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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 AND CONTINUING CONNECTED TRANSACTIONS**

The Company announces that on 30 March 2021, the Company signed the following agreements with the following connected persons:

### **FRAMEWORK AGREEMENT ON COMPUTER INFORMATION SYSTEM INTEGRATION SERVICES**

The Company announces that on 30 March 2021, the Company entered into the Framework Agreement on Computer Information System Integration Services with Shanghai Red Star Win-Win Cloud, pursuant to which, Shanghai Red Star Win-Win Cloud will provide computer information system integration services to the Company and its subsidiaries from 17 April 2021 to 16 April 2022.

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

The Company announces that on 30 March 2021, 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, pursuant to which, Betterhome Construction or its subsidiaries will provide decoration and renovation materials and furnishings procurement services to RSM Holding or its subsidiaries from 1 April 2021 to 31 March 2022.

### **DESIGN SERVICES FRAMEWORK AGREEMENT**

The Company announces that on 30 March 2021, RSM Holding entered into the Design Services Framework Agreement with Shanghai Red Star Macalline, an indirect wholly-owned subsidiary of the Company, pursuant to which Shanghai Red Star Macalline will provide design services to RSM Holding or its subsidiaries from 17 April 2021 to 16 April 2022.

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

The Company announces that on 30 March 2021, the Company entered into the Service Framework Agreement in respect of Decoration and Renovation Engineering and Construction with RSM Holding, pursuant to which, the Company or its subsidiaries will provide decoration and renovation engineering and construction services to RSM Holding or its subsidiaries from 1 April 2021 to 31 March 2022.

## **CHANGZHOU LEASE CONTRACT**

The Company announces that on 30 March 2021, Changzhou Meikailong, a wholly-owned subsidiary of the Company, entered into the Changzhou Lease Contract with Changzhou Hongxing Furniture Decoration Mall, pursuant to which, Changzhou Hongxing Furniture Decoration Mall will lease its premises located at No. 70, Feilong East Road, Changzhou to Changzhou Meikailong for furnishing mall operation for the lease term from 1 April 2021 to 31 March 2024.

## **LISTING RULES IMPLICATIONS**

RSM Holding is the controlling shareholder of the Company, therefore, RSM Holding and its associates (including Shanghai Red Star Win-Win Cloud, the indirect subsidiary of RSM Holding, and Changzhou Hongxing Furniture Decoration Mall, a controlled company of the Director, Mr. CHE Jianxing) are connected persons of the Company.

Transactions entered into by RSM Holding, Shanghai Red Star Win-Win Cloud, Changzhou Hongxing Furniture Decoration Mall and the Company or the subsidiaries of the Company respectively 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 (1) the Framework Agreement on Computer Information System Integration Services; (2) Procurement Framework Agreement in respect of Decoration and Renovation Materials and Furnishings; (3) the Design Services Framework Agreement; and (4) Service Framework Agreement in respect of Decoration and Renovation Engineering and Construction; is more than 0.1% but less than 5%, the above-mentioned 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.

Under HKFRS No. 16 "Lease", the Company will recognize the value of the relevant right-of-use assets under the Changzhou Lease Contract and the transactions hereunder will be treated as the acquisition of assets by the Company under the Listing Rules and constitute a one-time connected transaction of the Company under Chapter 14A of the Listing Rules. The total value of the right-of-use assets to be recognized by the Company under the Changzhou Lease Contract is estimated to be approximately RMB64.8 million (unaudited, subject to further adjustment if necessary), which is the present value of the total rent and management fee payable to Changzhou Hongxing Furniture Decoration Mall according to the Changzhou Lease Contract, and the annual discount rate is 4.65% when calculating the present value of the total rent and management fee.

As the highest applicable percentage ratio applied in respect of the transactions contemplated under the Changzhou Lease Contract is more than 0.1% but less than 5%, the above-mentioned transactions are subject to the reporting and announcement 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 30 March 2021, the Company entered into the Framework Agreement on Computer Information System Integration Services with Shanghai Red Star Win-Win Cloud, pursuant to which, Shanghai Red Star Win-Win Cloud will provide computer information system integration services to the Company and its subsidiaries from 17 April 2021 to 16 April 2022.

The Company announces that on 30 March 2021, 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, pursuant to which, Betterhome Construction or its subsidiaries will provide decoration and renovation materials and furnishings to RSM Holding or its subsidiaries from 1 April 2021 to 31 March 2022.

