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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)**

## **VOLUNTARY ANNOUNCEMENT**

### **BALANCE OF A SHARE OFFERING PROCEEDS**

#### **USE OF A SHARE OFFERING PROCEEDS TO SUBSTITUTE THE SELF-OWNED FUNDS CONTRIBUTED TO THE INVESTMENT PROJECTS**

#### **USE OF PART OF THE IDLE A SHARE OFFERING PROCEEDS**

#### **USE OF A SHARE OFFERING PROCEEDS TO PROVIDE LOAN TO WHOLLY-OWNED SUBSIDIARY**

References are made to the announcements of Red Star Macalline Group Corporation Ltd. (the “**Company**”) dated 2 January 2018 and 16 January 2018, in relation to, amongst others, the prospectus for initial public offering of A shares and the completion of the A Share Offering (the “**Announcements**”). Unless otherwise stated, capitalised terms used herein shall bear the same meanings as defined in the Announcements.

### **PROCEEDS USED AND RAISED**

As approved by the China Securities Regulatory Commission (“**CSRC**”) and agreed by the Shanghai Stock Exchange, the Company issued 315,000,000 A shares at the issue price of RMB10.23 per A share. The total proceeds raised amounted to RMB3,222.45 million and the net proceeds raised, after deducting the cost of the A Share Offering of RMB172.4422 million, amounted to RMB3,050.0078 million (the “**A Share Offering Proceeds**”). The A Share Offering Proceeds have become available on 9 January 2018.

The A Share Offering Proceeds will be entirely used in the projects related to the principal business of the Company after deducting the cost of the A Share Offering. Total investments of the investment projects financed by the A Share Offering Proceeds amounted to RMB6,250.00 million, among which the proposed investment amount funded by the A Share Offering Proceeds amounted to RMB3,050.0078 million and the actual investment amount funded by the self-owned funds amounted to RMB1,677.5799 million. A summary of the proposed projects to be invested as of 31 January 2018 is as follows:

*Unit: RMB0'000*

Serial Number	Project Name		Total Investments	A Share Offering Proceeds to be used (1)	Total actual self-owned funds used (2)	The difference (1) - (2)
1	Construction of Shopping Mall Projects	1.1 Tianjin Beichen Shopping Mall	106,900.00	28,047.00	24,513.65	3,533.35
		1.2 Hohhot Yuquan Shopping Mall	56,600.00	7,611.00	7,682.53	-71.53
		1.3 Dongguan Wanjiang Shopping Mall	39,400.00	11,674.00	16,414.51	-4,740.51
		1.4 Harbin Songbei Shopping Mall	92,100.00	41,683.00	29,480.94	12,202.06
		1.5 Urumchi Expo Mall	80,000.00	55,985.00	49,666.36	6,318.64
	Sub-total		<u>375,000.00</u>	<u>145,000.00</u>	<u>127,757.99</u>	<u>17,242.01</u>
2	Construction of unified logistic service system		60,000.00	45,000.00	-	45,000.00
3	Expansion of home design and decoration services		30,000.00	20,000.00	-	20,000.00
4	O2O Home Decoration Platform		50,000.00	40,000.00	-	40,000.00
5	Repayment of bank loans		80,000.00	40,000.00	40,000.00	-
6	Replenishment of working capital		30,000.00	15,000.78	-	15,000.78
	<b>Total</b>		<b><u>625,000.00</u></b>	<b><u>305,000.78</u></b>	<b><u>167,757.99</u></b>	<b><u>137,242.79</u></b>

## **BALANCE OF A SHARE OFFERING PROCEEDS**

As of 31 January 2018, the construction of 4 shopping mall projects (Tianjin Beichen Shopping Mall, Hohhot Yuquan Shopping Mall, Dongguan Wanjiang Shopping Mall and Harbin Songbei Shopping Mall) have been completed in accordance with the Company's construction plan and the bank borrowings have been repaid. Among these completed projects, the balance of A Share Offering Proceeds of Tianjin Beichen Shopping Mall and Harbin Songbei Shopping Mall amounted to RMB35.3335 million and RMB122.0206 million, respectively.

