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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)

CONTINUING CONNECTED TRANSACTION — LEASE AGREEMENT

THE LEASE AGREEMENT

The Company announces that on 17 April 2020, Shanghai Hongxin Oukai, a subsidiary of the Company, entered into the Lease Agreement with Shanghai Xinhua Cheng in connection with the leasing of the partial underground parking garage at Floor B1, Building 1, No. 1388, Wuzhong Road, Minhang District, Shanghai, the PRC, which will be effective from 1 May 2020 with a term of three years. Shanghai Xinhua Cheng plans to use the partial underground parking garage at Floor B1, Building 1, No. 1388, Wuzhong Road, Minhang District, Shanghai, the PRC as the parking garage for its commercial properties.

LISTING RULES IMPLICATIONS

The Directors of the Company, Mr. CHE Jianxing and Ms. CHE Jianfang, indirectly control 60% equity interest of Shanghai Xinhua Cheng. As a result, Shanghai Xinhua Cheng is a connected person of the Company. The Lease constitutes a continuing 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 exempt 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 17 April 2020, Shanghai Hongxin Oukai, a subsidiary of the Company, entered into the Lease Agreement with Shanghai Xinhua Cheng in connection with the leasing of the partial underground parking garage at Floor B1, Building 1, No. 1388, Wuzhong Road, Minhang District, Shanghai, the PRC, which will be effective from 1 May 2020 with a term of three years. Shanghai Xinhua Cheng plans to use the partial underground parking garage at Floor B1, Building 1, No. 1388, Wuzhong Road, Minhang District, Shanghai, the PRC as the parking garage for its commercial properties.

THE LEASE AGREEMENT

The principal terms of the Lease Agreement are as follows:

Date:	to be effective from 1 May 2020, with a term of three years
Lessor:	Shanghai Hongxin Oukai
Lessee:	Shanghai Xinhua Cheng 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 Xinhua Cheng Cheng
Rent:	RMB60,000,000, which will be paid in three installments over three years (i.e. the annual rent will be RMB20,000,000)
Payment method of the rent:	After signing the Lease Agreement, Shanghai Xinhua Cheng Cheng will pay Shanghai Hongxin Oukai a one-time annual rent of RMB20,000,000 before 15 May every year. Shanghai Hongxin Oukai shall issue an invoice for the corresponding amount to Shanghai Xinhua Cheng Cheng within 15 working days after receiving the rent.
Basis for the determination of the rent:	The rent is determined after arm's length negotiations between Shanghai Hongxin Oukai and Shanghai Xinhua Cheng Cheng with reference to: (1) the historical transactions between Shanghai Hongxin Oukai and Shanghai Xinhua Cheng Cheng; (2) the valuation with the accumulated cost approach based on the rent valuation report issued by an Independent Third Party; and (3) the comprehensive assessment of economic benefits, market conditions and other factors.
Lease term:	Three years from 1 May 2020 to 30 April 2023
Renewal:	Shanghai Xinhua Cheng Cheng has a right of first refusal to renew the Lease upon its expiry on the same terms. If Shanghai Xinhua Cheng 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 importing high-end home furniture brands. The shopping mall held by Shanghai Xinhua 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 long-term development of the Company's business.

The independent non-executive Directors believe that the pricing of the continuing connected transaction is fair and reasonable, and the continuing 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 non-executive Directors unanimously agreed upon the matters relating to leasing the Parking Garage of the subsidiary of the Company to the connected person.

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

LISTING RULES IMPLICATIONS

The Directors of the Company, Mr. CHE Jianxing and Ms. CHE Jianfang, indirectly control 60% equity interest of Shanghai Xinhua Cheng. As a result, Shanghai Xinhua Cheng is a connected person of the Company. The Lease constitutes a continuing 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 exempt 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. CHE Jianfang, Ms. CHEN Shuhong, Mr. XU Guofeng and Mr. JIANG Xiaozhong have abstained from voting on the board resolution to approve the transactions matters in view of their conflict of interests or potential interests in the transactions contemplated under the Lease Agreement. Save as disclosed above, none of Directors has any material interests in the Lease.

