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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 (the “**Board**”) of the Company 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 2024 (“**1H2024**”), the net losses of the Group for 1H2024 is expected to range between approximately RMB1,150 million to RMB1,560 million, representing a turnaround from profits to losses, as compared to the net profit of RMB113.449 million recorded by the Group for the six months ended 30 June 2023 (“**1H2023**”). The net loss attributable to the owners of the Company for 1H2024 is expected to range between RMB1,090 million to RMB1,470 million, representing a turnaround from profits to losses, as compared to the net profit attributable to the owners of the Company of RMB128.196 million recorded by the Group for 1H2023.

The aforesaid losses were mainly due to the fact that 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 the current uncertain market environment, as a leading enterprise in the home improvement and furnishing retail industry, the Company has proactively fulfilled its social responsibility by reducing or waiving part of the rent and management fees for qualified tenants to support the production and development of various SMEs that have already settled in the shopping malls. At the same time, the Company proactively embraced the changes in the new consumption behavior patterns, adjusted its strategic direction and the layout of categories in the shopping malls to attract quality categories such as designers, home decoration companies and new energy automobiles to settle in the shopping malls with favourable commercial terms. In the initial stage of attracting investment and attracting brands to its shopping malls, the Company provided favourable commercial terms in respect of rents and management fees on a temporary basis, which led to a phased decline in the Company's income from rental and management fees. Therefore, the valuation of investment properties for 1H2024 was adjusted downward by more than RMB800 million accordingly.

In accordance with the Accounting Standards for Business and Enterprises, taking into account the operating decisions of the management and the latest recoverable situation of various asset, the Company conducted a periodic preliminary estimation of the recoverable amount of various category of assets. The negative impact on current profit was approximately RMB500 million, which mainly included: as a result of the significant changes in the operating conditions of the targets of support, an impairment allowance was made for the financial support provided to certain proposed Portfolio Shopping Malls partners; an impairment allowance was made for the account receivables and contract assets involved in brand consulting and managed business at the early stage and other businesses as well as other types of account current.

The current loss incurred due to the strategic layout adjustments was over RMB100 million, which mainly included: the management decided to make strategic adjustments and contractions to certain stores whose return rate was lower than expected, thereby providing for the related one-off loss; based on the strategic adjustments of the high-end furniture self-owned retail business, an additional impairment allowance of inventory was made.

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 NDRC 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.

The information for 1H2024 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 1H2024 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 interim results for 1H2024, the Group’s actual results for 1H2024 may be subject to changes and may differ from the information disclosed in this announcement. The final interim results of the Company for 1H2024 and other operating details of the Group will be disclosed in the interim results announcement of the Company for 1H2024, which is expected to be released in mid-to-late August 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
9 July 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.