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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)**

# **INDICATIVE ANNOUNCEMENT ON THE CONTEMPLATION OF NON-PUBLIC ISSUANCE OF A SHARES**

This announcement is made by Red Star Macalline Group Corporation Ltd. (the “**Company**”) pursuant to Rules 13.09 and 13.10B of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and the Inside Information Provisions under Part XIVA of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) and the Rules Governing the Listing of Stocks on the Shanghai Stock Exchange.

The board of directors (the “**Board**”) and all directors of the Company confirm that there are no false representations, misleading statements or material omission in this announcement, and they shall individually and collectively accept responsibility for the truthfulness, accuracy and completeness of the contents herein.

Risk warnings:

- the non-public issuance of A shares is still in the stage of contemplation and the relevant decision-making and approval procedure have not taken place, and there are uncertainties in the matter;
- if the non-public issuance of A shares (the “**Issuance**”) is implemented, the production, operation and financial conditions of the Company will be impacted, and may affect the change of stock price of the Company;
- if the Issuance is implemented and the proceeds are in place, the scale of share capital and net assets of the Company will increase accordingly, and its earnings per share and return on net assets may decline in the short term;
- the investment projects under the Issuance are at the stage of contemplation, thus there are uncertainties about the subsequent implementation of the investment projects and returns of these projects.

The Company is contemplating a non-public issuance of A shares. In view of the uncertainty in the subject matter and in order to ensure information disclosure in a fair manner, safeguard the interests of investors and avoid an abnormal fluctuation of the stock price of the Company, the relevant details of the Issuance are hereby announced as follows:

## **1. General Information of the Issuance**

In order to further expand the business deployment of the Company, optimize financial structure and provide capital support for the sustainable development of the Company, the Company plans to issue A shares non-publicly to not more than 35 specific investors. The gross proceeds of the Issuance shall not exceed RMB4,000,000,000.00 (inclusive) and will be used in offline and online projects for home furnishing shopping malls in relation to the Company's main business as well as repayment of interest-bearing liabilities.

In accordance with the Administrative Measures for the Issuance of Securities by Listed Companies (《上市公司證券發行管理辦法》) and the Detailed Implementation Rules for the Non-public Issuance of Stocks by Listed Companies (《上市公司非公開發行股票實施細則》) and other regulations, the number of A shares to be issued under the Issuance shall not exceed 30% of the total share capital<sup>Note 1</sup> (i.e., 3,550,000,000 shares) of the Company prior to the Issuance; meanwhile, in order to perform the undertaking of maintaining not less than 15.10% of public float for H shares made by the Company at the time of the initial public offering of H shares, the number of shares to be issued under the Issuance will not exceed 912,887,622 shares, representing 25.72% of the total share capital prior to the Issuance. The number of shares to be issued under the Issuance is subject to approval by the China Securities Regulatory Commission (the “CSRC”). The pricing benchmark date of the Issuance shall be the first day of the issue period of the Issuance, and the issue price shall not be lower than 80% of the average trading price of the Company's A shares for the 20 trading days immediately preceding the pricing benchmark date. The final issue price shall be determined through negotiations between the Board and the sponsor (i.e., the lead underwriter) authorized at the shareholders' general meeting in accordance with the provisions of relevant laws and regulations and requirements of regulatory authorities, after the Company has obtained the approval from the CSRC for the Issuance.

## **2. Whether the Issuance Constitutes a Connected Transaction**

The specific target subscribers of the Issuance have not been determined. Whether there will ultimately be the subscription for shares under the Issuance by connected parties, which will constitute a connected transaction, will be disclosed in the published issuance report after the completion of Issuance.

*Note 1: In the calculation of the total share capital of the Company, the profit distribution plan for 2019 to be considered at the shareholders' general meeting of the Company has not been taken into account, similarly hereinafter.*

### **3. Whether the Issuance Causes a Change in the Control of the Company**

As of the date of this announcement, the Company's total share capital is 3,550,000,000 shares. Red Star Macalline Holding Group Company Limited ("**RSM Holding**"), the controlling shareholder of the Company, holds a total of 2,498,388,600 shares with voting rights of the Company, of which 8,460,700 shares are held through Changzhou Meikai Information Technology Co., Ltd. ("**Changzhou Meikai**"), a wholly-owned subsidiary of RSM Holding. The designated shares pledge accounts of the 2019 Exchangeable Bonds and the designated shares pledge accounts of the 2018 Exchangeable Bonds of RSM Holding hold 510,150,000 and 63,830,000 shares of the Company respectively, accounting for 70.38% of the total share capital of the Company. Mr. CHE Jianxing, who controls 92.00% of the equity of RSM Holding and at the same time directly holds 396,000 shares of the Company, is the actual controller of the Company.

Upon completion of the Issuance and assuming that RSM Holding will not take part in the subscription of Issuance, based on the upper limit of 912,887,622 A shares under the Issuance, the total share capital of the Company after the Issuance shall be 4,462,887,622 shares, and the proportion of shares with voting rights of the Company held by RSM Holding will be diluted to 55.98%. RSM Holding will remain the controlling shareholder of the Company, while Mr. CHE Jianxing will remain the actual controller of the Company.

Upon the conclusion of the Issuance, there will be no change to the controlling shareholder and actual controller of the Company.

### **4. Risk Warnings on the Important Matter**

1. The foregoing non-public issuance of A shares is still in the stage of contemplation and has not been reviewed by the Board and shareholders' general meeting, and there are uncertainties in the subsequent implementation of the contemplated issuance. The Issuance is subject to approval by the CSRC. The foregoing approvals or permissions are the prerequisites for the implementation of the Issuance. There is uncertainty as to whether the above approvals or permissions can be obtained and when the approvals or permissions will eventually be obtained;
2. If the Issuance is implemented, the production, operation and financial conditions of the Company will be impacted, and may affect the change of stock price of the Company. In addition, national macroeconomic situations, major policies, domestic and foreign political situations, changes in supply and demand in the stock market, as well as psychological expectations of the investors will affect stock price. Investors shall fully understand and pay attention to this;
3. If the Issuance is implemented and the proceeds are in place, the scale of share capital and net assets of the Company will increase accordingly. Due to the certain construction period of the proceeds investment projects under the Issuance, the implementation of the Issuance will lead to a decline in the earnings per share and return on net assets in the short term;

4. The proceeds investment projects under the Issuance are at the stage of contemplation and there are uncertainties. Meanwhile, the subsequent implementation and returns of the proceeds investment projects may be affected by external factors such as macroeconomic environment and market situations in the home improvement and furnishing industry, which make these projects unable to be implemented as scheduled or to generate returns as expected and therefore unable to bring an expected promotion effect to the operation results and financial performance of the Company.

The Company will perform information disclosure obligations in strict accordance with the provisions and requirements of relevant laws and regulations based on the progress of the matter. Investors are advised to exercise caution when making investment decisions.

Notice hereby is given.

By Order of the Board  
**Red Star Macalline Group Corporation Ltd.**  
**GUO Binghe**  
*Vice Chairman*

Shanghai, the PRC  
3 May 2020

*This announcement is prepared in Chinese and English versions. In case of inconsistency, the Chinese version shall prevail.*

*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.*