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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)

SUPPLEMENTAL ANNOUNCEMENT ON THE ANNUAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2025

Reference is made to the annual report for the year ended 31 December 2025 (the “**2025 Annual Report**”) issued by Red Star Macalline Group Corporation Ltd. (the “**Company**”). Unless the context otherwise requires, capitalised terms used herein shall have the same meanings as those defined in the Annual Report.

In addition to the information disclosed in the 2025 Annual Report, the board (the “**Board**”) of directors (the “**Directors**”) of the Company would like to provide to the shareholders of the Company and the potential investors with the following supplementary information.

The impairment provisions recognised for the year ended 31 December 2025 are analysed below, with each provision presented as a percentage of the Company’s revenue, loss for the year, and total assets as at that date.

	2025 <i>RMB'000</i>	% of Revenue	% of Loss for the year	% of Total assets
Impairment loss on earning right related to land consolidation	1,873,425	28.5%	7.2%	2.1%
Impairment loss on interests in associates	607,340	9.2%	2.3%	0.7%
Impairment losses of goodwill	97,597	1.5%	0.4%	0.1%
Impairment losses under expected credit loss model, net of reversal	1,175,121	17.9%	4.5%	1.3%
Impairment losses of property, plant and equipment	148,013	2.2%	0.6%	0.2%

(1) IMPAIRMENT LOSS ON EARNING RIGHT RELATED TO LAND CONSOLIDATION

Background

In August 2018, the Company acquired a 70% equity interest in Yintai (Yongqing) New City Investment Co., Ltd. (銀泰(永清)新城投資有限公司, “**Yintai Yongqing**”) for a consideration of RMB1.0 billion. Concurrently with this acquisition, the Company obtained a right to proceeds from land consolidation (the “**Earning Right**”).

Yintai Yongqing’s primary business is to provide land development and consolidation services to the Yongqing County government (the “**Project**”). As land expropriation activities progressed, the project incurred various development expenditures, including advances for land compensation, pre-project costs, costs of purchasing land consolidation-linked indicators, and indirect development costs. These expenditures are recognised as prepayments and are subject to impairment testing under IAS 36.

Carrying amounts of the Earning Right and related prepayments

The carrying amounts of the Earning Right and the related prepayments for construction and land consolidation are as follows:

	2025 <i>RMB million</i>	2024 <i>RMB million</i>	2023 <i>RMB million</i>
The Earning Right and prepayments for construction and advance payment related to land consolidation	2,787	2,790	2,788
Less: impairment losses	(2,653)	(780)	(780)
Carrying value	<u>134</u>	<u>2,010</u>	<u>2,008</u>
Fair value	<u>134</u>	<u>2,091</u>	<u>2,008</u>

The Group engaged an independent valuer, Beijing Zhuoxin Dahua Asset Appraisal Co., Ltd. (北京卓信大華資產評估有限公司) (the “**Independent Valuer**”), to assess the fair value of the Earning Right using the income approach. As at 31 December 2024 and 31 December 2023, the Earning Right had fair values of RMB2,091 million and RMB2,008 million, respectively. Accordingly, no additional impairment was required for the year ended 31 December 2024.

As at 31 December 2024, the Project was still considered viable. The location of the Project was then regarded as having reasonable development potential. Management of the Group assessed that the carrying amount of the land consolidation rights and project development costs would be fully recoverable through future land consolidation activities. Therefore no impairment loss was recognised for the year ended 31 December 2024.

During the year ended 31 December 2025, despite the passage of time, the anticipated government planning for the Project's area has not been implemented. Multiple key factors, including land use readjustment schedules, remain unresolved. As a result, the Project has become entirely suspended. The carrying amount of the land consolidation rights and project development costs has remained unchanged from the beginning of the year, with no further development activities undertaken.

In 2025, the Company appointed a new management team and conducted a comprehensive review of its legacy heavy assets, including an assessment of the recoverable amount of the earning rights as well as prepayments for construction and advance payment related to land consolidation. Considering the local government commenced land supply activities in the region, but no successful land transactions have taken place. The Company believes that the location advantage which the Project once enjoyed has gradually disappeared, and local market demand for primary land development has become sluggish with limited growth prospects, the Company's asset revitalisation team thinks the Project no longer offers an economic return justifying continued investment. As a result, there is no longer any economic benefit in continuing to invest in the Project.

Management of the Group therefore decided to cease further investment in the remaining 40 km² of development rights and focus solely on recovering the carrying value from the already developed and levelled 2,360 mu (approximately 157 hectares) of land. A formal decision was made by the Company to discontinue any additional investment in the undeveloped portion beyond the 2,360 mu area. This approach represents the most economically rational course of action under the current circumstances.

Driven by the above external and internal factors, the basis for determining the recoverable amount was revised. The previous method of assessing the entire 40 km² development rights was replaced with an approach that considers only the economic interests in the already-leveled 2,360 mu land.

This change resulted in a decline in the recoverable amount of the Earning Right. Based on the valuation performed by the Independent Valuer, the Group reassessed the recoverable amount of the Earning Right, resulting in an additional impairment of approximately RMB1,873 million during the year ended 31 December 2025.

Fair value measurement – income approach and key assumptions

The valuation was performed using the income approach (discounted cash flow), which is considered the most appropriate because the value of the earning rights, as well as the prepayments for construction and land consolidation, derives primarily from the Group's future contractual right to receive land consolidation service fees from the Yongqing Government.

The income approach reflects the present value of the future stream of net cash flows that the Group is expected to generate from its cooperation agreements with the local government.

The following are the key assumptions:

Assumption	Description
Land transfer fee	The selling price is estimated based on the market approach for 2,360 mu of developed land. Based on the forecasts prepared as at 31 December 2024 and 2025, the expected selling price remains stable.
Retention ratio	The retention ratio is the portion of the land transfer fee retained by the county-level government after deducting mandatory central, provincial and municipal levies. According to the agreement, the retention ratio is 64%.
Payment ratio	Payment ratio is the percentage of the retained amount that the county-level government contractually agrees to pay to the Group. The ratio is 75% for 2026-2031 and 70% for 2032-2036 which is determined in accordance with the agreement with the government.
Discount rate	The discount rate is 15.78%.

