

*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)**

### **CONTINUING CONNECTED TRANSACTIONS**

#### **CONTINUING CONNECTED TRANSACTIONS**

On 12 July 2024, the Board has approved the Company to enter into the Products Procurement Agreement, the Master Service Provision Agreement and the Master Lease Agreement with Xiamen C&D, and the Electricity Purchase Framework Agreement with C&D Clean Energy.

#### **LISTING RULES IMPLICATIONS**

Xiamen C&D is a substantial shareholder of the Company. C&D Clean Energy is a subsidiary of Xiamen C&D. Therefore, Xiamen C&D and C&D Clean Energy are connected persons of the Company, and the transactions between the Group and Xiamen C&D or C&D Clean Energy constitute connected transactions of the Company under Chapter 14A of the Listing Rules.

Pursuant to Rule 14A.81 of the Listing Rules, a series of connected transactions will be aggregated and treated as if they were one transaction if they were all completed within a 12-month period or were otherwise related. As the transactions contemplated under the Products Procurement Agreement and Electricity Purchase Framework Agreement were entered into with parties connected with one another and were within a 12-month period with similar transaction nature, they are aggregated and treated as if they were one transaction.

As the highest applicable percentage ratio calculated with reference to Rule 14.07 of the Listing Rules in respect of the transactions contemplated under the Products Procurement Agreement and Electricity Purchase Framework Agreement, on an aggregate basis, is higher than 0.1% but less than 5%, the transactions thereunder are subject to reporting, annual review and announcement requirements but exempt from circular (including independent financial advice) and Shareholders' approval requirements under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio in respect of the highest amount of the annual caps under each of the Master Service Provision Agreement and the Master Lease Agreement is higher than 0.1% but less than 5%, the transactions thereunder are subject to reporting, annual review and announcement requirements but exempt from circular (including independent financial advice) and Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Pursuant to Rule 14A.52 of the Listing Rules, as the term of the Electricity Purchase Framework Agreement exceeds three years, the Company has appointed Gram Capital Limited (“**Gram Capital**” or the “**Independent Financial Adviser**”) as the independent financial adviser to explain why the Electricity Purchase Framework Agreement require a longer period and to confirm that it is normal business practice for agreements of this type to be of such duration.

From 1 January 2024 to the date of this announcement, all applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) in relation to transactions involving the procurement of Products, Services provision and leasing Properties between the Group and Xiamen C&D and its associates are less than 0.1%, and such transactions are therefore fully exempt from the reporting, announcement and annual review requirements.

## INTRODUCTION

On 12 July 2024, the Board has approved the Company to enter into the Products Procurement Agreement, the Master Service Provision Agreement and the Master Lease Agreement with Xiamen C&D, and the Electricity Purchase Framework Agreement with C&D Clean Energy.

## PRODUCTS PROCUREMENT AGREEMENT

The principal terms of the Products Procurement Agreement are set out below:

Date:	12 July 2024
Parties:	The Company; and Xiamen C&D
Nature of the transaction:	The Group agreed to procure from or procure through Xiamen C&D and its joint ventures and associates office supplies, alcohol and drinks, furniture, home appliances, home accessories, administrative welfare products, etc. (the “ <b>Products</b> ”).
Term:	From 1 January 2024 to 31 December 2026 (both days inclusive)
Payment arrangement:	Payments under the Products Procurement Agreement will be made by the Group to the respective members of Xiamen C&D and its joint ventures and associates from time to time during the term of the Products Procurement Agreement in accordance with each specific procurement agreement entered into between respective parties in respect of each procurement transaction of Products.

## **Pricing Policy**

The fees for the procurement under the Products Procurement Agreement are determined after arm's length negotiations and mainly calculated based on the unit price and the procurement volume of each of the Products. Given each of the Products is readily available from independent third party suppliers at a comparable price, the prices for Products are determined by taking into account (i) the prevailing market price of the similar products, as well as the quality, volume, method of procurement, cost of procurement to the Xiamen C&D and its joint ventures and associates in respect of the Products procured on behalf of the Company; and (ii) the fees charged for similar Products under historical transactions with at least two independent third parties. The aforesaid pricing policies will be comparable to and no less favorable than those that may be offered by other independent third-party suppliers.

