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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 SOFTWARE IMPLEMENTATION AND DEVELOPMENT SERVICES FRAMEWORK AGREEMENT

THE SOFTWARE IMPLEMENTATION AND DEVELOPMENT SERVICES FRAMEWORK AGREEMENT

The Company announces that on 17 April 2020, the Company entered into the Software Implementation and Development Services Framework Agreement with Shanghai Red Star Win-Win Cloud to be effective from 17 April 2020, pursuant to which, Shanghai Red Star Win-Win Cloud will provide software implementation and development services to the Company and its subsidiaries from 17 April 2020 to 16 April 2021.

LISTING RULES IMPLICATIONS

The controlling shareholder of the Company is RSM Holding, and Shanghai Red Star Win-Win Cloud is its indirect subsidiary. As a result, Shanghai Red Star Win-Win Cloud is a connected person of the Company, and the Transactions between the Company and Shanghai Red Star Win-Win Cloud constitutes continuing connected transactions of the Company under Chapter 14A of the Listing Rules. As the highest applicable percentage ratio in respect of the Transactions contemplated under the Software Implementation and Development Services Framework Agreement is more than 0.1% but less than 5% according to the Rule 14.07 of the Listing Rules, the above 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, the Company entered into the Software Implementation and Development Services Framework Agreement with Shanghai Red Star Win-Win Cloud to be effective from 17 April 2020, pursuant to which, Shanghai Red Star Win-Win Cloud will provide software implementation and development services to the Company and its subsidiaries from 17 April 2020 to 16 April 2021.

THE SOFTWARE IMPLEMENTATION AND DEVELOPMENT SERVICES FRAMEWORK AGREEMENT

The principal terms of the Software Implementation and Development Services Framework Agreement are as follows:

Date:	17 April 2020
Parties:	(1) The Company (2) Shanghai Red Star Win-Win Cloud
Term of service:	From 17 April 2020 to 16 April 2021
Nature of Transactions:	Pursuant to the Software Implementation and Development Services Framework Agreement, Shanghai Red Star Win-Win Cloud agreed to provide software implementation and development services to the Company and its subsidiaries.
Scope of services of the Software Implementation and Development Services Framework Agreement:	Software implementation and development services provided by Shanghai Red Star Win-Win Cloud to the Company and its subsidiaries are as follows: (1) Provision of software technical service personnel according to the work instructions confirmed by both parties. The relevant service personnel shall complete the development and implementation work specified by the Company within the term of service. The contents of service include, but are not limited to, demand understanding, system design, code implementation, system testing, the assistance of bringing the system online, and transfer and training of related technology etc.;
	(2) Provision of mature project implementation and development methodology, and perform system local deployment, configuration, development, and related training services for customers based on implementation and development methodology etc.; and

(3) On the premise of obtaining the consent and approval of the Company, upgrade and migrate the computer rooms, servers, bandwidth, database and other products used by the Company from time to time etc..

Annual cap: The annual cap for fees for the abovementioned software implementation and development services is RMB65,000,000 within the term of service.

Basis for annual cap: The annual cap is determined after arm's length negotiations between the Company and Shanghai Red Star Win-Win Cloud with reference to (i) the internal historical transaction amounts and estimates of future transactions; (ii) the scope of software implementations and development services provided; and (iii) the market price of similar services provided by Independent Third Parties.

Payment method of software implementation and development services fees: The Company and/or its subsidiaries will separately enter into software implementation and development services contracts with Shanghai Red Star Win-Win Cloud as required after the Software Implementation and Development Services Framework Agreement comes into effect. The amount of implementation and development services fees, settlement method and relevant rights and obligations will be determined as agreed in the software implementation and development services contract.

REASONS FOR AND BENEFITS OF THE TRANSACTION

By the software implementation and development services provided by Shanghai Red Star Win-Win Cloud, the Directors believe that the Company would better communicate and understand projects requirements, and manage the progress and quality of projects, whilst Shanghai Red Star Win-Win Cloud can provide follow-up irregular services to ensure security and stability of system projects.

The Directors (including the independent non-executive Directors) consider that the Software Implementation and Development Services 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 Transactions contemplated under the Software Implementation and Development Services Framework Agreement in view of their conflict of interests or potential interests in the Transaction contemplated thereunder. Save as disclosed above, none of 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 RED STAR WIN-WIN CLOUD

Shanghai Red Star Win-Win Cloud is a company incorporated in the PRC, which is indirectly held as to 85% and 15% equity interest by RSM Holding and Shanghai Changmeng Enterprise Management Consulting Firm (Limited Partnership) (上海倡盟企業管理諮詢事務所 (有限合夥)), respectively. Shanghai Red Star Win-Win Cloud is engaged in the businesses of technology development, technology services, technology consultancy, technology transfer, cloud service platform, computer data processing, computer network engineering (except those for special approval), computer maintenance services, computer system integration, design, production, agency and publication of advertisements, enterprise management consulting, marketing planning, telecommunications business, electronic equipment leasing, computer software and hardware development, sales of computer software and auxiliary equipment, electronic products, digital products and electronic equipment, import and export of goods or technologies (except for the import and export of goods and technologies prohibited by the State or involving administrative approval) in the fields of cloud computing technology, computer technology, electronic technology and digital technology.

The partners of Shanghai Changmeng Enterprise Management Consulting Firm (Limited Partnership) are WANG Jue (王珏) and WANG Min (王敏) (both of them are Independent Third Parties of the Company) who hold 90% and 10% of the property shares of Shanghai Changmeng Enterprise Management Consulting Firm (Limited Partnership), respectively. Shanghai Changmeng Enterprise Management Consulting Firm (Limited Partnership) is engaged in enterprise management consulting, engineering management services, professional architectural design, marketing planning, business information consulting, exhibition services, etc.

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.

DEFINITIONS

“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, 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(s)”	has the meaning ascribed thereto under the Listing Rules
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“Independent Third Party(ies)”	persons who, to the 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 Win-Win Cloud”	Shanghai Red Star Win-Win Cloud Computing Technology Co., Ltd.* (上海紅星共贏雲計算科技有限公司), a limited company established in the PRC
“Software Implementation and Development Services Framework Agreement”	the software implementation and development services framework agreement entered into between the Company and Shanghai Red Star Win-Win Cloud on 17 April 2020
“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 “Software Implementation and Development 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.