The Company announces that on 30 March 2021, RSM Holding entered into the Design Services Framework Agreement with Shanghai Red Star Macalline, an indirect wholly-owned subsidiary of the Company, pursuant to which Shanghai Red Star Macalline will provide design services to RSM Holding or its subsidiaries from 17 April 2021 to 16 April 2022.

The Company announces that on 30 March 2021, the Company entered into the Service Framework Agreement in respect of Decoration and Renovation Engineering and Construction with RSM Holding, pursuant to which, the Company or its subsidiaries will provide decoration and renovation engineering and construction services to RSM Holding or its subsidiaries from 1 April 2021 to 31 March 2022.

The Company announces that on 30 March 2021, Changzhou Meikailong, a wholly-owned subsidiary of the Company, entered into the Changzhou Lease Contract with Changzhou Hongxing Furniture Decoration Mall, pursuant to which, Changzhou Hongxing Furniture Decoration Mall will lease its premises located at No. 70, Feilong East Road, Changzhou to Changzhou Meikailong for furnishing mall operation for the lease term from 1 April 2021 to 31 March 2024.

## **FRAMEWORK AGREEMENT ON COMPUTER INFORMATION SYSTEM INTEGRATION SERVICES**

The principal terms of the Framework Agreement on Computer Information System Integration Services are as follows:

Date: 30 March 2021

Parties: the Company

Shanghai Red Star Win-Win Cloud

Term of services: From 17 April 2021 to 16 April 2022

Scope of computer information system integration services: The computer information system integration services provided by Shanghai Red Star Win-Win Cloud to the Company and its subsidiaries are as follows:

- (1) Providing computer information system integration services in accordance with the work statement confirmed by both parties, including but not limited to demand understanding, system design, encoding implementation, system test, assistance for system roll-out, related technology transfer and training, computer system integration, system operation & maintenance services, computer hardware and software sales and services, computer network technology services, computer systems security management, information consulting services, equipment leasing service, etc.;
- (2) Providing mature project implementation and development methodology, and carrying out local system deployment, configuration, development and related customer training services based on the implementation and development methodology; and
- (3) Upgrading and migrating the computer room, server, bandwidth, database and other products used by the Company from time to time under the approval of the Company.

services fee cap: The annual cap of the fees for the above-mentioned computer information system integration services during the term of services is RMB92,000,000.

Basis for service fee cap:	The annual cap is determined after arm's length negotiation between the Company and Shanghai Red Star Win-Win Cloud with reference to (1)the historical transaction amounts, where the actual amount for 2020 was RMB38,301,200, the amounts of the transactions contemplated under the contracts signed and to be signed, and the future transaction plan; (2) the scope of the computer information system integration services; (3) the market price of the similar services provided by the independent third parties; (4) the impact of the contract signing time and performance progress on the expense recognition; (5) the actual need to vigorously promote the transactions under the Framework Agreement on Computer Information System Integration Services based on the target of the Company for promoting digital and intelligent construction; and (6) the buffer budgeted for the service fee cap to cope with the potential increase in the Company's related demand.
Payment method of the computer information system integration service fee:	The Company and/or its subsidiaries will separately enter into computer information system integration services contracts with Shanghai Red Star Win-Win Cloud as required after the Framework Agreement on Computer Information System Integration Services comes into effect. The amount of computer information system integration service fee, settlement method and relevant rights and obligations will be determined as agreed in the actually signed computer information system integration services contracts.
Liability in the event of breaches:	<p>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.</p> <p>If the Company and Shanghai Red Star Win-Win Cloud are unable to perform the Framework Agreement on Computer Information System Integration Services 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 Framework Agreement on Computer Information System Integration Services by one party, the party shall not be exempted from liability.</p>

Reasons for and benefits of the transactions under the Framework Agreement on Computer Information System Integration Services: By the computer information system integration 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 Framework Agreement on Computer Information System Integration Services is 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.

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

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

Date:	30 March 2021
Parties:	Betterhome Construction RSM Holding
Term of Agreement:	From 1 April 2021 to 31 March 2022
Scope of product purchase	The decoration and renovation materials and furnishings provided by Betterhome Construction or its subsidiaries to RSM Holding or its subsidiaries mainly include the following types:  <ol style="list-style-type: none"><li>(1) Home furnishings, furniture, kitchen equipment, home appliances;</li><li>(2) Sanitary ware, hardware &amp; electric materials;</li><li>(3) Building materials and decorative materials;</li><li>(4) Daily necessities; and</li><li>(5) Other products confirmed by Betterhome Construction and RSM Holding</li></ol>
purchase amount cap:	The cap for the above-mentioned product purchases during the term of agreement is RMB160,000,000.

