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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

ENTERING INTO SUPPLEMENTAL AGREEMENT AND REVISION OF ANNUAL CAP

Reference is made to the announcement of the Company dated 30 December 2022 in relation to, among others, the Property Service Contract. On 28 August 2023, the Company entered into a supplemental agreement (the “**Supplemental Agreement**”) to revise the annual cap under the Property Service Contract.

LISTING RULES IMPLICATIONS

Shanghai Xingzhiyu is a wholly-owned subsidiary of RSM Holding and RSM Holding is a substantial shareholder of the Company, therefore, Shanghai Xingzhiyu is a connected person of the Company, and the transactions between Shanghai Xingzhiyu and the Company constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratios in respect of the Revised Annual Cap is more than 0.1% but less than 5%, the 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.

ANNUAL CAP UNDER THE PROPERTY SERVICE CONTRACT

Reference is made to the announcement of the Company dated 30 December 2022 in respect of, among others, the Property Service Contract. On 28 August 2023, the Company entered into the Supplemental Agreement to revise the annual cap under the Property Service Contract.

Revised Annual Cap under the Property Service Contract

On 28 August 2023, the Company and Shanghai Xingzhiyu entered into the Supplemental Agreement, pursuant to which, the annual cap under the Property Service Contract is amended as follows:

The annual cap for the transaction amounts payable by the Company under the Property Service Contract for the year ending December 31, 2023 is amended from RMB16.3 million (as disclosed in the announcement of the Company dated 30 December 2022) to RMB17.5 million for the year ending December 31, 2023.

Save as disclosed above, the rest of the terms of the Property Service Contract remain unchanged.

When determine the Revised Annual Cap mentioned above, the Company takes into account: (i) the increase of service area under Property Service Contract. The property service area under the Property Service Contract will increase by 4,544 square meters since 1 September 2023 and will further increase by 2,164 square meters since 1 October 2023. Such increase was mainly due to that Shanghai Xingzhiyu has decreased its rent area under the Housing Leasing Contract considering its own business needs, the Company repossesses such area for its own use and intend to ask Shanghai Xingzhiyu to provide property service together with the remaining part of the Property used by the Group; (ii) the existing service fee under the Property Service Contract and approximately up to 59,799 square meters service area; and (iii) the general level of fees in the market and based on factors including position of the property, the area of the property, property management personnel needs, service demand.

The Company will ask for at least two quotations from independent third property service providers (if applicable) for the property service to understand the prevailing market price of the property service. The property service fees are determined after arm's length negotiation between the Company and Shanghai Xingzhiyu taking into consideration the prevailing market price, the service demand and the management personnel needs.

Historical transaction amounts

For the two financial years ended 31 December 2022 and the period from 1 January 2023 to 30 June 2023, the total property service fees and any other expenses incurred between the Company and Shanghai Xingzhiyu under property service contracts are RMB12.65 million (audited), RMB13.02 million (audited) and RMB7.59 (unaudited), respectively.

Principal Terms of the Property Service Contract

Date:	30 December 2022
Parties:	The Company Shanghai Xingzhiyu
Property involved in the Property Service Contract:	The area used by the Group in South and North Buildings, Block B, Building 2, and South and North Buildings, Block A, Building 5, Lane 1466, Shenchang Road, Minhang District, Shanghai (the “ Property ”), which are for commercial offices. In case of business needs of both parties, the property service areas may be increased or decreased according to the actual situation, with relevant supplemental agreement signed.
Service term:	1 January 2023 to 31 December 2023
Scope of property service:	The services provided by Shanghai Xingzhiyu to the Property are as follows: <ol style="list-style-type: none">(1) Order maintenance and visitor area parking guidance services: main crossing and gate services, operator on duty in monitoring center, patrols, building emergency response and handling, safety signs and public safety publicity services;(2) Maintenance services for common parts, facility and equipment: operation duty shift service of common parts and facility and equipment, routine maintenance of buildings, maintenance services to high-voltage electric system, lowvoltage electric system, water supply and drainage systems, and elevator;(3) Hygiene and cleaning services: circular cleaning in the park, cleaning services inside the building, garbage collection and transportation, environmental disinfection and insecticide, waterscape and water quality treatment and cleaning services to the underground area;(4) Greening and maintenance services: maintenance services to plants and grasslands and seasonal flowers in the park, and plant rental and placing services; and(5) Comprehensive management services: handling complaints and repairs, storage of archives and information, and customer opinion collection services.
Property service fee:	Property service fee shall be calculated on the basis of RMB28 per square meter per month.

Payment method of property service fee: The property service fee should be paid quarterly by the Company. The Company shall fulfill its obligations of payment 10 days prior to the date of commencement of each quarter, and Shanghai Xingzhiyu shall issue property service invoice of the equal amount within 5 days upon receipt of the property service fee. If the Company delays the payment of the property service fee or other fees payable under the Property Service Contract, the Company shall pay liquidated damages of 0.05% of the fees for each day where the payment is overdue.

Other expenses: As Shanghai Xingzhiyu has leased the rent area from the Company as commercial offices pursuant to House Leasing Contract and the rent area forms a part of the Property, the Company and Shanghai Xingzhiyu shall share other expenses (including but not limited to, water bills, electricity bills, area management fees, service fees for cooling, heating and power (“CHP”) supply, CHP costs, etc.) in accordance with their respective proportion of gross floor area in the Property.

