

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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)

CONNECTED TRANSACTION FINANCE LEASE AGREEMENT

FINANCE LEASE

The Board is pleased to announce that on 27 December 2023, the Board considered and approved the resolution in relation to the Financial Lease Agreement contemplated to be entered into between the Lessee (a subsidiary of the Company) and the Lessor, pursuant to which, the Lessee agreed to sell the Leased Assets to the Lessor at a total consideration of RMB150 million and the Lessor agreed to leaseback the Leased Assets to the Lessee during the Leased Period.

LISTING RULES IMPLICATIONS

The Lessor is a subsidiary of Xiamen C&D and Xiamen C&D is a substantial Shareholder. Therefore, the transaction between the Lessee and the Lessor constitutes connected transaction of the Company under 14A of the Listing Rules.

As the highest applicable percentage ratios in respect of the Finance Lease Agreement is more than 0.1% but less than 5%, the Transaction is subject to the reporting, announcement and annual review requirement, but exempt from the circular (including independent financial advice) and the independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

INTRODUCTION

The Board is pleased to announce that on 27 December 2023, the Board considered and approved the resolution in relation to the Financial Lease Agreement contemplated to be entered into between the Lessee (a subsidiary of the Company) and the Lessor, pursuant to which, the Lessee agreed to sell the Leased Assets to the Lessor at a total consideration of RMB150 million and the Lessor agreed to leaseback the Leased Assets to the Lessee during the Leased Period.

Finance Lease Agreement

The principal terms of the Finance Lease Agreement are set out below:

Parties:

- (a) Xiamen Goldenstar Financial Leasing Co., Ltd. (廈門建發融資租賃有限公司) (as Lessor);
and
- (b) Hohhot Red Star Macalline Shibo Home Furnishing Plaza Company Limited (呼和浩特市紅星美凱龍世博家居廣場有限責任公司) (as Lessee).

Leased Assets

The Leased Assets are the operation facilities of the Lessee with book value of approximately RMB254.96 million. The Leased Assets only for part of the Group's operations and there were no revenue or net profits attributable to the Leased Assets individually for the two years ended 31 December 2021 and 31 December 2022. The Lessor agreed to purchase the Leased Assets from the Lessee at a consideration of RMB150 million (the "**Leased Principal**").

Leased Period

The Leased Period under the Finance Lease Agreement will be 12 months, subject to the terms and conditions provided therein.

Rent and Method of Payment

Pursuant to the Finance Lease Agreement, the Lessor agreed to lease back the Leased Assets to the Lessee. The rent is calculated and paid in RMB and comprised of Lease Principal and lease interest. In particular, the Lease Principal is of the same amount as the transfer consideration, being RMB150 million. The total amount of lease interest for the Lease Period is approximately RMB3,901,231.64. The Lease Principal and lease interest shall be paid by the Lessee to the Lessor in four installments during the Lease Period, which will be funded by the internal source of the Group.

The terms of the Finance Lease Agreement, including the transfer consideration for the Leased Assets, Lease Principal, lease interest and other expenses under the Finance Lease Agreement were determined upon arm's length negotiation between the Lessee and the Lessor with reference to the book value of the Leased Assets and the recent financing cost of the Group.

In addition, Lessee shall pay a service fee of RMB1,850,000 to Lessor within three days upon entering into the Finance Lease Agreement.

It is expected that in accordance with the requirement of International Financial Reporting Standards, the transactions contemplated under the Finance Lease Agreement as a whole shall be accounted for as financing arrangements and therefore would not give rise to any gain or loss.

Ownership of the Leased Assets during and after the Lease Period

Pursuant to the Finance Lease Agreement, the ownership of the Leased Asset shall be transferred to Lessor while Lessee shall be entitled to occupy and use the Leased Asset. Subject to the fulfillment of all the obligations under the Finance Lease Agreement by the Lessee, upon the expiry of the Lease Period, the Lessee shall have the right to require the Lessor to sell the ownership of the Leased Assets back to the Lessee at the consideration of RMB100 in nominal value. If Lessee defaults during the Leased Period, the consideration of the ownership of the Leased Assets in nominal value will be adjusted to RMB1,000.

The Pledge

Under the Finance Lease Agreement, the Lessee agreed to mortgage a real estate and pledge the right to the income generated from such real estate such as rent, management fees, etc to ensure the performance of the Finance Lease Agreement by the Group.

