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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)

CONNECTED TRANSACTION CHANGZHOU LEASE CONTRACT

On 26 March 2024, Changzhou Meikailong, a wholly-owned subsidiary of the Company, and Changzhou Hongxing Furniture Decoration Mall agreed to enter into a leasing contract (the “**Changzhou Lease Contract**”), pursuant to which, Changzhou Hongxing Furniture Decoration Mall will lease its premises located at No. 70, Feilong East Road, Changzhou, Jiangsu Province, China to Changzhou Meikailong for furnishing mall operation from 1 April 2024 to 31 March 2025.

The principal terms of the Changzhou Lease Contract are as follows:

Date:	26 March 2024
Lessor:	Changzhou Hongxing Furniture Decoration Mall
Lessee:	Changzhou Meikailong
Premise:	No. 70, Feilong East Road, Changzhou, Jiangsu Province, China
Lease area:	40,678.21 square meters
Usage:	Furnishing mall operation of Changzhou Meikailong
Lease term:	From 1 April 2024 to 31 March 2025
Lease payment:	The rent and management fee payable by Changzhou Meikailong to Changzhou Hongxing Furniture Decoration Mall during the lease term is RMB24,538,600 in total.

Payment method of the lease payment:	The rent and management fee shall be paid monthly. Changzhou Meikailong shall pay Changzhou Hongxing Furniture Decoration Mall before the 5th day of each month.
Basis for determining the rent:	The rent and management fee are determined after arm's length negotiation between Changzhou Hongxing Furniture Decoration Mall and Changzhou Meikailong with reference to (1) the historical transactions between Changzhou Hongxing Furniture Decoration Mall and Changzhou Meikailong, where in each of the years ended 31 December 2021, 2022 and 2023, the annual rent and management fee paid by Changzhou Meikailong to Changzhou Hongxing Furniture Decoration Mall in respect of such leases was RMB19.70 million, RMB21.55 million and RMB22.11 million respectively; (2) the cost for decoration and modification of the property by Changzhou Hongxing Furniture Decoration Mall according to the requirements of Changzhou Meikailong; and (3) the economic interests, market conditions and other factors.
Reasons for and benefits of the transactions under the Changzhou Lease Contract:	<p>Because Changzhou Hongxing Furniture Decoration Mall is a sole proprietorship enterprise established by Mr. Che Jianxing in his personal capacity, in accordance with applicable Chinese laws, the transfer of the properties to the Group through the transfer of assets will have a tax impact on Changzhou Hongxing Furniture Decoration Mall and the impact will ultimately be transferred to the purchase price of the properties concerned. Therefore, we decided to lease the properties from Changzhou Hongxing Furniture Decoration Mall, in order to manage and operation Changzhou Furniture Decoration Mall. Continuing the lease of these properties will save considerable time and cost. It is commercially necessary and advantageous to enter into the Changzhou Lease Contract, which will avoid any disruption to business operations and have a positive impact on current and future results.</p> <p>The Directors (including the independent non-executive Directors) consider that the Changzhou Lease Contract is on normal commercial terms that are fair and reasonable, and the Transactions contemplated thereunder are entered into in the ordinary and usual course of business of the Group and are in the interest of the Company and its shareholders as a whole.</p>

LISTING RULES IMPLICATIONS

RSM Holding is a substantial shareholder of the Company, therefore, RSM Holding and its associates (i.e. Changzhou Hongxing Furniture Decoration Mall, a controlled company of the executive Director of the Company, Mr. CHE Jianxing) are connected persons of the Company. Transactions constitute connected transactions of the Company under Chapter 14A of the Listing Rules.

Under IFRS No. 16 “Lease”, the Company will recognize the value of the relevant right-of-use assets under the Changzhou Lease Contract and the Transactions hereunder will be treated as the acquisition of assets by the Company under the Listing Rules and constitute a one-time connected transaction of the Company under Chapter 14A of the Listing Rules. The total value of the right-of-use assets, the present value of the payments to be recognized by the Company under the Changzhou Lease Contract is estimated to be approximately RMB29.0 million (unaudited, subject to further adjustment if necessary).

As the highest applicable percentage ratio applied in respect of the connected transactions contemplated under the Changzhou Lease Contract is more than 0.1% but less than 5%, the above-mentioned transactions are subject to the reporting and announcement requirements, but are exempt from the circular (including independent financial advice) and the independent shareholders’ approval requirements under Chapter 14A of the Listing Rules.

Our Director, namely Mr. CHE Jianxing, has abstained from voting on the Board resolution to approve the Transactions in view of his conflict of interests or potential interests in the Transactions under the Changzhou Lease Contract. Save as disclosed above, none of Directors has any material interests in the Transactions.

INFORMATION ABOUT THE GROUP

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.

INFORMATION ABOUT CHANGZHOU MEIKAILONG

Changzhou Meikailong is a company incorporated in the PRC and an indirect wholly-owned subsidiary of the Company. Changzhou Meikailong is engaged in sales of furniture, architectural decoration materials, metal materials, general machinery, hardware, electrical equipment, chemicals, general merchandise, knitwear, computers and software, office equipment; site rental services, property management, business management consulting, parking services.

INFORMATION ABOUT CHANGZHOU HONGXING FURNITURE DECORATION MALL

Changzhou Hongxing Furniture Decoration Mall is a company incorporated in the PRC, which is 100% owned by Mr. CHE Jianxing, a Director of the Company. Changzhou Hongxing Furniture Decoration Mall is engaged in hardware, electrical equipment, knitwear wholesale, retail; venue rental service; property management and other business.

DEFINITIONS

“Associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Board”	The Board of the Directors of the Company
“Changzhou Meikailong”	Changzhou Meikailong International Computer & Household Electric Appliance Decoration City, a company incorporated in the PRC and a wholly-owned subsidiary of the Company
“Changzhou Hongxing Furniture Decoration Mall”	Changzhou Hongxing Furniture Decoration Mall (常州市紅星裝飾城), a company established in the PRC with limited liability
“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
“controlling shareholder”	has the meaning ascribed thereto under the Listing Rules
“Director(s)”	Director(s) of the Company
“Group”	the Company and its subsidiaries
“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

“RSM Holding”	Red Star Macalline Holding Group Company Limited* (紅星美凱龍控股集團有限公司, formerly known as “Shanghai Red Star Macalline Investments Company Limited” (上海紅星美凱龍投資有限公司)), a limited liability company established in the PRC and a controlling shareholder of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed thereto under the Listing Rules
“Transactions”	The connected transactions contemplated as set out in the Changzhou Lease Contract in this announcement

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

Shanghai, the PRC

26 March 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.