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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
IN RELATION TO THE HOUSE LEASING CONTRACT,
THE PARKING SPACE LEASING AGREEMENT
AND THE PROPERTY SERVICE CONTRACT**

HOUSE LEASING CONTRACT

The Company announces that on 13 January 2020, the Company entered into the House Leasing Contract with Shanghai Xingzhiyu in relation to leasing of the commercial office building of the Company. The Company will lease the commercial office building of the Company to Shanghai Xingzhiyu from 1 February 2020 to 31 December 2021.

PARKING SPACE LEASING AGREEMENT

The Company announces that on 13 January 2020, Shanghai Yuxu, a wholly-owned subsidiary of the Company, entered into the Parking Space Leasing Agreement with Shanghai Xingzhiyu in relation to leasing of the parking spaces. Shanghai Yuxu will lease the parking spaces to Shanghai Xingzhiyu from 1 March 2020 to 31 December 2021.

PROPERTY SERVICE CONTRACT

The Company also announces that on 13 January 2020, the Company entered into the Property Service Contract with Shanghai Xingzhiyu in relation to the property management matters of the commercial office building of the Company. Shanghai Xingzhiyu will provide property management services for the commercial office building of the Company from 1 February 2020 to 31 December 2021.

IMPLICATIONS UNDER THE LISTING RULES

Shanghai Xingzhiyu is a wholly-owned subsidiary of RSM Holding, in which RSM Holding is a controlling shareholder of the Company, therefore, Shanghai Xingzhiyu is a connected person of the Company, and the Transactions between Shanghai Xingzhiyu and the Company constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules. Since the House Leasing Contract and the Parking Space Leasing Agreement are (1) entered into between the Company or its wholly-owned subsidiary (as the lessor) and Shanghai Xingzhiyu (as the lessee); (2) executed in the same period; and (3) similar in nature, the continuing connected transactions contemplated under the House Leasing Contract and the Parking Space Leasing Agreement will be aggregated in accordance with Rule 14A.81 of the Listing Rules. As each of the highest applicable percentage ratios applied in accordance with Rule 14.07 of the Listing Rules in respect of the Transactions contemplated under (1) the House Leasing Contract and the Parking Space Leasing Agreement; and (2) the Property Service Contract is more than 0.1% but less than 5%, the abovementioned Transactions are subject to the reporting, announcement and annual review requirements, but are 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 13 January 2020, the Company entered into the House Leasing Contract with Shanghai Xingzhiyu in relation to leasing of the commercial office building of the Company. The Company will lease the commercial office building of the Company to Shanghai Xingzhiyu from 1 February 2020 to 31 December 2021.

The Company announces that on 13 January 2020, Shanghai Yuxu, a wholly-owned subsidiary of the Company, entered into the Parking Space Leasing Agreement with Shanghai Xingzhiyu in relation to leasing of the parking spaces. Shanghai Yuxu will lease the parking spaces to Shanghai Xingzhiyu from 1 March 2020 to 31 December 2021.

The Company also announces that on 13 January 2020, the Company entered into the Property Service Contract with Shanghai Xingzhiyu in relation to the property management matters of the commercial office building of the Company. Shanghai Xingzhiyu will provide property management services for the commercial office building of the Company from 1 February 2020 to 31 December 2021.

HOUSE LEASING CONTRACT

The principal terms of the House Leasing Contract are as follows:

Date: 13 January 2020

Parties: The Company (the “**Lessor**”)

Shanghai Xingzhiyu (the “**Lessee**”)

Location: Certain floors of Building 2 and certain floors of Building 5, Lane 1466, Shenchang Road, Minhang District, Shanghai, the PRC (the “**House**”)

Leased area: The gross floor area of the House is 18,317.84 square meters. At the same time, part of the office location and zone can be adjusted upon coordination and mutual agreement between the Lessor and the Lessee under the condition that the leased area remains unchanged. If such adjustment results in changes in the leased area, the Lessor and the Lessee shall sign a supplemental agreement.

Usage: Use as commercial offices. Shanghai Xingzhiyu undertakes to the Company that the House will be used as commercial offices and that Shanghai Xingzhiyu will comply with the regulations of the PRC and Shanghai on the usage of house and property management.

Leasing term: 1 February 2020 to 31 December 2021 (the “**Leasing Term**”)

Rent: The rent for the House is RMB7.8 per square meter per day during the Leasing Term.

Payment method of the rent: The rent shall be paid on a quarterly basis. Shanghai Xingzhiyu shall pay the first installment of rent for the House (for the period from 1 February 2020 to 31 March 2020) before 10 February 2020, and the subsequent rental for the House shall be paid 10 days prior to the date of commencement of each quarter (i.e., the next quarterly rent to the Company shall be paid before the 20th day of March, June, September and December every year), and so on.