Basis for purchase amount cap: The purchase amount cap is determined after arm's length negotiation between Betterhome Construction and RSM Holding with reference to (1)the actual amount for the transaction between Betterhome Construction and RSM Holding for 2020, which was RMB31,888,600, the amounts of the transactions contemplated under the contracts signed and to be signed, and the future purchase plan; (2) the market price and the normal gross margin range of product purchase in the market; (3) the impact of the contract signing time and performance progress on the expense recognition; (4) the actual need to vigorously promote the transactions under the Procurement Framework Agreement in respect of Decoration and Renovation Materials and Furnishings based on the target of the Company for developing home decoration business; and (5) the buffer budgeted for the service fee cap to cope with the potential increase in RSM Holding's related demand.

Payment method for product purchase price: RSM Holding and its subsidiaries will separately enter into product purchase contracts with Betterhome Construction or its subsidiaries if they choose to purchase the agreed products from Betterhome Construction after the Procurement Framework Agreement in respect of Decoration and Renovation Materials and Furnishings comes into effect. The amount of purchase, settlement method and relevant rights and obligations will be determined as agreed in the specific contracts.

Pricing principles for purchase amount: The transaction price for the product purchase 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) In principle, the bidding procedure is adopted for pricing. RSM Holding will select suppliers by invitation to tender, and the suppliers shall bid independently according to the project situations. During the tendering process, Betterhome Construction shall strictly comply with the "Law of the People's Republic of China on Tendering and Bidding" and the requirements set forth in the tender documents prepared by RSM Holding. The relevant departments of Betterhome Construction will determine the tender price with reference to recent quotations and relevant market information to ensure that the tender price (and tender terms) provided by Betterhome Construction are fair and reasonable and not superior to the prices and terms provided by Betterhome Construction to independent third parties;

- (2) If there is no bidding procedure, the market price shall be adopted. The price can be determined by reference to comparable price of an independent third-party supplier in the market; and
- (3) If there is no comparable market price, an agreement price shall be used, and the price shall be determined by the two parties after arm's length negotiation. The agreement price refers to the price determined in accordance with "reasonable cost of the product + reasonable profit range of the market". The expected profit margin of the products provided by Betterhome Construction to RSM Holding shall be no lower than the profit margin charged from independent third parties.

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.

Reasons for and benefits of the transactions under the Procurement Framework Agreement in respect of Decoration and Renovation Materials and Furnishings:

The Directors believe that the decoration and renovation materials and furnishings procurement services provided by Betterhome Construction or its subsidiaries will help the Group to further expand the scale of decoration and decoration business, and improve the ability to undertake business, and lay a solid foundation for the long-term development of the Group's decoration and renovation engineering business and supply chain business, which will have a positive impact on the current and future performance.

The Directors (including the independent non-executive Directors) consider that the Procurement Framework Agreement in respect of Decoration and Renovation Materials and Furnishings is 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.



## DESIGN SERVICES FRAMEWORK AGREEMENT

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

Date:	30 March 2021
Parties:	RSM Holding Shanghai Red Star Macalline
Term of services:	From 17 April 2021 to 16 April 2022
Scope of services under the Design Services Framework Agreement:	<p>The engineering design services provided by Shanghai Red Star Macalline to RSM Holding or its subsidiaries are as follows:</p> <ol style="list-style-type: none"><li>(1) Civil engineering design: general plan, architecture, structure drawing, water supply and drainage, electrical, fire protection, HVAC, underground garage, building fire monitoring and ventilation scheme, construction drawing design, outdoor pipeline comprehensive design, construction site coordination, etc.; and</li><li>(2) Secondary design: Scheme design and construction drawing design services for interior decoration of the public area of the project, landscape of the square within the red line, signs of indoor, outdoor, basement and related public areas, signage of traffic facilities, parking space marking engineering design, facade curtain wall, roof signage, entrance and exit door signage, atrium steel structure, exterior facade floodlight lighting, weak electric intelligent system, interior space decorative art layout, guide and information release software design, secondary electromechanical, BIM design and consulting services, etc.</li></ol>
Service fee cap:	The cap of the fees for the above-mentioned design services during the term of services is RMB120,000,000.
Basis for service fee cap:	The service fee cap is determined after arm's length negotiation between RSM Holding and Shanghai Red Star Macalline with reference to (1)the historical transaction amount for 2020, which was RMB38,801,400, the amounts of the transactions contemplated under the contracts signed and to be signed, and the future transaction plan; (2) the market price of the similar services provided by the independent third parties; (3) the impact of the contract signing time and performance progress on the expense recognition; (4) the actual need to vigorously promote the transactions under the Design Services Framework Agreement based on the target of the Company for developing home decoration business; and (5) the buffer budgeted for the service fee cap to cope with the potential increase in RSM Holding's related demand.

