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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

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On 30 March 2022 (after trading hours), the (i) Company entered into the Computer Information System Integration Services Framework Agreement with Shanghai Red Star Cloud; (ii) Shanghai Red Star Macalline, an indirect wholly-owned subsidiary of the Company, entered into the Design Services Framework Agreement with RSM Holding; and (iii) the Company entered into the Decoration and Renovation Engineering and Construction Service Framework Agreement with RSM Holding.

LISTING RULES IMPLICATIONS

RSM Holding is the controlling shareholder of the Company, therefore, RSM Holding and its associates (including Shanghai Red Star Cloud, an indirect subsidiary of RSM Holding) are connected persons of the Company. Therefore, transactions under each of the Computer Information System Integration Services Framework Agreement, the Design Services Framework Agreement, and the Decoration and Renovation Engineering and Construction Service Framework Agreement 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 the Computer Information System Integration Services Framework Agreement, the Design Services Framework Agreement, and the Decoration and Renovation Engineering and Construction Service Framework Agreement is more than 0.1% but less than 5%, the transactions contemplated thereunder 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

On 30 March 2022 (after trading hours), the (i) Company entered into the Computer Information System Integration Services Framework Agreement with Shanghai Red Star Cloud; (ii) Shanghai Red Star Macalline, an indirect wholly-owned subsidiary of the Company, entered into the Design Services Framework Agreement with RSM Holding; and (iii) the Company entered into the Decoration and Renovation Engineering and Construction Service Framework Agreement with RSM Holding, which constitute continuing connected transactions of the Company under the Listing Rules.

COMPUTER INFORMATION SYSTEM INTEGRATION SERVICES FRAMEWORK AGREEMENT

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

- Date: 30 March 2022
- Parties: the Company (for and on behalf of itself and its subsidiaries); and
Shanghai Red Star Cloud
- Term of services: From 17 April 2022 to 31 March 2023
- Subject matter: Shanghai Red Star Cloud shall provide computer information system integration services to the Company and its subsidiaries, and the services 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 network information security management, information consulting services, robot hardware and software sales and leasing services, network equipment hardware sales and services, electronic and electrical equipment sales and services, weak electric intelligent engineering integration services, 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) To ensure the security and stability of the service, upgrading and migrating the computer room, server, bandwidth, data base 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 to be paid by the Group to Shanghai Red Star Cloud 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 Cloud with reference to (1) the historical transaction amounts, where the actual amount for the year ended 31 December 2021 was RMB34,535,398.14; (2) the amounts of the transactions contemplated under the contracts signed and to be signed, and the future transaction plan; (3) the scope of the computer information system integration services; (4) the market price of the similar services provided by the Independent Third Parties; (5) the impact of the contract signing time and performance progress on the expense recognition; (6) the actual need to vigorously promote the transactions under the Computer Information System Integration Services Framework Agreement based on the target of the Company for promoting digital and intelligent construction; and (7) the buffer budgeted for the service fee cap to cope with the potential increase in the Company's related demand.

Pricing and payment method: The price will be determined after arm's length negotiation with reference to factors including precise service scope and demand, prevailing market prices and subject to normal commercial terms, and in accordance with the principle of fairness and reasonableness.

Separate underlying agreements will be entered into as required after the Computer Information System Integration Services Framework Agreement comes into effect, which will set out the precise service fee, settlement method and relevant rights and obligations, the definitive terms of each of such underlying agreements will be determined on a case-by-case basis and on a fair and reasonable basis after arm's length negotiation between relevant parties taking into account various factors.

Liability in the event of breaches: If the fault of either 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 Shanghai Red Star Cloud are unable to perform the Computer Information System Integration 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 Computer Information System Integration Services Framework Agreement by one party, the party shall not be exempted from liability. The force majeure as mentioned in this agreement refers to the objective situations that cannot be foreseen, avoided, and overcome.

Reasons for and benefits:

Through the computer information system integration services provided by Shanghai Red Star 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 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 Computer Information System Integration 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.

DESIGN SERVICES FRAMEWORK AGREEMENT

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

- Date: 30 March 2022
- Parties: RSM Holding (for and on behalf of itself and its subsidiaries); and
Shanghai Red Star Macalline (for and on behalf of itself and its subsidiaries)
- Term of service: From 17 April 2022 to 31 March 2023
- Subject matter: Shanghai Red Star Macalline shall provide design services to RSM Holding or its subsidiaries, and the services are as follows:
- (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

- (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, facade curtain wall, roof signage, entrance and exit door signage, atrium steel structure, exterior facade floodlight lighting, weak electric intelligent system, secondary electromechanical; design for signage of traffic facilities, parking space marking engineering, interior space decorative art layout, guide and information release software; design and consulting services for BMI, assembly, green buildings, sponge city, acoustics, audio and video, kitchen and bathroom and other specialities, etc.

