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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)**

**PROPOSED NON-PUBLIC ISSUANCE OF A SHARES**

The Company announces that the Board passed a resolution on 3 June 2020, which proposed the Non-public Issuance of A Shares. After the proposed Non-public Issuance of A Shares is approved by the Shareholders at the AGM and the Class Meetings, the Company will apply to the CSRC for the Non-public Issuance.

A supplemental circular containing, among others, details of the Non-public Issuance will be despatched to the Shareholders in due course.

**As the Non-public Issuance is subject to certain conditions precedent, it may or may not proceed. Shareholders and potential investors are advised to exercise caution when dealing in the securities of the Company. Further announcement(s) regarding the detailed terms of the Issuance will be made by the Company as and when appropriate. This announcement appears for information purposes only and does not constitute an invitation or an offer to acquire, purchase or subscribe for the securities of the Company.**

## **1. PROPOSED NON-PUBLIC ISSUANCE OF A SHARES**

In order to further expand the business deployment of the Company, optimize the financial structure and provide capital support for sustainable development of the Company, the Board has resolved to approve the proposed Non-public Issuance of A Shares of the Company on 3 June 2020. Pursuant to the provisions under the Company Law, Securities Law, Administrative Measures for Issuance, Implementation Rules, the Regulatory Questions and Answers and other relevant laws, regulations and normative documents, the detailed plan of the Non-public Issuance of A Shares is as follows:

### **A. Class and Nominal Value of Shares to be Issued**

The shares to be issued are RMB ordinary shares (A shares), with the nominal value of RMB1.00 each.

### **B. Method and Time of Issuance**

All A shares for the Issuance will be issued through private placement to specific subscribers at an appropriate time during the validity period of the CSRC approval.

### **C. Target Subscribers and Subscription Method**

The number of target subscribers for the Non-public Issuance of shares shall not exceed 35 persons. The target subscribers shall be legal persons, natural persons or other legal investment organizations fulfilling the conditions specified by CSRC. A securities investment fund management company, securities company, qualified foreign institutional investor or RMB qualified foreign institutional investor subscribing through more than two products managed by it will be deemed to be a target subscriber. A trust company which is a target subscriber shall only use its self-owned funds for subscription.

After an approval is granted by CSRC for the application for the Issuance, the final target subscribers will be selected through negotiation between the Board and the sponsor (i.e., the lead underwriter) based on the prices quoted by the target subscribers for the subscription. The number of target subscribers shall comply with relevant laws and regulations.

The target subscribers for the Issuance shall subscribe for the shares under the Non-public Issuance in cash.

Since no target subscribers have been selected for the Issuance, the relationships between target subscribers and the Company cannot be confirmed. The relationships between target subscribers and the Company will be disclosed by the Company in the issuance report published after the completion of the Issuance. If any of the subscribers is the connected person of the Company, the Company will follow the relevant requirements under Chapter 14A of the Listing Rules.

## **D. Pricing Reference Date, Issue Price and Pricing Principles**

The pricing reference date for the Issuance will be the first day of the issue period of the Non-public Issuance of shares. The price of the Issuance will be not less than 80% of the average trading price of A Shares over the 20 trading days prior to the pricing reference date.

The average trading price of A Shares over the 20 trading days prior to the pricing reference date = the total value of A Shares traded over the 20 trading days prior to the pricing reference date/the total volume of A Shares traded over the 20 trading days prior to the pricing reference date. In the event of dividend distribution, bonus issue, conversion of capital reserve into share capital and other ex-right and ex-dividend matters in relation to the shares of the Company between the pricing reference date and the issue date, the minimum issue price will be adjusted as follows:

Dividend distribution:  $P_1 = P_0 - D$

Bonus issue or conversion of capital reserve into share capital:  $P_1 = P_0 \div (1 + N)$

Dividend distribution and bonus issue or conversion of capital reserve into share capital:  
 $P_1 = (P_0 - D) \div (1 + N)$

where: the minimum issue price prior to the adjustment is  $P_0$ , the number of bonus shares per share or the number of shares converted from capital reserve is  $N$ , the dividend paid per share is  $D$ , and the minimum issue price upon the adjustment is  $P_1$ .

