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 IN RELATION TO THE SERVICE FRAMEWORK AGREEMENT IN RESPECT OF DECORATION AND RENOVATION ENGINEERING CONSTRUCTION

SERVICE FRAMEWORK AGREEMENT IN RESPECT OF DECORATION AND RENOVATION ENGINEERING CONSTRUCTION

The Company announces that on 13 January 2020, Betterhome, a subsidiary of the Company, entered into the Service Framework Agreement in respect of Decoration and Renovation Engineering Construction with RSM Holding. Betterhome will provide building decoration and renovation engineering construction services to RSM Holding and its subsidiaries from 13 January 2020 to 31 December 2020.

IMPLICATIONS UNDER THE LISTING RULES

RSM Holding is a controlling shareholder of the Company, therefore, RSM Holding and its associates are connected persons of the Company, and the Transactions between RSM Holding and the Company 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 Service Framework Agreement in respect of Decoration and Renovation Engineering Construction is more than 0.1% but less than 5%, the abovementioned 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.
INTRODUCTION

The Company announces that on 13 January 2020, Betterhome, a subsidiary of the Company, entered into the Service Framework Agreement in respect of Decoration and Renovation Engineering Construction with RSM Holding. Betterhome will provide building decoration and renovation engineering construction services to RSM Holding and its subsidiaries from 13 January 2020 to 31 December 2020.

SERVICE FRAMEWORK AGREEMENT IN RESPECT OF DECORATION AND RENOVATION ENGINEERING CONSTRUCTION

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

Date: 13 January 2020

Parties: Betterhome

RSM Holding

Term of service: 13 January 2020 to 31 December 2020

Scope of decoration and renovation engineering construction service: Building decoration and renovation engineering construction services provided by Betterhome to RSM Holding and its subsidiaries are as follows:

(1) Building decoration and renovation engineering: construction of interior and exterior building decorations and renovation engineering (excluding curtain wall construction);

(2) Steel structure work: manufacturing and installment work of steel structure work whose single contract amount is no more than five times of the registered capital of the enterprise and spans 24 meters and below, with a total weight of 600 tons and below, and a monomer construction area of 6,000 square meters and below (including light steel structure work), and steel grid frame work with a side length of 24 meters and below, a total weight of 120 tons and below, and a gross floor area of 1,200 square meters and below; and
(3) Building mechanical and electrical installation work: installation of equipment, lines and pipes, and manufacturing and installation of non-standard steel structure work under various construction engineering projects with a single contract amount of less than RMB10,000,000.

Annual cap: The annual cap of the fees for the abovementioned building decoration and renovation engineering during the term of service is RMB17,000,000.

Basis for annual cap: The annual cap is determined after arm’s length negotiation between Betterhome and RSM Holding with reference to (1) the aggregate contract transaction amount of approximately RMB11,945,799.01 between Betterhome and RSM Holding in the past 12 months and the estimated future transactions; and (2) the market price and the normal gross margin range of decoration and renovation engineering in the market.

Payment method of building decoration and renovation engineering fees: RSM Holding and its subsidiaries will further enter into a decoration and renovation engineering construction contract with Betterhome as required after the Service Framework Agreement in respect of Decoration and Renovation Engineering Construction takes effect. The amount of engineering fees, settlement method and relevant rights and obligations are determined as agreed in the specific decoration and renovation engineering construction contract.

Liability in the event of breaches: If the fault of one party results in losses to the other party, the defaulting party shall bear the corresponding economic liabilities. Any employee of one party who violates the relevant regulations in the PRC shall be dealt with by the relevant authorities in accordance with laws.

