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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 TRANSACTIONS IN RELATION TO TRANSFER OF EQUITY INTERESTS IN SHANGHAI HUANGPU RED STAR SMALL LOANS COMPANY LIMITED

On 30 August 2017, the Company and its two wholly-owned subsidiaries entered into the Equity Transfer Agreements to dispose of their 100% equity interests in the Target Company. Pursuant to the Equity Transfer Agreements, (1) the Company conditionally agreed to sell and RSM Holding conditionally agreed to acquire 70% equity interests in the Target Company; and (2) Beijing Red Star Home Furnishings and Nanjing Red Star Home Furnishings City conditionally agreed to sell and Fuzhou Red Star Management and Kunming Red Star Management conditionally agreed to acquire 30% equity interests in the Target Company, for an aggregate consideration of RMB201,410,000.

IMPLICATIONS UNDER THE LISTING RULES

As RSM Holding is a controlling shareholder of the Company, RSM Holding is a connected person of the Company and the Transactions constitute connected transactions of the Company under Chapter 14A of the Listing Rules.

As the Equity Transfer Agreements are entered into by the Company and two of its subsidiaries with parties connected with one another, and the transactions involved disposal of parts of one target, the transactions contemplated under the Equity Transfer Agreements shall be aggregated in accordance with Rule 14A.81 of the Listing Rules.

As the highest applicable percentage ratio applied in accordance with Rule 14.07 of the Listing Rules in respect of the Transactions, on an aggregated basis, is more than 0.1% but less than 5%, the Transactions are subject to announcement and reporting requirements but are exempt from the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

In view of the interests of Mr Che, Ms Che and Mr Jiang in RSM Holding, Mr Che, Ms Che and Mr Jiang and their respective Associates (including Mr Xu Guofeng (Ms Che's husband) and Ms Chen Shuhong (Mr Che's wife) will abstain from voting in relation to the board resolution approving the Transactions.

BACKGROUND

On 30 August 2017, the Company and its two wholly-owned subsidiaries entered into the Equity Transfer Agreements to dispose of their 100% equity interests in the Target Company. Pursuant to the Equity Transfer Agreements, (1) the Company conditionally agreed to sell and RSM Holding conditionally agreed to acquire 70% equity interests in the Target Company; and (2) Beijing Red Star Home Furnishings and Nanjing Red Star Home Furnishings City conditionally agreed to sell and Fuzhou Red Star Management and Kunming Red Star Management conditionally agreed to acquire 30% equity interests in the Target Company, for an aggregate consideration of RMB201,410,000.

THE EQUITY TRANSFER AGREEMENTS

Connected Transactions under the Equity Transfer Agreements

Date

30 August 2017

Parties

1. Equity Transfer Agreement 1 with the Company as the Seller and RSM Holding as the Purchaser
2. Equity Transfer Agreement 2 with Beijing Red Star Home Furnishings and Nanjing Red Star Home Furnishings City as the Sellers and Fuzhou Red Star Management and Kunming Red Star Management as the Purchasers

Equity Transfer Agreement 1 and Equity Transfer Agreement 2 collectively as the “**Equity Transfer Agreements**”.

The Company, Beijing Red Star Home Furnishings and Nanjing Red Star Home Furnishings City (collectively as the “**Sellers**” and each a “**Seller**”)

RSM Holding, Fuzhou Red Star Management and Kunming Red Star Management (collectively as the “**Purchasers**” and each a “**Purchaser**”)

Subject

The equity transfer arrangements of 100% equity interests in the Target Company under the Equity Transfer Agreements are as follows:

1. 70% equity interests in the Target Company held by the Company to be transferred to RSM Holding
2. 20% equity interests in the Target Company held by Beijing Red Star Home Furnishings to be transferred to Fuzhou Red Star Management
3. 10% equity interests in the Target Company held by Nanjing Red Star Home Furnishings City to be transferred to Kunming Red Star Management

Consideration

The total consideration of the Transactions amounts to RMB201,410,000 whereby RMB140,987,000 will be paid by RSM Holding to the Company, RMB40,282,000 will be paid by Fuzhou Red Star Management to Beijing Red Star Home Furnishings and RMB20,141,000 will be paid by Kunming Red Star Management to Nanjing Red Star Home Furnishings City pursuant to the Equity Transfer Agreements.

