

*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 — LEASE AGREEMENT**

## **THE LEASE AGREEMENT**

The Company announces that on 23 April 2019, Shanghai Hongxin Oukai entered into the Lease Agreement with Shanghai Xinhua Cheng Cheng (上海新華成城) in connection with the leasing of the partial underground parking garage at Floor B1, Building 1, No. 1388, Wuzhong Road, Minhang District, Shanghai, which will be effective from 1 May 2019. Shanghai Xinhua Cheng Cheng plans to use the partial underground parking garage at Floor B1, Building 1, No. 1388, Wuzhong Road, Minhang District, Shanghai as the parking garage for the commercial properties it held, with a term of one year.

## **LISTING RULES IMPLICATIONS**

The controlling shareholder of the Company is RSM Holding, and RSED, a subsidiary of RSM Holding, indirectly holds 60% equity interest of Shanghai Xinhua Cheng Cheng. As a result, Shanghai Xinhua Cheng Cheng is a connected person of the Company. The Lease constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. As the highest applicable percentage ratio in respect of the Lease is more than 0.1% but less than 5%, the Lease is subject to the reporting, announcement and annual review requirements but is exempted from the circular (including independent financial advice) and the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

## **INTRODUCTION**

The Company announces that on 23 April 2019, Shanghai Hongxin Oukai entered into the Lease Agreement with Shanghai Xinhua Cheng Cheng in connection with the leasing of the partial underground parking garage at Floor B1, Building 1, No. 1388, Wuzhong Road, Minhang District, Shanghai, which will be effective from 1 May 2019, with a term of one year. Shanghai Xinhua Cheng Cheng plans to use the partial underground parking garage at Floor B1, Building 1, No. 1388, Wuzhong Road, Minhang District, Shanghai as the parking garage for the commercial properties it held.

## **THE LEASE AGREEMENT**

- Date:** to be effective from 1 May 2019, with a term of one year
- Lessor:** Shanghai Hongxin Oukai
- Lessee:** Shanghai Xinquacheng Cheng
- Premise:** the underground parking garage at Floor B1, Building 1, No. 1388, Wuzhong Road, Minhang District, Shanghai
- Lease area:** the gross floor area of the parking garage is approximately 13,000 square meters
- Usage:** to be used as the parking garage for the commercial properties held by Shanghai Xinquacheng Cheng
- Rent:** RMB20 million. The rent is determined after arm's length negotiations with reference to (i) the valuation with the accumulated cost approach base on the rent valuation report issued by an independent third party; and (ii) the comprehensive assessment of economic benefits, market conditions and other factors.
- Lease term:** one year from 1 May 2019 to 30 April 2020
- Renewal:** Shanghai Xinquacheng Cheng has a right of first refusal to renew the Lease upon its expiry on the same terms. If Shanghai Xinquacheng Cheng wishes to renew the Lease, it shall notify Shanghai Hongxin Oukai at least two months prior to the expiry of the Lease and the parties shall negotiate and enter into a renewal agreement, subject to compliance with the applicable requirements under the Listing Rules

## **REASONS FOR AND BENEFITS OF THE LEASE**

The Directors believe that the mall on Wuzhong Road, held by Shanghai Hongxin Oukai, is located in one of the densely populated core business circles in Shanghai and as the Red Star Macalline Grand Mall, it is a large-scale high-end home furniture shopping mall with the main business of imported high-end home furniture brand. The shopping mall held by Shanghai Xinquacheng Cheng is adjacent to the mall on Wuzhong Road, with high footfall and garage use frequency. The transaction will increase the rate of garage usage and footfall in the home furniture shopping mall and further improve market share and influence in the business circle, which will help the Company further consolidate its leading position in the Shanghai market and will be beneficial to its long-term development.

The independent non-executive Directors believe that the pricing of the connected transaction is fair and reasonable, and the connected transaction does not harm the interests of the Company and its shareholders, especially the minority shareholders, and is in the interests of the Company and its shareholders as a whole. The independent Directors unanimously agreed the matters relating to leasing the parking garage of the subsidiary of the Company to the connected persons.

