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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

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

The board of directors (the “**Board**”) and all directors of the Company confirm that there are no false representations, misleading statements, or material omissions in this announcement, and they shall individually and collectively accept full responsibility for the truthfulness, accuracy and completeness of contents herein.

I. EXPLANATORY NOTE

The total revenue from the contract rent and management fee of the Company from all Owned Portfolio Shopping Malls has decreased in February 2020 as compared to the previous month (hereinafter referred to as the “**Decrease in Rent**”). In particular, the total revenue from the contract rent and management fee from all Owned Portfolio Shopping Malls was approximately RMB547,415,054 and RMB377,902,875 in January and February 2020, respectively, and the amount decreased by approximately RMB169,512,179 in February 2020 as compared to the previous month, representing approximately 31%. The abovementioned figures are unaudited and estimated, and the Company advises investors to exercise caution when using such information.

The main reason for the Decrease in Rent is the exemption of relevant qualified tenants in Portfolio Shopping Malls from the rent and the management fee for a month of the year 2020 by the Company since early February 2020.

II. BACKGROUND INFORMATION

1. The Company has made the following undertaking in the Red Star Macalline Group Corporation Ltd. Initial Public Offering Prospectus: “The Company has formulated the Monitoring and Information Disclosure System for Revenue from Rent and Management Fee from Owned Portfolio Shopping Malls. The Company will summarize and analyze the statements of rental income of Owned Portfolio Shopping Malls at the end of each month in accordance with the requirements of the system. If the total revenue from the rent and management fee of the Company from all Owned Portfolio Shopping Malls in the current month decreases as compared to the previous month, the Company will investigate the actual situation and reasons, then formulate corresponding solutions and countermeasures, and disclose the decrease in the revenue from the rent and management fee from Owned Portfolio Shopping Malls on the designated website of the stock exchange within the first five trading days of the following month, to ensure that investors are fully informed of changes in revenue from the rent and management fee from Owned Portfolio Shopping Malls of the Company and the potential risk of decrease in the fair value of investment properties arising therefrom in a timely manner. The abovementioned Monitoring and Information Disclosure System for Revenue from Rent and Management Fee from Owned Portfolio Shopping Malls will take effect from the date on which the A shares of the Company are listed on the Shanghai Stock Exchange.” Given that the total revenue from the contract rent and management fee of the Company from all Owned Portfolio Shopping Malls has decreased in February 2020 as compared to January 2020, the relevant circumstances, reasons, and the corresponding solutions and countermeasures formulated are disclosed.
2. On 1 February 2020, the Company convened the third extraordinary meeting of the fourth session of the Board, which considered and approved the Resolution on the Matters in relation to the Exemption of Tenants in Portfolio Shopping Malls from One-month Rent and Management Fee (《關於免除自營商場商戶一個月租金及管理費相關事宜的議案》). According to the abovementioned resolution of the Board, in order to undertake the social responsibilities actively and support the development of tenants, the relevant qualified tenants in the relevant Portfolio Shopping Malls will be exempted from the rent and the management fee for a month of the year 2020 by the Company to facilitate their smooth operation under the novel coronavirus pneumonia epidemic. For details of the abovementioned matters, please refer to the relevant announcements disclosed by the Company on the official websites of The Stock Exchange of Hong Kong Limited and the Shanghai Stock Exchange and designated media on 2 February 2020 and 3 February 2020, respectively.

III. IMPACT OF THE DECREASE IN RENT

1. The Decrease in Rent is an incidental event related to the Company's operating decisions mainly because the Company undertook the social responsibilities actively in the context of the novel coronavirus pneumonia epidemic. Accordingly, the Decrease in Rent has no material adverse effect on the changes in the fair value of investment properties subsequently measured at fair value. The Company has communicated with the investment property valuer and obtained the valuer's recognition of the abovementioned matters.
2. The Decrease in Rent has no impact on the sustainable operating capacity and the long-term development of the Company.

IV. COUNTERMEASURES

The Decrease in Rent is mainly due to the Company's fulfillment of the social responsibilities of a listed company in the context of the novel coronavirus pneumonia epidemic. In response to it, the Company has taken countermeasures from some aspects, which primarily include:

1. The Company has established an epidemic prevention and control team, and set up a daily reporting mechanism with the local government department in the places where the shopping malls are located to track the health status of employees and staff of the shopping malls in a timely manner. Base on the epidemic situation in different regions, the Company has adjusted the opening hours of different shopping malls and the corresponding staffing schedules. The property management department of the shopping malls has prepared disinfection and protective supplies to ensure that all shopping malls operate normally.
2. During the epidemic, the Company will strengthen its cash flow management and control by adopting measures such as reducing the daily operating expenses of the shopping malls and moderately reducing capital expenditures.

Notice hereby is given.

By Order of the Board
Red Star Macalline Group Corporation Ltd.
GUO Binghe
Vice Chairman

Shanghai, the PRC
5 March 2020

This announcement is prepared in both Chinese and English versions. In case of inconsistency, the Chinese version shall prevail.

As at the date of this announcement, the executive Directors of the Company are CHE Jianxing, GUO Binghe, CHE Jianfang and JIANG Xiaozhong; the non-executive Directors are CHEN Shuhong, XU Guofeng, JING Jie and XU Hong; and the independent non-executive Directors are QIAN Shizheng, LEE Kwan Hung, Eddie, WANG Xiao and ZHAO Chongyi.