(2) IMPAIRMENT LOSS ON INTERESTS IN ASSOCIATES

The Group carried out reviews of the recoverable amount of its investments in associates during the year ended 31 December 2025. For certain equity investment projects, despite winning lawsuits, the defendant had no assets available for enforcement; significant asset confiscations and cash flow deterioration occurred; and multiple new enforcement records were added. These circumstances indicate a marked deterioration in the investee's operating condition, and there is substantial uncertainty as to whether its operations can improve. Based on this, for investment agreements containing a repurchase clause, the Group uses the expected proceeds from exercising the repurchase right as the best estimate of the recoverable amount. For equity investment projects without priority rights arrangements such as a repurchase clause, given the difficulty of disposal and realisation, the resulting inflow of economic benefits approaches zero; therefore, the recoverable amount of such equity investments is zero. The reviews led to the recognition of an impairment loss of RMB607,340 thousand, which has been recognised in profit or loss, as follows:

	Notes	Carrying amount before impairment RMB'000	Recoverable amount RMB'000	Impairment losses RMB'000
Yaxiya New Materials Technology Co., Ltd. (“Yaxiya”) (亞細亞新材料科技股份有限公司)	(a)	229,535	39,500	190,035
Zhejiang Zhongguang Electric Appliances Group Co., Ltd. (“Zhongguang”) (浙江中廣電器集團股份有限公司)	(b)	100,009	19,000	81,009
Weifang Binxing Properties Co., Ltd. (“Weifang”) (濰坊濱星置業有限公司)	(c)	88,168	–	88,168
Shenyudao Cultural Tourism Holding Co., Ltd. (“Shenyudao”) (神玉島文化旅遊控股股份有限公司)	(d)	84,627	–	84,627
Guangdong Sanweijia Information Technology Co., Ltd. (“Sanweijia”) (廣東三維家信息科技有限公司)	(e)	79,969	–	79,969
Others	(f)	118,999	35,467	83,532
		<u>701,307</u>	<u>93,967</u>	<u>607,340</u>

Notes:

(a) Yaxiya

Yaxiya is primarily engaged in the production and sale of ceramic tiles. In February 2019, the Group subscribed for 27.75 million newly issued shares of Yaxiya by way of a capital increase, representing 20% of the Yaxiya's total share capital after the issuance. This was an industrial investment made to strengthen upstream and downstream cooperation within the industry chain. As of 31 December 2025, the Group holds a 20% equity interest in Yaxiya.

In 2023, the Group entered into a repurchase agreement with Yaxiya and its controlling shareholders. Under the agreement, Yaxiya and its controlling shareholders (the “**Repurchase Obligors**”) were required to immediately pay the repurchase consideration of RMB260.6 million, while a related equity transferee was required to pay an equity transfer price of RMB50 million. The Group obtained pledges and mortgages over real estate, trade receivables, and inventories as collateral.

As at 31 December 2024, the Group had received repurchase consideration of RMB39.5 million. Yaxiya was in normal operation, and the Group expected that it could still obtain judgment assets from Yaxiya in the future. In 2025, Yaxiya ceased to perform the repurchase agreement, and the Group has not received any further repurchase consideration.

In addition, in April 2025, the Shanghai No. 1 Intermediate People’s Court issued an enforcement ruling. The ruling confirmed the enforceable amounts, including principal, interest, penalties, and legal fees. The court conducted an exhaustive investigation of the Yaxiya’s (the “**defendants**”) property and ultimately concluded that, after exhausting all property investigation measures, the defendants had no property available for enforcement and that no conditions existed to continue enforcement. The enforcement procedure was therefore terminated.

Based on this court ruling, the recoverable amount of the Company’s equity investment in Yaxiya is determined as the equity transfer price received, which amounts to RMB39.5 million.

(b) Zhongguang

Zhongguang, a smart home solution provider, is an industrial investment made by the Group to strengthen its presence along the upstream and downstream of the industry chain. In July 2018, the Group acquired an 8.14% equity interest in Zhongguang through a combination of share transfer and capital increase. As of 31 December 2025, the Group holds an 8.14% equity interest in Zhongguang.

The Group holds a legally enforceable repurchase agreement in respect of its investment in Zhongguang, which includes a notarised document evidencing the creditor’s rights and a mortgage over land and buildings. However, the repurchase obligors (the “**Obligors**”), namely the founding shareholders and the parent company of Zhongguang, have failed to meet their payment obligations.

On 15 December 2025, the People’s Court of Lishui City, Zhejiang Province, issued an enforcement ruling confirming that the Obligors are subject to compulsory execution for an amount of RMB112.6 million, plus interest. Public records further reveal that Zhongguang’s parent company has become a judgment debtor, with total enforceable claims against it amounting to RMB332.55 million. Within this amount, the Group’s claim ranks behind other claims totalling RMB221.06 million. The Group expects that the relevant repurchase consideration will not be recovered, and therefore has taken the already received RMB19 million consideration as the recoverable amount, and accordingly recognised an impairment loss of RMB81,009 thousand for the year ended 31 December 2025.

(c) Weifang

Weifang, a project company established in February 2018 by the Group together with its partners to operate a home furnishing mall, is an industrial investment along the upstream and downstream of the industry chain. The Group holds a 30% equity interest in the project company. As of 31 December 2025, the Group holds a 30% equity interest in Weifang.

In 2024, the project had been stagnant for a long period, and the local project returns were low. The original shareholder of Weifang, being state-owned enterprise, possessed the relevant development capabilities; as such, no impairment was recognised. In 2025, the state-owned shareholder transferred its equity, indicating a low interest in further development.