If Betterhome and RSM Holding are unable to perform the Service Framework Agreement in respect of Decoration and Renovation Engineering Construction due to force majeure, they shall be exempted from liability in part or in whole depending on the impact of the force majeure, except as otherwise provided by the PRC laws. If force majeure occurs after the delay of performance of the Service Framework Agreement in respect of Decoration and Renovation Engineering Construction by one party, the party shall not be exempted from liability.
REASONS FOR AND BENEFITS OF THE TRANSACTIONS

The Directors believe that the Group will be able to ensure and better control the quality of the decoration and renovation engineering construction services required by the commercial or residential buildings managed, owned or leased by RSM Holding and its subsidiaries through the decoration and renovation engineering construction services provided by Betterhome, which will lay a solid foundation for the long-term development of these commercial buildings.

The Directors (including the independent non-executive Directors) believe that the terms of the Transactions are fair and reasonable, and the Transactions are conducted on normal commercial terms in the ordinary and usual course of business of the Group and are in the interests of the Company and its Shareholders as a whole.

IMPLICATIONS UNDER THE LISTING RULES

RSM Holding is a controlling shareholder of the Company, therefore, RSM Holding and its associates are connected persons of the Company, and the Transactions between RSM Holding and the Company 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 Service Framework Agreement in respect of Decoration and Renovation Engineering Construction is more than 0.1% but less than 5%, the abovementioned 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.

Our Directors, namely Mr. CHE Jianxing, Ms. CHE Jianfang, Ms. CHEN Shuhong, Mr. XU Guofeng and Mr. JIANG Xiaozhong have abstained from voting on the Board resolution to approve the Transactions contemplated under the Service Framework Agreement in respect of Decoration and Renovation Engineering Construction in view of their conflict of interests or potential interests in the Transaction contemplated thereunder. Save as disclosed above, none of Directors has any material interests in the Transactions.

INFORMATION ABOUT THE GROUP

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

Betterhome is a company incorporated in the PRC, which is directly held as to 80% and 20% equity interests by Red Star Macalline Glory Casa (Shanghai) Home Furnishing Company Limited and Betterhome Construction Technology Co., Ltd. (家倍得建築科技有限公司), respectively. Red Star Macalline Glory Casa (Shanghai) Home Furnishing Company Limited is a wholly-owned subsidiary of the Company; and Betterhome Construction Technology Co., Ltd. is directly held as to 90% and 10% equity interests by the Company and Shanghai Jiashu Business Management Partnership (Limited Partnership) (上海佳曙企業管理合夥企業 (有限合夥)), respectively. Shanghai Jiashu Business Management Partnership (Limited Partnership) is held as to 99% and 1% property sharing by its partners, namely Ms. GUAN Aiping (管愛萍, a limited partner) and Ms. CAI Weichun (蔡惟純, a general partner), respectively, both of whom are independent third parties of the Company. Betterhome is engaged in the businesses of integration of design and construction in respect of building decoration and renovation engineering, construction work, steel structure work, illumination engineering and mechanical and electrical equipment installation work.

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, respectively. As at the date of this announcement, RSM Holding has held approximately 70.14% of the total issued shares of the Company.

DEFINITIONS

“Associate(s)” has the meaning ascribed thereto under the Listing Rules

“Betterhome” Shanghai Betterhome Decoration Engineering Co., Ltd., a limited liability company established in the PRC and a subsidiary of the Company

“Company” Red Star Macalline Group Corporation Ltd., a sino-foreign joint stock company incorporated in the PRC with limited liability, whose H shares are listed on the main board of the Stock Exchange and A shares are listed on the Shanghai Stock Exchange

“connected person” has the meaning ascribed thereto under the Listing Rules

“controlling shareholder” has the meaning ascribed thereto under the Listing Rules

“Service Framework Agreement in respect of Decoration and Renovation Engineering Construction” the Service Framework Agreement in respect of Decoration and Renovation Engineering Construction entered into between Betterhome and RSM Holding on 13 January 2020
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, XU Guofeng, JING Jie and XU Hong; and the independent non-executive Directors are QIAN Shizheng, LEE Kwan Hung, Eddie, WANG Xiao and ZHAO Chongyi.