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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 TRANSACTIONS — THE DESIGN SERVICES FRAMEWORK AGREEMENT

THE DESIGN SERVICES FRAMEWORK AGREEMENT

The Company announces that on 1 April 2019, RSM Holding entered into the Design Services Framework Agreement with Shanghai Dingsheng to be effective from 1 April 2019, pursuant to which Shanghai Dingsheng will provide engineering design services to RSM Holding or its subsidiaries for a consideration of not more than RMB95,000,000 and a term of one year.

LISTING RULES IMPLICATIONS

RSM Holding is held as to 92% by Mr. Che, chairman, chief executive officer and an executive Director of the Company. Shanghai Dingsheng is an indirect wholly-owned subsidiary of the Company. As a result, RSM Holding is a connected person of the Company and the transactions under the Design Services Framework Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio in respect of the transactions under the Design Services Framework Agreement is more than 0.1% but less than 5%, the transactions under the Design Services Framework Agreement are subject to the reporting, announcement and annual review requirements but are 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 1 April 2019, RSM Holding entered into the Design Services Framework Agreement with Shanghai Dingsheng. The principal terms and conditions of each agreement are as follows:

THE DESIGN SERVICES FRAMEWORK AGREEMENT

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| Date: | 1 April 2019 |
| Parties: | (1) RSM Holding (2) Shanghai Dingsheng |
| Term: | The Design Services Framework Agreement will be for a term of one year and will expire on 31 March 2020. |
| Nature of Transaction: | <p>Pursuant to the Design Services Framework Agreement, Shanghai Dingsheng agreed to provide engineering design services to RSM Holding or its subsidiaries. The engineering design services provided by Shanghai Dingsheng will include all design consultation services for projects such as civil engineering design and secondary design.</p> <p>During the term of the Design Services Framework Agreement, RSM Holding and Shanghai Dingsheng may enter into separate agreements from time to time in respect of the provision of engineering design services subject to the terms and conditions in accordance with the Design Services Framework Agreement.</p> |
| Consideration and Payment Terms | The consideration for the engineering design services shall not exceed RMB95,000,000. The consideration is determined after arm's length negotiations with reference to (i) internal historical transaction amount and estimates of future transaction; and (ii) the market price of similar services provided by Independent Third Parties. |

REASONS FOR AND BENEFITS OF THE DESIGN SERVICES FRAMEWORK AGREEMENT

By providing engineering design services through Shanghai Dingsheng, the Directors believe that the Group will be able to ensure that the design work necessitated by the commercial buildings managed by RSM Holding and its subsidiaries are of satisfactory quality. The Directors also consider that entering into the Design Services Framework Agreement allows the Group to better manage the quality of the relevant commercial buildings and lays a solid foundation for the long-term development of such commercial buildings.

The Directors (including the independent non-executive Directors) consider that the Design Services Framework 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

(a) 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.

(b) RSM Holding

RSM Holding is the investment holding company of the Company, which is held as to 92% by Mr. Che and as to 8% by Ms. Che Jianfang. As of the Latest Practicable Date, RSM Holding held approximately 69.87% of the total issued shares of the Company.

(c) Shanghai Dingsheng

Shanghai Dingsheng is a company incorporated in the PRC, which is an indirect wholly-owned subsidiary of the Company. Shanghai Dingsheng is engaged in the business of engineering design.

LISTING RULES IMPLICATIONS

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Mr. Che, Ms. Che Jianfang, Ms. Chen Shuhong, Mr. Xu Guofeng, Mr. Jiang Xiaozhong, as Directors of the Company, have abstained from voting on the board resolution to approve the Design Services Framework Agreement in view of their interests in the transactions contemplated thereunder. Save as disclosed above, none of the Directors has any material interests in the transactions.

DEFINITIONS

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| “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 |
| “Directors” | directors of the Company |
| “Design Services Framework Agreement” | the Design Services Framework Agreement dated 1 April 2019 entered into between RSM Holding and Shanghai Dingsheng, pursuant to which Shanghai Dingsheng will provide engineering design services to RSM Holding or its subsidiaries for a consideration of not more than RMB95,000,000 and a term of one year |
| “Group” | the Company and its subsidiaries |
| “Independent Third Party(ies)” | persons who, to the best knowledge of the Directors after having made all reasonable enquiries, are not connected persons of the Company within the meanings of the Listing Rules |
| “Latest Practicable Date” | 29 March 2019, being the latest practicable date for the purpose of ascertaining certain information contained in this announcement prior to its publication |
| “Listing Rules” | the Rules Governing the Listing of Securities on the Stock Exchange |

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| “Mr. Che” | Mr. Che Jianxing, chairman, chief executive officer and an executive Director |
| “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 and is a controlling shareholder of our Company, which is held as to 92% by Mr. Che and 8% by Ms. Che Jianfang |
| “Shanghai Dingsheng” | Shanghai Dingsheng Construction Management and Design Company Limited (上海鼎勝建築工程管理設計有限公司), a limited liability company established in the PRC and is an indirect wholly-owned 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
1 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.