Representations and Warranties

By the Sellers

The Sellers have legal titles to their respective equity interests in the Target Company which are free from pledges, encumbrances and not subject to any obligations to third parties.

Conditions Precedent

Completion of the Transactions is conditional upon the obtaining of the approval from the relevant PRC authorities.

Payment Terms and Completion

The Purchasers shall pay their respective share of the Consideration within 30 days after the Equity Transfer Agreements become effective and upon completion of the industrial and commercial registration effecting the transfer of 100% equity interests in the Target Company.

BASIS OF THE CONSIDERATION

The Purchasers have engaged an independent valuer to conduct a valuation on the Target Company. The Consideration was arrived at after arm's length negotiations between the Sellers and the Purchasers on normal commercial terms with reference to the Target Company Valuation Report. The valuation adopted the asset-based approach. Pursuant to the Target Company Valuation Report, the valuation of the shareholders' equity value of the Target Company as of 31 July 2017 is RMB201,418,415.

INFORMATION ON THE TARGET COMPANY

The Target Company is a company incorporated in the PRC primarily engaged in the provision of loans and related consultancy activities.

Financial information of the Target Company

Set out below is certain financial information of the Target Company based on its audited financial statements for the year ended 31 December 2016:

	For the year ended 31 December 2016 (RMB)
Loss before Taxation	2,104,401
Net Loss after Taxation	1,605,818

As the Target Company was established in August 2016, no financial information in respect of the financial year ended 2015 is available.

REASONS FOR AND BENEFITS OF THE TRANSACTIONS

The Transactions are part of an internal restructuring process aimed at improving corporate efficiency and streamlining the Company's corporate business structure as well as disposing of its interests in the Target Company out of the Group after taking into account the overall strategies of the Group.

The Directors (including the independent non-executive Directors of the Company) take the view that the terms of the Transactions are fair and reasonable, and the Transactions are on normal commercial terms, in the ordinary and usual course of business of the Group, and are in the interests of the Company and its Shareholders as a whole.

EFFECT OF THE TRANSACTIONS AND USE OF PROCEEDS FROM THE TRANSACTIONS

After completion of the Transactions, the Target Company will cease to be a non-wholly owned subsidiary of the Company and its financial results, assets and liabilities will not be included in the consolidated financial statements of the Group.

The Group does not expect to recognize in its income statement any substantial gain or loss in relation to these Transactions as the Transactions are valued at cost, and intends to use the proceeds for replenishment of working capital of the Group.

IMPLICATIONS UNDER THE LISTING RULES

As RSM Holding is a controlling shareholder of the Company, RSM Holding is a connected person of the Company and the Transactions constitute connected transactions of the Company under Chapter 14A of the Listing Rules.

As the Equity Transfer Agreements are entered into by the Company and two of its subsidiaries with parties connected with one another, and the transactions involved disposal of parts of the Target Company, the transactions contemplated under the Equity Transfer Agreements shall be aggregated in accordance with Rule 14A.81 of the Listing Rules.

As the highest applicable percentage ratio applied in accordance with Rule 14.07 of the Listing Rules in respect of the Transactions, on an aggregated basis, is more than 0.1% but less than 5%, the Transactions are subject to announcement and reporting requirements but are exempt from the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

In view of the interests of Mr Che, Ms Che and Mr Jiang in RSM Holding, Mr Che, Ms Che and Mr Jiang and their respective Associates (including Mr Xu Guofeng (Ms Che's husband) and Ms Chen Shuhong (Mr Che's wife) will abstain from voting in relation to the board resolution approving the Transactions.

INFORMATION ON BEIJING RED STAR HOME FURNISHINGS

Beijing Red Star Home Furnishings is a company incorporated in the PRC and is primarily engaged in the business of premises leasing service.

INFORMATION ON NANJING RED STAR HOME FURNISHINGS CITY

Nanjing Red Star Home Furnishings City is a company incorporated in the PRC and is primarily engaged in the business of counters leasing service.

INFORMATION ON FUZHOU RED STAR MANAGEMENT

Fuzhou Red Star Management is a company incorporated in the PRC and is primarily engaged in the business of commercial and property management.

INFORMATION ON KUNMING RED STAR MANAGEMENT

Kunming Red Star Management is a company incorporated in the PRC and is primarily engaged in the business of commercial and property management.

