

## Announcement on the Provision for Asset Impairment for the First Half of 2025

### I. Overview of the Asset Impairment Provision

To reflect the financial position and operating results of Keda Industrial Group Co., Ltd. (hereinafter referred to as "the Company") for the first half of 2025 in a true, accurate, and fair manner, and in accordance with the relevant provisions of the *Accounting Standards for Business Enterprises* and the Company's accounting policies, the Company has conducted impairment tests on the relevant assets as at June 30, 2025. Based on the results of the impairment test, the Company has made a provision for asset impairment totaling RMB 115.5370 million (Unaudited). The details are as follows:

Unit: Ten Thousand Yuan Currency: RMB

Item	Amount for the Current Period
Receivables impairment loss	6,174.46
Inventory impairment loss	3,938.54
Goodwill impairment loss	1,440.70
Total	11,553.70

### II. Confirmation Standards and Provision Method for Impairment Losses

#### i. Receivable impairment loss

The Company estimates the expected credit loss on receivables either individually or collectively, based on historical credit loss experience, considering related reasonable and supportable information, including forward-looking information, along with current and future forecasts. In the first half of 2025, the Company made an impairment provision of RMB 61.7446 million for accounts receivable and other receivables under the expected credit loss model.

#### ii. Inventory impairment loss

In accordance with the *Accounting Standards for Business Enterprises No. 1 – Inventory* and the relevant provisions of the Company's accounting policies, inventory is measured at the lower of cost or net realizable value on the balance sheet date. If the cost of inventory exceeds its net realizable value, a provision for inventory impairment is made, which is recognized as an expense in the current period. The Company conducts an inventory count for raw materials, finished goods, work in progress, goods in transit and so on. For inventory items that have become obsolete, or whose selling price lower than the cost, the Company makes a corresponding impairment provision. In the first half of 2025, the total inventory impairment loss provision amounted to RMB 39.3854 million.

### iii. Goodwill impairment loss

#### 1. Formation and historical provision of goodwill

In early 2024, the Company acquired 70% of the equity in F.D.S. Ettmar S.r.l. ( hereinafter referred to as "F.D.S. Ettmar ") through a cash transaction. In accordance with the relevant provisions of the *Accounting Standards for Business Enterprises — Business Combinations*, the Company recognized goodwill amounting to RMB 14.407 million, representing the difference between the purchase consideration and the fair value of the identifiable net assets of F.D.S. Ettmar at the time of acquisition.

#### 2. Provision for goodwill impairment in the current period

Due to a combination of factors, including elevated raw material and labor costs in Italy, a sluggish European economic environment, and sustained inflation contributing to higher operating expenses, F.D.S. Ettmar has experienced growing operational pressures. Consequently, its overall business performance has fallen below expectations, and there are indications of potential goodwill impairment. In accordance with the *Accounting Standards for Business Enterprises No. 8 – Impairment of Assets* and the Company's accounting policies, in order to objectively assess the value of the related asset portfolio, the Company conducted an impairment test on the goodwill related to the asset portfolio formed by the acquisition of F.D.S. Ettmar, with June 30, 2025 as the base date, covering the fixed assets, intangible assets, right-of-use asset, and other assets related to the asset portfolio. The evaluation test found that the goodwill had been impaired. The book value of the F.D.S. Ettmar-related asset portfolio on the appraisal base date was RMB 41.3341 million, and the recoverable value based on the income approach was RMB 20.7527 million. The Company made a goodwill impairment provision of RMB 14.407 million for F.D.S. Ettmar.

## II. Impact of the Asset Impairment Provision on the Company

Based on the principle of prudence, the Company has made a total asset impairment provision of RMB115.5370 million for the first half of 2025. Excluding the impact of taxes, the impact on the total profit for the first half of 2025 is RMB115.5370 million. This provision for asset impairment is in accordance with the *Accounting Standards for Business Enterprises* and relevant accounting policies, aligning with the Company's actual asset situation. It provides a more accurate reflection of the Company's asset status and financial position, and does not harm the interests of the Company or all its shareholders.

This announcement is hereby made.

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### **Disclaimer**

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