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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)**

## **ANNOUNCEMENT REGARDING THE COMPANY'S PROVISION FOR IMPAIRMENT OF ASSETS IN 2025**

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.

For the period from January to December 2025, the Group made provision for impairment of various assets of RMB3,969,797,004.02, and reversed and write-off provision for impairment of various assets of RMB436,588,025.65, of which provision for impairment of various assets of RMB65,901,757.92 was reversed and provision for impairment of various assets of RMB370,686,267.73 was written off. As the change in impairment provision items, the Group's total profit in the consolidated statement for the period from January to December 2025 was reduced by RMB3,903,895,246.10. The details are as follows:

<i>Unit: RMB</i>			
<b>Items</b>	<b>Amount of provision made during the period</b>	<b>Amount of provision reversed during the period</b>	<b>Amount of provision written-off during the period</b>
Provision for impairment of account receivables	183,478,110.63	63,684,759.04	68,078,212.73
Provision for impairment of other receivables	42,080,133.69	–	152,489,580.31
Provision for impairment of long-term receivables	110,162,329.96	–	–
Provision for impairment of contract assets	266,695,715.07	388,212.29	–
Provision for impairment of other current assets	327,550,906.41	200,000.00	85,296,779.52
Provision for impairment of non-current assets due within one year	300,943,126.75	–	29,426,000.00
Provision for impairment of other non-current assets	1,883,537,251.28	1,628,786.59	15,000,000.00
Provision for impairment of inventories	2,399,482.09	–	20,395,695.17
Provision for impairment of long-term equity investments	607,340,315.12	–	–
Provision for impairment of fixed assets	148,012,585.17	–	–
Provision for impairment of goodwill	97,597,047.85	–	–
<b>Total</b>	<u>3,969,797,004.02</u>	<u>65,901,757.92</u>	<u>370,686,267.73</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 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 for the period from January to December 2025 were RMB183,478,110.63, RMB42,080,133.69, RMB110,162,329.96, RMB266,695,715.07, RMB327,550,906.41, RMB300,943,126.75, and RMB1,883,537,251.28, respectively. The impairment provisions for accounts receivable and contract assets are mainly due to the related business of the entrusted operation and management segment and the construction decoration services segment. The impairment provisions for other current assets, non-current assets due within one year and other non-current assets are mainly due to the decrease in expected recoverable amounts from the right to income from land leveling, project development expenditures and relevant financial support projects. For the period from January to December 2025, the provisions reversed for impairment of accounts receivable, contract assets, other current assets and other non-current assets were RMB63,684,759.04, RMB388,212.29, RMB200,000.00 and RMB1,628,786.59, respectively. The write-off provisions for impairment of accounts receivable, other receivables, other current assets, non-current assets due within one year, and other non-current assets for the period from January to December 2025 were RMB68,078,212.73, RMB152,489,580.31, RMB85,296,779.52, RMB29,426,000.00 and RMB15,000,000.00, respectively.

## **(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 RMB2,399,482.09, and the write-off provision for impairment of inventories was RMB20,395,695.17 for the period from January to December 2025.

## **(III) Provision for Impairment of Long-term Equity Investments, Provision for Impairment of Fixed Assets and Provision for Impairment of Goodwill**

In accordance with the “ASBE No. 8 – Impairment of Assets”, at the balance sheet date, if there are indications that long-term assets such as fixed assets, long-term equity investments and goodwill are impaired, the Company shall estimate their recoverable amounts. If the recoverable amount of the above-mentioned long-term assets is lower than their carrying value, an asset impairment provision shall be recognized for the difference. Among them, the provision for impairment of long-term equity investments was mainly due to the fact that some investments encountered operating difficulties and their latest recoverable amount was less than the carrying value. The provision for impairment of fixed assets was mainly due to the decrease in the recoverable amount of related housing assets. The provision for impairment of goodwill was mainly due to the estimated recoverable amount of the relevant asset group being less than the carrying value. For the period from January to December 2025, the provisions made for impairment of long-term equity investments, fixed assets and goodwill were RMB607,340,315.12, RMB148,012,585.17 and RMB97,597,047.85, respectively.

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

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

For the period from January to December 2025, the total provision made for impairment of the above various assets amounted to RMB3,969,797,004.02, and the reversal of provision for impairment of the various assets amounted to RMB65,901,757.92. Changes in the provision made and reversal of provision for impairment reduced the Company's total consolidated profit by RMB3,903,895,246.10 for the period from January to December 2025. 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**

For the period from January to December 2025, a total of RMB370,686,267.73 of various assets were written off, mainly because the Company cleared up long-aged accounts receivable, other receivables and various historical advances, 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 the 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.

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

Shanghai, the PRC  
30 March 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.*