INFORMATION ON THE GROUP

The Group is 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. The Group is also involved in O2O platform business, bulk procurement, home design and decoration, as well as logistics and delivery services.

DEFINITIONS

“Associates”	has the meaning ascribed thereto under the Listing Rules
“Beijing Red Star Home Furnishings”	Beijing Red Star Macalline International Home Furnishings Construction Materials Company Limited* (北京紅星美凱龍國際傢俱建材廣場有限公司), a limited liability company incorporated in the PRC which is a wholly-owned subsidiary of the Company and as one of the Sellers
“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 of Hong Kong Limited (stock code: 1528)
“Completion”	the completion of the sale and purchase of the 100% equity interests in the Target Company in accordance with the terms and conditions of the Equity Transfer Agreements

“Connected person”	has the meaning ascribed thereto under the Listing Rules
“Consideration”	RMB201,410,000
“Controlling shareholder”	has the meaning ascribed thereto under the Listing Rules
“Director(s)”	the directors of the Company
“Equity Transfer Agreements”	the equity transfer agreements dated 30 August 2017 entered into between the Sellers and the Purchasers in relation to the sale and purchase of 100% equity interests in the Target Company, including Equity Transfer Agreement 1 and Equity Transfer Agreement 2 as stipulated under the section headed “The Equity Transfer Agreement – Parties”
“Fuzhou Red Star Management”	Fuzhou Red Star Commercial Management Company Limited* (福州紅星商業管理有限公司), a limited liability company incorporated in the PRC and as one of the Purchasers
“Group”	the Company together with its subsidiaries
“Independent Shareholders”	shareholders other than Mr Che, Ms Che and Mr Jiang and their respective Associates
“Kunming Red Star Management”	Kunming Red Star Commercial Management Company Limited* (昆明紅星商業管理有限公司), a limited liability company incorporated in the PRC and as one of the Purchasers
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Mr Che”	Mr Che Jianxing (車建興), chairman, chief executive officer and executive director of the Company and holds 92% equity interests in RSM Holding
“Mr Jiang”	Mr Jiang Xiaozhong (蔣小忠), an executive director of the Company and the son of a supervisor of RSM Holding
“Ms Che”	Ms Che Jianfang (車建芳), an executive director of the Company and holds 8% equity interests in RSM Holding

“Nanjing Red Star Home Furnishings City”	Nanjing Red Star International Home Furnishings City Company Limited* (南京紅星國際傢俱裝飾城有限公司), a limited liability company incorporated in the PRC which is a wholly-owned subsidiary of the Company and as one of the Sellers
“PRC”	the People’s Republic of China which, for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region and Taiwan
“Purchasers”	RSM Holding, Fuzhou Red Star Management and Kunming Red Star Management, each a “ Purchaser ”
“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 incorporated in the PRC and as one of the Purchasers. RSM Holding is a controlling shareholder of the Company, which is held as to 92% by Mr Che Jianxing and 8% by Ms Che Jianfang
“Sellers”	the Company, Beijing Red Star Home Furnishings and Nanjing Red Star Home Furnishings City, each a “ Seller ”
“Shareholder(s)”	the shareholders of the Company
“Target Company Valuation Report”	the valuation report prepared by an independent professional third party valuer, Wanlong (Shanghai) Asset Valuation Company Limited* (萬隆(上海)資產評估有限公司), dated 28 August 2017 in relation to a valuation of the shareholders’ equity value of the Target Company as of 31 July 2017
“Target Company”	Shanghai Huangpu Red Star Small Loans Company Limited*(上海黃浦紅星小額貸款有限公司, a limited liability company incorporated in the PRC and a direct non-wholly owned subsidiary of the Company immediately before the Transactions

“Transactions”

the connected transactions contemplated under the Equity Transfer Agreements as set out in the section headed “The Equity Transfer Agreements” in this announcement

By Order of the Board
Red Star Macalline Group Corporation Ltd.
Guo Binghe
Company Secretary

Shanghai, the PRC
30 August 2017

At the date of this announcement, our executive directors are CHE Jianxing, ZHANG Qi, CHE Jianfang, and JIANG Xiaozhong; non-executive directors are CHEN Shuhong, XU Guofeng, Joseph Raymond GAGNON and ZHANG Qiqi; and independent non-executive directors are LI Zhenning, DING Yuan, LEE Kwan Hung and QIAN Shizheng.

* *For identification only*