After an approval of CSRC in relation to the Issuance is obtained by the Company, the final issue price of the Non-public Issuance will be confirmed in accordance with relevant laws and regulations and requirements of regulatory authorities, through negotiation between the Board (according to the authorization of the AGM and the Class Meetings) and the sponsor (i.e., the lead underwriter) of the Issuance according to enquiries in the market.

The Company will make further announcement(s) in respect of the issue price and the underwriting/placing arrangement once they have been determined in accordance with relevant laws and regulations and requirements of regulatory authorities.

## **E. Number of Shares to be Issued**

The number of the shares for the Non-public Issuance is calculated as the total proceeds divided by the issue price, up to 30% of 3,550,000,000 Shares of the total issued share capital of the Company prior to the Issuance; meanwhile, in order to fulfill the undertakings made by the Company upon the initial public offering of H Shares as to maintaining the number of H Shares held in the public hands to be above 15.10%, the number of shares for the Non-public Issuance by the Company will be up to 912,887,622 Shares (accounting for 25.72% of the total issued share capital of the Company prior to the Issuance). The number of Shares to be issued shall be as indicated in the approval of CSRC in relation to the Issuance. The Board will be authorized by the AGM and the Class Meetings to negotiate with the sponsor (i.e., the lead underwriter) to confirm the final number to be issued, within the above limit, based on the relevant rules of CSRC and the actual subscription.

In the event of bonus issue, conversion of capital reserve into share capital and other ex-right matters of the Company between the pricing reference date and the issue date of the Non-public Issuance, the maximum number of shares for the Issuance will be adjusted as follows:

$$Q_1 = Q_0 \times (1+n)$$

where:  $Q_0$  is the maximum number of shares for the Issuance prior to the adjustment;  $n$  is the proportion of bonus shares per share or shares converted from capital reserve (namely the number of additional shares arising from bonus issue or the conversion);  $Q_1$  is the maximum number of shares for the Issuance upon the adjustment.

If the total number of shares for the Non-public Issuance is adjusted due to a change in regulatory policies or in accordance with an issuance approval, the number of shares for the Non-public Issuance will be adjusted accordingly.

## F. Amount and Use of Proceeds

The total proceeds from the Non-public Issuance will be up to RMB4,000 million (inclusive). The proceeds from the Non-public Issuance after deduction of issue expenses will be used for the following projects:

*Unit: RMB ten thousand*

S/N	Project Name	Investment in Project	Proceeds Proposed to be Used
1	Home Furnishing Mall Construction Project <i>(Note)</i>		
	1.1 Foshan Lecong Shopping Mall Project	126,781.96	100,000.00
	1.2 Nanning Dingqiu Shopping Mall Project	60,668.75	56,000.00
	1.3 Nanchang Chaoyang Xincheng Shopping Mall Project	58,988.02	40,000.00
	Subtotal	246,438.73	196,000.00
2	Tmall “Home Decoration Tongcheng Station” Project	89,054.00	22,000.00
3	3D Shejiyun Platform Construction Project	62,318.00	30,000.00
4	Construction Project for New Generation Home Improvement Platform System	62,898.00	35,000.00
5	Repayment of Interest-bearing Debts of the Company	117,000.00	117,000.00
	Total	<u>577,708.73</u>	<u>400,000.00</u>

*Note:* The total investment amounts of the Foshan Lecong shopping mall project, the Nanning Dingqiu shopping mall project and the Nanchang Chaoyang Xincheng shopping mall project are RMB1,800.00 million, RMB1,000.00 million and RMB1,000.00 million, respectively. In the table, the investment amounts of each project are the subsequent investment amounts required, after deducting the self-owned funds invested by the Company as of the date of the resolution being approved by the Board.

Before obtaining the proceeds from the Issuance, the Company will use its self-raised funds to invest based on the progress of the projects, and will replace the funds with the proceeds obtained, according to procedures specified in relevant regulations.