In case of overdue payment, Shanghai Xingzhiyu shall pay the Company a late fee of 0.05% of the outstanding rent for each day where the payment is overdue. If Shanghai Xingzhiyu has not made the payment within 10 days as stipulated, the Company will give an exigent notice in writing, and if the payment has still not been made within 30 days commencing from the notice date, the Company shall have the right to unilaterally terminate House Leasing Contract by notifying Shanghai Xingzhiyu in writing.

Termination of contract: The Company and Shanghai Xingzhiyu have agreed that, during the Leasing Term, the House Leasing Contract may be terminated and the Company and Shanghai Xingzhiyu are not liable for breach of contract, however, the Company shall refund Shanghai Xingzhiyu the deposits and the undue rent that has already been paid in any of the following circumstances:

- (1) early recovery of land use rights regarding the land on which the House is occupied in accordance with laws;
- (2) confiscation of the House for the purpose of social and public interests in accordance with laws;
- (3) the House is put on a list of demolition for the needs of urban construction and operation in accordance with laws;
- (4) the House is damaged due to force majeure or authenticated as dangerous building;
- (5) other circumstances stipulated by the laws and regulations.

The Company and Shanghai Xingzhiyu have agreed that, the non-defaulting party may terminate the contract by providing a notice to the defaulting party in writing. The defaulting party shall pay the non-defaulting party an amount equal to 100% of the total monthly rent as liquidated damages; in case of losses suffered by the non-defaulting party, compensation shall be made by the defaulting party in any of the following circumstances:

- (1) there are defects in the House delivered by the Company which put the safety of Shanghai Xingzhiyu at risk;
- (2) Shanghai Xingzhiyu changes the usage of the House without the consent of the Company;
- (3) there are damages to the main structure of the House or its ancillary facilities on the cause of Shanghai Xingzhiyu;
- (4) Shanghai Xingzhiyu engages in illegal business activities;
- (5) the rent payable by Shanghai Xingzhiyu has been overdue and has still not been made after an exigent notice is given by the Company.

ANNUAL CAPS FOR THE HOUSE LEASING CONTRACT

The annual caps for the House Leasing Contract calculated with reference to the annual rent payable by Shanghai Xingzhiyu as set out in the House Leasing Contract are as follows:

	For the year ending 31 December 2020 (RMB)	For the year ending 31 December 2021 (RMB)
Annual cap	64,012,000	64,012,000

The Group does not have any historical transaction with Shanghai Xingzhiyu. According to the House Leasing Contract, the rent payable in respect of the leasing is determined after arm's length negotiation between the Company and Shanghai Xingzhiyu with reference to the prevailing pricing mechanisms and rent of the commercial office premises operated in the vicinity of the House and in similarly-ranked cities, the total leased area, as well as the development plan of the Group. In addition, the Company sets the annual caps due to the possible adjustments to the leased area.

PARKING SPACE LEASING AGREEMENT

The principal terms of the Parking Space Leasing Agreement are as follows:

Date:	13 January 2020
Parties:	Shanghai Yuxu (the “ Parking Space Lessor ”) Shanghai Xingzhiyu (the “ Parking Space Lessee ”)
Location of the parking spaces:	Certain parking spaces without title located in Building 2 and Building 5, Lane 1466, Shenchang Road, Shanghai
Leasing term:	1 March 2020 to 31 December 2021
Rent:	The monthly rent for each parking space is RMB800.
Payment method of the rent:	The rent shall be paid on a quarterly basis. Shanghai Xingzhiyu shall pay the rent for March 2020 to Shanghai Yuxu before 10 March 2020; and Shanghai Xingzhiyu shall pay the subsequent rent 10 days prior to the date of commencement of each quarter (i.e., the next quarterly rent shall be paid before the 20th day of March, June, September and December every year). Shanghai Yuxu shall issue an invoice to Shanghai Xingzhiyu within 5 days upon receipt of the rent from Shanghai Xingzhiyu.

ANNUAL CAPS FOR THE PARKING SPACE LEASING AGREEMENT

The annual caps for the Parking Space Leasing Agreement calculated with reference to the annual rent payable by Shanghai Xingzhiyu as set out in the Parking Space Leasing Agreement are as follows:

	For the year ending 31 December 2020 <i>(RMB)</i>	For the year ending 31 December 2021 <i>(RMB)</i>
Annual cap	624,000	624,000

The Group does not have any historical transaction with Shanghai Xingzhiyu. According to the Parking Space Leasing Agreement, the rent payable in respect of the parking space leasing is determined after arm’s length negotiation between Shanghai Yuxu and Shanghai Xingzhiyu , and the annual caps for the Parking Space Leasing Agreement are determined with reference to the location of the parking spaces and rent of the parking spaces in similarly-ranked cities, the number of parking spaces, as well as the development plan of the Group.