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| Service fee cap: | The cap of the fees to be paid by RSM Holding to Shanghai Red Star Macalline during the term of services is RMB90,000,000. |
| 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 amounts, where the actual amount for the year ended 31 December 2021 was RMB52,659,385.25; (2) the amounts of the transactions contemplated under the contracts signed and to be signed, and the future transaction plan; (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 Design Services Framework Agreement based on the target of the Company for developing home decoration business; and (6) the buffer budgeted for the service fee cap to cope with the potential increase in RSM Holding's related demand. |
| Pricing and payment method: | <p>The price will be determined after arm's length negotiation with reference to factors including precise service scope and demand, prevailing market prices and subject to normal commercial terms, and in accordance with the principle of fairness and reasonableness.</p> <p>Separate underlying agreements will be entered into as required after the Design Services Framework Agreement comes into effect, which will set out the precise service fee, settlement method and relevant rights and obligations, the definitive terms of each of such underlying agreements will be determined on a case-by-case basis and on a fair and reasonable basis after arm's length negotiation between relevant parties taking into account various factors.</p> |
| Liability in the event of breaches: | 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. |

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. The force majeure as mentioned in this agreement refers to the objective situations that cannot be foreseen, avoided, and overcome.

Reasons for and benefits:

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.

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.

DECORATION AND RENOVATION ENGINEERING AND CONSTRUCTION SERVICE FRAMEWORK AGREEMENT

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

Date: 30 March 2022

Parties: the Company (for and on behalf of itself and its subsidiaries); and
RSM Holding (for and on behalf of itself and its associates)

Term of services: From 30 March 2022 to 31 March 2023

Subject Matter: Company or its subsidiaries shall provide decoration and renovation engineering and construction services to RSM Holding or its associates, and the services are as follows:

- (1) Decoration and renovation engineering;
- (2) Architectural decoration engineering design;
- (3) Steel structure work;

- (4) Electromechanical installation engineering for buildings;
- (5) EPC contract for construction projects;
- (6) Professional contract for building curtain wall engineering;
- (7) Professional contract for fire protection facilities engineering; and
- (8) EPC contract for municipal utilities engineering.

Service fee cap: The cap for the fee to be paid by RSM Holding to the Group 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 historical transaction amounts for the transaction between the Company and RSM Holding, where the actual amount for the year ended 31 December 2021 was RMB340,195,375.06; (2) the amounts of the transactions contemplated under the contracts signed and to be signed, and the future transaction plan; (3) the market price and the normal gross margin range of building construction in the market; (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 Decoration and Renovation Engineering and Construction Service Framework Agreement based on the target of the Company for developing home decoration business; and (6) the buffer budgeted for the service fee cap to cope with the potential increase in RSM Holding's related demand.

Pricing and payment method: The prices of the decoration and renovation engineering and construction services under the Decoration and Renovation Engineering and Construction Service Framework Agreement 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, 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;
- (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;

- (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.

Separate underlying agreements will be entered into as required after the Decoration and Renovation Engineering and Construction Service Framework Agreement comes into effect, which will set out the precise service fee, settlement method and relevant rights and obligations, the definitive terms of each of such underlying agreements will be determined on a case-by-case basis and on a fair and reasonable basis after arm’s length negotiation between relevant parties taking into account various factors.

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 Decoration and Renovation Engineering and Construction Service 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 Decoration and Renovation Engineering and Construction Service Framework Agreement by one party, the party shall not be exempted from liability. The force majeure as mentioned in this agreement refers to the objective situations that cannot be foreseen, avoided, and overcome

Reasons for and benefits:

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 Decoration and Renovation Engineering and Construction Service 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.

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.

LISTING RULES IMPLICATIONS

RSM Holding is the controlling shareholder of the Company, therefore, RSM Holding and its associates (including Shanghai Red Star Cloud, an indirect subsidiary of RSM Holding) are connected persons of the Company. Therefore, transactions under each of the Computer Information System Integration Services Framework Agreement, the Design Services Framework Agreement, and the Decoration and Renovation Engineering and Construction Service Framework Agreement 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 the Computer Information System Integration Services Framework Agreement, the Design Services Framework Agreement, and the Decoration and Renovation Engineering and Construction Service Framework Agreement is more than 0.1% but less than 5%, the transactions contemplated thereunder 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 and Mr. Jiang Xiaozhong have abstained from voting on the Board resolution to approve the Computer Information System Integration Services Framework Agreement, the Design Services Framework Agreement, and the Decoration and Renovation Engineering and Construction Service Framework Agreement in view of their conflict of interests or potential interests in the Transactions contemplated thereunder. Save as disclosed above, none of the Directors has any material interests in the transactions contemplated thereunder.

