

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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)

DISCLOSEABLE TRANSACTION DISPOSAL OF THE TARGET EQUITY INTERESTS AND THE TARGET CREDITOR'S RIGHTS

The Board is pleased to announce that on 2 June 2021 (after trading hours), the Company, Shanghai Red Star Logistics, Tianjin Yuanchuan and RSM Holding entered into the Cooperation Framework Agreement, pursuant to which the Company and Shanghai Red Star Logistics conditionally agreed to sell, and the Purchaser conditionally agreed to purchase, the Target Equity Interests and the Target Creditor's Rights, and RSM Holding agreed to provide the Joint Guarantee in favour of the Purchaser for the due performance by the Vendors of their obligations and liabilities under the Cooperation Framework Agreement.

As one or more of the applicable percentage ratios (as defined under the Listing Rules) in respect of the Disposal exceed 5% but are less than 25%, the Disposal constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules. Accordingly, the Disposal is subject to the reporting and announcement requirements but is exempt from the shareholders' approval requirement under Chapter 14 of the Listing Rules.

The Vendors' Guarantor RSM Holding is the controlling shareholder of the Company, which constitutes a connected person (as defined under the Listing Rules) of the Company under Rule 14A.07 of the Listing Rules and the provision of the Joint Guarantee by way of financial assistance in favour of the Group constitutes a connected transaction. However, the Joint Guarantee is not secured by any assets of the Group and the Directors consider that the Joint Guarantee is on normal commercial terms or better and therefore, the Joint Guarantee is fully exempt from shareholders' approval, annual review and all disclosure requirements pursuant to Rule 14A.90 of the Listing Rules.

INTRODUCTION

The Board is pleased to announce that on 2 June 2021 (after trading hours), the Company, Shanghai Red Star Logistics, Tianjin Yuanchuan and RSM Holding entered into the Cooperation Framework Agreement, pursuant to which the Company and Shanghai Red Star Logistics conditionally agreed to sell, and the Purchaser conditionally agreed to purchase, the Target Equity Interests and the Target Creditor's Rights, and RSM Holding agreed to provide the Joint Guarantee in favour of the Purchaser for the due performance by the Vendors of their obligations and liabilities under the Cooperation Framework Agreement.

The Parties will enter into supplementary agreement(s) (the “**Proposed Supplementary Agreement(s)**”) to supplement the terms of the Cooperation Framework Agreement. If there is a major change in the terms of the Cooperation Framework Agreement, the Company will make further announcement when it considers appropriate or necessary in accordance with the requirements of the Listing Rules.

PRINCIPAL TERMS OF THE COOPERATION FRAMEWORK AGREEMENT

Principal terms of the Cooperation Framework Agreement are set out as follows:

1. Date

2 June 2021 (after trading hours)

2. Parties

- (a) the Company, as the Vendor I;
- (b) Shanghai Red Star Logistics, a non wholly-owned subsidiary of the Company, as the Vendor II (together with the Vendor I, the “**Vendors**”);
- (c) Tianjin Yuanchuan, as the Purchaser (together with the Vendor I and Vendor II, the “**Parties**”); and
- (d) RSM Holding, as the Vendors’ Guarantor;

To the best knowledge, information and belief of the Directors after having made all reasonable enquiries, as at the date of this announcement, the Purchaser and its ultimate beneficial owner(s) are third parties independent of the Company and are not connected persons of the Company.

3. Subject Matter

(1) Transfer of equity interests

The Vendors agreed to transfer to the Purchaser, and the Purchaser agreed to acquire from the Vendors, the Target Equity Interests free from all encumbrances, being 100% equity interests in Tibet Red Star, Shanghai Red Star, Shanghai Beimao, Shanghai Beiyue, Shanghai Beibo, Shanghai Beizheng and Tianjin Red Star, together with all rights and interests ancillary thereto.

Subject to the Purchaser having paid the First Transaction Price, before 30 June 2021, the Vendors shall procure the Group Companies to submit the relevant application documents to the relevant market supervision bureau and complete the change of industrial and commercial registration/filing procedures with the relevant market supervision bureau in relation to the transfer of equity interests (the “**Change of Industrial and Commercial Registration**”).

For further information on the Target Companies, please refer to the section headed “Information on the Target Companies” below.