During 2025, Weifang changed its shareholder to Weifang Energy Group, and the new shareholder expressed no intention to make additional investment. As such, the Group determined that the expected recoverable amount of the investment in Weifang is nil and a full impairment provision of RMB88,168 thousand was recognised for the year ended 31 December 2025.

(d) Shenyudao

Shenyudao is primarily engaged in cultural tourism and resort development. Anticipating strong business growth and appreciation potential, the Group subscribed for 105 million newly issued shares of Shenyudao in June 2018 by way of a capital increase, representing 35% of its total share capital after the issuance. As of 31 December 2025, the Group holds a 35% equity interest in Shenyu Island.

Shenyudao holds a tourist resort project located in inland Hainan. However, in 2025, the project failed to obtain the required registration because contained unauthorized structures. As a result, the local government demolished those buildings, leading to substantial losses for Shenyudao.

In 2025, Shenyudao incurred sustained losses and a material cash flow deficit creating a material uncertainty about the Shenyudao's ability on going concern. The Group's investment in Shenyudao does not include a repurchase clause, and given its current operating situation, no dividends are expected to be received by the Group.

Consequently, the Group's management performed an impairment assessment as at 31 December 2025 using fair value less costs of disposal, and concluded that the recoverable amount of Shenyudao was nil. An impairment loss of RMB84,627 thousand was recognised for the year ended 31 December 2025.

(e) Sanweijia

Sanweijia is primarily engaged in the development of custom whole-home design software. This investment represents an industrial investment made by the Group to expand its presence along the interior decoration and finishing industry chain.

The Group holds Series B preference shares in Sanweijia representing a 10.5299% interest, which arose from a restructuring in 2022 and subsequent dilution from Series D and D1 financing rounds in 2023.

In 2024, Sanweijia's process of going public in the United States was progressing steadily, with a high likelihood of listing. Therefore, no impairment provision was made for investments in Sanweijia. During 2025, Sanweijia's planned US initial public offering has been seriously delayed due to geopolitical tensions between China and the United States. Its operating cash flow for 2025 was negative RMB4.9 million, and Sanweijia's ability to continue as a going concern is in doubt without further funding. The Group therefore expects that an initial public offering of Sanweijia will not occur in the foreseeable future.

Because there is no active market for these shares, the recoverable amount is determined based on fair value less costs of disposal and the contractual repurchase clause in the investment agreement. Under that clause, the Group can demand that the founding shareholders buy back the shares at a price calculated as the original investment amount plus a 10% annual return rate, plus cumulative profits less dividends received.

However, Sanweijia's financial position shows that its operating receivables are far lower than its operating payables, and its cash and short-term investments are insufficient to pay even the Series A preference shares after settling short-term borrowings. The Group's Series B preference shares have repayment rights that are subordinated to those of the Series A shares. As a result, no assets or funds are expected to remain to pay any amount to Series B holders.

Consequently, the recoverable amount of the Group's investment in Sanweijia is nil. A full impairment loss of RMB79,969 thousand has been recognised in profit or loss for the year ended 31 December 2025, reducing the carrying amount of the investment to nil.

(f) Other mainly comprises four associates. In assessing their recoverable amounts, the Group considered a combination of persistent operating losses, financing constraints, and, in certain cases, the exercise of repurchase rights by shareholders. Based on the assessments performed by the Group, an aggregate impairment provision of RMB83,532,000 was recognized.

(3) IMPAIRMENT LOSSES OF GOODWILL

Impairment losses of goodwill are recognised for the year ended 31 December 2025 as follows:

	Carrying value of goodwill RMB'000	Recoverable amount of the CGU RMB'000	Impairment losses RMB'000
Suzhou Industrial Park Red Star Macalline Home Co., Ltd (“ Suzhou Red Star ”) (蘇州工業園區紅星美凱龍家居 有限公司)	16,592	–	16,592
Xinsheng Property Management (Shanghai) Co., Ltd. (“ Shanghai Xinsheng ”) (鑫笙物業管理(上海)有限公司)	81,005	–	81,005
	<u>97,597</u>	<u>–</u>	<u>97,597</u>

(a) Suzhou Red Star

Suzhou Red Star, acquired by the Group on 25 July 2015, is identified as a cash-generating unit. As at 31 December 2025, the Group recognised a full impairment of goodwill of RMB16,592 thousand arising from the acquisition of Suzhou Red Star.

Throughout 2024, frequent changes in internal and external conditions, together with continued uncertainty over the real estate market and future demand, led the Company to assess the near-term decline in rental prices as temporary and phase-specific. The 2024 growth rate projections were originally based on the assumption that the base-period average rent could be restored to historical normal levels, after which growth would gradually slow to a stable phase.

Due to the downturn in the industry and market environment, the Group's home furnishing mall rents and occupancy rates had also been significantly affected. Taking into account multiple factors, including the national real estate development growth rate and second-hand housing transaction volumes, the Group's expectations for rental price recovery have weakened, resulting in a significant adjustment to the fair value of the Group's investment properties as at 31 December 2025. Correspondingly, the Group's re-estimated growth rates will also impact the fair value measurement of goodwill. Specifically, the Company has since re-estimated the growth rates by taking into account a combination of factors, including the economic development of the cities where the malls are located and the operating performance of the individual malls. Accordingly, the previous assumption of a gradual recovery in rental levels has been revised to reflect a period of fluctuation and consolidation. The rental income dropped 19.33% from RMB100.79 million in 2024 to RMB81.31 million in 2025. Accordingly, the 2025 forecast lowers the annualized growth rate by 4.9 percentage points. These changes in key valuation inputs, in particular the downward revision of rental growth expectations which have led to a lower value in use for the CGU.

The recoverable amount of the CGU is determined based on the value in use. These cash flows are derived from the financial budget for the five-year forecast period approved by management. The pre-tax discount rate applied to forecast the CGU's cash flows during the forecast period is 5.0% (2024: 5.5%). The long-term growth rate is 2% which does not exceed the average long-term growth rate for the industry.