If the actual net proceeds from the Issuance are less than the proceeds proposed to be invested, the Company will adjust and determine final amount of proceeds funded to each project, the priority, and the specific investment amount for each project, according to the actual proceeds and the project implementation, and any difference will be made up by the Company using the self-raised funds.

Within the scope of the above funded projects, the Board may appropriately adjust the amount of proceeds to be invested in the above projects, according to the actual needs of the projects and procedures specified in relevant regulations.

#### **G. Lock-up Period**

The Shares subscribed for by the target subscribers for the Non-public Issuance shall not be transferred within six months from the date on which the Issuance is completed unless otherwise specified by laws, regulations and normative documents in relation to the lock-up period.

Any reduction of the subscribed Shares of the Company by the target subscribers under the Issuance after the expiry of the lock-up period shall also comply with relevant requirements under the Company Law, the Securities Law, the SSE Listing Rules and other laws, regulations, rules, normative documents, relevant rules of stock exchanges, and the Articles of Association. Additional Shares obtained from bonus issue, conversion of capital reserve into share capital and otherwise after the completion of the Non-public Issuance are subject to the above lock-up period arrangements.

#### **H. Place of Listing**

The A Shares for the Non-public Issuance will be listed for trading on the SSE.

#### **I. Arrangements for Undistributed Accumulated Profits Prior to the Non-public Issuance**

After the completion of the Issuance, the undistributed accumulated profits prior to the Issuance will be shared among the new and existing Shareholders of the Company in proportion to their shareholdings upon completion of the Issuance, taking into account of the interests of the new and existing shareholders.

#### **J. Validity Period of the Non-public Issuance Resolutions**

The validity period of the Issuance resolutions is 12 months from the date on which the Non-public Issuance is considered and approved at the AGM and the Class Meetings.

The Issuance is subject to approvals from the CSRC. The Issuance will be made pursuant to the specific mandate to be sought at the AGM and the Class Meetings and shall become effective upon approval by the Shareholders at the AGM and the Class Meetings. The Company will make further announcement(s) when the detailed terms of the Issuance, such as issue price and issue size, are finalised.

## 2. IMPACT OF THE ISSUANCE ON THE COMPANY'S SHAREHOLDING STRUCTURE

For reference and illustration purposes only, assuming that there are no changes to the total issued share capital of the Company prior to the completion of the Issuance and that subject to the regulatory requirements of the places where the Shares of the Company are listed, a maximum of 912,887,622 A Shares are issued under the Issuance (which represents approximately 25.72% of the total issued share capital of the Company as of the date of this announcement and approximately 20.46% of the total issued share capital of the Company as enlarged by the issuance of the A Shares under the Issuance), the shareholding structure of the Company immediately before and after completion of the Issuance is set out as follows:

	Immediately before completion of the Issuance		Immediate after completion of the Issuance	
	Number of shares	Approximate percentage of the Company's total issued share capital	Number of shares	Approximate percentage of the Company's total issued share capital
<b>A Shares</b>				
Red Star Macalline Holding Group Company Limited	2,489,927,872	70.14%	2,489,927,872	55.79%
Changzhou Meikai Information Technology Co., Ltd.	8,460,697	0.24%	8,460,697	0.19%
CHE Jianxing	396,000	0.01%	396,000	0.01%
GUO Binghe	262,000	0.01%	262,000	0.01%
CHE Jianfang	112,200	0.00%	112,200	0.00%
JIANG Xiaozhong	1,461,709	0.04%	1,461,709	0.03%
CHEN Shuhong	44,200	0.00%	44,200	0.00%
PAN Ning	1,079,970	0.03%	1,079,970	0.02%
A Shares held by the public	374,359,121	10.55%	374,359,121	8.39%
New A Shares to be issued under the Issuance <sup>(Note)</sup>	–	–	912,887,622	20.46%
<b>Sub-total of A Shares</b>	<b>2,876,103,969</b>	<b>81.02%</b>	<b>3,788,991,591</b>	<b>84.90%</b>
<b>H Shares</b>	<b>673,896,031</b>	<b>18.98%</b>	<b>673,896,031</b>	<b>15.10%</b>
<b>Total no. of Shares</b>	<b>3,550,000,000</b>	<b>100.00%</b>	<b>4,462,887,622</b>	<b>100.00%</b>

*Note:* It is assumed that the A Shares issued under the Issuance will be held by independent third parties and included in the public float.