(2) Transfer of creditor's rights

The Vendors intend to collect the related party loan debts and the financial institution loan debts of the Group Companies by the following means (the “**Debt Collection**”):

- (i) Financial treatments such as settlement, transfer and/or offsetting of all loan/current account creditor's rights of the Vendors' related parties against the Group Companies and all loan/current account debts of the Vendors' related parties owed to the Group Companies, and/or the provision of loan funds by the Vendors to the Target Companies for the settlement of loan/current account debts of the Group Companies owed to the Vendors' related parties, and finally the collection of all loans/current accounts of the Group Companies' related parties as the loan creditor's rights of the Vendors against the Target Companies; and
- (ii) The provision of loan funds by the Vendors to the relevant Target Companies at an interest rate of 6% per annum, to be used by the Group Companies to repay all their existing loan debts owed to financial institutions.

Upon completion of the aforesaid Debt Collection, only the Vendors shall be entitled to the loan creditor's rights against the Target Companies, and the Target Companies shall only be liable to the Vendors in respect of the loan debts.

The Vendors will dispose of all the loan creditor's rights of the Vendors against the Target Companies (the “**Target Creditor's Rights**”, including the loans and interests lent by the Vendors to the Target Companies, where the interests on the Target Creditor's Rights shall be calculated up to the date on which the Purchaser pays the price for the transfer of the corresponding creditor's rights) as of the Completion Date to the Purchaser, and the Vendors agree to transfer to the Purchaser, and the Purchaser agrees to be transferred from the Vendors, the Target Creditor's Rights free from any encumbrances and all rights and interests attached thereto.

4. Consideration and Adjustment Mechanism

(1) Equity transfer price

Within 10 working days after the Completion Date, the Parties shall jointly engage an accounting firm unanimously approved by the Parties to conduct an audit on the financial conditions of the Group Companies as at the Completion Date as the audit benchmark date, and prepare the simulated consolidated financial statements of the Group Companies as of the Completion Date (the “**Financial Statements as of the Completion Date**”) in accordance with the standards agreed in the Cooperation Framework Agreement.

The total consideration payable by the Purchaser to the Vendors for the transfer of the Target Equity Interests (the “**Equity Transfer Price**”) shall be determined in accordance with the following formula:

Equity Transfer Price = A + B + C – D – E – F + G, where:

- (a) “A” means the total asset value of the Target Projects, being RMB2,500,000,000, which was determined after arm's length negotiations between the Parties with reference to the book value of the assets of the Target Projects;

- (b) “B” means the book cash of the Target Companies as of the Completion Date as set out in the Financial Statements as of the Completion Date;
- (c) “C” means the accounts receivable, prepayments, other receivables and other current assets as of the Completion Date as set out in the Financial Statements as of the Completion Date;
- (d) “D” means the liabilities of the Target Companies as of the Completion Date as set out in the Financial Statements as of the Completion Date;
- (e) “E” means all project development costs reasonably expected to be incurred during the period from the Completion Date to the date of obtaining all building ownership certificates for some of the Target Projects jointly confirmed by the Parties;
- (f) “F” means, with respect to the project deficiencies or defects of the Target Projects that affect its normal use or operation, the reasonable costs required for the remedy or rectification of such project deficiencies or defects to be mutually agreed by the Parties with respect to the project rectification matters jointly confirmed by the Parties before the determination of the Equity Transfer Price;
- (g) “G” means other adjustments mutually agreed by the Purchaser and the Vendors.

Based on the above formula and based on the latest comparable consolidated financial statements of the Group Companies, it is estimated that the amount of the Equity Transfer Price is approximately RMB1,178 million and the actual amount will be reviewed and finally audited by the auditors of the Company.

(2) *Creditor’s rights transfer price*

The total consideration payable by the Purchaser to the Vendors for the assignment of the Target Creditor’s Rights (the “**Creditor’s Rights Transfer Price**”) shall be equivalent to the amount of the Target Creditor’s Rights , which is estimated to be approximately RMB1,134 million and the actual amount will be reviewed and finally audited by the auditors of the Company.

5. Payment of Consideration

- (1) The transfer price includes the Equity Transfer Price and the Creditor’s Rights Transfer Price, and consists of the following six payments and other adjusted payments agreed in the Agreement:
 - (a) the first payment (the “**First Transaction Price**”): RMB1,300,000,000;
 - (b) the second payment (the “**Second Transaction Price**”): an amount equal to the amount calculated in accordance with the following formula:

Second Transaction Price = (Total asset value of the Target Projects – all project development costs reasonably expected to be incurred for a particular Target Project during the period from the Completion Date to the date of obtaining all building ownership certificates as confirmed by the Parties)× 96% – First Transaction Price

- (c) the third payment (the “**Third Transaction Price**”): an amount equal to the amount calculated in accordance with the following formula:

Third Transaction Price = Equity Transfer Price + Creditor’s Rights Transfer Price – First Transaction Price – Second Transaction Price – Part A of Final Payment – Part B of Final Payment – Part C of Final Payment

If the amount of the Third Transaction Price calculated according to the above formula is zero or negative, the Purchaser is not obliged to pay the Third Transaction Price.

