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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)**

### **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**”) and the accounting policies implemented by the Company, the Group makes corresponding provision for impairment for financial assets measured at amortized cost, investments in debt instruments measured at fair value through other comprehensive income, and contract assets on the basis of expected credit losses. For current assets and non-current assets such as fixed assets, intangible assets, inventories and long-term equity investments, the Group determines whether there is any indication that the assets may be impaired at the balance sheet date. For non-current assets for which there is an indication of impairment and goodwill arising from business combination, the Company performs an impairment test at the balance sheet date to estimate the recoverable amount of the assets.

From January to September 2024, the Group made provision for impairment of various assets of RMB764,439,263.36, and reversed and wrote off provision for impairment of various assets of RMB797,016,045.15, of which provision for impairment of various assets of RMB4,614,295.23 was reversed and provision for impairment of various assets of RMB792,401,749.92 was written off. As the change in impairment provision items, the Group's total profit in the consolidated statement for January to September 2024 was reduced by RMB759,824,968.13. Details are set out below:

Unit: RMB

Items	Amount of provision made during the period	Amount of provision reversed during the period	Amount of provision written-off during the period
Provision for impairment of accounts receivable	238,598,317.12	2,314,295.23	628,434,474.23
Provision for impairment of other receivables	-484,128.54*	-	17,382,840.69
Provision for impairment of long-term receivables	221,113.28	-	-
Provision for impairment of contract assets	25,072,209.79	800,000.00	100,724,187.38
Provision for impairment of other current assets	259,640,391.83	1,500,000.00	642,056.20
Provision for impairment of non-current assets due within one year	102,715,831.58	-	6,000,000.00
Provision for impairment of other non-current assets	66,818,761.25	-	4,599,951.68
Provision for impairment of inventories	71,856,767.05	-	34,618,239.74
<b>Total</b>	<u>764,439,263.36</u>	<u>4,614,295.23</u>	<u>792,401,749.92</u>

## II. REASONS FOR PROVISION FOR IMPAIRMENT OF ASSETS AND PROVISION SITUATIONS

### (I) Financial Assets Measured at Amortized Cost and Provision for Impairment of 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 to be discounted at the original effective interest rate and received under the contract and the cash flow expected to be received. Combined with the actual situation of its various business operations, such as the operating conditions of financial support related entities, the Company analyzed and tested various assets. Through such analysis and impairment test, the provisions made for impairment of accounts receivable, other receivables, long-term receivables, contract assets, other current assets, non-current assets due within one year, and other non-current assets from January to September 2024 were RMB238,598,317.12, RMB-484,128.54, RMB221,113.28, RMB25,072,209.79, RMB259,640,391.83, RMB102,715,831.58, and RMB66,818,761.25, respectively. From January to September 2024, the provisions reversed for impairment of accounts receivable, contract assets and other current assets were RMB2,314,295.23, RMB800,000.00 and RMB1,500,000.00, respectively. The write-off provisions for impairment of accounts receivable, other receivables, contract assets, other current assets, non-current assets due within one year, and other non-current assets from January to September 2024 were RMB628,434,474.23, RMB17,382,840.69, RMB100,724,187.38, RMB642,056.20, RMB6,000,000.00 and RMB4,599,951.68, respectively.

\* “-” was due to decrease in provision for impairment caused by the decrease in amount of entrusted loans and fund lending due within one year.

## **(II) Provision for Impairment of Inventories**

According to the ASBE No.1 – Inventory, inventories should be measured at the lower of cost and net realizable value on the balance sheet date. If the cost of inventories is higher than their net realizable value, a provision for impairment of inventories should be made and included in the current profits and losses. Net realizable value refers to the amount after the estimated selling price of inventories in daily activities minus the estimated costs to be incurred upon completion, the estimated selling expenses and related taxes and fees. Enterprises should determine the net realizable value of inventories based on the conclusive evidence obtained and consider factors such as the purpose of holding these inventories and the impact of events after the balance sheet date. Due to the Company's continuous integration of its self-operated retail business of high-end furniture and the fluctuation of the current selling price of related high-end furniture, the cash realizable value of related inventories has been affected to a certain extent. Through the above measurement, the provision made for impairment of inventories was RMB71,856,767.05, and the write-off provision for impairment of inventories was RMB34,618,239.74 from January to September 2024.

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

### **(I) Provision Made for Impairment**

From January to September 2024, the total provision made for impairment of the above various assets amounted to RMB764,439,263.36, and the reversal of provision for impairment of the various assets amounted to RMB4,614,295.23. Changes in the provision made and reversal of provision for impairment reduced the Group's total profit in the consolidated statement by RMB759,824,968.13 in the same period. The provision for impairment made this time is conducive to objectively and fairly reflecting the Company's financial situation and asset value and is in line with the Company's actual situation.

### **(II) Write-off of Assets**

From January to September 2024, a total of RMB792,401,749.92 of various assets were written off, mainly because the Company cleared up long-aged accounts receivable and contract assets, and also made full provision for impairment, especially for accounts aged more than 6 years. In addition, the Company confirmed that they could not be recovered through multiple channels to collect the involved amounts. After careful evaluation, it decided to write off above amount. According to the ASBE, the Company's write-off of assets follows prudent accounting principles, which is conducive to objectively and fairly reflecting its financial situation and asset value, conforms to its actual situation, and does not harm the interests of the Company and its shareholders. As the write-off of the above assets has made full provision for impairment, it will not affect the total profit of the current period.

#### **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. OPINIONS OF THE SUPERVISORY COMMITTEE REGARDING THE PROVISION FOR IMPAIRMENT OF ASSETS OF THE COMPANY**

The supervisory 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 relevant policies, 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 supervisory 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 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.*