In order to improve the efficiency in the use of the A Share Offering Proceeds, the Company proposed to use RMB48.1204 million of the balance of A Share Offering Proceeds of the Harbin Songbei Shopping Mall to fill in the gap between the A Share Offering Proceeds to be used and the actual self-owned funds used of the Hohhot Yuquan Shopping Mall and Dongguan Wanjiang Shopping Mall. After this adjustment, the A Share Offering Proceeds to be used by the Hohhot Yuquan Shopping Mall and Dongguan Wanjiang Shopping Mall will be RMB76.8253 million and RMB164.1451 million, respectively. Besides, the Company proposed to use RMB35.3335 million of the balance of A Share Offering Proceeds of the Tianjin Beichen Shopping Mall and RMB73.9002 million of the balance of A Share Offering Proceeds of the Harbin Songbei Shopping Mall to meet the future capital requirements of the Urumchi Expo Mall. After this adjustment, the A Share Offering Proceeds to be used by the Urumchi Expo Mall will be RMB669.0837 million.

## **USE OF A SHARE OFFERING PROCEEDS TO SUBSTITUTE THE SELF-OWNED FUNDS CONTRIBUTED TO THE INVESTMENT PROJECTS**

Before the A Share Offering Proceeds are made available, the Company made an initial investment by self-owned funds in accordance with the actual operational needs of the investment projects set out below. When the A Share Offering Proceeds become available, the Company will substitute the self-owned funds which the Company has previously invested in the investment projects with the A Share Offering Proceeds. As of 31 January 2018, the actual amount of self-owned funds contributed

to the investment projects amounted to RMB1,677.5799 million. A summary of the investment projects financed by the Company's self-owned funds is as follows:

*Unit: RMB0'000*

Serial Number	Project Name		Investment amount of A Share Offering Proceeds raised <sup>1</sup>	Investment amount of self-owned funds	Substitution amount of A Share Offering Proceeds raised
1	Construction of Shopping Mall Projects	1.1 Tianjin Beichen Shopping Mall	24,513.65	24,513.65	24,513.65
		1.2 Hohhot Yuquan Shopping Mall	7,682.53	7,682.53	7,682.53
		1.3 Dongguan Wanjiang Shopping Mall	16,414.51	16,414.51	16,414.51
		1.4 Harbin Songbei Shopping Mall	29,480.94	29,480.94	29,480.94
		1.5 Urumchi Expo Mall	66,908.37	49,666.36	49,666.36
	Sub-total		<u>145,000.00</u>	<u>127,757.99</u>	<u>127,757.99</u>
2	Construction of unified logistic service system		45,000.00	–	–
3	Expansion of home design and decoration services		20,000.00	–	–
4	O2O Home Decoration Platform		40,000.00	–	–
5	Repayment of bank loans		40,000.00	40,000.00	40,000.00
6	Replenishment of working capital		<u>15,000.78</u>	<u>–</u>	<u>–</u>
	<b>Total</b>		<b><u>305,000.78</u></b>	<b><u>167,757.99</u></b>	<b><u>167,757.99</u></b>

<sup>1</sup> The figures have been adjusted according to “the balance of A Share Offering Proceeds”

Deloitte Touche Tohmatsu Certified Public Accountants LLP has conducted attestation on the actual investment amount of self-owned funds and issued an attestation report. The Company proposed to use RMB1,677.5799 million of A Share Offering Proceeds to substitute the self-owned funds invested in the investment projects.

## **USE OF PART OF THE IDLE A SHARE OFFERING PROCEEDS**

Considering the actual investment amount funded by the A Share Offering Proceeds, there are idle A Share Offering Proceeds that can be used by the Company in the short term. In order to improve the efficiency in the use of the A Share Offering Proceeds and to further reduce the financial costs of the Company, the Company intends to temporarily use not more than RMB500 million of the idle A Share Offering Proceeds to improve the liquidity of the Company. The period of such use shall not exceed 12 months (from the date when the A Share Offering Proceeds are transferred from the special account to the date when the A Share Offering Proceeds are returned to the special account).