Payment method of the design service fee:	RSM Holding and/or its subsidiaries will separately enter into design contracts with Shanghai Red Star Macalline as required after the Design Services Framework Agreement comes into effect. The amount of design service fee, settlement method and relevant rights and obligations will be determined as agreed in the actually signed design contracts.
Liability in the event of breaches:	<p>If the fault of Shanghai Red Star Macalline results in losses to RSM Holding, Shanghai Red Star Macalline shall bear the corresponding economic liabilities. Any employee of Shanghai Red Star Macalline who violates the relevant regulations in the PRC shall be dealt with by the relevant authorities in accordance with laws.</p> <p>If RSM Holding and Shanghai Red Star Macalline are unable to perform the Design Services Framework Agreement 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 Design Services Framework Agreement by one party, the party shall not be exempted from liability.</p>
Reasons for and benefits of the transactions under the Design Services Framework Agreement:	<p>By the engineering services provided by Shanghai Red Star Macalline, the Directors believe that the Group will be able to ensure the satisfactory quality of the design works required for the commercial buildings managed by RSM Holding and its subsidiaries. The Directors also believe that the design services framework agreement would enable the Group to better manage the quality of the relevant commercial buildings and lay a solid foundation for the long-term development of such commercial buildings.</p> <p>The Directors (including the independent non-executive Directors) consider that the Design Services Framework Agreement is 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.</p>

## **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:	30 March 2021
Parties:	the Company RSM Holding
Term of services:	From 1 April 2021 to 31 March 2022
Scope of decoration and renovation engineering and construction services:	<p>The decoration and renovation engineering and construction services provided by the Group to RSM Holding or its subsidiaries are as follows:</p> <ol style="list-style-type: none"><li>(1) Decoration and renovation engineering;</li><li>(2) Architectural decoration engineering design;</li><li>(3) Steel structure work;</li><li>(4) Electromechanical installation engineering for buildings;</li><li>(5) EPC contract for construction projects;</li><li>(6) Professional contract for building curtain wall engineering;</li><li>(7) Professional contract for fire protection facilities engineering; and</li><li>(8) EPC contract for municipal utilities engineering.</li></ol>
Service fee cap:	The cap for the fee of the above-mentioned decoration and renovation engineering and construction services during the term of agreement is RMB700,000,000.

Basis for service fee cap:	The annual cap is determined after arm's length negotiation between the Company and RSM Holding with reference to (1) the actual amount for the transaction between the Company and RSM Holding for 2020, which was RMB153,826,200, the amounts of the transactions contemplated under the contracts signed and to be signed, and the future transaction plan; (2) the market price and the normal gross margin range of building construction in the market; (3) the impact of the contract signing time and performance progress on the expense recognition; (4) the actual need to vigorously promote the transactions under the Service Framework Agreement in respect of Decoration and Renovation Engineering and Construction based on the target of the Company for developing home decoration business; and (5) the buffer budgeted for the service fee cap to cope with the potential increase in RSM Holding's related demand.
Payment method of the fees for the decoration and renovation engineering and construction services:	RSM Holding or its subsidiaries will separately enter into project construction contracts with the Company if they choose to accept the decoration and renovation engineering and construction services provided by the Company after the Service Framework Agreement in respect of Decoration and Renovation Engineering and Construction comes into effect. The amount of purchase, settlement method and relevant rights and obligations will be determined as agreed in the specific contracts.
Pricing principles for service fee:	<p>The prices of the 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:</p> <ol style="list-style-type: none"> <li>(1) In principle, the bidding procedure is adopted for pricing. RSM Holding will select suppliers by invitation to tender, and the suppliers shall bid independently according to the project situations. During the tendering process, the Company shall strictly comply with the "Law of the People's Republic of China on Tendering and Bidding" and the requirements set forth in the tender documents prepared by RSM Holding. The relevant departments of the Company will determine the tender price with reference to recent quotations and relevant market information to ensure that the tender price (and tender terms) provided by the Company are fair and reasonable and not superior to the prices and terms provided by the Company to independent third parties;</li> <li>(2) If there is no bidding procedure, the market price shall be adopted. The price can be determined by reference to comparable price of an independent third-party supplier in the market;</li> </ol>

- (3) If there is no comparable market price, an agreement price shall be used, and the price shall be determined by the two parties through fair negotiation. The agreement price refers to the price determined in accordance with “reasonable cost of the project + reasonable profit range of the market”. The expected profit margin of the services provided by the Company to RSM Holding shall be no lower than the profit margin charged from independent third parties;
- (4) If relevant laws and regulations have specific requirements on the pricing of the decoration and renovation engineering and construction services, the relevant laws and regulations shall prevail.

