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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 —  
SERVICE FRAMEWORK AGREEMENT IN RESPECT OF  
DECORATION AND RENOVATION ENGINEERING  
AND CONSTRUCTION AND PROCUREMENT  
FRAMEWORK AGREEMENT IN RESPECT OF DECORATION  
AND RENOVATION MATERIALS AND FURNISHINGS**

**SERVICE FRAMEWORK AGREEMENT IN RESPECT OF  
DECORATION AND RENOVATION ENGINEERING AND  
CONSTRUCTION**

The Company announces that on 6 August 2020, the Company entered into the Service Framework Agreement in respect of Decoration and Renovation Engineering and Construction with RSM Holding. The Group will provide decoration and renovation engineering and construction services to RSM Holding and its subsidiaries from 6 August 2020 to 31 March 2021.

**PROCUREMENT FRAMEWORK AGREEMENT IN RESPECT OF  
DECORATION AND RENOVATION MATERIALS AND FURNISHINGS**

The Company also announces that on 6 August 2020, Betterhome Construction, a subsidiary of the Company, entered into the Procurement Framework Agreement in respect of Decoration and Renovation Materials and Furnishings with RSM Holding. Betterhome Construction and its subsidiaries will provide Products to RSM Holding and its subsidiaries from 6 August 2020 to 31 March 2021.

## **IMPLICATIONS UNDER THE LISTING RULES**

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 the Company 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 each of the Service Framework Agreement in respect of Decoration and Renovation Engineering and Construction and Procurement Framework Agreement in respect of Decoration and Renovation Materials and Furnishings is more than 0.1% but less than 5%, the two 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 6 August 2020, the Company entered into the Service Framework Agreement in respect of Decoration and Renovation Engineering and Construction with RSM Holding. The Group will provide decoration and renovation engineering and construction services to RSM Holding and its subsidiaries from 6 August 2020 to 31 March 2021.

The Company also announces that on 6 August 2020, Betterhome Construction, a subsidiary of the Company, entered into the Procurement Framework Agreement in respect of Decoration and Renovation Materials and Furnishings with RSM Holding. Betterhome Construction and its subsidiaries will provide Products to RSM Holding and its subsidiaries from 6 August 2020 to 31 March 2021.

## **SERVICE FRAMEWORK AGREEMENT IN RESPECT OF DECORATION AND RENOVATION ENGINEERING AND CONSTRUCTION**

The principal terms of the Service Framework Agreement in respect of Decoration and Renovation Engineering and Construction are as follows:

Date:	6 August 2020
Parties:	The Company RSM Holding
Term of Service:	6 August 2020 to 31 March 2021

Scope of Decoration and Renovation Engineering and Construction Services:	<p>Decoration and renovation engineering and construction services to be provided by the Group to RSM Holding and its subsidiaries are as follows:</p> <ol style="list-style-type: none"> <li>(1) Decoration and renovation engineering;</li> <li>(2) Building decoration engineering design;</li> <li>(3) Steel structure work;</li> <li>(4) Building mechanical and electrical installation work;</li> <li>(5) General contracting of construction engineering;</li> <li>(6) Professional contracting of building curtain wall engineering;</li> <li>(7) Professional contracting of firefighting facilities engineering; and</li> <li>(8) General contracting of municipal public engineering.</li> </ol>
Service Fee Cap:	The fee cap of the abovementioned decoration and renovation engineering and construction services during the term of service is RMB570,000,000.
Basis for Service Fee Cap:	The service fee cap is determined after arm's length negotiation between the Company and RSM Holding, having considered (1) the aggregate contract transaction amount (unaudited) of approximately RMB366,688,808.59 between the Company and RSM Holding in the past 12 months and the estimated future transactions; and (2) the market price and the normal gross margin range of construction in the market.
Payment Method of Decoration and Renovation Engineering and Construction Service Fees:	When RSM Holding and its subsidiaries choose to accept the relevant decoration and renovation engineering and construction services from the Company, they will enter into a separate construction contract with the Company per project after the Service Framework Agreement in respect of Decoration and Renovation Engineering and Construction takes effect. The amount of construction fees, settlement method and relevant rights and obligations are determined as agreed in the specific contract.