- (d) the fourth instalment (the “**Part A of Final Payment**”): RMB18,000,000;
- (e) the fifth instalment (the “**Part B of Final Payment**”): RMB18,000,000;
- (f) the sixth instalment (the “**Part C of Final Payment**”): within 5 working days after the issuance of the binding Financial Statements as of the Completion Date, with respect to the trade and other receivables relating to the leasing and operation of the particular Target Projects as of the Completion Date as set out in the Financial Statements as of the Completion Date, the Purchaser and the Vendors shall jointly confirm the trade and other receivables that cannot be reasonably expected to be recovered (the “**Outstanding Receivables**”). Part C of Final Payment represents the amount of receivables due.

(2) **Payment arrangements**

(a) ***Payment of the First Transaction Price***

Subject to the fulfilment of the following conditions on or before 6 June 2021, the Purchaser shall pay the First Transaction Price to the Company before 10:00 a.m. on 7 June 2021. If the following conditions are postponed, the payment shall be made by the Purchaser on the date of satisfaction of the following conditions:

- (a) the Company has published a listed company announcement in relation to the transactions contemplated under the Agreement;
- (b) Tianjin Company has submitted an application to the market supervision bureau for the registration of the Tianjin Company Equity Pledge and has obtained the acceptance receipt or acceptance notice (including but not limited to the acceptance notice or SMS) or other similar instruments issued by the market supervision bureau.

The Vendors shall provide the Purchaser with the corresponding supporting documents for the satisfaction of each of the above conditions in a timely manner. For the avoidance of doubt, the satisfaction of the conditions shall be subject to the Purchaser receiving a written notice from the Vendors with valid supporting documents.

(b) Payment of the Second Transaction Price

- (a) if the Completion Date falls on or before 30 June 2021, the Purchaser shall pay the Second Transaction Price to the Vendors no later than 8 July 2021. If the Completion Date falls on or after 1 July 2021, the Purchaser shall, within 5 working days after the Completion Date, pay the Second Transaction Price to the Vendors.
- (b) the Purchaser and the Vendors agreed and confirmed that the corresponding amount of the Second Transaction Price shall first be deemed as the remaining Creditor's Rights Transfer Price paid by the Purchaser, and the remaining part shall be deemed as the Equity Transfer Price paid by the Purchaser.

(c) Payment of the Third Transaction Price

Within 5 working days after the determination of the Equity Transfer Price, the Purchaser shall pay the Vendors the Third Transaction Price (if any).

After the determination of the Equity Transfer Price, if the Third Transaction Price calculated in accordance with the aforesaid formula is negative, the Purchaser shall not be obliged to pay the Third Transaction Price, and the Vendors shall return the amount calculated in accordance with the following formula to the Purchaser within 5 working days after the determination of the Equity Transfer Price:

Amount to be returned by the Vendors = the First Transaction Price + the Second Transaction Price + Part A of Final Payment + Part B of Final Payment + Part C of Final Payment – Equity Transfer Price – Creditor's Rights Transfer Price

(d) Payment of Part A of Final Payment

Subject to the Vendors having fulfilled their obligation under the Cooperation Framework Agreement to return the price payable to the Purchaser (if applicable), within 5 working days upon obtaining the building ownership certificates for certain Target Projects under the Cooperation Framework Agreement, the Purchaser shall pay Part A of Final Payment to the Company.

(e) Payment of Part B of Final Payment

Subject to the Vendors having fulfilled their obligation under the Cooperation Framework Agreement to return the price to the Purchaser (if applicable), within 5 working days upon obtaining the building ownership certificates for certain Target Projects under the Cooperation Framework Agreement, the Purchaser shall pay Part B of Final Payment to the Company.

(f) Payment of Part C of Final Payment

- (i) Subject to the Vendors having fulfilled their obligation to return the price payable to the Purchaser under the Agreement (if applicable), if some Group Companies have actually recovered all or part of the Outstanding Receivables after the Completion Date, the Purchaser shall, within 5 working days after each actual recovery of the Outstanding Receivables by some Group Companies, pay the Vendors an amount equivalent to Part C of Final Payment (but shall deduct the expenses reasonably incurred by some Group Companies to realise such creditor's rights).
- (ii) Notwithstanding the provisions set out in (a) above, the Purchaser shall no longer be obliged to pay the Vendors the amount equivalent to Part C of Final Payment (which is deemed to be a downward adjustment to Equity Transfer Price) for the Outstanding Receivables of some Group Companies that have not been actually recovered within 36 months after the Completion Date.

