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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)

**VOLUNTARY ANNOUNCEMENT
ENTERING INTO THE STRATEGIC COOPERATION
AGREEMENT WITH ALIBABA (CHINA) NETWORK
TECHNOLOGY CO., LTD**

This is a voluntary announcement made by Red Star Macalline Group Corporation Ltd. (the “**Company**”) to inform its shareholders and potential investors the main content of the strategic cooperation agreement (the “**Agreement**”) entered into between the Company and Alibaba (China) Network Technology Co., Ltd.* (阿里巴巴(中國)網絡技術有限公司) (“**Alibaba**”) on 24 May 2019 in the Yuhang District of Hangzhou, China.

Main Content of the Agreement

1. Background and Purpose of the Cooperation

The Company is a leading home improvement and furnishing shopping mall operator, and Alibaba has advanced operating philosophies and technical support in new-retailing areas. Through the strategic cooperation with Alibaba, the Company can introduce advanced operating philosophies and bring in the technical support of Alibaba in the new-retailing areas to the Company’s main business operations in home improvement and furnishing shopping malls. This will enhance the Company’s operational efficiency and further encourage the integration of online and offline business of the industry.

2. The Main Content

The areas and content of the strategic cooperation between the Company and Alibaba (together, known as the “**Parties**”) mainly include the following items:

- a) Construction of new retail outlets: The Parties undertake to use all their reasonable commercial effort to proactively explore trials and practices in new retail outlets. The details are as follows:
 - (i) The Parties should take into account the actual operating conditions of the Company’s outlets and jointly select a certain number of outlets from those that are being operated by the Company as the pilot outlets (“**Pilot Outlets**”);
 - (ii) When the new-retail outlet program for the Pilot Outlets becomes mature, the Company shall promote it to all portfolio shopping malls, managed shopping malls and franchised stores of the Company.
- b) Construction of the E-commerce platform: the Parties agree to build an e-commerce platform for the Company based on Alibaba’s E-commerce base platform and payment system (including but not limited to opening stores in Alibaba’s designated platforms such as Tmall.com and Taobao.com) for online sales of the Company’s home furnishing and construction materials products.
- c) Systems for logistics, warehouse, distribution and installation service provider: the Company will independently complete its development of the logistics system while Alibaba will provide technical support to the Company; the Company further undertakes that it will develop the logistical layout in collaboration with Cainiao Network, including but not limited to, the construction of systems for warehouse, logistics, distribution and installation services for home furnishing and decoration products.
- d) Consumer financing: the Parties undertake to use reasonable commercial effort to formulate and implement the plan to integrate Alipay-related consumer financial products and technical capabilities into the Company’s outlets as soon as possible.
- e) Hybrid business operation: the Parties undertake to use reasonable commercial effort to formulate and implement the solutions to develop a hybrid business operational model in the Company’s outlets as soon as possible.
- f) Payment system: In order to promote the integration of online and offline businesses as soon as possible, and to make full use of the traffic of Alibaba and Alipay, the Company and Alibaba undertake to jointly promote the cashier system of the Company’s outlets to be integrated with Alibaba’s new-retail intelligent POS system, conduct precise marketing and share network traffic between the Parties.

- g) Information sharing: the Company stores data generated by itself and its businesses in the Company's dedicated cloud/dedicated database. In order to enhance the synergy in the Parties' cooperation, subject to applicable laws and both Parties' relevant user privacy protection policies, the Parties undertake to use reasonable commercial effort to establish the necessary information sharing system.

3. Cooperation Mechanism

The Parties will jointly establish a business coordination committee. Matters that are relevant to the business cooperation under the Agreement or other matters that may have a material impact on the business cooperation under the Agreement will be discussed, coordinated and deliberated in advance by the business coordination committee. The Company and Alibaba (through exercising the relevant rights as a shareholder or procuring the relevant director to exercise rights as a director) however has the discretion to make final decisions with regards to such matters. The business coordination committee does not have any determinative power or veto right to such matters discussed, coordinated or deliberated by it.

4. Commencement and Other Matters of the Agreement

- a) The Agreement takes effect from the date when it is signed (stamped or signed by authorized representatives) by the Parties and considered and approved by the board of directors of the Company; and
- b) The Parties shall respectively procure the subsidiaries of their respective groups to perform obligations and undertakings of the relevant cooperation under the Agreement.

Impact on the Company

- a) The Agreement is in line with the strategic development needs of the Company and both Parties shall commence business cooperation in compliance with the requirements of laws and regulations. The Agreement will also impose a positive effect on the Company and will be beneficial to the Company's long-term development.
- b) The performance of the Agreement will not be expected to have a significant impact on the Company's 2019 annual operating results, and the specific impacts on the subsequent annual operating results of the Company remain uncertain.

Listing Rule Implication

To the best knowledge, information and belief of the directors of the Company, and having made all reasonable enquires, Alibaba is a third party independent of the Company and its connected persons (as defined in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**"). For further updates with regards to the strategic cooperation between the Parties, the Company will comply with the relevant approval and disclosure requirements under the Listing Rules as and when appropriate.

The purpose of the Agreement is to commence and secure the strategic cooperation relationship between the Parties. The Agreement is a framework agreement reflecting the basic principles and the mutual intention to cooperate between both Parties. Specific issues are in the process of discussion and are subject to changes and uncertainties. Upon entering into the Agreement, both Parties shall engage in further negotiation. Furthermore, the projects, plans and the relevant cooperation matters under the Agreement remain uncertain. The final consideration, the specific cooperation matters and the progress of implementation also remain uncertain. Shareholders and potential investors are advised to exercise caution when dealing in the shares and other securities of the Company.

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

Shanghai, the PRC
26 May 2019

* *For identification purpose only.*

This announcement is prepared in both English and Chinese 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, GUO Binghe, CHE Jianfang and JIANG Xiaozhong; the non-executive Directors are CHEN Shuhong and XU Guofeng; and the independent non-executive Directors are QIAN Shizheng, LEE Kwan Hung, WANG Xiao and ZHAO Chongyi.