INFORMATION ON 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. 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 ON SHANGHAI HONGXIN OUKAI

Shanghai Hongxin Oukai is a company incorporated in the PRC, and is directly held as to 50% and 50% by Shanghai Hongxin Industrial Company Limited and the Company, respectively. Shanghai Hongxin Industrial Company Limited is held as to 99.99% by its ultimate beneficial owner, Hongwu Economic Cooperative at Hongqiao Town, Minhang District, Shanghai (上海閔行區虹橋鎮虹五經濟合作社), which is a village-level collective economic organization that is engaged in the operation and management of collective assets and the development of agricultural production and agricultural services. Shanghai Hongxin Oukai is engaged in wholesale of various furniture, building materials, general merchandise, chemical products and raw materials (except hazardous chemicals, restricted chemicals, fireworks, civil explosives and precursor chemicals), metal materials, hardware and electrical equipment and textiles, property management, enterprise management consulting (except brokerage), exhibition services (except hosting and undertaking), owned commercial housing leasing, parking services and other businesses.

INFORMATION ON SHANGHAI XINHUACHENG CHENG

Shanghai Xinhua Cheng is a company incorporated in the PRC, which is held directly as to 45%, 40% and 15% by Red Star Furniture Group Co., Ltd., Shanghai Xinhua Distribution Group Co., Ltd. and Shanghai Aogen Business Administration Company Limited (上海澳艮企業管理有限公司), respectively. Shanghai Xinhua Cheng is engaged in asset management, investment management, industrial management, investment consultation, property services, catering management, hospitality management, real estate development and management, sale of daily necessities, clothing, shoes and hats, handicrafts (except for ivory and its products), parking services and other businesses.

The ultimate beneficial owners of Red Star Furniture Group Co., Ltd. are Mr. CHE Jianxing and Ms. CHE Jianfang, who hold 90% and 10% equity interests of Red Star Furniture Group Co., Ltd., respectively.

Shanghai Xinhua Distribution Group Co., Ltd. is held as to 39%, 50.8% and 10.2% by Greenland Holding Group Company Limited (a company listed on the Shanghai Stock Exchange, which is engaged in businesses such as industrial investment, development, management, leasing and displacement of real estate, construction of housing and supporting infrastructure, hotel management, road and transportation engineering, financial information service (excluding financial business), landscape engineering, technical services in the field of energy, automobile sales services and property management, Stock Code: 600606), Shanghai United Media Group (a public institution set up by the Shanghai municipal government, which is engaged in businesses such

as publication of Jiefang Daily (解放日報), Zhibushenghuo (支部生活), Baokanwenzhai (報刊文摘), Shanghai Novels (上海小說) and other periodicals, as well as publication of Internet newspapers, Internet magazines and mobile publications) and the Shanghai State-owned Assets Supervision and Administration Commission, respectively.

Shanghai Aogen Business Administration Company Limited is a wholly-owned subsidiary of RSED, of which 64.70% equity interests is held by RSM Holding. RSM Holding is a company incorporated in the PRC and the controlling shareholder of the Company, principally engaged in investment in corporations, film and television industry, art and cultural industry, investment management, business management, investment consulting and property management businesses. RSM Holding is directly held as to 92% and 8% by Mr. CHE Jianxing and Ms. CHE Jianfang (both of them are the Directors of the Company), respectively. As at the date of this announcement, RSM Holding has held approximately 70.14% of the total issued shares of the Company.

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 with limited liability, 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
“Independent Third Party(ies)”	persons who, to the knowledge of the Directors after having made all reasonable enquiries, are not connected persons of the Company
“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 17 April 2020 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 of Hong Kong Limited
“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

“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 the 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 64.70% 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 subsidiary of the Company
“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
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed thereto under the Listing Rules

* For identification only

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

Shanghai, the PRC
17 April 2020

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.