6. Conditions Precedent to Completion

Completion by the Purchaser is conditional upon, among other things, the following conditions being satisfied or waived by the Purchaser in its own judgment:

- (1) the Vendors having cooperated with the Purchaser to complete the due diligence in accordance with the Cooperation Framework Agreement, and each of the Parties having duly signed the Proposed Supplementary Agreements and the Proposed Supplementary Agreements remaining valid;
- (2) the Debt Collection having been completed and confirmed by the Purchaser;
- (3) the Change of Industrial and Commercial Registration of the transfer of equity interests having been completed;
- (4) the relevant Group Companies having settled certain debts agreed under the Cooperation Framework Agreement;
- (5) the equity interests of the Group Companies and the Target Projects being free from any encumbrances;
- (6) no objection or restrictive requirement being made from any government authority on the transfer of equity interests or change of de facto controller of some of the Group Companies.

Subject to the Purchaser having paid the First Transaction Price in accordance with the Agreement, the Vendor shall be responsible for the satisfaction of each of the conditions precedent by 31 December 2021 (or such other deadline as the Purchaser and the Vendors may otherwise agree in writing) (the "**Long Stop Date**"). The Purchaser has the right to waive any one of the conditions precedent in its sole judgment and notify the Vendors in writing.

7. Completion

The Purchaser and the Vendors agree that on the date on which all the conditions precedent have been satisfied or waived by the Purchaser (the “**Completion Date**”), the Purchaser and the Vendors shall proceed to Completion at the closing place as agreed in the Cooperation Framework Agreement. On the Completion Date, the Vendors shall deliver to the Purchaser (or the Purchaser’s designated representative) the handover items as agreed by the Parties, and the Purchaser shall receive the handover items delivered to it by the Vendors.

8. Guarantee

(1) Guarantee

The Vendors’ Guarantor agreed to provide a joint guarantee in favour of the Purchaser for the due performance by the Vendors of their obligations and liabilities under the Cooperation Framework Agreement (the “**Joint Guarantee**”), and the Vendors’ Guarantor has entered into a guarantee contract with the Purchaser on the same date as the Cooperation Framework Agreement.

(2) Guarantee for equity pledge

- (a) The Company has pledged its 100% equity interests in Tianjin Company to the Purchaser (the “**Tianjin Company Equity Pledge**”) as security for the due performance of the obligations and liabilities of the Company under the Agreement, and the Company has entered into the contract for the pledge of equity interests with the Purchaser on the same date of the Agreement.
- (b) The Purchaser agrees that, within 5 working days after the Completion Date, the Purchaser shall cooperate with Tianjin Company in the application to the market supervision bureau for the release of registration procedures in relation to the Tianjin Company Equity Pledge.

9. Buy-back Arrangements

Upon the occurrence of certain specific circumstances as stipulated in the Cooperation Framework Agreement in respect of certain Target Projects, the Purchaser shall have the right to serve a written notice to the Company within one year after the Completion Date, requesting the Company to buy back the equity interests of the relevant Group Companies (the “**Proposed Repurchase Equity Interests**”) and the relevant Target Creditor’s Rights (the “**Proposed Repurchase Creditor’s Rights**”) held by the relevant Target Projects based on the then conditions, and the Company shall enter into the relevant transfer agreement with the Purchaser and determine the total consideration for the Proposed Repurchase Equity Interests and the Proposed Repurchase Creditor’s Rights.