The Company will return the A Share Offering Proceeds to the special account before the expiry of the 12 months and publish an announcement within the required timeframe after the return of the A Share Offering Proceeds in accordance with relevant rules and regulations. The temporary use of part of the idle A Share Offering Proceeds to improve the liquidity of the Company will not affect the implementation of the Company's investment projects, will not change the use of the A Share Offering Proceeds in the disguised form, will not be directly or indirectly used for placing or subscription of new shares or transactions of securities, the derivatives and convertible corporate bonds, and will only be used to support business activities related to the Company's principal business. When the relevant period expires or the A Share Offering Proceeds used to improve liquidity is required for the designated investment projects, the Company will return the A Share Offering Proceeds temporarily used to improve liquidity in a timely fashion so as to ensure that such arrangement will not affect the implementation of the investment projects.

## **USE OF A SHARE OFFERING PROCEEDS TO PROVIDE LOAN TO WHOLLY-OWNED SUBSIDIARY**

The Company proposed to use RMB669.0837 million of the A Share Offering Proceeds to invest in the Urumchi Expo Mall project. As of 31 January 2018, RMB496.6636 million of the self-owned funds was used in such investment project and the Company proposed to substitute the invested self-owned funds with the A Share Offering Proceeds. Therefore, the Company proposed to provide the balance of the A Share Offering Proceeds (RMB172.4201 million) designated to the Urumchi Expo Mall by way of a loan to support this investment project. The term of the loan commences from the actual borrowing day to the date when the construction of the Urumchi Expo Mall is completed and shall not exceed 3 years. The use of the loan shall be limited to the construction of the Urumchi Expo Mall and shall not be used for other purposes.

The provision of the loan to a wholly-owned subsidiary of the Company is to support the investment project, meet the capital requirements of the investment project, reduce the financing costs and ensure the smooth implementation of the project. After the completion of the provision of the loan, the financial strength and operational capability of the Urumchi Expo Mall will be further enhanced, which will be conducive to the Company's business development and long-term planning and in the interest of the Company and its shareholders as a whole. During the term of the loan, the Company has absolute control over its operation and management activities, and the financial risk is extremely low and within a controllable range. Therefore, it is highly unlikely that the loan will form a bad debt.

The proceeds of the loan will be deposited into the special account set up for the A Share Offering Proceeds and managed under a four-party escrow agreement according to the rules and regulations of the Shanghai Stock Exchange in relation to use of proceeds.

### **APPROVAL PROCEDURES**

On 7 February 2018, the board of directors of the Company approved the balance of A Share Offering Proceeds, use of A Share Offering Proceeds to substitute the self-owned funds contributed to the investment projects, use of part of the idle A Share Offering Proceeds and use of A Share Offering Proceeds to provide a loan to a wholly-owned subsidiary of the Company. The relevant procedures in relation to the utilisation of the A Share Offering Proceeds mentioned above comply with the relevant rules and regulations of the Shanghai Stock Exchange and CSRC.

## **OTHER INFORMATION**

The independent non-executive directors of the Company, board of supervisors of the Company, sponsors in the A Share Offering and auditors of the Company are of the opinion that the balance of A Share Offering Proceeds, use of A Share Offering Proceeds to substitute the self-owned funds contributed to the investment projects, use of part of the idle A Share Offering Proceeds and use of A Share Offering Proceeds to provide a loan to a wholly-owned subsidiary of the Company will not affect the implementation of the investment projects, will not change the use of the A Share Offering Proceeds in the disguised form and are in line with relevant rules and regulations of the Shanghai Stock Exchange and CSRC and in the interests of the Company and its shareholders as a whole.

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

Shanghai, the PRC  
7 February 2018

*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 CHEN Shuhong, XU Guofeng, Joseph Raymond GAGNON and ZHANG Qiqi; and the independent non-executive Directors are LI Zhenning, DING Yuan, LEE Kwan Hung and QIAN Shizheng.*