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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)

**INDICATIVE ANNOUNCEMENT ON THE DECREASE
IN REVENUE FROM RENT AND MANAGEMENT FEE
FROM OWNED PORTFOLIO SHOPPING MALLS
AS COMPARED TO THE PREVIOUS MONTH
AND
SUPPLEMENTAL ANNOUNCEMENT IN RELATION TO
PROPOSED CHANGE OF AUDITORS OF THE COMPANY**

This is a voluntary announcement made by Red Star Macalline Group Corporation Ltd. (the “Company”).

I. THE DECREASE IN REVENUE FROM RENT AND MANAGEMENT FEE FROM OWNED PORTFOLIO SHOPPING MALLS AS COMPARED TO THE PREVIOUS MONTH

i. Explanation

The total revenue from the contract rent and management fee of the Company from Owned Portfolio Shopping Malls has decreased month-on-month in October 2023 as compared to the previous month (the “**Decrease in Rent**”). In particular, the total revenue from the contract rent and management fee from Owned Portfolio Shopping Malls was RMB560,958,008.89 and RMB552,066,390.15 in September and October 2023, respectively, and the amount decreased by RMB8,891,618.74 or 1.59% in October 2023 as compared to the previous month. The abovementioned estimated figures are unaudited, and the Company advises investors to exercise caution when using such information.

The main reason for the decrease in revenue from the contract rent and management fee month-on-month is that: the domestic economy suffers the dual pressure of demand contraction and supply shock, and the occupancy rate of the Company's Owned Portfolio shopping malls is experiencing a periodically short-term decline.

Furthermore, in order to support the sustainable development of tenants and the home furnishing materials industry and increase the occupancy rate of the shopping malls to attract customers and promote business of the tenants in the Shopping Malls in the meantime, the Company plans to discuss a policy of granting limited preferential rent and management fee concessions (the “**Rent Concessions**”) to specific tenants in specific shopping malls that meet the conditions required by the aforesaid policy.

ii. Impact on the Long-Term Development of the Company due to the Decrease in Rent

1. The management of the Company is of the view that as the industry in which the Company operates is still under a gradual recovery, Rent Concessions may affect the valuation of the Company’s investment property to a certain extent. However, with the gradual recovery of the economy, the adjustment to the overall category planning of the shopping malls tends to be improved gradually, and the rent and occupancy rate will gradually recover. The Company has communicated with the investment property valuer and as of the date of this announcement, the decrease in revenue from the contract rent and management fee month-on-month has no material adverse effect on the changes in fair value of investment properties subsequently measured at fair value.
2. The Decrease in Rent has no impact on the sustainable operating capacity and the long-term development of the Company.

iii. Countermeasures

The Company has taken countermeasures from several aspects, which primarily include:

1. Focusing on the three main categories of furniture, building materials and electrical appliances, strengthening the core competence, and actively cultivating, attracting, stabilizing and retaining business to promote a rapid and stable increase in the occupancy rate of the main categories;
2. Studying and implementing practical and effective preferential policies. Meanwhile actively expanding new businesses, focusing on the rapidly promoting of the design of home furnishings, fashion catering and other directions and facilitating the traffic footfall of shopping malls to increase consumption turnover.

II. SUPPLEMENTAL INFORMATION IN RELATION TO THE PROPOSED CHANGE OF AUDITORS OF THE COMPANY

Reference is made to the announcement dated 20 October 2023 in relation to the proposed change of auditors of the Company (the “**Announcement**”). Upon completion of the Proposed Acquisition (as defined in the announcement of the Company dated 17 January 2023) as disclosed in the announcement of the Company dated June 23, 2023 and August 15, 2023, respectively, the nature of the Company has turned from a private listed company into a state-owned listed company, and after considering situations such as the business development and auditing needs, the Company proposed to appoint RSM China and CL Partners CPA Limited as its auditors. Please refer to announcements of the Company dated 8, 10, 13, 17, 19 and 26 January 2023, 24 February 2023, 7 March 2023, 12 and 27 April 2023, 22 May 2023, 1, 16, 18, 23 June 2023 and August 15, 2023, respectively, for details of the Proposed Acquisition.

By Order of the Board
Red Star Macalline Group Corporation Ltd.
QIU Zhe
Secretary of the Board and Joint Company Secretary

Shanghai, the PRC
7 November 2023

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.