10. Compensation

- (1) If the conditions precedent are not satisfied by 31 July 2021, the Vendors shall pay the Purchaser the cost of capital calculated at a standard rate of 11% per annum based on the transaction price then paid by the Purchaser for the period from 1 August 2021 to the date on which the conditions precedent are satisfied (before the expiry of the Long Stop Date).
- (2) If the conditions precedent are not satisfied (unless waived by the Purchaser) prior to the expiry of the Long Stop Date as agreed in the Agreement due to the default of the Vendors, the Purchaser has the right to elect to terminate the Cooperation Framework Agreement (however, prior to the termination of the Cooperation Framework Agreement by the Purchaser in accordance with such agreement, the Purchaser shall not do so if the relevant conditions precedent to completion have been satisfied). If the Cooperation Framework Agreement are terminated, the Vendors shall pay the Purchaser the cost of capital calculated at a standard rate of 15% per annum based on the transaction price then paid by the Purchaser for the period from 1 August 2021 to the date of termination of the Agreement.
- (3) If the Vendors fail to deliver the handover items to the Purchaser in accordance with the Cooperation Framework Agreement, the Vendors shall pay the Purchaser liquidated damages of RMB20,000 per day for each day overdue with respect to each individual Target Project until the delivery of the handover items involved in the relevant Target Project is completed.
- (4) If the Vendors fail to perform any one of their payment obligations under the Cooperation Framework Agreement in accordance with the provisions of the Cooperation Framework Agreement, the Vendors shall pay liquidated damages to the Purchaser at a daily rate of 0.03% of the amount due and unpaid for each day overdue until the Vendors have fully settled such amount;
- (5) All losses incurred or suffered by any Group Companies, inter alia, arising out of or in connection with the following matters after the Completion Date shall be borne by the Vendors, and the Vendors shall compensate the Purchaser or the Group Companies for the losses arising therefrom (whether or not the Vendors have disclosed such matters to the Purchaser):
 - (a) any Group Companies being required to pay taxes, relevant late charges or penalties by the government authorities after the Completion Date due to their failure to pay taxes and fees in full and in a timely manner in accordance with applicable laws or requirements of government authorities before the Completion Date;
 - (b) the tax risks arising from some Group Companies' failure to obtain sufficient invoices or payment certificates for the project development costs incurred by the Group Companies prior to the Completion Date.

Notwithstanding the above, if the above liabilities or losses have been included in the liabilities in the Financial Statements as of the Completion Date and taken into account in arriving at the Equity Transfer Price, the Vendors are not obliged to bear such losses again.

11. Termination

(1) Vendors' Right of Termination

- A. The Vendors shall have the right to notify the Purchaser to terminate the Cooperation Framework Agreement upon the issue of such notice by the Vendors if any one of the following circumstances occurs:
 - (a) the Purchaser fails to pay the First Transaction Price agreed in accordance with the Cooperation Framework Agreement;
 - (b) the Purchaser fails to pay the Second Transaction Price agreed in accordance with the Cooperation Framework Agreement.
- B. If the Vendors terminate the Cooperation Framework Agreement in accordance with the above provisions, the Purchaser shall also pay liquidated damages of RMB30,000,000 to the Vendors in addition to the compensation liabilities (if applicable) agreed in accordance with the Cooperation Framework Agreement:
- C. The Vendors undertake that in respect of the termination right of the Vendors under the Cooperation Framework Agreement, each of the Vendors shall and shall only exercise such termination right as a party acting in concert.

(2) Purchaser's Right of Termination:

The Purchaser is entitled to terminate the acquisition agreement in respect of relevant Target Projects in accordance with the Cooperation Framework Agreement by giving notice to the Vendors prior to Completion in the event that the Vendors fail to perform certain obligations. If the Vendors transfer any Group Companies or Target Projects to other third parties without the prior written consent of the Purchaser as of the date of payment of the Second Transaction Price by the Purchaser, in addition to the Purchaser's right to terminate the Cooperation Framework Agreement, the Vendors shall also pay the Purchaser liquidated damages in the amount of RMB30,000,000.

12. Others

Subject to notifying the other Parties in writing in advance, the Purchaser has the right to transfer all or part of its rights and obligations under the Cooperation Framework Agreement to a holding subsidiary of the Purchaser (including the right to acquire the Target Equity Interests and Target Creditor's Rights), and in that case, the Purchaser shall be jointly and severally liable to the Vendors for the due performance of the Cooperation Framework Agreement by its holding subsidiary.

INFORMATION ABOUT THE GROUP AND THE VENDORS

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.

Shanghai Red Star Logistics is a company incorporated in the PRC with limited liability and is principally engaged in road freight transportation (excluding hazardous chemicals), manual handling services, manual loading and unloading services, e-commerce (not allowed to engage in financial services) and warehousing services (excluding hazardous chemicals). It is a non-wholly owned subsidiary of the Company.

INFORMATION ABOUT THE PURCHASER

The Purchaser is Tianjin Yuanchuan Investment Company Limited, a company incorporated in the PRC with limited liability and is principally engaged in foreign investment. Tianjin Yuanchuan is an indirect wholly-owned subsidiary of Ruixi Venture Capital Co., Ltd.* (瑞喜創投有限公司), which is held as to 49% by Sino-Ocean Group. Save for Sino-Ocean Group, none of the Shareholders holds one-third or more of the equity interests in Ruixi Venture Capital Co., Ltd.* (瑞喜創投有限公司).

