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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 CONTRACT 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**”) of the Company and all its directors confirm that there are no false representations, misleading statements, or material omissions in this announcement, and they shall accept legal responsibility for the truthfulness, accuracy and completeness of contents herein.

I. EXPLANATION

The total contract rent and management fee from Owned Portfolio Shopping Malls of the Company decreased in June 2024 as compared to the previous month (the “**Decrease in Rent**”). In particular, the total contract rent and management fee from Owned Portfolio Shopping Malls was RMB531,759,473.16 and RMB528,796,517.97 in May and June 2024, respectively, and the amount decreased by RMB2,962,955.19 or 0.56% in June 2024 as compared to the previous month. The abovementioned estimated figures are unaudited, and the Company advises investors to exercise caution when using such information.

The main reasons for the Decrease in Rent are that: on the one hand, contract renewals for some of the Owned Portfolio Shopping Malls at the end of May 2024 were still under further negotiation with merchants on commercial terms, resulting in a short-term phased decline in occupancy rates; on the other hand, the Company introduced M+ High-End Design Center, new energy automobiles and other high-quality categories to the shopping malls with favorable business terms, which has further diversified the category portfolio.

II. IMPACT OF THE DECREASE IN RENT ON THE LONG-TERM DEVELOPMENT OF THE COMPANY

1. The Decrease in Rent will not affect the Company's ability to continue as a going concern and its long-term development.
2. The management of the Company is of the view that as the industry in which the Company operates is still under a gradual recovery, the short-term phased decline in occupancy rates and rent concessions may affect the valuation of the Company's investment property to a certain extent. The Company has communicated with the investment property appraiser that the above matters are not expected to have a material adverse effect on the future fair value in anticipation of the gradual recovery of the economy. The Company will continue to follow up the progress of subsequent contract renewals.

III. COUNTERMEASURES

The Company has taken countermeasures from some aspects, which primarily include:

1. Actively stabilizing and retaining merchants. Formulate the "one policy for one store" in line with local conditions to promote sound and healthy operation of main categories;
2. Securing contract renewal and contract performance. Initiate a systematic survey on and communication with merchants, sort out a list of issues on contract performance of merchants, discuss and address the problems of merchants who are yet to renew the contracts on a case-by-case basis; accelerate the progress of the signing of contracts for the introduction of merchants under the scheme and establish an early warning and prevention mechanism for merchants with performance risk;
3. Consistently cultivating and expanding merchants. Resolutely promote the implementation of the "3+ Star Ecosystem" business strategy to integrate home appliances, home furnishings and home decoration; promote the duplication of the living appliance store Chaodianhui (潮電薈) in the Hundred Stores project and establishment of adaptive space experience centers for the elderly; accelerate taking M+ High-End Home Decoration Design Centers as the key and make it one of the Company's growth engines for business and customer traffic through the integration of the design proposal capability and the delivery capability of customizing personalized home decoration for consumers; make more efforts to introduce the featured space of tearoom garden, fashion light meal and other emerging business formats to enhance the vitality of the business ecology; and
4. Tap deep into the existing refurbishment market. Ride on the home refurbishment consumption trend and join hands with the upstream and downstream merchants to establish a comprehensive trade-in process link. Respond to the national call for expanding domestic demands and implement specific policies for different regions to meet the customer demands.

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

Shanghai, the PRC
5 July 2024

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, 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.