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 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.

Reasons for and benefits of the transactions under the Service Framework Agreement in respect of Decoration and Renovation Engineering and Construction:

The Directors believe that the decoration and renovation engineering and construction services provided by the Group will help the Group to further expand the scale of decoration and decoration business, and improve the ability to undertake business, and lay a solid foundation for the long-term development of the Group’s decoration and decoration engineering business and supply chain business, which will have a positive impact on the current and future performance.

The Directors (including the independent non-executive Directors) consider that the Service Framework Agreement in respect of Decoration and Renovation Engineering and Construction is 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.

## **INTERNAL CONTROL MEASURES**

To ensure that the terms of the above-mentioned framework agreements are fair and reasonable, and the Company complies with the pricing terms of the relevant framework 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 above-mentioned Transactions, to ensure that the terms of the above-mentioned Transactions are fair and reasonable, and above-mentioned 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 above-mentioned Transactions.

## **CHANGZHOU LEASE CONTRACT**

The principal terms of the Changzhou Lease Contract are as follows:

Date:	30 March 2021
Lessor:	Changzhou Hongxing Furniture Decoration Mall
Lessee:	Changzhou Meikailong
Premise:	No. 70, Feilong East Road, Changzhou
Lease area:	40,678.21 square meters (house)
Usage:	Furnishing mall operation of Changzhou Meikailong
Lease term:	3 years, from 1 April 2021 to 31 March 2024
Lease payment:	The lease payment (including rent and management fee) shall be RMB23,130,000 per year for the first year, and shall be increased by 3% from the second year on the basis of the rent and management fee of the previous year. The specific annual rent and management fee standards are as follows:

Unit: RMB

Lease term	Rent	Management fee	Total lease payment (Tax inclusive)
The first year (i.e., from 1 April 2021 to 31 March 2022)	13,878,000	9,252,000	23,130,000
The second year (i.e., from 1 April 2022 to 31 March 2023)	14,294,300	9,529,600	23,823,900
The third year (i.e., from 1 April 2023 to 31 March 2024)	14,723,200	9,815,400	24,538,600

Payment method of the lease payment: The rent and management fee shall be paid monthly. Changzhou Meikailong shall pay Changzhou Hongxing Furniture Decoration Mall before the 5th day of each month.

In case of overdue payment, Changzhou Meikailong shall pay overdue penalty to Changzhou Hongxing Furniture Decoration Mall according to the bank loan rate for the same period for each overdue day.

Basis for determining the rent: The rent is determined after arm's length negotiation between Changzhou Hongxing Furniture Decoration Mall and Changzhou Meikailong with reference to (1) the historical transactions between Changzhou Hongxing Furniture Decoration Mall and Shanghai Red Star Macalline, where in the years ended 31 December 2018, 2019 and 2020, the annual rent and service fee paid by Changzhou Meikailong to Changzhou Hongxing Furniture Decoration Mall was RMB16.2 million, RMB16.6 million and RMB15.8 million respectively; (2) The cost for decoration and modification of the property by Changzhou Hongxing Furniture Decoration Mall according to the requirements of Changzhou Meikailong; and (3) the economic interests, market conditions and other factors.

Reasons for and benefits of the transactions under the Changzhou Lease Contract: Because Changzhou Hongxing Furniture Decoration Mall is a sole proprietorship enterprise established by Mr. Che Jianxing in his personal capacity, in accordance with applicable Chinese laws, the transfer of the properties to the Group through the transfer of assets will have a tax impact on Changzhou Hongxing Furniture Decoration Mall and the impact will ultimately be transferred to the purchase price of the properties concerned. Therefore, we decided to lease the properties from Changzhou Hongxing Furniture Decoration Mall, in order to manage and operation Changzhou Furniture Decoration Mall. Continuing the lease of these properties will save considerable time and cost. It is commercially necessary and advantageous to enter into a Changzhou lease agreement, which will avoid any disruption to business operations and have a positive impact on current and future results.