INFORMATION ABOUT THE VENDORS’ GUARANTOR

The Vendors’ Guarantor is RSM Holding, a company incorporated in the PRC with limited liability and the controlling shareholder of the Company, which is 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), respectively. As at the date of this announcement, RSM Holding has held approximately 69.87% of the total issued shares of the Company.

INFORMATION ABOUT THE TARGET COMPANIES

The following table sets out the information of each of the Target Companies under the Cooperation Framework Agreement:

Cooperation Framework Agreements	Target Companies	Information on each of the Target Companies
I	Tibet Red Star	Tibet Red Star is a company incorporated in the PRC with limited liability. It is principally engaged in enterprise management consulting, business consulting, etc. It is a direct wholly-owned subsidiary of the Company.
II	Shanghai Red Star	Shanghai Red Star is a company incorporated in the PRC with limited liability and is principally engaged in enterprise management consulting, manual handling services, manual loading and unloading services, warehousing (excluding dangerous goods), etc. It is a direct wholly-owned subsidiary of the Company.
III	Shanghai Beimao	Shanghai Beimao is a company incorporated in the PRC with limited liability and is principally engaged in third-party logistics services, manual handling services, manual loading and unloading services, warehousing (excluding hazardous chemicals) etc. It is a direct wholly-owned subsidiary of the Company.
IV	Shanghai Beiyue	Shanghai Beiyue is a company incorporated in the PRC with limited liability and is principally engaged in third-party logistics services, loading and unloading services, warehousing (excluding hazardous chemicals), etc. It is a direct wholly-owned subsidiary of the Company.
V	Shanghai Beibo	Shanghai Beibo is a company incorporated in the PRC with limited liability and is principally engaged in third-party logistics services, loading and unloading services, warehousing (excluding hazardous chemicals), etc. It is a direct wholly-owned subsidiary of the Company.
VI	Shanghai Beizheng	Shanghai Beizheng is a company incorporated in the PRC with limited liability and is principally engaged in third-party logistics services, loading and unloading services, warehousing (excluding hazardous chemicals), etc. It is a direct wholly-owned subsidiary of the Company.
VII	Tianjin Red Star	Tianjin Red Star is a company incorporated in the PRC with limited liability and is principally engaged in warehousing services (excluding hazardous chemicals); general cargo operations; loading and unloading, handling services, etc. Tianjin Red Star is wholly-owned by Red Star Macalline Group (Shanghai) Logistics Company Limited and an indirect wholly-owned subsidiary of the Company.

Set out below is the unaudited financial information of the Target Companies for the financial year ended 31 December 2020 and the financial year ended 31 December 2019:

Cooperation Framework Agreements	Target Companies	For the year ended 31 December 2020		For the year ended 31 December 2019	
		Profit/(loss)		Profit/(loss)	
		before taxation	Profit/(loss) after taxation	before taxation	Profit/(loss) after taxation
		RMB	RMB	RMB	RMB
I	Tibet Red Star ⁽¹⁾	13,613,140.05	(161,353.16)	44,250,138.57	32,923,168.01
II	Shanghai Red Star	(102,411,771.18)	(85,468,290.21)	87,909,528.33	62,514,778.78
III	Shanghai Beimao	(494,106.73)	(4,592,121.71)	13,867,697.48	10,723,124.83
IV	Shanghai Beiyue	(12,566,845.18)	(13,624,485.80)	8,179,099.11	6,114,456.97
V	Shanghai Beibo	28,155,008.66	20,296,946.21	–	–
VI	Shanghai Beizheng	11,509,821.34	8,623,683.54	17,155,781.13	12,937,744.20
VII	Tianjin Red Star	(11,401,747.05)	(8,559,221.96)	114,547,452.15	85,907,400.32

Note:

- Based on the consolidated financial statements of all its subsidiaries held by Tibet Red Star for the corresponding periods. Tibet Red Star transferred 100% equity interests in Shanghai Beizheng on 10 May 2021 and 100% equity interests in each of Shanghai Beiyue, Shanghai Beimao and Shanghai Beibo to the Company on 7 May 2021.