## **Historical Amount**

For the year ended 31 December 2023, the Group paid a fee of approximately RMB452,000 to Xiamen C&D and its joint ventures and associates in respect of the Products procurement transactions. Save as disclosed herein, no fees were paid by the Group to Xiamen C&D and its joint ventures and associates in respect of the Products procurement transactions.

## **Annual Caps and Basis of Determination**

It is estimated that the maximum transaction amounts for the procurement under the Products Procurement Agreement for each of the three years ending December 31, 2026 will not exceed RMB25 million.

The proposed annual caps for the transactions contemplated under the Products Procurement Agreement were determined after considering the factors including (i) the Group's requirement for these Products (including the volume, type and quality of the Products) for its normal business operations in the past; (ii) the estimated demand for the Products to be procured under the Products Procurement Agreement for the three years ending December 31, 2026, taking into consideration of the business need and business development of the Group; (iii) the estimated price of the Products to be charged by the Xiamen C&D and its joint ventures and associates; and (iv) a buffer for potential commodity inflation in relation to each of the Products.

## **Reasons for and Benefits of the Transaction under the Products Procurement Agreement**

The Directors consider that the transactions under the Products Procurement Agreement are in line with the normal development needs of the Company, facilitate the uniform management of the Company's procurement. The Company is able to obtain better procurement prices, which will produce a positive impact on the Company's future operations. Therefore, the transactions under the Products Procurement Agreement are in line with the interests of all Shareholders and the Company's long-term development strategy.

## ELECTRICITY PURCHASE FRAMEWORK AGREEMENT

The principal terms of the Electricity Purchase Framework Agreement are set out below:

- Parties: The Company; and  
C&D Clean Energy
- Nature of the transaction: The Group will provide certain rooftops legally owned by the Group for C&D Clean Energy to build and operate distributed photovoltaic power stations (the “**Power Stations**”). The electricity generated from the Power Stations will be sold to the Group first, and the rest of the electricity will be distributed to the public electricity grid.
- Term: From 22 July 2024 to 21 July 2044 (both dates inclusive). The Company and C&D Clean Energy can negotiate on the renewal of the Electricity Purchase Framework Agreement within three months before the expiration of the Electricity Purchase Framework Agreement. Under the same condition, C&D Clean Energy have an option to renew the Electricity Purchase Framework Agreement on substantially the same terms for another five years and separate agreement will be signed.
- Payment arrangement: The electricity fees shall be paid in below method:
- (1) The electricity fees shall be paid on a monthly basis. C&D Clean Energy shall issue payment notice to the Company before the fifth day of each month based on the actual electricity consumption of electricity to be generated by the C&D Clean Energy of last month of the Company;
  - (2) The Company shall pay the corresponding electricity fees to C&D Clean Energy by wire transfer within 30 days upon receiving the payment notice; and
  - (3) C&D Clean Energy shall issue corresponding special value-added tax invoice for electricity fees to the Company pursuant to the relevant requirements before receiving the payments of the electricity fees.

## **Pricing Policy**

The electricity fees (tax inclusive) (the “**Electricity Fee(s)**”) to be paid by the Group shall be fixed and no more than RMB0.44/kWh. If the Electricity Fees charged to the Group during the applicable photovoltaic power period continue to be higher than 60 % of the applicable State Grid Consolidated Tariff for the photovoltaic period as settled between the State Grid Corporation of China\* (國家電網公司) (the “**State Grid**”) and the Group for over three months, the Company has the right to request for a reduction and details shall be fixed through arm’s length negotiation between the Group and C&D Clean Energy. It is common in the PRC market for Power Stations to offer discounts to their customers, the price is determined after arm’s length negotiation with reference to factors including (1) State Grid’s comprehensive electricity price; (2) historical electricity consumption; (3) historical electricity price received by the Company from independent third parties; and (4) discount rates offered to customers by other market participants in the prevailing market.

## **Historical Amount**

There was no historical amount incurred prior to the date of this announcement in respect of transaction under the Electricity Purchase Framework Agreement.

## **Annual Caps and Basis of Determination**

It is estimated that the maximum transaction amounts for the purchase of electricity under the Electricity Purchase Framework Agreement for the period commencing from 22 July 2024 to 31 December 2024 will not exceed RMB3.75 million. It is estimated that the maximum transaction amounts for the purchase of electricity under the Electricity Purchase Framework Agreement for each of 19 years ending 31 December 2043 will not exceed RMB9 million. It is estimated that the maximum transaction amounts for the purchase of electricity under the Electricity Purchase Framework Agreement for the period commencing from 1 January 2044 to 21 July 2044 will not exceed RMB5.25 million.