Pricing Principles of  
Service Payments:

The prices of all decoration and renovation engineering and construction services under the Service Framework Agreement in respect of Decoration and Renovation Engineering and Construction shall be determined according to the following general principles and order:

- (1) The prices shall be determined through a bidding process in principle, during which RSM Holding selects suppliers by inviting tenders, and the suppliers provide quotations and tenders independently based on each project. During the bidding process, the Company shall strictly comply with the Law of the People's Republic of China on Bid Invitation and Bidding and the requirements set out in bidding document prepared by RSM Holding, and the relevant departments of the Company will determine the tender prices based on recent quotations, relevant market information, etc., to ensure the tender prices (as well as the tender terms) offered by the Company are fair and reasonable, and are no more favorable than the prices and terms offered by the Company to independent third party;
- (2) Where no bidding process is involved, the price shall be the market price, reference can be made to the comparable prices of independent third party suppliers in the market;
- (3) Where comparable market price is unavailable, the agreed price shall be adopted, and it shall be determined after arm's length negotiation between the parties to the contract. The agreed price is the price determined according to "reasonable costs of the project + reasonable market profit range". The expected profit margin of the services provided by the Company to RSM Holding shall be no less than the profit margin the Company charges an independent third party;
- (4) Strictly comply with the relevant laws and regulations if they have specific requirements for the pricing of decoration and renovation engineering and construction engineering services.

Liabilities in the Event  
of Breaches:

If the fault of one party results in losses to the other party, the defaulting party shall bear the corresponding economic liabilities. Any employee of one party who violates the relevant regulations in the PRC shall be dealt with by the relevant authorities in accordance with laws.

If the Company and RSM Holding are unable to perform the Service Framework Agreement in respect of Decoration and Renovation Engineering and Construction due to force majeure, they shall be exempted from liability in part or in whole depending on the impact of the force majeure, except as otherwise provided by the PRC laws. If force majeure occurs after the delay of performance of the Service Framework Agreement in respect of Decoration and Renovation Engineering and Construction by one party, the party shall not be exempted from liability.

In addition, reference is made to the announcement of the Company dated 13 January 2020, concerning the Service Framework Agreement in respect of Decoration and Renovation Engineering Construction entered into between Shanghai Betterhome Decoration Engineering Co., Ltd., a subsidiary of the Company, and RSM Holding. After friendly negotiations, Shanghai Betterhome Decoration Engineering Co., Ltd. and RSM Holding entered into the Agreement on Termination of the Service Framework Agreement in respect of Decoration and Renovation Engineering Construction on 16 July 2020, pursuant to which the Service Framework Agreement in respect of Decoration and Renovation Engineering Construction was terminated on 16 July 2020. From the date of termination, the rights and obligations of both parties as agreed under the Service Framework Agreement in respect of Decoration and Renovation Engineering Construction shall be terminated.

## **PROCUREMENT FRAMEWORK AGREEMENT IN RESPECT OF DECORATION AND RENOVATION MATERIALS AND FURNISHINGS**

The principal terms of Procurement Framework Agreement in respect of Decoration and Renovation Materials and Furnishings are set out as follows:

Date:	6 August 2020
Parties:	Betterhome Construction RSM Holding
Term of Agreement:	6 August 2020 to 31 March 2021
Scope of Product Procurement:	Types of Products to be provided by Betterhome Construction and its subsidiaries to RSM Holding and its subsidiaries mainly include:  (1) Household items, furniture, kitchen equipment, home appliances;  (2) Bathroom sanitary ware, hardware and electrical appliances;  (3) Building materials, construction materials, decorative materials;

- (4) Daily necessities; and
- (5) Other products agreed by RSM Holding and Betterhome Construction.

Procurement Amount Cap: The procurement amount cap of the abovementioned Products during the term of service is RMB210,000,000.

Basis for Procurement Amount Cap: The annual cap is determined after arm's length negotiation between Betterhome Construction and RSM Holding, having considered (1) the aggregate contract transaction amount (unaudited) of approximately RMB37,183,062.30 between Betterhome Construction and RSM Holding in the past 12 months and the estimated future transactions; and (2) the market price and the normal gross margin range of product procurement in the market.

Payment Method of Product Procurement Fee: When RSM Holding and its subsidiaries choose to procure prescribed Products from Betterhome Construction, they will enter into a separate procurement contract with Betterhome Construction per order after the Procurement Framework Agreement in respect of Decoration and Renovation Materials and Furnishings takes effect. The procurement amount, settlement method and relevant rights and obligations are determined as agreed in the specific contract.

Pricing Principle of Procurement Amount: The transaction price of the procured Products under the Procurement Framework Agreement in respect of Decoration and Renovation Materials and Furnishings shall be determined according to the following general principles and order:

- (1) The price will be determined through a bidding process in principle, during which RSM Holding selects suppliers by inviting tenders, and the suppliers provide quotations and tenders independently based on each order. During the bidding process, Betterhome Construction shall strictly comply with the Law of the People's Republic of China on Bid Invitation and Bidding and the requirements set out in the bidding document prepared by RSM Holding, and the relevant departments of Betterhome Construction will determine the tender prices based on recent quotations, relevant market information, etc., to ensure the tender prices (as well as the tender terms) offered by Betterhome Construction are fair and reasonable, and are no more favorable than the prices and terms offered by Betterhome Construction to independent third party;

- (2) Where no bidding process is involved, the price shall be the market price, reference can be made to comparable prices of independent third party suppliers in the market; and
- (3) Where comparable market price rate is unavailable, the agreed price shall be adopted, and it shall be determined after arm's length negotiation between the parties to the contract. The agreed price is the price determined according to "reasonable costs of the products + reasonable market profit range". The expected profit margin of the Products provided by Betterhome Construction to RSM Holding shall be no less than the profit margin the Company charges an independent third party.