Set out below are the unaudited total assets and unaudited net assets of the Target Companies as at 31 December 2020 and as at 31 December 2019:

Cooperation Framework Agreements	Target Companies	As at 31 December 2020	
		Total assets	Net assets
		RMB	RMB
I	Tibet Red Star ⁽¹⁾	1,107,954,773.15	384,740,116.90
II	Shanghai Red Star	850,808,062.17	2,663,617.93
III	Shanghai Beimao	235,617,857.61	71,112,285.38
IV	Shanghai Beiyue	228,531,873.29	46,460,128.65
V	Shanghai Beibo	110,643,899.00	62,346,946.19
VI	Shanghai Beizheng	213,907,863.35	123,802,085.42
VII	Tianjin Red Star	261,382,996.55	116,247,027.50

Note:

- Based on the consolidated financial statements of all its subsidiaries held by Tibet Red Star as at 31 December 2020. Tibet Red Star transferred 100% equity interests in Shanghai Beizheng on 10 May 2021 and 100% equity interests in each of Shanghai Beiyue, Shanghai Beimao and Shanghai Beibo to the Company on 7 May 2021.

FINANCIAL EFFECT OF THE DISPOSAL AND USE OF PROCEEDS

Upon Completion, each of the Target Companies will cease to be a subsidiary of the Company. Accordingly, the financial results of each of the Target Companies will no longer be consolidated into the financial results of the Group.

Based on (i) the difference between the book value of the net assets of the Target Companies in the most recent simulated consolidated financial statements and the Equity Transfer Price, and (ii) the Creditor's Rights Transfer Price is equal to the amount of the Target Creditor's Rights, the estimated gain on the Disposal is approximately RMB442 million. Shareholders should note that the financial effects set out above are for illustrative purpose only. The actual amount of gain or loss as a result of the Disposal to be recorded by the Group will be subject to review and final audit by the auditors of the Company.

After deducting the expenses relating to the Disposal, the net proceeds from the Disposal will be approximately RMB2,312 million and the Company intends to use such proceeds to replenish the Company's liquidity, daily operation and management, repayment of borrowings, etc.

REASONS FOR AND BENEFITS OF THE DISPOSAL

The transaction is in line with the Company's development strategy of "stressing on operations instead of assets and reducing leverage ratio", which is conducive to the Company's focus on its principal business while specializing in high-quality resources to conduct business, with an aim to further improve the profitability of the Company's assets, further reduce the Company's debt ratio, reduce expenditures on finance costs, optimize the Company's cash flow level, and meet the Company's development plan in the medium and long term.

The terms of the Cooperation Framework Agreement were determined after arm's length negotiations between the Company and the Purchaser on normal commercial terms. The Directors (including the independent non-executive Directors) consider that the terms of the Agreement are fair and reasonable and the Disposal is in the interests of the Company and its Shareholders as a whole.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios (as defined under the Listing Rules) in respect of the Disposal exceed 5% but are less than 25%, the Disposal constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules. Accordingly, the Disposal is subject to the reporting and announcement requirements but is exempt from the shareholders' approval requirement under Chapter 14 of the Listing Rules.

The Vendors' Guarantor, Red Star Macalline Holding Group Company Limited, is the controlling shareholder of the Company, which constitutes a connected person (as defined under the Listing Rules) of the Company under Rule 14A.07 of the Listing Rules and the provision of the Joint Guarantee by way of financial assistance in favour of the Group constitutes a connected transaction. However, the Joint Guarantee is not secured by any assets of the Group and the Directors consider that the Joint Guarantee is on normal commercial terms or better and therefore, the Joint Guarantee is fully exempt from shareholders' approval, annual review and all disclosure requirements pursuant to Rule 14A.90 of the Listing Rules.

Considering that Mr. CHE Jianxing, Ms. CHE Jianfang, Ms. CHEN Shuhong and Mr. JIANG Xiaozhong had conflicts of interest and potential interests in the Disposal, they have abstained from voting on the Board resolution to approve the Disposal. Save as disclosed above, none of the Directors has any material interest in the Disposal.

As the Disposal is subject to the satisfaction or waiver (as the case may be) of the conditions precedent to completion set out in the Cooperation Framework Agreement, the transactions contemplated thereunder may or may not be completed. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Shares.

DEFINITIONS

“Board”	the board of directors of the Company
“Company” or “Vendor I”	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 of Hong Kong Limited (stock code: 1528)
“Completion Date”	the date on which Tianjin Yuanchuan is registered with the competent authority as the sole shareholder of each of the Target Companies and the legal representative(s), director(s)/executive director(s), supervisor(s) and general manager(s) of each of the Target Companies are changed to the person(s) designated by Zhuhai Puhong; the specific date of the Completion Date shall be the date specified in the notice of approval for change of registration/filing issued by the competent authority to each of the Target Companies in respect of the aforesaid change of registration/filing
“controlling shareholder”	has the meaning ascribed thereto under the Listing Rules
“Cooperation Framework Agreement”	the cooperation framework agreement entered into among the Company, Tianjin Yuanchuan and Shanghai Red Star on 2 June 2021
“Director(s)”	the director(s) of the Company
“Disposal”	the disposal of the Target Equity Interests and the Target Creditor’s Rights by the Company pursuant to the Cooperation Framework Agreement
“Group”	the Company and its subsidiaries
“Group Companies”	the Target Companies and their subsidiaries
“Independent Third Party(ies)”	person(s) who, to the knowledge of the Directors after having made all reasonable enquiries, is/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

