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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)

CONNECTED TRANSACTION IN RELATION TO THE EQUITY TRANSFER AGREEMENT BETWEEN RSM HOLDING AND SHANGHAI JIAJINSUO INVESTMENT

On 11 May 2017, RSM Holding entered into the Equity Transfer Agreement with Shanghai Jiajinsuo Investment, pursuant to which Shanghai Jiajinsuo Investment conditionally agreed to sell and RSM Holding conditionally agreed to acquire 100% equity interests in the Target Company for an aggregate consideration of RMB96,069,200. Upon Completion, the Target Company will become a direct wholly-owned subsidiary of RSM Holding.

LISTING RULES IMPLICATIONS

Shanghai Jiajinsuo Investment is a direct non-wholly owned subsidiary of the Company and the Target Company is a wholly-owned subsidiary of Shanghai Jiajinsuo Investment. As RSM Holding is a controlling shareholder of the Company, RSM Holding is a connected person of the Company and the Transaction between RSM Holding and Shanghai Jiajinsuo Investment constitutes a connected transaction 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 Transaction is more than 0.1% but less than 5%, the Transaction is subject to announcement and reporting requirements but is exempt from the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

In view of the interests of Mr Che, Ms Che and Mr Jiang in RSM Holding, Mr Che, Ms Che and Mr Jiang and their respective Associates (including Mr Xu Guofeng (Ms Che's husband) and Ms Chen Shuhong (Mr Che's wife) will abstain from voting in relation to the board resolution approving the Transaction.

BACKGROUND

On 11 May 2017, RSM Holding entered into the Equity Transfer Agreement with Shanghai Jiajinsuo Investment, pursuant to which Shanghai Jiajinsuo Investment conditionally agreed to sell and RSM Holding conditionally agreed to acquire 100% equity interests in the Target Company for an aggregate consideration of RMB96,069,200.

THE EQUITY TRANSFER AGREEMENT

Connected Transaction under the Equity Transfer Agreement

Date: 11 May 2017

Parties: Shanghai Jiajinsuo Investment, as Seller

RSM Holding, as Purchaser

Subject: 100% equity interests in the Target Company

Consideration: RMB96,069,200

Representations and
Warranties: *By the Seller*

As of the date of the Equity Transfer Agreement:

1. The Seller is validly incorporated and existing under the laws of the PRC;
2. The Seller is the legal owner of the Target Company and has the right to transfer its 100% equity interests in the Target Company pursuant to the terms and conditions of the Equity Transfer Agreement;
3. The entry into and performance of the Equity Transfer Agreement by the Seller does not constitute a breach or cause any restrictions under relevant laws and other agreements that are binding upon and affecting the Seller; and
4. Terms and conditions of the Equity Transfer Agreement will be legal, effective and validly binding on the Seller upon the signing of the Equity Transfer Agreement.

By the Purchaser

As of the date of the Equity Transfer Agreement:

1. The Purchaser is validly incorporated and existing under the laws of the PRC;
2. The source of funding for the Transaction is legal;
3. The entry into and performance of the Equity Transfer Agreement by the Purchaser does not constitute a breach or cause any restrictions under relevant laws and other agreements that are binding upon and affecting the Purchaser;
4. The Purchaser will make timely and full payment of the Consideration;
5. The Purchaser will assist with preparing all documents and relevant registration and procedures to procure the successful completion of the Equity Transfer Agreement; and
6. Terms and conditions of the Equity Transfer Agreement will be legal, effective and validly binding on the Seller upon the signing of the Equity Transfer Agreement.

Payment Terms and
Completion:

Within 10 business days after the signing of the Equity Transfer Agreement, the Purchaser shall transfer the Consideration amount to an account designated by the Seller and the Seller and the Purchaser shall submit all industrial and commercial registration documents to the relevant authority to procure the transfer of equity interests in the Target Company.

BASIS OF THE CONSIDERATION

The Consideration was arrived at after arm's length negotiations between the Seller and the Purchaser on normal commercial terms with reference to the Target Company Valuation Report. The valuation adopted the asset-based approach. Pursuant to the Target Company Valuation Report, the valuation of the shareholders' equity value of the Target Company as of 31 December 2016 was RMB96,069,200.

INFORMATION ON THE TARGET COMPANY

The Target Company is principally engaged in the financial information services business, investment management and consultancy advertising and other related businesses.

Financial information of the Target Company

Set out below are certain financial information of the Target Company based on the audited financial statements for each of the two years ended December 31, 2015 and 2016:

	For the year ended 31 December 2015 (RMB)	For the year ended 31 December 2016 (RMB)
Profit before Taxation	-5,222,263.79	2,261,281.83
Net Profit after Taxation	-3,953,185.02	1,481,189.14

REASONS FOR AND BENEFITS OF THE CONNECTED TRANSACTION

In order to have a more efficient corporate structure, the Company decided to undergo an internal reorganization whereby Shanghai Jiajinsuo Investment would dispose of its wholly-owned subsidiary out of the Group. The Directors (including the independent non-executive Directors of the Company) consider that the Transaction is in line with the Company's strategy to focus on its core business and realize sustainable profitability on an on-going basis.