Other key assumptions for the value in use calculations relate to the estimation of cash inflows/outflows which include budgeted sales and costs, such estimation is based on management's expectations for the market development.

Based on the impairment assessment, the value in use of Suzhou Red Star was lower than its carrying amount. Consequently, the Group concluded that a full impairment of the goodwill of RMB16,592 thousand attributable to Suzhou Red Star should be recognised as at 31 December 2025.

(b) Shanghai Xinsheng

Shanghai Xinsheng, acquired by the Group on 26 September 2019, is identified as a CGU. As at 31 December 2025 and 31 December 2024, the recoverable amount of the CGU is determine based on fair value less costs of disposal ("FVLCD") as FVLCD of the CGU is higher than that of its value in use.

Shanghai Xinsheng primarily holds a property that was originally intended to be an operating home furnishing shopping mall. As at 31 December 2024, the Group did not intend to sell the property and the FVLCD was determined based on the sale of the CGU as a whole rather than on the separate disposal of the underlying property.

To revitalise the property, in 2025, the Group has contacted with the local government and presented a proposal under which the property would be acquired by the government through its land reserve system, followed by commercial and residential development by real estate enterprises. In light of this change in the expected disposal method, the Group has adjusted its tax calculations accordingly: assuming the asset is disposed of via the government land reserve model, the resulting taxes include value-added tax, land appreciation tax, as well as related urban maintenance and construction tax and education surcharges applicable to the disposed property. Key parameter are as follows:

As at 31 December 2025

Key Parameter	Input	Basis for Determining the Key Parameter
Property unit area price	RMB13,264/m ²	Determined based on the Group's recorded land costs, development costs, and expenses, adjusted by reference to qualified market land transaction prices and a reasonable developer market profit margin.
Disposal related taxes and fees	31%	Calculated with reference to tax laws and regulations, assuming the disposal of the property at fair value, including land appreciation tax, value-added tax (VAT), and associated surcharges.

As at 31 December 2024

Key Parameter	Input	Basis for Determining the Key Parameter
Property unit area price	RMB16,451/m ²	Determined based on the Group's recorded land costs, development costs, and expenses, adjusted by reference to qualified market land transaction prices and a reasonable developer market profit margin.
Disposal related taxes and fees	0	Assuming the disposal of the CGU as a whole, the costs of disposal, comprising legal fees and transaction-related taxes, are immaterial and accordingly not considered.

Since the Group plans to revitalize the relevant asset portfolio through asset disposal, management's holding intentions and operating strategies for it underwent a fundamental change in 2025. The impact of this change was taken into account when measuring the recoverable amount of the asset group. Based on the impairment assessment, the FVLCD of Shanghai Xinsheng was lower than its carrying amount. Accordingly, the goodwill of RMB81,005 thousand attributable to Shanghai Xinsheng was fully impaired for the year ended 31 December 2025.

(4) IMPAIRMENT LOSSES UNDER EXPECTED CREDIT LOSS MODEL ("ECL"), NET OF REVERSAL

The Group recognised impairment losses under the ECL model for the years ended 31 December 2025 and 31 December 2024 as follows:

	Notes	2025 RMB'000	2024 RMB'000
Accounts receivable	(a)	119,793	367,701
Contract assets	(a)	266,308	174,696
Loan receivables	(b)	630,955	471,356
Deposit and other receivables	(c)	158,065	91,105
		<u>1,175,121</u>	<u>1,104,858</u>

(a) **Accounts receivable and contract assets**

Accounts receivable

Accounts receivable as at 31 December 2025 and 31 December 2024 are assessed as follows:

	2025			2024		
	Gross amount <i>RMB'000</i>	ECL <i>RMB'000</i>	Carrying value <i>RMB'000</i>	Gross amount <i>RMB'000</i>	ECL <i>RMB'000</i>	Carrying value <i>RMB'000</i>
Assessed individually	1,237,075	1,171,823	65,252	803,128	802,662	466
Assessed by portfolio of credit risk characteristics	<u>743,118</u>	<u>359,022</u>	<u>384,096</u>	<u>1,347,339</u>	<u>762,601</u>	<u>584,738</u>
	<u>1,980,193</u>	<u>1,530,845</u>	<u>449,348</u>	<u>2,150,467</u>	<u>1,565,263</u>	<u>585,204</u>

Impairment losses under ECL model for accounts receivable recognised for the year ended 31 December 2025 and 31 December 2024 are analysed as follows:

	2025 <i>RMB'000</i>	2024 <i>RMB'000</i>
Accounts receivable for which the provision for ECL is assessed individually	488,430	404,540
Accounts receivable for which the provision for ECL is assessed by portfolio of credit risk characteristics	<u>(368,637)</u>	<u>(36,839)</u>
	<u>119,793</u>	<u>367,701</u>

Contract assets

Contract assets as at 31 December 2025 and 31 December 2024 are assessed as follows:

	2025			2024		
	Gross amount <i>RMB'000</i>	ECL <i>RMB'000</i>	Carrying value <i>RMB'000</i>	Gross amount <i>RMB'000</i>	ECL <i>RMB'000</i>	Carrying value <i>RMB'000</i>
Assessed individually	1,036,860	946,885	89,975	743,568	719,458	24,110
Assessed by portfolio of credit risk characteristics	<u>371,284</u>	<u>50,052</u>	<u>321,232</u>	<u>1,186,353</u>	<u>201,829</u>	<u>984,524</u>
	<u>1,408,144</u>	<u>996,937</u>	<u>411,207</u>	<u>1,929,921</u>	<u>921,287</u>	<u>1,008,634</u>

Impairment losses under ECL model for contract assets recognised for the year ended 31 December 2025 and 31 December 2024 are analysed as follows:

	2025 RMB'000	2024 <i>RMB'000</i>
Contract assets for which the provision for ECL is assessed individually	418,085	143,489
Contract assets for which the provision for ECL is assessed by portfolio of credit risk characteristics	<u>(151,777)</u>	<u>31,207</u>
	<u>266,308</u>	<u>174,696</u>

The Group's accounts receivable and contract assets primarily arise from project-based brand consulting and construction services. In light of changes in the external macroeconomic environment and customers' operating and financial conditions, the Group performs individual impairment testing and recognises specific provisions for debtors with objective evidence of impairment. Such evidence includes circumstances where the counterparty has already gone bankrupt or been deregistered, where disputes or litigation/arbitration exist between the parties, or where other indications suggest the debtor is unlikely to meet its repayment.