Upon the listing of H Shares on the Hong Kong Stock Exchange, the Hong Kong Stock Exchange has granted the Company, a waiver from strict compliance with Rule 8.08(1)(a) of the Listing Rules, pursuant to which the Company shall maintain a minimum public float (as defined in the Listing Rules) of 15.10%. Based on the information publicly available to the Company and to the Directors' knowledge, as of the date of this announcement, 15.10% of its total issued share capital was in public hands.

Due to the Issuance (assuming that up to 912,887,622 A Shares are issued, which are expected to be held by independent third parties and included in the public float), the public float of H Share of the Company will be approximately 15.10%, and the public float of the Company (including H Shares and A Shares) will be approximately 43.95%. The Company would still be able to meet the minimum requirement on public float percentage specified by the Hong Kong Stock Exchange upon the listing of H Shares of the Company. The Company will closely monitor its public float percentage to ensure that it, at all times, complies with the relevant requirements regarding public float under the Listing Rules and will promptly notify the Hong Kong Stock Exchange of any changes in its public float.

### **3. REASONS FOR AND BENEFITS OF THE PROPOSED A SHARE ISSUANCE**

The Directors are of the opinion that the Issuance is conducive to further expansion of the business deployment of the Company, optimizing its financial structure and providing capital support for sustainable development of the Company. After the implementation of the projects funded by the proceeds, the Company's Portfolio Shopping Mall network will be further expanded, and its shopping mall arrangements in the core regions in Guangdong, Guangxi, Jiangxi and other provinces will be further improved, which helps the Company consolidate its leading position and regional advantages in relevant regions. The home furnishing mall construction projects are closely related to the Company's strategic plan of business development. The size expansion will help enhance the Company's brand awareness and bargaining power with merchants, which is conducive to improving the Company's profitability and consolidating the Company's leading position in the industry.

Certain proceeds from the Non-public Issuance will be used for the construction and implementation of the Tmall "Home Decoration Tongcheng Station" project, the 3D Shejiyun platform construction project and the construction project for new generation home improvement platform system of the Company, to support the development of the Company's new retail and design, home decoration and other expansionary businesses, better provide consumers with one-stop industry chain services for pan-home improvement and furnishing consumption, enhance consumers' shopping experience and consumer satisfaction, give full play to the synergy between the Company's offline business and expansionary businesses, and promote the transformation and upgrade of the Company's business.

In addition, with the Company's business size expansion, and exploration and development of new businesses, the Company will have capital needs continuously. Since its initial public offering and listing, the Company has met the needs of business development mainly through debt financing. In recent years, the asset-liability ratio and financial expenses have increased. Through financing by the Issuance and use of certain proceeds for repayment of interest-bearing debts, there will be an optimization of the financial structure of the Company, enhancement of its capital strength, and improvement in its risk-resistance ability. The Company will also secure funds to support the sustainable development and expansion of its business, which is conducive to enhancing its core competitiveness.

The Directors consider that the Non-public Issuance is in the interests of the Company and the Shareholders as a whole.

#### **4. FUNDRAISING ACTIVITIES**

The A Shares of the Company (stock code: 601828) were listed and commenced trading on the SSE on 17 January 2018. The Company issued 315,000,000 A Shares at the issue price of RMB10.23 per share. The total proceeds raised from the Issuance amounted to RMB3,222.45 million, and the net proceeds raised, after deducting the costs of the A Share issuance of RMB172,442,150.37, amounted to RMB3,050,007,849.63. As of the date of this announcement, the Company has utilized approximately 86.45% of the net proceeds in total for the proceeds funded projects as required as well as replenishing its working capital.

