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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)**

### **PROFIT WARNING ANNOUNCEMENT**

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).

The board of directors of the Company (the “**Board**”) wishes to inform the shareholders (the “**Shareholders**”) of the Company and potential investors that, based on the information currently available to the Company and its preliminary assessment of the unaudited consolidated management accounts of the Group for the year ended 31 December 2023 (“**Year 2023**”), the net losses of the Group for the Year 2023 is expected to range between approximately RMB2,330 million to RMB2,730 million, representing a turnaround from profits to losses, as compared to the net profit of RMB816.884 million recorded by the Group for the year ended 31 December 2022 (“**Year 2022**”). The net loss attributable to the owners of the Company for the Year 2023 is expected to range between RMB2,200 million to RMB2,600 million, representing a turnaround from profits to losses, as compared to the net profit attributable to the owner of the Company of RMB678.566 million recorded by the Group for the Year 2022.

The aforesaid losses was mainly due to the fact that (1) the home furnishing materials industry is faced with the dual pressure of demand contraction and supply shock under the effect of the fluctuations in the domestic economic environment, and the shrinking of real estate industry has further resulted in low demand in the home furnishing retail market. Despite the gradual recovery of consumption demand, resident consumption level and consumer confidence have not yet fully recovered, and the economic situation still faces a number of challenges. The occupancy rate of the shopping malls declined in stages as compared with the previous year due to the slow recovery of consumption in the post real estate cycle and the accelerated real estate industry clearance. In view of the dynamic changes in the market, the Company waived part of the rents and management fees for qualified tenants in order to support the continuous operation of the tenants, and adjusted its strategic direction and products layout in the shopping malls to attract quality brands such as designers, home decoration companies and new energy vehicles to settle in the shopping malls

with favourable commercial terms, which diversified the brand portfolio. The Company provided favourable commercial terms in respect of rents and management fees to tenants of new categories. The Company's income from rental and management fees declined in stages and therefore, the valuation of investment properties for the year was adjusted downward by more than RMB800 million accordingly. Affected by the real estate control policies and the downturn of the market economy, the market recovers slowly, resulting in a decrease in the number of new projects in the Company's managed business and construction-related business, as well as a slowdown in the progress of the existing projects; (2) in accordance with the Accounting Standards for Business and Enterprises, taking into account the operating decisions of the management of the Company and the latest recoverable situation of various asset of the Company, the Company conducted a preliminary estimation of the recoverable amount of various category of assets as of 31 December 2023. The assets subject to impairment mainly included: impairment of account receivable and contract assets of brand consulting and managed business at the early stage, construction and design business, leasing and management business, impairment of relevant transaction current account with individual cooperative partners and related parties, impairment provision of individual projects with less-than-anticipated progress or slow turnover of assets, impairment provision of other non-current assets arising from the inability to continue to fulfil the repurchase of certain home shopping malls. It is estimated that the total impairment provision for the Year 2023 will be approximately RMB1.7 billion, among which, an impairment of provision of approximately RMB1 billion was made in the fourth quarter of 2023; (3) for certain projects, the Company estimated that the return rate of these projects will be lower than expected if the Company continues to proceed with these projects. After evaluation by relevant departments, the Company decided to terminate further investment in such projects. It is expected that the sunk costs invested and the related damages for terminating such projects may exceed RMB250 million. In addition, it is expected that over RMB60 million in compensation expenses may be incurred in the future as a result of the litigation relating to the asset repurchase obligation, the Company recognised the related estimated losses in the Year 2023; and (4) reference is made to the inside information announcement of the Company dated 20 December 2023 and unless otherwise defined, terms not defined herein shall have the same meanings as those used in such announcement. In view of the compensation payable by RSM Holding to the Company pursuant to the Transaction Agreement which has occurred as at the date of signing of the Fourth Supplemental Agreement, Xiamen C&D paid RMB300 million out of the consideration for the Phase II Transaction directly to the Company. The Company received the compensation amount of RMB300 million on 21 December 2023, which was recognized as capital reserve. Part of the aforesaid impairment provision and compensation expenses was related to the aforesaid compensation from RSM Holding.

From “A Priority for Restoring and Expanding Consumption in 2023” (2023年把恢復和擴大消費擺在優先位置) as proposed by the National Development and Reform Commission at the beginning of 2023, to the “Home Furnishing Consumption Involves Many Areas, has Long Upstream and Downstream Chains and is Large in Scale, Taking Targeted Measures to Boost Home Furnishing Consumption will Drive the Growth of Household Consumption and Economic Recovery” (家居消費涉及領域多、上下游鏈條長、規模體量大，採取針對性措施加以提振，有利於帶動居民消費增長和經濟恢復) as pointed out at the executive meeting of State Council, and then to the release of “Notice on Certain Measures to Promote Household Consumption by 13 Departments including Ministry of Commerce” (《商務部等13部門關於促進家居消費若干措施的通知》), the high-quality development of the home furnishing industry obtained continuous

policy support. According to the data released by the National Bureau of Statistics, the annual GDP in 2023 was RMB126,058.2 billion, representing an increase of 5.2% over the previous year calculated at constant prices; the annual per capita disposable income of all residents was RMB39,218, representing a nominal increase of 6.3% over the previous year and an actual increase of 6.1% after deducting price factors. The national economy is showing a recovery and improvement trend, providing a foundation for the growth of consumption demand. In line with the implementation of relevant policies, the demand of home furnishing consumption is expected to grow, the industry will encounter opportunities and the Company will seize the opportunities and strive to enhance and improve its operating efficiency and operating results. As of the date of this announcement, the Company has no material uncertainties affecting the accuracy of this announcement. The Company will continue to focus on the subsequent progress of the key matters and will fulfil its information disclosure obligations if applicable in a timely manner if there are any further progress.

The information for Year 2023 contained in this announcement is only a preliminary assessment by the Board in accordance with International Financial Reporting Standards (“IFRSs”) and with reference to the unaudited consolidated management accounts of the Group for Year 2023 and other information currently available to the Company. Such information has not been audited or reviewed by the auditors or the audit committee of the Company. As the Company is still in the process of finalizing its annual results for Year 2023, the Group’s actual results for Year 2023 may be subject to changes and may differ from the information disclosed in this announcement. The final annual results of the Company for Year 2023 and other operating details of the Group will be disclosed in the annual results announcement of the Company for 2023, which is expected to be released in mid-to-late March 2024.

**Shareholders and potential investors are advised to exercise caution when dealing in the securities of the Company.**

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 January 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.*