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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)

CONNECTED TRANSACTION IN RELATION TO THE GENERAL CONTRACT ENGINEERING AGREEMENT

GENERAL CONTRACT ENGINEERING AGREEMENT

The Company announced that on 23 June 2020, Jiangsu Sunan Construction, a wholly-owned subsidiary of the Company, entered into a General Contract Engineering Agreement with Xining Aegean Real Estate. Jiangsu Sunan Construction plans to provide general contract engineering services for Xining Aegean Real Estate from 1 July 2020.

IMPLICATIONS UNDER THE LISTING RULES

Xining Aegean Real Estate is a subsidiary of RSM Holding. Therefore, Xining Aegean Real Estate is a connected person of the Company. The General Contract Engineering Agreement constitutes a connected transaction 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 Transaction is more than 0.1% but less than 5%, the Transaction is subject to the reporting, announcement and annual review requirements, but is exempt from the circular (including independent financial advice) and the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

INTRODUCTION

The Company announced that on 23 June 2020, Jiangsu Sunan Construction, a wholly-owned subsidiary of the Company, entered into the General Contract Engineering Agreement with Xining Aegean Real Estate. Jiangsu Sunan Construction plans to provide general contract engineering services for Xining Aegean Real Estate from 1 July 2020.

GENERAL CONTRACT ENGINEERING AGREEMENT

The principal terms of the General Contract Engineering Agreement proposed to be entered into between Jiangsu Sunan Construction and Xining Aegean Real Estate in respect of Xining Haihu Road Project are set out as follows:

- Date : 23 June 2020
- Parties : Jiangsu Sunan Construction (the “**Contractor**”)
Xining Aegean Real Estate (the “**Principal**”)
- Project Name : General Contract Engineering of Xining Haihu Road Project Phase II Bid Lot 1
- Project Location : West of Laoxita Expressway, Xining City, north of Nanchuan Grand Bridge, south of Huangyuan Road
- Project Scale : Total gross floor area of approximately 99,369.01 m²
- Scope of General Contract Engineering : Provision of general contract engineering services for the Xining Haihu Road Project Phase II Bid Lot 1, including foundation pit support and dewatering works, earthworks, reinforced concrete works, masonry works, landscape and decoration works, metal works, exterior doors and windows, thermal insulation coatings and stone curtain wall engineering, entry doors, fire resistant door and garage door works, waterproofing works, electromechanical engineering, etc.
- Completion : The construction period is 1,063 calendar days, commencing from 1 July 2020
- Consideration : RMB189,981,860 (tax inclusive), in which the consideration without tax is RMB174,295,284.4.
- Basis of the Consideration : The consideration is determined based on the market price. The contract amount of the Transaction is within the gross profit margin of civil engineering projects in the market and is determined after taking into consideration the project details and estimated responses of potential competitors. The Principal issued an invitation for tender to determine the contract amount of the General Contract Engineering Agreement through bidding.

- Terms of Payment : (1) When the Principal pays the amount of the contract price payable at each stage, it shall pay 70% of the contracted amount for completed project, net of the Principal's withholding cost and other liquidated damages, fines, etc., and the Contractor shall provide special VAT invoices in full amount as required by the tax authorities where the construction is located;
- (2) Before the acceptance of each payment, the Contractor shall provide the special VAT invoice in compliance with the regulatory requirements and in full amount. In the event that the Contractor fails to provide the invoice in time or in compliance with the agreement, the Principal may delay the payment and have the right to terminate the contract. If the Principal terminates the contract for such reason, the Contractor shall pay 20% of the contract amount to the Principal as liquidated damages and compensate the losses caused to the Principal. The special invoice provided by the Contractor must be replaced in time according to the requirements of the Principal if it cannot be deducted and the Principal's losses arising from such invoice shall be borne by the Contractor, including but not limited to, fines, late fees and taxes;
- (3) payment of 80% of the contract amount for completed project shall be made after the project is completed and the final acceptance form is obtained; payment of 90% of the contract amount for the completion of the Xining Haihu Road Project shall be made after the delivery of project and the acceptance of internal inspection; and
- (4) 95% of the total settlement price will be paid after the settlement is completed. At the same time, the Contractor shall provide invoice for 100% of the total settlement price, and the remaining 5% will be used as the guarantee deposit for the project.
- Payment Method : Payments will be made by "Stage + Period". The Contractor shall submit the interim payment application for approval by the Principal under the following circumstances: (1) when the corresponding node project is completed and the quality standard stipulated in the General Contract Engineering Agreement is reached; and (2) the payment shall be made every two months, and the Contractor shall submit the payment application for the completed project on the 25th day of the second month for every two months.

REASONS FOR AND BENEFITS OF THE TRANSACTION

The Directors believe that the signing of the General Contract Engineering Agreement and the successful implementation of the Transaction will be beneficial to the further expansion of the scale of operations of Jiangsu Sunan Construction, improve its ability to undertake business, have a positive impact on its current and future performance, and will help enhance the continued profitability of the Company.

The Directors (including the independent non-executive Directors) take the view that the terms of the Transaction are fair and reasonable, and the Transaction is conducted on normal commercial terms, in the ordinary and usual course of business of the Group, and is in the interests of the Company and its Shareholders as a whole.

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Our Directors, namely Mr. CHE Jianxing, Ms. CHEN Shuhong, Ms. CHE Jianfang, Mr. XU Guofeng and Mr. JIANG Xiaozhong have abstained from voting on the Board resolution to approve the General Contract Engineering 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 Transaction.

INFORMATION ABOUT THE GROUP

The Group is 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 JIANGSU SUNAN CONSTRUCTION

Jiangsu Sunan Construction is a company incorporated in the PRC, which is a wholly-owned subsidiary of the Company. Jiangsu Sunan Construction is engaged in the businesses of industrial and civil construction works, municipal public construction works, curtain wall construction, earthwork construction, decoration construction, landscaping engineering, water-electricity installation engineering, road construction, metal windows and door construction; mechanical and electrical equipment installation; electrical installation; pipelines and equipment installation; construction project management and consulting services; leasing of housing, equipment and car, etc..

INFORMATION ABOUT XINING AEGEAN REAL ESTATE

Xining Aegean Real Estate is a company incorporated in the PRC and a subsidiary of RSM Holding. Xining Aegean Real Estate engages in the businesses of real estate development, sales of property and property management (operational activities in connection with the items subject to approval may only be carried out after being approved by the competent authorities). 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.

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)”	the directors of the Company
“General Contract Engineering Agreement”	the general contract engineering agreement entered into between Jiangsu Sunan Construction and Xining Aegean Real Estate on 23 June 2020
“Group”	the Company together with its subsidiaries
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed thereto under the Listing Rules
“PRC”	the People’s Republic of China
“Jiangsu Sunan Construction”	Jiangsu Sunan Construction and Installation Engineering Co., Ltd.* (江蘇蘇南建築安裝工程有限公司), a company incorporated in the PRC and a wholly-owned subsidiary of the Company
“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
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Transaction”	the connected transaction contemplated as set out in the section headed “General Contract Engineering Agreement” in this announcement
“Xining Aegean Real Estate”	Xining Aegean Real Estate Development Co., Ltd.* (西寧愛琴海房地產開發有限公司), a company incorporated in the PRC and a subsidiary of RSM Holding

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

Shanghai, the PRC
23 June 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.

* *For identification only*