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

EFFECT OF THE TRANSACTION

After completion of the Transaction, the Target Company will cease to be an indirect non wholly-owned subsidiary of the Company, and its financial results, assets and liabilities will no longer be included in the consolidated financial statements of the Group.

The Company does not expect to recognize any gain or loss from the disposal of the Target Company as the Consideration amount is equivalent to the valuation amount of the shareholders' equity value of the Target Company.

IMPLICATIONS UNDER THE LISTING RULES

Shanghai Jiajinsuo Investment is a direct non-wholly owned subsidiary of the Company and the Target Company is a wholly-owned subsidiary of Shanghai Jiajinsuo Investment. As RSM Holding is a controlling shareholder of the Company, RSM Holding is a connected person of the Company and the Transaction between RSM Holding and Shanghai Jiajinsuo Investment constitutes a connected transaction 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 Transaction is more than 0.1% but less than 5%, the Transaction is subject to announcement and reporting requirements but is exempt from the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

In view of the interests of Mr Che, Ms Che and Mr Jiang in RSM Holding, Mr Che, Ms Che and Mr Jiang and their respective Associates (including Mr Xu Guofeng (Ms Che's husband) and Ms Chen Shuhong (Mr Che's wife)) will abstain from voting in relation to the board resolution approving the Transaction.

INFORMATION ON SHANGHAI JIAJINSUO INVESTMENT

Shanghai Jiajinsuo Investment is principally engaged in the corporate management consultancy and commercial information consultancy businesses.

INFORMATION ON RSM HOLDING

RSM Holding 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.

INFORMATION ON THE GROUP

The Group is 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 O2O platform business, bulk procurement, sale of pre-paid cards, internet finance, home design and decoration, as well as logistics and delivery services.

DEFINITIONS

“Associates”	has the meaning ascribed thereto under the Listing Rules
“Board”	means the board of directors of the Company
“Company”	means Red Star Macalline Group Corporation Ltd., a joint stock limited 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”	means the completion of the sale and purchase of the Target Company’s 100% equity interests in accordance with the terms and conditions of the Equity Transfer Agreement
“connected person”	has the meaning ascribed thereto under the Listing Rules
“Consideration”	means RMB96,069,200
“controlling shareholder”	has the meaning ascribed under the Listing Rules
“Director(s)”	means the directors of the Company
“Equity Transfer Agreement”	means the equity transfer agreement dated 11 May 2017 entered into between Shanghai Jiajinsuo Investment and RSM Holding in relation to the sale and purchase of the 100% equity interests in the Target Company
“Group”	means the Company together with its subsidiaries
“Independent Shareholders”	means shareholders other than Mr Che, Ms Che and Mr Jiang and their respective Associates
“Listing Rules”	means the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Mr Che”	means Mr Che Jianxing (車建興), chairman, chief executive officer and executive director of the Company and holds 92% equity interests in RSM Holding
“Mr Jiang”	means Mr Jiang Xiaozhong (蔣小忠), an executive director of the Company and a son of one of the members of the supervisory committee of RSM Holding

“Ms Che”	means Ms Che Jianfang (車建芳), an executive director of the Company and holds 8% equity interests in RSM Holding
“PRC”	means the People’s Republic of China which, for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region and Taiwan
“RMB”	means 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 Investments Company Limited” (上海紅星美凱龍投資有限公司)), a limited liability company incorporated in the PRC and is a controlling shareholder of the Company, which is held as to 92% by Mr. Che Jianxing and 8% by Ms. Che Jianfang, also referred to as the “ Purchaser ”
“Shanghai Jiajinsuo Investment”	means Shanghai Jianjinsuo Investment Holding Company Limited* (上海家金所投資控股有限公司), a limited liability company incorporated under the laws of the PRC with registered share capital of RMB200,000,000 as of the date of the Equity Transfer Agreement, also known as the “ Seller ”
“Shareholder(s)”	means the shareholders of the Company
“Target Company”	means Shanghai Jiajinsuo Financial Information Services Company Limited* (上海家金所金融信息服務有限公司), a limited liability company incorporated under the laws of the PRC and a wholly-owned subsidiary of Shanghai Jiajinsuo Investment
“Target Company Valuation Report”	means the valuation report prepared by an independent third party valuer, Shanghai Shenwei Asset Valuation Company Limited* (上海申威資產評估有限公司) dated 8 May 2017 in relation to a valuation of the shareholders’ equity value of the Target Company as of 31 December 2016

“Transaction” means the connected transaction contemplated under the Equity Transfer Agreement as set out in the section headed “Connected Transaction under the Equity Transfer Agreement” in this announcement

By Order of the Board
Red Star Macalline Group Corporation Ltd.
Guo Binghe
Company Secretary

Shanghai, the PRC
11 May 2017

At the date of this announcement, our executive directors are CHE Jianxing, ZHANG Qi, CHE Jianfang and JIANG Xiaozhong; non-executive directors are CHEN Shuhong, XU Guofeng, Joseph Raymond GAGNON and ZHANG Qiqi; and independent non-executive directors are LI Zhenning, DING Yuan, LEE Kwan Hung and QIAN Shizheng.

* *For identification only*