In 2023, according to statistics from the National Bureau of Statistics on the national real estate market, national real estate development investment reached RMB11,091.3 billion, a decrease of 9.6% compared with the previous year. In 2024, national real estate development investment reached RMB10,028 billion, a decrease of 10.6% year on year. In 2025, national real estate development investment reached RMB8,278.8 billion, a decrease of 17.2% year on year. This represents a significant decline in national real estate investment for three consecutive years. The increase in impairment losses during 2025 was mainly attributable to macroeconomic volatility, a slower-than-expected economic recovery, and the deteriorating performance of certain debtors. Due to the ongoing downturn in the real estate industry and the sustained decline in demand for home furnishing and building materials, market demand in the home furnishing retail sector has weakened. The operations of debtors in the Group's upstream and downstream industries have also been affected, leading to significant adverse impacts on their operations and credit standing, as well as a substantial reduction in their solvency. Consequently, the impairment risk of the Group's related assets has increased significantly. Based on the latest available year-end information on the relevant debtors, the Group recognised impairment losses under the ECL model for individually assessed accounts receivable and contract assets amounting to RMB488,430 thousand (2024: RMB404,540 thousand) and RMB418,085 thousand (2024: RMB143,489 thousand) respectively for the year ended 31 December 2025.

(b) Loan receivables

The Group's provision of financial assistance is primarily used to support the construction of its self-owned projects, to provide working capital support to associates and joint venture malls, or to advance amounts to partners of entrusted management mall projects based on their funding needs, taking into account the cooperative relationship with such partners when agreeing to provide the relevant funds. In accordance with the policy of the Group, the Group and its subsidiaries may provide such financial assistance within the limit approved by the shareholders' meeting, provided that the Group's normal production and operations are not affected. During the year ended 31 December 2025, the Group had no new financial assistance arrangements; outstanding loans receivable mainly arose from amounts provided in prior years that have not yet been recovered.

Loan receivables with material ECL provisions as at 31 December 2025 and 31 December 2024 are as follows:

	2025			2024		
	Gross amount RMB'000	ECL RMB'000	Carrying value RMB'000	Gross amount RMB'000	ECL RMB'000	Carrying value RMB'000
Xian Jiahexing Home Furnishing Co., Ltd. ("Jiahexing") (西安佳和 興家居有限責任公司)	573,084	(272,636)	300,448	600,084	(6,001)	594,083
Ningbo Kai Chuang Real Estate Company Limited ("Kai Chuang") (寧波 凱創置業有限公司)	338,157	(39,890)	298,267	338,157	(3,382)	334,775
Shanxi Chongkang Real Estate Development Co., Ltd. ("Chongkang") (山西崇康房地產開發 有限公司)	623,488	(445,488)	178,000	623,488	(264,405)	359,083
Dezhou Dexin Tangong Real Estate Co., Ltd. ("Dexin") (德州德鑫檀 宮置業有限公司)	403,664	(249,306)	154,358	403,664	(145,924)	257,740
Anhui Tianhui Real Estate Co., Ltd. ("Tianhui") (安徽天徽置業有限 公司)	23,100	(23,100)	–	24,600	(246)	24,354
	<u>1,961,493</u>	<u>(1,030,420)</u>	<u>931,073</u>	<u>1,989,993</u>	<u>(419,958)</u>	<u>1,570,035</u>

Impairment losses under the ECL model for material loan receivables recognised for the year ended 31 December 2025 and 31 December 2024 are as follows:

	2025 RMB'000	2024 RMB'000
Jiahexing (<i>note i</i>)	266,635	475
Kai Chuang (<i>note ii</i>)	36,508	1,070
Chongkang (<i>note iii</i>)	181,083	258,280
Dexin (<i>note iv</i>)	103,382	—
Tianhui (<i>note v</i>)	22,854	—
	<u>610,462</u>	<u>259,825</u>

Notes:

- (i) In April 2017, the Group and Jiahexing signed a joint venture contract. According to the joint venture contract, the Group provided mall construction funds to the Jiahexing in the form of loans, with repayment to be made through the Group's acquisition of equity interests in Jiahexing. During the project construction period (2017–2023), the Group provided loans to Jiahexing in installments to support its self-operated project construction. The loan term commences from the actual drawdown date of each individual loan. Most of the loans matured in March 2024, with the remaining loans matured in October 2024 and December 2025, respectively, at an annual interest rate of 11%. As of 31 December 2025, the total balance of principal and interest of the loans receivable from Jiahexing amounted to RMB573,084 thousand. The collateral asset for the loan receivable from Jiahexing is the Xi'an Xifeng Mall (the "Mall"). As the Xi'an Xifeng Mall is an operating mall, its fair value is determined using the income approach. As Jiahexing has continued to incur losses, the Group assesses the recoverability of the loan receivable from Jiahexing based on its interest of the Mall.

The Group provided the loans to fund the construction of the mall project, with the intention of recovering the amounts through obtaining equity interests in Jiahexing. Pursuant to the joint venture contract, the prerequisites for the Group's acquisition of the equity interests of Jiahexing are the completion of sales of all non-home-furnishing-mall properties (i.e., the SOHO apartments), and the cancellation of Jiahexing's real estate development qualification together with the completion of all necessary industrial and commercial registration change formalities, including the company name change. However, because Jiahexing has yet to satisfy the prerequisites for the equity transfer, specifically, the divestiture of its non-home-furnishing-mall assets, the principal and accrued interest remain unrecovered.