The Directors (including the independent non-executive Directors) consider that the Changzhou Lease Contract is 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**

RSM Holding is the controlling shareholder of the Company, therefore, RSM Holding and its associates (including Shanghai Red Star Win-Win Cloud, the indirect subsidiary of RSM Holding, and Changzhou Hongxing Furniture Decoration Mall, a controlled company of the Director, Mr. CHE Jianxing) are connected persons of the Company.

Transactions entered into by RSM Holding, Shanghai Red Star Win-Win Cloud, Changzhou Hongxing Furniture Decoration Mall and the Company or the subsidiaries of the Company respectively 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 (1) the Framework Agreement on Computer Information System Integration Services; (2) Procurement Framework Agreement in respect of Decoration and Renovation Materials and Furnishings; (3) the Design Services Framework Agreement; and (4) Service Framework Agreement in respect of Decoration and Renovation Engineering and Construction; is more than 0.1% but less than 5%, the above-mentioned 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.

Under HKFRS No. 16 "Lease", the Company will recognize the value of the relevant right-of-use assets under the Changzhou Lease Contract and the transactions hereunder will be treated as the acquisition of assets by the Company under the Listing Rules and constitute a one-time connected transaction of the Company under Chapter 14A of the Listing Rules. The total value of the right-of-use assets to be recognized by the Company under the Changzhou Lease Contract is estimated to be approximately RMB64.8 million (unaudited, subject to further adjustment if necessary), which is the present value of the total rent and management fee payable to Changzhou Hongxing Furniture Decoration Mall according to the Changzhou Lease Contract, and the annual discount rate is 4.65% when calculating the present value of the total rent and management fee.

As the highest applicable percentage ratio applied in respect of the transactions contemplated under the Changzhou Lease Contract is more than 0.1% but less than 5%, the above-mentioned transactions are subject to the reporting and announcement 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 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 above 5 framework agreements. 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%-owned 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 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.

## **INFORMATION ABOUT CHANGZHOU MEIKAILONG**

Changzhou Meikailong is a company incorporated in the PRC and an indirect wholly-owned subsidiary of the Company. Changzhou Meikailong is engaged in sales of furniture, architectural decoration materials, metal materials, general machinery, hardware, electrical equipment, chemicals, general merchandise, knitwear, daily necessities, computers and software, office equipment; site rental services, property management, business management consulting, parking 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 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 CHANGZHOU HONGXING FURNITURE DECORATION MALL**

Changzhou Hongxing Furniture Decoration Mall is a company incorporated in the PRC, which is 100% owned by Mr. CHE Jianxing, a Director of the Company. Changzhou Hongxing Furniture Decoration Mall is engaged in hardware, electrical equipment, knitwear wholesale, retail; venue rental service; property management and other business.

## **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 the Directors of the Company
“Changzhou Lease Contract”	The Changzhou Lease Contract signed by and between Changzhou Meikailong and Changzhou Hongxing Furniture Decoration Mall on 30 March 2021

“Changzhou Meikailong”	Changzhou Meikailong International Computer & Household Electric Appliance Decoration City, a company incorporated in the PRC and a wholly-owned subsidiary of the Company
“Changzhou Hongxing Furniture Decoration Mall”	Changzhou Hongxing Furniture Decoration Mall, a company established in the PRC
“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
“Design Services Framework Agreement”	The Design Services Framework Agreement entered into by RSM Holding and Shanghai Red Star Macalline on 30 March 2021
“Framework Agreement on Computer Information System Integration Services”	The Framework Agreement on Computer Information System Integration Services entered into by the Company and Shanghai Red Star Win-Win Cloud on 30 March 2021
“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
“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 by Betterhome Construction and RSM Holding on 30 March 2021
“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 by the Company and RSM Holding on 30 March 2021
“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 an indirect wholly-owned subsidiary 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
“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 “Framework Agreement on Computer Information System Integration Services”, “Procurement Framework Agreement in respect of Decoration and Renovation Materials and Furnishings”, “Design Services Framework Agreement” and “Service Framework Agreement in respect of Decoration and Renovation Engineering and Construction” and the connected transactions contemplated as set out in the “Changzhou Lease Contract” in this announcement

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

Shanghai, the PRC  
30 March 2021

*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, JING Jie, XU Hong, LIU Jin and CHEN Zhaohui; and the independent non-executive Directors are QIAN Shizheng, LEE Kwan Hung, Eddie, WANG Xiao, ZHAO Chongyi and QIN Hong.*