The proposed annual caps for the transactions contemplated under the Electricity Purchase Framework Agreement were determined after considering the factors including (i) the level of electricity usage by the Group in its normal business operations in the past; (ii) the estimated demand for electricity to be purchased under the Electricity Purchase Framework Agreement for the term of the Electricity Purchase Framework Agreement, taking into account the business need and development of the Group; (iii) the price of electricity to be charged by C&D Clean Energy to the Group; and (iv) a buffer for potential increase of electricity fee charged by the State Grid.

## **Reasons for and Benefits of the Transaction under the Electricity Purchase Framework Agreement**

The Directors consider that this transaction is in line with the normal development needs of the Company, will help the Company reduce the energy costs of the shopping malls, and promote the green energy transformation of the shopping malls, thus producing a positive impact on the Company’s future operations, which is in line with the interests of all shareholders and the Company’s long-term development strategy.

## **Opinion of the Independent Financial Adviser**

Pursuant to Rule 14A.52 of the Listing Rules, as the term of the Electricity Purchase Framework Agreement exceeds three years, the Company has appointed Gram Capital (being a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)) as the Independent Financial Adviser to explain why the Electricity Purchase Framework Agreement requires a longer period and to confirm that it is normal business practice for agreements of this type to be of such duration.

In assessing the reasons for the duration of the Electricity Purchase Framework Agreement to be longer than three years, Gram Capital considered the following factors:

- as the designed life of photovoltaic power equipment/system shall not be less than 25 years, it is expected that there should not be material difference between the designed life and duration of the operations of photovoltaic power equipment/system. As the photovoltaic power equipment/system will be built on designated areas (i.e. rooftops pursuant to the Electricity Purchase Framework Agreement), there should not be material difference between the durations of the operations of photovoltaic power equipment/system and the collaboration of photovoltaic power generation project (including the use of the designated areas and the purchase of electricity).
- the Company expects that Electricity Fees to be paid pursuant to the Electricity Purchase Framework Agreement will be lower than electricity fees to be procured from the State Grid. A comparatively long duration of the Electricity Purchase Framework Agreement will provide the Group a long term and sustainable approach for reducing energy cost of its shopping malls.

In considering whether it is normal business practice for agreements of similar nature with the Electricity Purchase Framework Agreement to have a term of such duration (i.e. 20 years), Gram Capital reviewed 11 copies of agreements entered into between the Group and independent third parties involving purchase of electricity to be generated by counterparties of the agreements in designated areas. Gram Capital noted that the durations of the aforesaid agreements were 25 years, which also exceed three years.

Furthermore, Gram Capital identified and reviewed over 10 announcements involving transactions of similar cooperation model to the transactions contemplated under the Electricity Purchase Framework Agreement (i.e. relevant parties shall purchase electricity to be generated by counterparties of the agreements in designated areas) as published by companies listed on Shanghai Stock Exchange or Shenzhen Stock Exchange during the period from 1 January 2024 to the date of this announcement. The duration of the aforesaid arrangements were 20 or 25 years.

Taking into account of the above, Gram Capital confirms that the duration of the Electricity Purchase Framework Agreement, which is longer than three years, is required and it is normal business practice for agreements of this type to be of such duration.



## **MASTER SERVICE PROVISION AGREEMENT**

The principal terms of the the Master Service Provision Agreement are set out below:

Date:	12 July 2024
Parties:	The Company; and Xiamen C&D
Nature of the transaction:	The Group agreed to provide Xiamen C&D and its joint ventures and associates certain supporting services, including but not limited to cleaning services, consultant services and agent services (the “ <b>Services</b> ”).
Term:	From 1 January to 31 December 2026 (both days inclusive)
Payment arrangement:	Payments under the Master Service Provision Agreement will be made by Xiamen C&D and its joint ventures and associates to the Group from time to time during the term of the Master Service Provision Agreement in accordance with each specific procurement agreement entered into between respective parties in respect of each provision of the Services.