REASONS FOR AND BENEFIT OF ENTERING INTO THE FINANCE LEASE AGREEMENT

The entering into of the Finance Lease Agreement is for the purposes of meeting daily operating needs of the Company, increasing the liquidity of the Company's assets, and improve asset usage efficiency and the company's work efficiency.

The terms and conditions of the Finance Lease Agreement are at after arm's length negotiations between the parties thereto. The Directors (including the independent non-executive Directors) consider that the terms of the Finance Lease Agreement and the transaction contemplated thereunder are entered into on normal commercial terms, and are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

The Directors, namely Mr. ZHENG Yongda, Mr. ZOU Shaorong, Mr. WANG Wenhui, Mr. SHI Yaofeng and Mr. YANG Yingwu, have abstained from voting on the Board resolution to approve the Finance Lease Agreement in view of their conflict of interests or potential interests in the Transaction contemplated thereunder. Save as disclosed above, none of the Directors has any material interests in the Transaction.

INFORMATION OF THE GROUP, THE LESSEE, THE LESSOR

As a leading home improvement and furnishings shopping mall operator in the PRC, the Group mainly engages in the business of offering comprehensive services to the merchants, consumers and partners of the home improvement and furnishings shopping malls under "Red Star Macalline" through the operation and management of both Portfolio Shopping Malls and Managed Shopping Malls. Meanwhile, the Group is also involved in pan-home furnishings consumption, including internet home decoration, internet retail, as well as logistics and delivery services.

The Lessee is a company incorporated in the PRC and a wholly-owned subsidiary of the Company. The Lessee is mainly engaged in the businesses of site leasing; counter leasing; market management; sales of building materials, decoration materials and furniture.

The Lessor is a company incorporated in the PRC and a subsidiary of Xiamen C&G. The Lessor is mainly engaged in financial leasing business, leasing business, consulting and guarantee of leasing transaction, other financial leasing business approved by the approval authority and the ultimate beneficial owner is State-owned Assets Supervision and Administration Commission of Xiamen Government.

LISTING RULES IMPLICATIONS

The Lessor is a subsidiary of Xiamen C&D and Xiamen C&D is a substantial Shareholder. Therefore, the transaction between the Lessee and the Lessor constitutes connected transaction of the Company under 14A of the Listing Rules.

As the highest applicable percentage ratios in respect of the Finance Lease Agreement is more than 0.1% but less than 5%, the Transaction is subject to the reporting, announcement and annual review requirement, but exempt from the circular (including independent financial advice) and the independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions shall have the following meanings:

“Board”	The Board of Directors of the Company
“Company”	Red Star Macalline Group Corporation Ltd., a sino-foreign joint stock company incorporated in the PRC with limited liability, whose H shares are listed on the main board of the Stock Exchange and A Shares are listed on the Shanghai Stock Exchange
“connected person”	has the meaning ascribed thereto under the Listing Rules
“Director(s)”	director(s) of the Company
“Finance Leased Agreement”	a finance leased agreement to be entered into between the Lessor and Lessee
“Group”	the Company and its subsidiaries
“Leased Assets”	the operation facilities of the Lessee
“Leased Period”	12 months
“Lessee”	Hohhot Red Star Macalline Shibo Home Furnishing Plaza Company Limited (呼和浩特市紅星美凱龍世博家居廣場有限責任公司)

“Lessor”	Xiamen Goldenstar Financial Leasing Co., Ltd. (廈門建發融資租賃有限公司)
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“PRC”	the People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholder(s)”	the shareholders of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed thereto under the Listing Rules
“Transaction”	the connected transaction under the Financial Lease Agreement
“Xiamen C&D”	Xiamen C&D Inc. (廈門建發股份有限公司, a company listed on the Shanghai Stock Exchange, stock code: 600153.SH), a substantial Shareholder

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

Shanghai, the PRC
27 December 2023

As at the date of this announcement, the executive Directors of the Company are CHE Jianxing, LI Jianhong, SHI Yaofeng and YANG Yingwu; the non-executive Directors are ZHENG Yongda, WANG Wenhui, ZOU Shaorong, XU Di and SONG Guangbin; and the independent non-executive Directors are XUE Wei, CHEN Shanang, HUANG Jianzhong, WONG Chi Wai and CAI Qinghui.