“related party(ies)”	for any person, any other person, directly or indirectly, controlling or controlled by or under common control with such particular person. “Control” means (a) the ownership, directly or indirectly, of more than 50 per cent. (50%) of the voting equity interest, property interest or registered capital of a company, entity or body, or (b) the possession, directly or indirectly, of a supervisory function in a company, entity or body, or (c) the power to appoint or elect a majority of the directors of a company, entity or body, or (d) in the case of an individual, his/her close relatives such as his spouse and other individuals acting in accordance with his/her directions
“RMB”	Renminbi, the lawful currency of the PRC
“RSM Holding” or “Vendors’ Guarantor”	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 Investment Company Limited ”, a company established in the PRC with limited liability and the controlling shareholder of the Company
“Shanghai Beibo”	Shanghai Beibo Logistics Company Limited (上海倍博物流有限公司), a company established and validly existing under the laws of the PRC with limited liability and a direct wholly-owned subsidiary of the Company
“Shanghai Beimao”	Shanghai Beimao Logistics Company Limited (上海倍茂物流有限公司), a company established and validly existing under the laws of the PRC with limited liability and a wholly-owned subsidiary of the Company
“Shanghai Beiyue”	Shanghai Beiyue Logistics Company Limited, (上海倍躍物流有限公司), a company established and validly existing under the laws of the PRC with limited liability and a wholly-owned subsidiary of the Company
“Shanghai Beizheng”	Shanghai Beizheng Logistics Company Limited (上海倍正物流有限公司), a company established and validly existing under the laws of the PRC with limited liability and a direct wholly-owned subsidiary of the Company
“Shanghai Red Star”	Red Star Macalline (Shanghai) Business Management Company Limited (紅星美凱龍(上海)企業管理有限公司), a company established and validly existing under the laws of the PRC with limited liability and a direct wholly-owned subsidiary of the Company
“Shanghai Red Star Logistics” or “Vendor II”	Red Star Macalline Group (Shanghai) Logistics Company Limited (紅星美凱龍家居集團(上海)物流有限公司), a company established and validly existing under the laws of the PRC with limited liability and a non wholly-owned subsidiary of the Company
“Sino-Ocean Group”	Sino-Ocean Group Holding Limited, a company incorporated in Hong Kong with limited liability, the shares of which are listed on the main board of the Stock Exchange (stock code: 3377)

“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Companies”	Tibet Red Star, Shanghai Red Star, Shanghai Beimao, Shanghai Beiyue, Shanghai Beibo, Shanghai Beizheng and Tianjin Red Star
“Target Creditor’s Rights”	all the creditor’s rights entitled by the Company in in each of the Target Companies upon completion of Debt Collection
“Target Equity Interests”	100% equity interests in Tibet Red Star, Shanghai Red Star, Shanghai Beimao, Shanghai Beiyue, Shanghai Beibo, Shanghai Beizheng and Tianjin Red Star
“Target Projects”	a series of property development projects operated by the Target Companies and their subsidiaries
“Tianjin Company”	Red Star Macalline Shibo (Tianjin) Home Living Plaza Co., Ltd. (紅星美凱龍世博(天津)家居生活廣場有限公司), a company established and validly existing under the laws of the PRC with limited liability and a direct wholly-owned subsidiary of the Company
“Tianjin Red Star”	Tianjin Red Star Macalline Logistics Company Limited (天津紅星美凱龍物流有限公司), a company established and validly existing under the laws of the PRC with limited liability and a direct wholly-owned subsidiary of the Company
“Tianjin Yuanchuan” or “Purchaser”	Tianjin Yuanchuan Investment Company Limited* (天津遠川投資有限公司), a company established and validly existing under the laws of the PRC with limited liability
“Tibet Red Star”	Tibet Red Star Macalline Enterprise Management Company Limited (西藏紅星美凱龍企業管理有限公司), a company established and validly existing under the laws of the PRC with limited liability and a direct wholly-owned subsidiary of the Company

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

Shanghai, the PRC
2 June 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.

* For identification purpose only