INFORMATION ABOUT THE GROUP

As a leading home improvement and furnishings shopping mall operator in the PRC, the Group mainly engages in the business of offering comprehensive services to the merchants, consumers and partners of the home improvement and furnishings shopping malls under “Red Star Macalline” through the operation and management of both Portfolio Shopping Malls and Managed Shopping Malls. The Group is also involved in pan-home furnishings consumption, including Internet home decoration, Internet retail, as well as logistics and delivery services.

INFORMATION ABOUT SHANGHAI RED STAR CLOUD

Shanghai Red Star Cloud is a company incorporated in the PRC and an indirect non-wholly owned subsidiary of RSM Holding. Shanghai Red Star Cloud is held as to 94.12% and 5.88% equity interest by Jiangsu Red Star Cloud Computing Technology Co., Ltd. (江蘇紅星雲計算科技有限公 司, the “**Jiangsu Red Star**”) and Shanghai Chengyu Consulting Management Partnership (Limited Partnership) (上海承域諮詢管理合夥企業(有限合夥)), respectively. Shanghai Red Star Cloud is principally engaged in the businesses of technology development, technology services, technology consultancy, technology transfer, cloud service platform.

Jiangsu Red Star is owned as to 85% by RSM Holding and as to 15% by 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), the “**Shanghai Changmeng**”). Jiangsu Red Star is principally engaged in technology development, technology services, technology consultancy, technology transfer in the field of cloud computing information; technology development of computer software and hardware, electronic products, and digital products. The partners of Shanghai Changmeng are WANG Jue (王珏) and Shanghai Wangzhen Enterprise Consulting Management Company (上海望臻企業諮詢管理有限公 司, the “**Shanghai Wangzhen**”) (both of them are Independent Third Parties of the Company) who hold 99.9% and 0.1% of the partnership interests of Shanghai Changmeng, respectively. Shanghai Changmeng is principally engaged in enterprise management consulting, engineering management services, professional architectural design, marketing planning, business information consulting, exhibition services, etc. Shanghai Wangzhen is the general partner of Shanghai Changmeng and is owned as to 90% by Wang Jue and as to 10% by Wang Min (王敏) (both of them are Independent Third Parties of the Company). Shanghai Wangzhen is principally engaged in enterprise management consulting, engineering management services, professional architectural design, marketing planning, business information consulting and exhibition services.

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 principally engaged in the licensed project: construction engineering design, general projects: professional design services; engineering management 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 60.12% of the total issued shares of the Company.

DEFINITIONS

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| “associate(s)” | has the meaning ascribed thereto under the Listing Rules |
| “Board” | The Board of the Directors of the Company |
| “Company” | 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 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 2022 |
| “Computer Information System Integration Services Framework Agreement” | The Computer Information System Integration Services Framework Agreement entered into by the Company and Shanghai Red Star Cloud on 30 March 2022 |
| “Group” | the Company and its subsidiaries |
| “Independent Third Party(ies)” | persons who, to the knowledge of the Directors after having made all reasonable enquiries, are not connected persons of the Company |
| “Listing Rules” | the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited |
| “PRC” | the People’s Republic of China |
| “RMB” | Renminbi, the lawful currency of the PRC |

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| “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 |
| “Decoration and Renovation Engineering and Construction Service Framework Agreement” | The Decoration and Renovation Engineering and Construction Service Framework Agreement entered into by the Company and RSM Holding on 30 March 2022 |
| “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 Cloud” | Shanghai Red Star Cloud Computing Technology Co., Ltd.* (上海紅星雲計算科技有限公司), formerly known as 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 liability 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 |

By Order of the Board
Red Star Macalline Group Corporation Ltd.
QIU Zhe
Secretary of the Board and Joint Company Secretary

Shanghai, the PRC
30 March 2022

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, HU Xiao, YANG Guang, CHEN Zhaohui, JIANG Xiangyu; and the independent non-executive Directors are QIAN Shizheng, LEE Kwan Hung, Eddie, WANG Xiao, ZHAO Chongyi and QIN Hong.

* For identification only