For the public functional areas of the Property (including but not limited to conference rooms, apartments, server rooms, etc.), Shanghai Xingzhiyu can reasonably allocate and use the unused parts and charge a certain fee for the length of use based on the market standard, provided that its normal use by the Company is not affected. Shanghai Xingzhiyu shall pay the Company all the fees it charged for the use of the public functional areas after deducting relevant costs during the current year before 31 January next year.

Termination of contract: During the term of the Property Service Contract, if either party terminates the Property Service Contract, the breaching party shall pay one month’s property service fee as liquidated damages.

If the Company violates the obligations as agreed in the Property Service Contract which results in Shanghai Xingzhiyu’s failure to fulfill the service contents and standards as agreed in the Property Service Contract, Shanghai Xingzhiyu shall have the right to terminate the Property Service Contract in accordance with laws; if Shanghai Xingzhiyu has incurred economic losses, the Company shall make economic compensation therefor.

If Shanghai Xingzhiyu violates the obligations as agreed in the Property Service Contract and fails to fulfill the service contents and standards agreed in the Property Service Contract, the Company shall have the right to terminate the Property Service Contract in accordance with laws and shall have the right to claim compensation from Shanghai Xingzhiyu according to its reduced expenses from the narrowed provision of services.

If the Company terminates the Property Service Contract, Shanghai Xingzhiyu shall complete the handover procedures with the Company or its selected property service enterprise within a reasonable period as notified by the Company.

The Property Service Contract can be terminated upon mutual agreement between the Company and Shanghai Xingzhiyu and the handover procedures shall be completed within 30 days thereafter.

REASONS FOR AND BENEFITS OF THE TRANSACTIONS

The Directors believe Shanghai Xingzhiyu focuses on property service management with a relatively professional management team, and has been providing property service to the Group in a stable and high-quality standards. In addition, the unified management of the headquarters of the building may bring a positive impact on the future operations of the Company.

The Directors consider that it is in the interests of the Company and its Shareholders as a whole to enter into the Property Service Contract and Supplemental Agreement, the terms thereunder are fair and reasonable and the transactions contemplated thereunder (including the Revised Annual Cap) are on normal commercial terms and in the ordinary and usual course of business of the Company.

The Directors, namely Mr. CHE Jianxing, has abstained from voting on the Board resolution to approve the Supplemental 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.

INTERNAL CONTROL MEASURES

To ensure that the terms of the above-mentioned agreement and contracts are fair and reasonable, and the Company complies with the pricing terms of the relevant agreement and contracts, the Company has adopted the following internal control procedures:

- (1) The Company has arranged the financial department to monitor the continuing connected transactions;
- (2) The financial department and the secretariat of the Board will examine and review relevant information and materials, to ensure compliance with the requirements of the Listing Rules;
- (3) The independent non-executive Directors have reviewed and will continue to review the Transactions, to ensure that the terms of the Transactions are fair and reasonable, and the 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 annual caps of the Transactions.

IMPLICATIONS UNDER THE LISTING RULES

Shanghai Xingzhiyu is a wholly-owned subsidiary of RSM Holding and RSM Holding is a substantial shareholder of the Company, therefore, Shanghai Xingzhiyu is a connected person of the Company, and the transactions between Shanghai Xingzhiyu and the Company constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratios in respect of the Revised Annual Cap is more than 0.1% but less than 5%, the 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.

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. Meanwhile, 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 XINGZHIYU

Shanghai Xingzhiyu is a company incorporated in the PRC and a wholly-owned subsidiary of RSM Holding. RSM Holding is directly held as to 92% by Mr. CHE Jianxing, an executive Director of the Company. As at the date of this announcement, RSM Holding has held approximately 22.91% of the total issued shares of the Company. Shanghai Xingzhiyu is mainly engaged in the businesses of property management, cleaning services, landscaping, parking lot management and operation, green maintenance, and catering enterprise management.

DEFINITIONS

"Company"	Red Star Macalline Group Corporation Ltd., a sino-foreign joint stock company incorporated in the PRC with limited liability, whose H shares are listed on the main board of the Stock Exchange and A Shares are listed on the Shanghai Stock Exchange
"connected person"	has the meaning ascribed thereto under the Listing Rules
"Director(s)"	director(s) of the Company
"Group"	the Company and its subsidiaries
"House Leasing Contract"	the house leasing contract entered into between the Company and Shanghai Xingzhiyu on 30 December 2022 as disclosed in the announcement of the Company dated December 30, 2022
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited

“PRC”	the People’s Republic of China
“Property Service Contract”	the property service contract entered into between the Company and Shanghai Xingzhiyu on 30 December 2022
“Revised Annual Cap”	the revised annual cap under Supplemental Agreement for the year ending December 31, 2023, as disclosed in this announcement
“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 Investment 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 substantial shareholder of the Company
“Shanghai Xingzhiyu”	Shanghai Xingzhiyu Business Management Service Co., Ltd.* (上海星之域商業管理服務有限公司), a limited liability company established in the PRC and a wholly-owned subsidiary of the RSM Holding
“Shareholder(s)”	the A Share Shareholder(s) and the H Share Shareholder(s) of the Company
“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 under Property Service Contract and Supplemental Agreement

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

Shanghai, the PRC
28 August 2023

As at the date of this announcement, the executive Directors of the Company are CHE Jianxing, LI Jianhong, SHI Yaofeng and YANG Yingwu; the non-executive Directors are ZHENG Yongda, WANG Wenhui, ZOU Shaorong, XU Di and SONG Guangbin; and the independent non-executive Directors are XUE Wei, CHEN Shanang, HUANG Jianzhong, WONG Chi Wai and CAI Qinghui.

* For identification only