PROPERTY SERVICE CONTRACT

The principal terms of the Property Service Contract are as follows:

Date: 13 January 2020

Parties: The Company

Shanghai Xingzhiyu

Property involved in the Property Service Contract: The gross floor area used by the Group in South and North Buildings, Block B, Building 2, and South and North Buildings, Block A, Building 5, Lane 1466, Shenchang Road, Minhang District, Shanghai (the “**Property**”), which are for commercial offices.

Service term: 1 February 2020 to 31 December 2021

Scope of property service: The services provided by Shanghai Xingzhiyu to the Property are as follows:

- (1) Order maintenance and visitor area parking guidance services: main crossing and gate services, operator on duty in monitoring center, patrols, building emergency response and handling, safety signs and public safety publicity services;
- (2) Maintenance services for common parts, facility and equipment: operation duty shift service of common parts and facility and equipment, routine maintenance of buildings, maintenance services to high-voltage electric system, low-voltage electric system, water supply and drainage systems, and elevator;
- (3) Hygiene and cleaning services: circular cleaning in the park, cleaning service inside the building, garbage collection and transportation, environmental disinfection and insecticide, waterscape and water quality treatment and cleaning services to the underground area;
- (4) Greening and maintenance services: maintenance services to plants and grasslands and seasonal flowers in the park, and plant rental and placing services; and
- (5) Comprehensive management services: handling complaints and repairs, storage of archives and information, and customer opinion collection services.

- Property service fee: Property service fee shall be calculated on the basis of RMB28 per square meter per month.
- Payment method of property service fee: The property service fee should be paid quarterly by the Company. The Company shall fulfill its obligations of payment 10 days prior to the date of commencement of each quarter, and Shanghai Xingzhiyu shall issue property service invoice of the equal amount within 5 days upon receipt of the property service fee. If the Company delays the payment of the property service fee or other fees payable under the Property Service Contract, the Company shall pay liquidated damages of 0.05% of the fees for each day where the payment is overdue.
- Other expenses: As Shanghai Xingzhiyu has leased the House from the Company as commercial offices pursuant to the abovementioned House Leasing Contract and the House forms a part of the Property, the Company and Shanghai Xingzhiyu shall share other expenses (including but not limited to, water bills, electricity bills, area management fees, service fees for cooling, heating and power (“CHP”) supply, CHP costs, etc.) in accordance with their respective proportion of gross floor area in the Property.
- For the public functional areas of the Property (including but not limited to conference rooms, apartments, server rooms, etc.), Shanghai Xingzhiyu can reasonably allocate and use the unused parts and charge a certain fee for the length of use based on the market standard, provided that its normal use by the Company is not affected. Shanghai Xingzhiyu shall pay the Company all the fees it charged for the use of the public functional areas after deducting relevant costs during the current year before 31 January next year.
- Termination of contract: During the term of the Property Service Contract, if either party terminates the Property Service Contract without mutual consent, the breaching party shall pay one month’s property service fee as liquidated damages.
- If the Company violates the obligations as agreed in the Property Service Contract which results in Shanghai Xingzhiyu’s failure to fulfill the service contents and standards as agreed in the Property Service Contract, Shanghai Xingzhiyu shall have the right to terminate the Property Service Contract in accordance with laws; if Shanghai Xingzhiyu has incurred economic losses, the Company shall make economic compensation therefor.

If Shanghai Xingzhiyu violates the obligations as agreed in the Property Service Contract and fails to fulfill the service contents and standards agreed in the Property Service Contract, the Company shall have the right to terminate the contract in accordance with laws and shall have the right to claim compensation from Shanghai Xingzhiyu according to its reduced expenses from the narrowed provision of services.

If the Company terminates the Property Service Contract, Shanghai Xingzhiyu shall complete the handover procedures with the Company or its selected property service enterprise within a reasonable period as notified by the Company.

The Property Service Contract can be terminated upon mutual agreement between the Company and Shanghai Xingzhiyu and the handover procedures shall be completed within 30 days thereafter.

ANNUAL CAPS FOR THE PROPERTY SERVICE CONTRACT

The annual caps for the Property Service Contract calculated with reference to the annual property service fees and any other expenses payable by the Company as set out in the Property Service Contract are as follows:

	For the year ending 31 December 2020 (RMB)	For the year ending 31 December 2021 (RMB)
Annual cap	16,128,000	16,128,000

The property service fees are determined after arm's length negotiation between the Company and Shanghai Xingzhiyu, and the annual caps for the Property Service Contract are determined with reference to the general level of fees in the market and based on factors including positioning of the Property, the area of the Property, property management personnel needs, service demand, green demand and daily maintenance.