As at 31 December 2025, the Mall's fair value had declined due to adverse macroeconomic conditions and subdued industry sentiment, both rental rates and occupancy rates of the Mall have declined compared to the beginning of the year. Based on a comprehensive assessment of its actual operating performance and the external environment, management's expectations for a recovery in rental prices have weakened. Consequently, the projected growth in future rental income has been revised downward, resulting in a considerable decline in the valuation of the Mall. The average projected annual growth rate of rental income, as forecasted at the end of 2025, decreased by 2.31 percentage points compared to the forecast made at the end of 2024. Consequently, the value of the collateral securing the loan receivable from Jiahexing decreased correspondingly, resulting in an impairment loss of RMB266,635 thousand (2024: 475 thousand) on the loan receivables from Jiahexing.

- (ii) In April 2020, the Group and Kai Chuang signed a project cooperation agreement. According to the project cooperation agreement, the Group provided mall construction funds to the project company Kai Chuang in the form of loans, with repayment to be made through the Group's acquisition of equity interests in Kai Chuang. During the project construction period (2020–2023), the Group provided loans to Kai Chuang in installments to support its self-operated project construction. The loan term commences from the actual drawdown date of each individual loan. Most of the loans matured in May 2024, with the remaining loans matured in November 2025 and December 2025, respectively, at an annual interest rate of 12%. As of 31 December 2025, the total balance of principal and interest of the loans receivable from Kai Chuang amounted to RMB338,157 thousand. The main assets of Kai Chuang is Ningbo Yaojiang Shopping Mall (the “**Ningbo Mall**”). As Ningbo Mall is substantially completed and its leasing-related preparations are in progress, the fair value of the Ningbo Mall is measured using the hypothetical development method as at 31 December 2025. The Group assesses the recoverability of the loan receivable from Kai Chuang by reference to its interest of the Ningbo Mall.

The Group provided the loans to fund the construction of the mall project, with the intention of recovering the amounts through obtaining equity interests in Kai Chuang. Pursuant to the project cooperation agreement, the prerequisites for the Group's acquisition of the equity interests of Kai Chuang are the completion of sales of all saleable non-home-furnishing-mall properties (such as commercial residential properties, etc.) together with the tax clearance, and the cancellation of Kai Chuang's real estate development qualification as well as the completion of all necessary industrial and commercial registration change formalities, including the company name change. However, because Kai Chuang has yet to satisfy the prerequisites for the equity transfer, specifically, the divestiture of its non-home-furnishing-mall assets, the principal and accrued interest remain unrecovered.

As at 31 December 2025, based on the valuation of the Ningbo Mall, the Ningbo Mall's fair value had declined due to adverse macroeconomic conditions and subdued industry sentiment, both rental rates and occupancy rates of the Ningbo Mall have declined compared to the beginning of the year. Based on a comprehensive assessment of its actual operating performance and the external environment, management's expectations for a recovery in rental prices have weakened. As rental rates for comparable shopping malls dropped 17.89% in 2025 relative to 2024, the projected future rental income has correspondingly been revised downward, resulting in a considerable decline in the valuation of the Ningbo Mall. Consequently, the recoverable amount of the loan receivable from Kai Chuang decreased correspondingly, resulting in an impairment loss of RMB36,508 thousand (2024: RMB1,070 thousand) on the loan receivable from Kai Chuang.

- (iii) In October 2016, the Group and Chongkang signed a project cooperation agreement. According to the project cooperation agreement, the Group provided funds related to project construction to the project company Chongkang in the form of loans, with repayment to be made through the Group's acquisition of equity interests in Chongkang. During the project construction period (2020–2022), the Group provided loans to Chongkang in installments to support its self-operated project construction. The loan term commences from the actual drawdown date of each individual loan. The loan matured in March 2022, with an annual interest rate of 9%. As of 31 December 2025, the total balance of principal and interest of the loans receivable from Chongkang amounted to RMB623,488 thousand. The collateral asset for the loan receivable from Chongkang is the Taiyuan Longcheng Street Shopping Mall (the “**Taiyuan Mall**”). The fair value of the Taiyuan Mall is measured using the market approach as at 31 December 2025. The Group assesses the recoverability of the loan receivable from Chongkang by reference to its interest of the Taiyuan Mall.

The Group provided the loans to fund the construction of the mall project, with the intention of recovering the amounts through obtaining equity interests in Chongkang. As a credit enhancement measure for the provision of the relevant loans, Chongkang has mortgaged the relevant properties (the 2nd, 4th, 5th, and 6th floors of the home furnishing mall) to the Group, and its shareholders, beneficial owners, supervisor, and the principal person in charge of this self-operated mall project who is employed by Chongkang have entered into guarantee contracts with joint and several liability for the relevant loans. Meanwhile, based on the defaults committed by the cooperative party during the cooperation process, the Group filed arbitration applications with the China International Economic and Trade Arbitration Commission in June 2024 and July 2025, respectively, and has been continuously pursuing the recovery of the relevant amounts through judicial remedies. Since disagreements arose between the Group and Chongkang during the final stage of cooperation and the matter is currently under litigation proceedings, the principal and interest of the loans have not yet been recovered.

As at 31 December 2025, based on the valuation of the Taiyuan Mall, the Taiyuan Mall's fair value had declined due to the average transaction prices of comparable properties in the surrounding area have dropped substantially from their levels at the beginning of the year by 30.55%, the valuation of the Taiyuan Mall has been further revised downward. Consequently, the value of the collateral securing the loan receivable from Chongkang decreased correspondingly, resulting in an impairment loss of RMB181,083 thousand (2024: RMB258,280 thousand) on the loan receivables from Chongkang.