### **Pricing Policy**

The fees to be charged by the Company for the Services will be determined with reference to (i) prevailing market prices for similar services, taking into account the nature, complexity and scope of such Services, delivery methods and expected operating costs (including but not limited to labor costs and material costs used to provide such Services); and (ii) fees charged for similar Services from two independent third parties in the past, if applicable. The aforesaid pricing policies would be comparable to and no less favorable than those that may be offered by the Group to other independent third parties providers.

### **Historical Amount**

For the year ended 31 December 2023, the Group paid a fee of approximately RMB40,500 to Xiamen C&D and its joint ventures and associates in respect of the Services transactions. Save as disclosed herein, no fees were paid by the Group to Xiamen C&D and its joint ventures and associates in respect of the Services transactions.

### **Annual Caps and Basis of Determination**

It is estimated that the maximum transaction amounts for the procurement under the Master Service Provision Agreement for each of the three years ending December 31, 2026 will not exceed RMB20 million, RMB30 million and RMB40 million, respectively.

The proposed annual caps for the transactions contemplated under the Master Service Provision Agreement were determined after considering the factors including (i) the type and scope of Services provided under the Master Service Provision Agreement; (ii) fees charged by historical transactions for similar Services under transactions between the Group and independent third parties; and (iii) the prevailing market price of services of similar nature.

## **Reasons for and Benefits of the Transaction under the Master Service Provision Agreement**

The Directors consider that the Services provided by the Group will help the Group further expand its business scope and business scale, and improve its business acceptance capabilities, thus producing a positive impact on the Group's future operations and on current and future results.

### **MASTER LEASE AGREEMENT**

The principal terms of the Master Lease Agreement are set out below:

Date:	12 July 2024
Parties:	The Company; and Xiamen C&D
Nature of the transaction:	Xiamen C&D and its joint ventures and associates agreed to lease office, parking area, warehouse and shop space, etc. (the "Properties") from the Group.
Term:	From 1 January 2024 to 31 December 2026 (both dates inclusive)
Payment arrangement:	Payments under the Master Lease Agreement will be made by the respective members of the Xiamen C&D and its joint ventures and associates to the Group from time to time during the term of the Master Lease Agreement in accordance with each specific lease agreement entered into between respective parties in respect of each of the Properties.

### **Pricing Policy**

The rental fees under the Master Lease Agreement are determined after arm's length negotiations. The determination of rental fees requires consideration of the following factors including: (1) the size and geographical location of the leased property; (2) the specifications and specific conditions of the leased property; (3) market supply and demand; (4) the supporting facilities and amenities of the leased property; (5) the historical record of rental fees of comparable leased property of similar size, location, specification and condition; (6) the maintenance and management costs of the leased property; and (7) legal and policy factors.

### **Historical Amount**

For the year ended 31 December 2023, Xiamen C&D and its joint ventures and associates paid a fee of approximately RMB731,300 to the Group in respect of the lease transactions. Save as disclosed herein, no fees were paid by Xiamen C&D and its joint ventures and associates to the Group in respect of the lease transactions.

### **Annual Caps and Basis of Determination**

It is estimated that the maximum rental fees payable to the Group under the Master Lease Agreement for each of the three years ending December 31, 2026 will not exceed RMB20 million.



The proposed annual caps for the transactions contemplated under the Master Lease Agreement were determined after considering the factors including that (1) the expected size, location, specification and condition of the leased property to be contracted; (2) factors including the general cost level in the market, the positioning of the property, the area of the property, and the demand for leases; and (3) expected adjustments to the leased area in light of the Group's business development.

### **Reasons for and Benefits of the Transaction under the Master Lease Agreement**

The Directors consider that the lease is in line with the normal development needs of the Company, is conducive to revitalizing the Company's assets and improve the efficiency of asset utilization, thus producing a positive impact on the Group's future operations and on the Group's current and future results.

### **OPINION OF THE BOARD**

The Directors (including the independent non-executive Directors) consider that it is in the interests of the Company and its Shareholders as a whole to enter into the Products Procurement Agreement, Electricity Purchase Framework Agreement, Master Service Provision Agreement and Master Lease Agreement, the terms thereunder are fair and reasonable and in the interests of the shareholders as a whole and the transactions contemplated thereunder (including the proposed annual caps under aforementioned respective agreement) are on normal commercial terms and in the ordinary and usual course of business of the Company.