As of the date of this announcement, the Company has not conducted any fund-raising activities in relation to the issue of the equity securities in the 12 months immediately preceding the date of this announcement.

For the upcoming 12 months starting from the date of this announcement, based on its working capital needs and market conditions, the Company will flexibly raise capital through issuing corporate bonds, short-term corporate bonds, beneficiary certificates, and subordinated bonds etc., in order to satisfy the working capital needs for the Company's business development.

#### **5. ANNUAL GENERAL MEETING AND THE CLASS MEETINGS**

The Non-public Issuance is proposed to be considered by the Shareholders at the AGM and the Class Meetings.

A supplemental circular containing, among others, details of the Non-public Issuance will be despatched to the Shareholders in due course.

As the Non-public Issuance is subject to certain conditions precedent, it may or may not proceed. Shareholders and potential investors are advised to exercise caution when dealing in the securities of the Company. Further announcement(s) regarding the detailed terms of the Issuance will be made by the Company as and when appropriate. This announcement appears for information purposes only and does not constitute an invitation or an offer to acquire, purchase or subscribe for the securities of the Company.

#### **6. DEFINITIONS**

In this announcement, unless the context otherwise requires, the following terms shall have the following meanings:

“AGM”	the 2019 annual general meeting to be convened and held on 18 June 2020
“A Share(s)”	the ordinary share(s) issued by the Company, with a nominal value of RMB1.0 each, which is/are listed on the SSE and traded in RMB
“A Share Shareholder(s)”	the holder(s) of the A Share(s)
“A Shareholders’ Class Meeting”	the A shareholders’ class meeting to be convened and held on 18 June 2020

“Administrative Measures for Issuance”	the Administrative Measures for the Issuance of Securities by Listed Companies (《上市公司證券發行管理辦法》)
“Articles of Association”	the articles of association of the Company
“Board”	the board of directors of the Company
“Class Meetings”	the A Shareholders’ Class Meeting and the H Shareholders’ Class Meeting
“Company”	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 PRC with limited liability, whose H Shares are listed on the main board of The Stock Exchange of Hong Kong Limited (stock code: 1528)
“Company Law”	the Company Law of the People’s Republic of China
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“CSRC”	the China Securities Regulatory Commission
“Director(s)”	the director(s) of the Company
“H Share(s)”	overseas-listed foreign invested ordinary share(s) with a nominal value of RMB1.0 each in the share capital of the Company, which is/are listed on the Hong Kong Stock Exchange and traded in Hong Kong dollars
“H Share Shareholder(s)”	the holder(s) of the H Share(s)
“H Shareholders’ Class Meeting”	the H shareholders’ class meeting to be convened and held on 18 June 2020
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“independent third party(ies)”	persons who, to the best of the Directors’ knowledge and having made all reasonable enquiries, are not connected persons of the Company
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended from time to time)

“Implementation Rules”	the Implementation Rules for the Non-public Issuance of Stocks by Listed Companies (《上市公司非公开发行股票实施细则》)
“Non-public Issuance” or “Issuance”	the proposed non-public issuance of not more than 912,887,622 A Shares by the Company
“PRC”	the People’s Republic of China, which, for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Regulatory Questions and Answers”	Issuance Regulation Questions and Answers – Regulatory Requirements regarding Guiding and Regulating Financing Activities of Listed Companies (Revision) (《發行監管問—關於引導規範上市公司融資行為的監管要求(修訂版)》)
“RMB”	Renminbi, the lawful currency of the PRC
“Securities Law”	the Securities Law of the People’s Republic of China
“Share(s)”	ordinary share(s) with a nominal value of RMB1.00 each in the share capital of the Company, including A Share(s) and H Share(s)
“Shareholder(s)”	the A Share Shareholder(s) and the H Share Shareholder(s) of the Company
“SSE”	the Shanghai Stock Exchange
“SSE Listing Rules”	the Shanghai Stock Exchange Listing Rules
“%”	percent

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

Shanghai, the PRC  
3 June 2020

*This announcement is prepared in both 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.*