The Directors (including the independent non-executive Directors) believe that the terms of the Lease Agreement are 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.

## **INFORMATION ON THE PARTIES**

### **The Group**

As a leading home improvement and furnishings shopping mall operator in China, 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. The Group is also involved in pan-home furnishings consumption, including internet home decoration, internet retail, as well as logistics and delivery services.

### **Shanghai Hongxin Oukai**

Shanghai Hongxin Oukai is incorporated in the PRC, which is a direct subsidiary of the Company. Shanghai Hongxin Oukai is engaged in owned commercial housing leasing, parking services and other businesses.

## **LISTING RULES IMPLICATIONS**

The controlling shareholder of the Company is RSM Holding, and RSED, a subsidiary of RSM Holding, indirectly holds 60% equity interest of Shanghai Xinhua Cheng. As a result, Shanghai Xinhua Cheng is a connected person of the Company. The Lease constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. As the highest applicable percentage ratio in respect of the Lease is more than 0.1% but less than 5%, the Lease is subject to the reporting, announcement and annual review requirements but is exempted from the circular (including independent financial advice) and the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Our Directors, namely Mr. CHE Jianxing, Ms. CHEN Shuhong, Ms. CHE Jianfang, Mr. XU Guofeng and Mr. JIANG Xiaozhong have abstained from voting on the board resolution to approve the Lease Agreement in view of their conflict of interests or potential interests in the transactions contemplated thereunder. Save as disclosed above, none of Directors has any material interests in the Lease.

## DEFINITIONS

“Company”	Red Star Macalline Group Corporation Ltd. ( 紅星美凱龍家居集團有限公司 ), a sino-foreign joint stock company incorporated in the PRC, the H shares of which are listed on the Main Board of the Stock Exchange and the A shares of which are listed on the Shanghai Stock Exchange
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“controlling shareholder(s)”	has the meaning ascribed thereto under the Listing Rules
“Director(s)”	Director(s) of the Company
“Group”	the Company and its subsidiaries
“Parking Garage”	A parking garage located at Floor B1, Building 1, No. 1388, Wuzhong Road, Minhang District, Shanghai, the PRC, with a total leased area of approximately 13,000 square meters
“Lease”	lease of the Parking Garage by Shanghai Xinhua Cheng from Shanghai Hongxin Oukai pursuant to the terms of the Lease Agreement
“Lease Agreement”	the Lease Agreement dated 23 April 2019 entered into between Shanghai Hongxin Oukai and Shanghai Xinhua Cheng in respect of the Lease
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Shanghai Xinhua Cheng Cheng”	Shanghai Xinhua Cheng Cheng Asset Management Co., Ltd.* ( 上海新華成城資產管理有限公司 ), a company incorporated in the PRC, which is held indirectly as to 60% by RSED
“subsidiary(ies)”	has the meaning ascribed thereto under the Listing Rules
“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 Investment Company Limited” ( 上海紅星美凱龍投資有限公司 )), a limited liability company established in the PRC, which is a controlling shareholder of our Company

“RSED”	Chongqing Red Star Macalline Enterprise Development Co., Ltd.* (重慶紅星美凱龍企業發展有限公司) (formerly known as “Shanghai Red Star Macalline Enterprise Development Co., Ltd.” (上海紅星美凱龍企業發展有限公司)), a limited liability company established in the PRC, which is held as to 65.05% by RSM Holding
“Shanghai Hongxin Oukai”	Shanghai Hongxin Oukai Home Furnishing Company Limited* (上海虹欣歐凱家居有限公司), a company incorporated in the PRC, which is a direct subsidiary of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

\* *for identification purposes only*

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

Shanghai, the PRC  
23 April 2019

*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, Joseph Raymond GAGNON and ZHANG Qiqi; and the independent non-executive Directors are QIAN Shizheng, LEE Kwan Hung, WANG Xiao and ZHAO Chongyi.*