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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)

PARTIAL CHANGE OF USE OF PROCEEDS FROM THE GLOBAL OFFERING

Reference is made to the prospectus (the “**Prospectus**”) of Red Star Macalline Group Corporation Ltd. (the “**Company**”, together with its subsidiaries, the “**Group**”) dated 16 June 2015 relating to the global offering (the “**Global Offering**”) and listing of the Company’s H shares on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). Unless otherwise stated, capitalised terms used herein shall bear the same meanings as defined in the Prospectus.

USE OF PROCEEDS DISCLOSED IN THE PROSPECTUS

As disclosed in the “Future Plans and Use of Proceeds” section of the Prospectus, the Company intended to use part of the net proceeds of the Global Offering for the following purposes, subject to changes in light of our evolving business needs and changing market conditions:

- “approximately HK\$887.0 million (representing approximately 14% of our total estimated net proceeds) will be used to refinance our existing indebtedness, including our five loan facilities with outstanding principal amounts of RMB678.4 million at Industrial and Commercial Bank of China, RMB175.0 million at Bank of China, RMB105.0 million at Bank of China, RMB30.0 million at Bank of China and RMB20.0 million at Bank of China as of the Latest Practicable Date, with maturities of December 2018, December 2019, December 2017, June 2018 and October 2018, respectively, and the effective interest rate of 7.4630%, 6.5500%, 5.8425%, 6.2225% and 5.8425%, respectively, as of the Latest Practicable Date”; and
- “in the event that we receive additional net proceeds if the Over-allotment Option is exercised or the Offer Price is fixed higher than the mid-point of the Offer Price range, we intend to use the additional net proceeds to refinance in all or in part additional indebtedness, including our four loan facilities with outstanding principal amounts of RMB492.1 million at Bank of Communications, RMB380.0 million at Huaxia Bank, RMB170.0 million at Industrial and Commercial Bank of China and RMB380.0 million at Bohai Bank as of the Latest Practicable Date, with maturities of June 2020, December 2022, June 2021 and December 2023, respectively, and the effective interest rates of 6.8775%, 6.9662%, 7.08% and 7.4835%, respectively”.

CHANGE IN USE OF PROCEEDS

As disclosed in the Prospectus, approximately HK\$887.0 million and any additional net proceeds if the Over-allotment Option is exercised or the Offer Price is fixed higher than the mid-point of the Offer Price range is intended to be used to refinance our existing indebtedness.

As the Offer Price was fixed HK\$13.28 per Offer Share (being the high end of the Offer Price range stated in the Prospectus) and the Over-allotment Option was not exercised, the net proceeds of the Global Offering has been increased by approximately HK\$550.7 million. Accordingly, approximately HK\$1,437.7 million from the net proceeds of the Global Offering is intended to be used to refinance our existing indebtedness including the nine loan facilities specified in “Future Plans and Use of Proceeds” section of the Prospectus (the “**Nine Specified Facilities**”).

In view of the following:

- (i) the Nine Specified Facilities are loans facilities of the subsidiaries of our Group. Based on the communication between the Company and the relevant PRC regulatory authority, the Company understands that the transfer of Global Offering proceeds to our subsidiaries in the PRC instead of the Company will be subject to complex and time-consuming registration process with uncertain outcome; and
- (ii) the Nine Specified Facilities have maturities ranging from December 2017 to December 2023, whereas other existing loan facilities of the Company are subject to relatively shorter maturities,

in order to improve the efficiency and effectiveness of the deployment of the Global Offering proceeds, the board of directors (the “**Board**”) of the Company has resolved to change the intended use of the Global Offering proceeds aforementioned to the following (the “**Revised Use of Proceeds**”):

- “approximately HK\$1,437.7 million will be used to refinance our existing indebtedness, including our six loan facilities with outstanding principal amounts of RMB89.7 million at Ping An Bank, RMB60.0 million at Ping An Bank, RMB400.0 million at Bank of Communications, RMB250.0 million at China Minsheng Bank, RMB250.0 million at China CITIC Bank and RMB1,400.0 million at China Minsheng Bank as of the date of this announcement, with maturities of December 2015, March 2016, June 2016, June 2016, March 2017 and December 2017, respectively, and the effective interest rate of 7.0%, 6.6875%, 6.0%, 6.9756%, 6.90% and 6.8750%.”

Save as disclosed above, there is no other change to the use of net proceeds from the Global Offering. The Board confirms that there are no material changes in the nature of business as set out in the Prospectus. The Board has considered the impact of the proposed partial change in use of the Global Offering proceeds on the Group's business and is of the opinion that the proposed re-allocation of the Global Offering proceeds is appropriate as this will allow the Group to further enhance the utilization efficiency of the Global Offering proceeds to obtain financing to support our business operations and capital expenditures. The Board considers the proposed changes in the use of the Global Offering proceeds is in the best interest of the Company and its shareholders as a whole.

By order of the Board
Red Star Macalline Group Corporation Ltd.
GUO Binghe
Company Secretary

Hong Kong
31 July 2015

As at the date of this announcement, the executive Directors of the Company are CHE Jianxing, ZHANG Qi, CHE Jianfang and JIANG Xiaozhong; the non-executive Directors are XU Guofeng, CHEN Shuhong, Joseph Raymond GAGNON, ZHANG Qiqi; and the independent non-executive Directors are ZHOU Qinye, LI Zhenning, DING Yuan, LEE Kwan Hung.