The Directors, namely Mr. ZHENG Yongda, Mr. ZOU Shaorong, Mr. WANG Wenhui, Mr. SHI Yaofeng and Mr. YANG Yingwu, have abstained from voting on the relevant resolutions approving the above transactions in view of their conflict of interests or potential interests in the transaction contemplated thereunder. Save as disclosed above, none of the other Directors has material interests in the transactions contemplated thereunder.

### **INTERNAL CONTROL MEASURES**

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

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

Xiamen C&D is a substantial shareholder of the Company. C&D Clean Energy is a subsidiary of Xiamen C&D. Therefore, Xiamen C&D and C&D Clean Energy are connected persons of the Company, and the transactions between the Group and Xiamen C&D or C&D Clean Energy constitute connected transactions of the Company under Chapter 14A of the Listing Rules.

Pursuant to Rule 14A.81 of the Listing Rules, a series of connected transactions will be aggregated and treated as if they were one transaction if they were all completed within a 12-month period or were otherwise related. As the transactions contemplated under the Products Procurement Agreement and Electricity Purchase Framework Agreement were entered into with parties connected with one another and were within a 12-month period with similar transaction nature, they are aggregated and treated as if they were one transaction.

As the highest applicable percentage ratio calculated with reference to Rule 14.07 of the Listing Rules in respect of the transactions contemplated under the Products Procurement Agreement and Electricity Purchase Framework Agreement, on an aggregate basis, is higher than 0.1% but less than 5%, the transactions thereunder are subject to reporting, annual review and announcement requirements but exempt from circular (including independent financial advice) and Shareholders' approval requirements under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio in respect of the highest amount of the annual caps under each of the Master Service Provision Agreement and the Master Lease Agreement is higher than 0.1% but less than 5%, the transactions thereunder are subject to reporting, annual review and announcement requirements but exempt from circular (including independent financial advice) and Shareholders' approval requirements under Chapter 14A of the Listing Rules.

From 1 January 2024 to the date of this announcement, all applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) in relation to transactions involving the procurement of Products, Services provision and leasing Properties between the Group and Xiamen C&D and its associates are less than 0.1%, and such transactions are therefore fully exempt from the reporting, announcement and annual review requirements.

## **INFORMATION ABOUT THE PARTIES INVOLVED IN TRANSACTIONS**

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.

Xiamen C&D is a limited liability company incorporated in the PRC and listed on the Shanghai Stock Exchange under the stock code: 600153, which is principally engaged in import and export of goods, trade agency, sales agency, product sales, international freight forwarding and technology promotion and application. As at the date of this announcement, Xiamen C&D and parties acting in concert with it held in aggregate approximately 29.95% of the issued share capital of the Company, and is therefore a substantial shareholder of the Company.

C&D Clean Energy is a wholly-owned subsidiary of the Xiamen C&D. C&D Clean Energy is mainly engaged in power generation business, power transmission business, photovoltaic power generation equipment leasing, emerging energy technology research and development and energy storage technology services.

## DEFINITIONS

“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
“C&D Clean Energy”	Nanjing C&D Clean Energy Co., Ltd (南京建發清潔能源有限公司), a company established in the PRC with limited liability and a wholly-owned subsidiary of Xiamen C&D as at the date of this announcement
“connected person”	has the meaning ascribed thereto under the Listing Rules
“Director(s)”	director(s) of the Company
“Electricity Purchase Framework Agreement”	an electricity purchase framework agreement to be entered into between the Company (for itself and on behalf of the Group) and C&D Clean Energy on 22 July 2024
“Group”	the Company and its subsidiaries
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Master Lease Agreement”	a master lease agreement entered into between the Company (for itself and on behalf of the Group) and Xiamen C&D on 12 July 2024
“Master Service Provision Agreement”	a master service provision agreement entered into between the Company (for itself and on behalf of the Group) and Xiamen C&D on 12 July 2024
“PRC”	the People’s Republic of China
“Products Procurement Agreement”	a products procurement agreement entered into between the Company (for itself and on behalf of the Group) and Xiamen C&D on 12 July 2024
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholders”	holders of issued shares of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“subsidiary(ies)”	has the meaning ascribed thereto under the Listing Rules
“substantial shareholder”	has the meaning ascribed thereto under the Listing Rules
“Xiamen C&D”	Xiamen C&D Co., Ltd (廈門建發股份有限公司, a company listed on the Shanghai Stock Exchange under the stock code: 600153), a substantial shareholder of the Company

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

Shanghai, the PRC  
12 July 2024

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