- (iv) Dexin is a project company of an entrusted-managed mall that has not yet opened. The Group provided financial support to Dexin in November and December 2021 in accordance with the loan agreement to meet the funding needs for preliminary project preparation and construction. The loan term is 12 months. The relevant loans matured in December 2022 and carry an annual interest rate of 12%. As credit enhancement measures for the provision of the relevant loans, the project partner, Shandong Dexin Real Estate Development Co., Ltd. (hereinafter referred to as “**Shandong Dexin**”), provided a pledge over its 19% equity interest in Dexin as security for the relevant loans. Shandong Dexin, its major shareholder Liu Wanlei and his relative Yan Shuting, as well as Jinan Dexin Tangu Real Estate Co., Ltd., also provided joint and several unlimited guarantees for the relevant loans. Meanwhile, based on its ongoing assessment of Dexin's solvency, the Group obtained additional security over the land parcels held by Dexin in February 2024. Furthermore, in view of the defaults committed by Dexin during the course of cooperation, the Group filed an arbitration application with the Shanghai International Economic and Trade Arbitration Commission (SHIAC) in September 2024, and continues to pursue the recovery of the relevant funds through judicial remedies. As of 31 December 2025, the total balance of principal and interest of the loans receivable from Dexin amounted to RMB403,664 thousand. The collateral asset for the loan receivable from Dexin is properties held by Dexin (the “**Dexin Properties**”). The fair value of the Dexin Properties is measured using the market approach as at 31 December 2025. The Group assesses the recoverability of the loan receivable from Dexin by reference to its interest of the Dexin Properties.

As at 31 December 2025, based on the valuation of Dexin Properties, Dexin Properties' fair value had declined because its appraised value, as adjusted based on the transaction prices of comparable surrounding land parcels transferred, had decreased by 26.33%. Consequently, the value of the collateral securing the loan receivable from Dexin decreased correspondingly, resulting in an impairment loss of RMB103,382 thousand on the loan receivables from Dexin.

- (v) Tianhui is the partner of an already-opened entrusted-managed mall. For the purpose of covering the interior renovation costs, pre-opening expenses, construction project payments, outstanding payments for machinery and equipment, and outstanding construction payments for the home furnishing mall, the Group provided financial support to Tianhui in January 2019 and entered into a loan agreement. The loan term is from January 2019 to April 2019, with an annual interest rate of 15%. As of 31 December 2025, the total balance of loans receivable from Tianhui amounted to RMB23,100 thousand. Tianhui is involved in litigation involving significant amounts, was listed as a judgment defaulter as of the end of 2024, and faces new litigation cases in 2025 that also involve significant amounts. Management considers recovery of the loan receivables from Tianhui is unlikely and has therefore fully recognized an impairment loss of RMB22,854 thousand for the year ended 31 December 2025.

(c) Deposit and other receivables

Impairment losses under ECL model for other receivable recognised for the year ended 31 December 2025 and 31 December 2024 are analysed as follows:

	2025 RMB'000	2024 RMB'000
Impairment losses recognised in respect of other receivables in stage 1	(3,637)	3,427
Impairment losses recognised in respect of other receivables in stage 3	161,702	87,678
	<u>158,065</u>	<u>91,105</u>

Impairment losses recognised in respect of other receivables in stage 3 is mainly related to project guarantees and advances to projects. For the year ended 31 December, 2025, the impairment losses recognized on other receivables in stage 3 amounted to RMB161,702 thousand (2024: RMB87,678 thousand), primarily due to several project companies being involved in lawsuits or enforcement actions, some projects was suspended, or the collateral having become worthless.

Other receivables in stage 3 with material ECL provisions as at 31 December 2025 and 31 December 2024 are as follows:

	2025			2024		
	Gross amount RMB'000	ECL RMB'000	Carrying value RMB'000	Gross amount RMB'000	ECL RMB'000	Carrying value RMB'000
Fujian Shengshi Federal Real Estate Development Co., Ltd. (“ Shengshi ”) 福建盛世聯邦置業發展 有限公司	32,760	(32,760)	–	32,760	(33)	32,727
Doria Holdings Ltd. (“ Doria ”)	38,339	(38,339)	–	39,209	(392)	38,817
Huaihua Xingqi Real Estate Development and Construction Co., Ltd. (“ Xingqi ”) 懷化星旗房 地產開發建設有限公司	31,230	(25,294)	5,936	37,077	(371)	36,706
Others (<i>note i</i>)	264,472	(145,481)	118,991	353,200	(292,324)	60,876
	<u>366,801</u>	<u>(241,874)</u>	<u>124,927</u>	<u>462,246</u>	<u>(293,120)</u>	<u>169,126</u>

Note:

- (i) These other receivables primarily consist of payments made in accordance with the payment terms of equity transfer agreements and property purchase contracts for acquiring an equity interest in a company (the “**Target Company**”) which held the underlying properties. As at 31 December 2025, the acquisition of the equity interest in the Target Company has not yet been completed because the relevant contractual conditions remain unsatisfied. Based on the expectation that these contracts will be performed, the Group conducted impairment assessment on the underlying assets and has provided for impairment. The Group intends to recover these other receivables by taking possession of a 25% equity interest in the Target Company, and such acquisition was completed in March 2026.

Impairment losses under the ECL model for material other receivables in stage 3 recognised for the year ended 31 December 2025 and 31 December 2024 are as follows:

	2025 <i>RMB’000</i>	2024 <i>RMB’000</i>
Shengshi (<i>note i</i>)	32,727	–
Doria (<i>note ii</i>)	37,947	6
Xingqi (<i>note iii</i>)	24,923	–
Others	66,105	87,672
	<u>161,702</u>	<u>87,678</u>

Notes:

- (i) The Group paid security deposit to Shengshi for a mall project in prior years. The mall project is located in the commercial section of the Contemporary Wanguo City development, at the southeast corner of the intersection of Quan’an North Road and Fengchi Road in Jinjiang City. This site enjoys exceptional location advantages and is highly aligned with the Group’s site selection criteria. This amount represents a performance deposit for the Group’s future leasing of home furnishing mall properties from the counterparty for business operations. Shengshi is a defendant in multiple lawsuits and has been designated as a judgment debtor. Moreover, Shengshi has refused to comply with the relevant court judgment, and its legal representative information has been removed from the commercial registry. Accordingly, the Group has fully recognized an impairment provision of RMB32,727 thousand on this receivable for the year ended 31 December 2025.
- (ii) The Group made advances to Doria in prior years for to subscribe for shares in Sunsea Parking Holdings Limited which is a Chinese parking asset service and operation management company. Its business covers areas such as parking lot planning and design, parking lot operation management, and parking lot investment and construction. These advances were secured by a company that became insolvent in 2025 due to redemption demands by senior investors in January 2026. Under the shareholders’ agreement, senior external investors rank ahead of Doria in any liquidation or redemption distribution. After satisfying those senior claims, no residual assets remain for Doria. Therefore, the Group has fully recognized an impairment provision on these receivables for the year ended 31 December 2025.

- (iii) The Group made advances to Xingqi in prior years for the purpose of a mall project, which were secured by a property. The mall project is located on the state transferred commercial and residential land parcel on the northwest side of the intersection of Hexi Avenue and Wuyang Avenue in Huaihua City, Hunan Province. The site enjoys prominent locational advantages and offers high project implementation value. The Group intended to provide services including consulting, entrusted operation and management, and construction for a home furnishing mall to Xingqi. The relevant loans are to be used for construction payments and working capital requirements of the entrusted management malls. Xingqi faced multiple new enforcement cases in 2025 and is no longer solvent. Based on the secured property, the estimated recoverable amount is RMB5,936 thousand, resulting in an impairment loss of RMB24,923 thousand recognised for the year ended 31 December 2025.

(5) IMPAIRMENT LOSSES OF PROPERTY, PLANT AND EQUIPMENT

The Group's property, plant and equipment mainly consist of office-use buildings, all of which were in normal use during the year ended 31 December 2024. These assets were in good physical condition, operated at expected efficiency levels, and had not been idle or out of service due to damage or prolonged non-use. The Group reported a net loss of RMB3,728 million for the year ended 31 December 2024; however, before fair value changes in investment properties, finance costs, and income tax, the Group generated a profit of RMB1,090 million. Accordingly, there was no indication of impairment with respect to the Group's corporate-level assets as at 31 December 2024.

The Group plans to revitalize this properties and has commissioned a real estate agent to list it online in order to find potential buyers. As a result, the Group carried out a review of the recoverable amount of its land and buildings in 2025. The review led to the recognition of an impairment loss of RMB148,013 thousand (2024: nil) that has been recognised in profit or loss. The recoverable amount of the relevant assets of RMB200,516 thousand (RMB348,528 thousand before impairment) has been determined on the basis of fair value less costs of disposal using a market comparable approach (level 3 fair value measurements). Fair value was determined by reference to market transaction prices of similar assets, the condition of the assets and their expected realisability. Costs of disposal include value added tax, transaction taxes and other expenses that would be actually incurred in a disposal transaction. Key assumptions used include market transaction prices of similar assets, which are determined based on publicly available market transaction prices of comparable assets and market price movement indices.

The following table gives information about how the fair value of the properties of RMB200,516 thousand are determined (in particular, the valuation techniques and inputs used).

Valuation technique	Significant unobservable inputs	Range	Effect on fair value for changes to key inputs
Market comparison approach – office	Unit area price of properties (per square meter)	RMB36,000	Increase
	Premium/(Discount) percentage	-4%-11%	
	Unit area price of car park (per unit)	RMB250,000	Increase

The information contained in this supplemental announcement does not affect other information contained in the 2025 Annual Report and save as disclosed above, all other information in the 2025 Annual Report remains unchanged.

The Board has reviewed and considered the basis of the impairment assessments for the five items. In doing so, the Board has examined the specific valuation methodologies, key contractual terms, external evidence, and market benchmarks adopted for each category. The Board is satisfied that the assumptions and inputs used in each case are fair and reasonable. The specific bases for each assessment are set out below:

(1) Earning Right related to Land Consolidation

The Board reviewed the Independent Valuer's income approach, confirming that key inputs (retention/payment ratios) are contractually fixed, land transfer prices reference market evidence for the developed 2,360 mu, and the discount rate reflects project risks. The assessment incorporates the prolonged suspension and the Group's cessation of further investment. The Board therefore considers the impairment loss and the recoverable amount of earning right related to land consolidation are reasonable.

(2) Interests in Associates

The Board examined objective evidence such as court judgments, financial positions, and repurchase arrangements. As these are supported by external evidence, the Board therefore considers the impairment loss on interests in associates are reasonable.

(3) Goodwill

The Board reviewed the value-in-use and fair value less costs of disposal models, with cash flows based on approved budgets and market conditions, and discount/growth rates referencing market benchmarks. The Board therefore considers the impairment loss on goodwill is reasonable.

(4) Expected Credit Losses

The Board assessed the IFRS 9 evaluation of counterparty credit risks (financials, legal status, collateral). Individually assessed receivables considered specific factors such as bankruptcy and litigation, while secured loans referenced independent property valuations. The Board therefore considers the expected credit losses are reasonable.

(5) Property, Plant and Equipment

The Board reviewed the market comparison approach for fair value less costs of disposal, which references observable comparable transactions, price trends, and location/condition adjustments, with disposal costs based on applicable taxes and transaction fees. The Board therefore considers the impairment on property, plant and equipment are reasonable.

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

Shanghai, the PRC, 24 September 2026

As at the date of this announcement, the executive Directors of the Company are LI Yupeng, SHI Yaofeng and YANG Yingwu; the non-executive Directors are YE Yanliu, ZOU Shaorong, CHE Jianxing and XU Guofeng; the independent non-executive Directors are XUE Wei, HUANG Jianzhong, CHEN Shanang, WONG Chi Wai and CAI Qinghui; and the employee Director is ZHENG Jianjie.