Liability in the Event of Breaches:

If the fault of one party results in losses to the other party, the defaulting party shall bear the corresponding economic liabilities. Any employee of one party who violates the relevant regulations in the PRC shall be dealt with by the relevant authorities in accordance with laws.

If Betterhome Construction and RSM Holding are unable to perform the Procurement Framework Agreement in respect of Decoration and Renovation Materials and Furnishings due to force majeure, they shall be exempted from liability in part or in whole depending on the impact of the force majeure, except as otherwise provided by the PRC laws. If force majeure occurs after the delay of performance of the Procurement Framework Agreement in respect of Decoration and Renovation Materials and Furnishings by one party, the party shall not be exempted from liability.

## **INTERNAL CONTROL MEASURES**

To ensure that the terms of the Service Framework Agreement in respect of Decoration and Renovation Engineering and Construction and Procurement Framework Agreement in respect of Decoration and Renovation Materials and Furnishings are fair and reasonable, and the Company complies with the pricing terms of the relevant agreements, the Company has adopted the following internal control procedures:

- (1) The Company has arranged the financial department to monitor the continuing connected transactions;
- (2) The financial department and the secretariat of the Board will examine and review relevant information and materials, to ensure compliance with the requirements of the Listing Rules;

- (3) The independent non-executive Directors have reviewed and will continue to review the Transactions, to ensure that the terms of the Transactions are fair and reasonable, and Transactions are entered into in the ordinary and usual course of business of the Group, on normal commercial terms, and in the interest of the Company and the shareholders as a whole; and
- (4) The auditors of the Company will conduct an annual review on the pricing policy and caps of Transactions.

## **REASONS FOR AND BENEFITS OF THE TRANSACTIONS**

The Directors believe that the Group will be able to further expand the scale of decoration and renovation business and improve the ability to undertake business through the decoration engineering and construction services provided by the Group and the decoration and renovation materials and furnishings procurement services provided by Betterhome Construction and its subsidiaries, which will lay a foundation for the long-term development of decoration and renovation engineering businesses and supply chain business of the Group and has a positive impact on the current and future results.

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**

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 the Company 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 each of the Service Framework Agreement in respect of Decoration and Renovation Engineering and Construction and the Procurement Framework Agreement in respect of Decoration and Renovation Materials and Furnishings is more than 0.1% but less than 5%, the two 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 Transactions in view of their conflict of interests or potential interests in the Transactions contemplated under the Service Framework Agreement in respect of Decoration and Renovation Engineering and Construction and the Procurement Framework Agreement in respect of Decoration and Renovation Materials and Furnishings. 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 BETTERHOME CONSTRUCTION**

Betterhome Construction is a company incorporated in the PRC and a 90% holding subsidiary of the Company. Betterhome Construction is engaged in the businesses of building decoration and renovation engineering, construction engineering, steel structure work, lighting works, mechanical and electrical equipment installation engineering, power engineering, electronic intelligent engineering, environmental protection engineering, communication engineering, municipal engineering, fire engineering, greening and maintenance works, curtain wall construction, design and construction of garden ancient building project, building design, construction labor subcontracting, landscape construction engineering design, curtain wall construction engineering, water and electricity installation, installation and maintenance of electromechanical equipment (except special equipment) (items which need approvals according to the laws shall be subject to the approvals of relevant authorities before operation activities can be carried out).

## **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**

“Associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Betterhome Construction”	Betterhome Construction Technology Co., Ltd. ( 家倍得建築科技有限公司 ), a limited liability company established in the PRC and a subsidiary of the Company
“Board”	the board of directors of the Company

“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
“Group”	the Company and its subsidiaries
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“PRC”	the People’s Republic of China
“Procurement Framework Agreement in respect of Decoration and Renovation Materials and Furnishings”	the procurement framework agreement in respect of decoration and renovation materials and furnishings entered into between Betterhome Construction and RSM Holding on 6 August 2020
“Product(s)”	decoration and renovation materials and furnishings
“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
“Service Framework Agreement in respect of Decoration and Renovation Engineering and Construction”	the service framework agreement in respect of decoration and renovation engineering and construction entered into between the Company and RSM Holding on 6 August 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 “Service Framework Agreement in respect of Decoration and Renovation Engineering and Construction” and “Procurement Framework Agreement in respect of Decoration and Renovation Materials and Furnishings” in this announcement

\* *For identification only*

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

Shanghai, the PRC  
6 August 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.*