSETS OF THE COMPANY

The supervisor committee of the Company is of the view that the provision for impairment of assets of the Company is in line with the actual situation of the Company and the decision-making procedures of the Board in respect of the matters are in compliance with the relevant laws and regulations and the articles of association of the Company, and that the provision for impairment of above assets can make the Company’s accounting information regarding the value of the assets more truthful and reliable, which is reasonable. The supervisor committee of the Company agrees with the provision for impairment of assets.

VI. INDEPENDENT OPINIONS OF THE INDEPENDENT NON-EXECUTIVE DIRECTORS REGARDING THE PROVISION FOR IMPAIRMENT OF ASSETS OF THE COMPANY

The independent non-executive Directors are of the view that the provision for impairment of assets is in compliance with the requirements of the ASBE and the relevant accounting policies of the Company, and is able to fairly reflect the financial position as well as the results of operations of the Company, and that it does not jeopardize the legal rights and interests of the Company and the minority shareholders of the Company. The independent non-executive Directors agree with the proposal of the provision for impairment of assets.

VII. OPINIONS OF THE AUDIT COMMITTEE

The audit committee of the Company is of the view that the Company's provision for impairment of assets is accrued in accordance with the relevant provisions of the ASBE, based on the principle of prudence, and is able to fairly reflect the financial position, asset values and results of operations of the Company to make the accountings information of the Company more reasonable. The audit committee of the Company agrees with the provision for impairment of assets.

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.