REASONS FOR AND BENEFITS OF THE TRANSACTIONS

The Directors believe that Shanghai Xingzhiyu, a wholly-owned subsidiary of RSM Holding, focuses on property service management with a relatively professional management team. The Transactions are in line with the normal development needs of the Company and are conducive to making full use of the Company's assets, improving the efficiency of asset utilization and operations of the Company, as well as unified management of the headquarters of the building, which will bring a positive impact on the future operations of the Company.

The Directors (including the independent non-executive Directors) believe that the terms of the Transactions are fair and reasonable, and the Transactions are conducted 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.

IMPLICATIONS UNDER THE LISTING RULES

Shanghai Xingzhiyu is a wholly-owned subsidiary of RSM Holding, in which RSM Holding is a controlling shareholder of the Company, therefore, Shanghai Xingzhiyu is a connected person of the Company, and the Transactions between Shanghai Xingzhiyu and the Company constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules. Since the House Leasing Contract and the Parking Space Leasing Agreement are (1) entered into between the Company or its wholly-owned subsidiary (as the lessor) and Shanghai Xingzhiyu (as the lessee); (2) executed in the same period; and (3) similar in nature, the continuing connected transactions contemplated under the House Leasing Contract and the Parking Space Leasing Agreement will be aggregated in accordance with Rule 14A.81 of the Listing Rules. As each of the highest applicable percentage ratios applied in accordance with Rule 14.07 of the Listing Rules in respect of the Transactions contemplated under (1) the House Leasing Contract and the Parking Space Leasing Agreement; and (2) the Property Service Contract is more than 0.1% but less than 5%, the abovementioned Transactions are subject to the reporting, announcement and annual review requirements, but are 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 House Leasing Contract, the Parking Space Leasing Agreement and the Property Service Contract in view of their conflict of interests or potential interests in the Transactions contemplated thereunder. Save as disclosed above, none of the Directors has any material interests in the Transactions.

INFORMATION ABOUT THE GROUP

As 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 pan-home furnishings consumption, including internet home decoration, internet retail, as well as logistics and delivery services.

INFORMATION ABOUT SHANGHAI YUXU

Shanghai Yuxu is a company incorporated in the PRC and a wholly-owned subsidiary of the Company. Shanghai Yuxu is engaged in the businesses of enterprise management consulting, business information consulting and conference and exhibition services.

INFORMATION ABOUT SHANGHAI XINGZHIYU

Shanghai Xingzhiyu is a company incorporated in the PRC and a wholly-owned subsidiary of RSM Holding. RSM Holding is directly held as to 92% and 8% by Mr. CHE Jianxing and Ms. CHE Jianfang, respectively, both of whom are the Directors of the Company. As at the date of this announcement, RSM Holding has held approximately 70.14% of the total issued shares of the Company. Shanghai Xingzhiyu is mainly engaged in the businesses of property management, cleaning services, landscaping, parking lot management and operation, green maintenance, and catering enterprise management.

DEFINITIONS

“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 and A Shares are listed on the Shanghai Stock Exchange
“connected person”	has the meaning ascribed thereto under the Listing Rules
“controlling shareholder”	has the meaning ascribed thereto under the Listing Rules
“Director(s)”	director(s) of the Company
“Group”	the Company and its subsidiaries
“House Leasing Contract”	the house leasing contract entered into between the Company and Shanghai Xingzhiyu on 13 January 2020
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Parking Space Leasing Agreement”	the parking space leasing agreement entered into between Shanghai Yuxu and Shanghai Xingzhiyu on 13 January 2020
“PRC”	the People’s Republic of China
“Property Service Contract”	the property service contract entered into between the Company and Shanghai Xingzhiyu on 13 January 2020
“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 a controlling shareholder of the Company

“Shanghai Xingzhiyu”	Shanghai Xingzhiyu Business Management Service Co., Ltd.* (上海星之域商業管理服務有限公司), a limited liability company established in the PRC and a wholly-owned subsidiary of the RSM Holding
“Shanghai Yuxu”	Shanghai Yuxu Enterprise Management Company Limited* (上海宇煦企業管理有限公司), a company incorporated in the PRC and a wholly-owned subsidiary of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed thereto under the Listing Rules
“Transactions”	the continuing connected transactions contemplated as set out in the “House Leasing Contract”, “Parking Space Leasing Agreement” and “Property Service Contract” in this announcement

* For identification only

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

Shanghai, the PRC
13 January 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.