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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 17 April 2020, RSM Holding entered into the Design Services Framework Agreement with Shanghai Red Star Macalline, an indirect wholly-owned subsidiary of the Company, which will be effective from 17 April 2020, pursuant to which Shanghai Red Star Macalline will provide engineering design services to RSM Holding or its subsidiaries from 17 April 2020 to 16 April 2021.

LISTING RULES IMPLICATIONS

RSM Holding is the controlling shareholder of the Company, therefore, RSM Holding and its associates are connected persons of the Company, and the Transactions between RSM Holding and Shanghai Red Star Macalline constitute continuing connected transactions of the Company under Chapter 14A 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 contemplated under the Design Services Framework Agreement 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 17 April 2020, RSM Holding entered into the Design Services Framework Agreement with Shanghai Red Star Macalline, an indirect wholly-owned subsidiary of the Company, which will be effective from 17 April 2020, pursuant to which Shanghai Red Star Macalline will provide engineering design services to RSM Holding or its subsidiaries from 17 April 2020 to 16 April 2021.

THE DESIGN SERVICES FRAMEWORK AGREEMENT

The principal terms of the Design Services Framework Agreement are as follows:

Date: 17 April 2020

Parties: (1) RSM Holding
(2) Shanghai Red Star Macalline

Term of services: 17 April 2020 to 16 April 2021

Nature of Transactions: Pursuant to the Design Services Framework Agreement, Shanghai Red Star Macalline agreed to provide engineering design services to RSM Holding or its subsidiaries, including civil engineering design and secondary design services.

During the term of the Design Services Framework Agreement, RSM Holding and Shanghai Red Star Macalline 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.

Scope of services of the Design Services Framework Agreement: Engineering design services provided by Shanghai Red Star Macalline to RSM Holding and its subsidiaries are as follows:

- (1) Civil engineering design: general plan, building, structure drawing, water supply and drainage, electrical, fire prevention, heating ventilation, scheme and construction drawing design services for underground garage and building fire monitoring and ventilation plan, outdoor pipeline comprehensive design, construction on-site coordination for each building in the project, etc.; and
- (2) Secondary design: providing scheme design and construction drawing design services for the interior decoration of the public area of the project, landscape of the square within the red line area, indoor, outdoor, basement and related public area signs, facade curtain walls, shop sign, shop entrance sign, atrium steel structure, exterior floodlighting, weak current intelligent system, interior space decoration art layout, etc.

- Annual cap: The annual cap of the fees for the abovementioned design service during the term of services is RMB95,000,000.
- Basis for annual cap: The annual cap is determined after arm's length negotiation between RSM Holding and Shanghai Red Star Macalline with reference to (1) internal historical transaction amounts and estimates of future transactions; and (2) the market price of similar services provided by Independent Third Parties.

REASONS FOR AND BENEFITS OF THE TRANSACTIONS

By providing engineering design services through Shanghai Red Star Macalline, 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.

LISTING RULES IMPLICATIONS

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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 Design Services Framework Agreement in view of their conflicts of interest 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 RSM HOLDING

RSM Holding is a company incorporated in the PRC and the controlling shareholder of the Company, principally engaged in investment in corporations, film and television industry, art and cultural industry, investment management, business management, investment consulting and property management businesses. RSM Holding is directly held as to 92% and 8% by Mr. CHE Jianxing and Ms. CHE Jianfang (both of them are the Directors of the Company), respectively. As at the date of this announcement, RSM Holding has held approximately 70.14% of the total issued shares of the Company.

INFORMATION ABOUT SHANGHAI RED STAR MACALLINE

Shanghai Red Star Macalline is a company incorporated in the PRC and an indirect wholly-owned subsidiary of the Company. Shanghai Red Star Macalline is engaged in the construction management and design, construction engineering and design business.

DEFINITIONS

“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“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(s)”	has the meaning ascribed thereto under the Listing Rules
“controlling shareholder”	has the meaning ascribed thereto under the Listing Rules
“Director(s)”	the directors of the Company
“Design Services Framework Agreement”	the Design Services Framework Agreement dated 17 April 2020 entered into between RSM Holding and Shanghai Red Star Macalline
“Group”	the Company and its subsidiaries

“Independent Third Party(ies)”	persons who, to be knowledge of the Directors after having made all reasonable enquiries, are not connected persons of the Company
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“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 Investments 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 Red Star Macalline”	Shanghai Red Star Macalline Building Design Company Limited* (上海紅星美凱龍建築設計有限公司), 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
“subsidiary(ies)”	has the meaning ascribed thereto under the Listing Rules
“Transactions”	the continuing connected transactions contemplated as set out in the “Design Services Framework Agreement” in this announcement

* For identification only

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

Shanghai, the PRC
17 April 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.