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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) 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 six months ended 30 June 2023 (“**1H2023**”), the net profit of the Group for 1H2023 is expected to range between approximately RMB109.00 million and RMB139.00 million, as compared to the net profit of the Group for the six months ended 30 June 2022 (“**1H2022**”) of approximately RMB959.7473 million; and the profit attributable to the owners of the Company for 1H2023 is expected to range between approximately RMB105.00 million and RMB135.00 million, as compared to the profit attributable to the owners of the Company for 1H2022 of approximately RMB982.0693 million.

The aforesaid decline in profit was mainly due to the fact that (1) during 1H2023, under the dual pressure of shrinking demand and supply shocks in the domestic economy, the occupancy rate of the shopping malls of the Company declined in stages compared with the same period of the previous year. In order to support the continued development of the tenants as well as the home furnishing materials industry, the Company reduced or waived part of the rents and management fees for qualified tenants, resulting in a decrease in the revenues from its portfolio and leased businesses. Affected by the Chinese government’s real estate control policies and the downturn of the market economy in the previous year, the market remained fragile with slow recovery, resulting in a decrease in the number of new projects in the Company’s contract managed business and construction-related business, as well as a slowdown in the progress of the existing projects. Meanwhile, out of prudent consideration, the Company made a conservative estimate on the recoverability of the relevant assets, as well as corresponding provision for the impairment of the same; and (2) under the background of fluctuations in the macroeconomic environment, as the recovery of consumptions’ demand will take a certain period of time, out of prudent consideration, the Company adjusted the vacancy rate and rental growth rate in the forecast period of some of its properties during 1H2023, resulting in a slight decrease in the valuation of investment properties at the end of 1H2023.

In 2023, the Chinese government made remarkable efforts to promote the normal circulation of real estate and finance, and ensure the smooth transition of the real estate industry into a new development model. Driven by policies on guaranteeing delivery, the pace of completion of real estate projects is gradually accelerated, which is expected to boost the recovery of home furnishing demand, and is also beneficial to the development of the Company's contract managed business. On 29 June 2023, the executive meeting of the State Council considered and passed the "Several Measures on Promoting Home Furnishing Consumption (關於促進家居消費的若干措施)", emphasizing that it is essential to make good use of beneficial policies to form a joint force for promoting consumption, as well as to improve the quality and extent of supply, encourage the enterprises to come up with more personalized and customized home furnishing products, so as to further enhance residents' willingness to consume, and help them improve their quality of life. In line with people's longing for a better life, the vitality of and demand in the off-line experience economy has been recovering, in light of which the Company will seize the opportunities and strive to enhance and improve its operating efficiency and operating results.

The information for 1H2023 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 1H2023 and other information currently available to the Company, the information for 1H2022 has been adjusted by the management of the Company as a result of the change in the basis of preparation of consolidated financial statements from Chinese Accounting Standards for Business Enterprises to IFRSs. 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 interim results for 1H2023, the Group's actual results for 1H2023 and the information for 1H2022 may be subject to changes and may differ from the information disclosed in this announcement. The final interim results of the Company for 1H2023 and other operating details of the Group will be disclosed in the interim results announcement of the Company for 1H2023, which is expected to be released in mid-to-late August 2023.

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
14 July 2023

As at the date of this announcement, the executive directors of the Company are CHE Jianxing and LI Jianhong; the non-executive directors are CHEN Zhaohui, JIANG Xiangyu, HU Xiao, ZHENG Yongda, WANG Wenhui and ZOU Shaorong; and the independent non-executive directors are QIAN Shizheng, LEE Kwan Hung, Eddie, WANG Xiao, ZHAO Chongyi and QIN Hong.