

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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)

ANNOUNCEMENT ON UNUSUAL MOVEMENT IN TRADING OF A SHARES

This announcement is made by Red Star Macalline Group Corporation Ltd. (the “**Company**”) in accordance with Rule 13.10B of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”).

I. SPECIFIC INFORMATION ON UNUSUAL MOVEMENT IN TRADING OF SHARES

The total deviation of the increase in the daily closing price of the A shares of the Company exceeded 20% for three consecutive trading days on January 16, 2023, January 17, 2023 and January 18, 2023, which is an abnormal movement in trading of shares in accordance with the Trading Rules of the Shanghai Stock Exchange.

II. RELEVANT MATTERS OF CONCERN TO AND VERIFIED BY THE COMPANY

- (I) The self-examination by the Company shows that the Company’s current production and operation activities are normal and that there are no material adjustments to the market environment and industry policies, and the internal production and operation order is normal.
- (II) As Red Star Holding, the controlling shareholder, is planning the transfer of the equity interest, which may involve the change of corporate control, the trading in A shares of the Company was suspended from January 9 to 13, 2023 and resumed at the opening of the trading session on January 16, 2023 (For details, see the Company’s announcements dated January 6, 2023, January 8, 2023 and January 13, 2023 disclosed on the website of the Hong Kong Stock Exchange). On January 13, 2023, Xiamen C&D Inc. (“**C&D**”, listed on the Shanghai Stock Exchange, stock code: 600153) signed the Share Transfer Framework Agreement with Red Star Holding, the controlling shareholder of the Company, and Mr. Che Jianxing, the de facto controller of the Company. For details, see Inside Information on the Potential Share Transfer by Controlling Shareholder disclosed by the Company on the HKEXnews website on January 13, 2023. On January 17, 2023, C&D, Red Star Holding and Mr. Che Jianxing signed the Share Transfer Agreement between Xiamen C&D Inc., Red Star Holding and Mr. Che Jianxing in relation to Red

Star Macalline Group Corporation Ltd. (the “**Share Transfer Agreement**”) with the conditions for the entry into force, which specifies that Red Star Holding intends to transfer 1,304,242,436 A shares of the Company held by it (accounting for 29.95% of the total share capital of the Company) (the “**Target Shares**”) to C&D at a price of RMB4.82 per share, with the total share transfer price of RMB6,286,448,542 (the “**Share Transfer**”). Upon completion of the Share Transfer, C&D will hold 29.95% of the shares of the Company. For details, See the Inside Information on Formal Agreement for Transfer of Shares by Controlling Shareholder disclosed by the Company on the same date.

Since this transfer of shares may lead to a change of control over the Company (see “(3) Potential Change of Control over the Company” in “Four. Relevant Risk Warnings” for details), Red Star Holdings and Mr. Che Jianxing applied for waiver and variation of undertakings of intention to hold shares and intention to reduce shareholding made at the time of the initial public offering and listing of A shares (hereinafter referred to as “**waiver and variation of undertakings**”). For details, please refer to the “Announcement on Proposed Waiver and Variation of the Undertakings of Intention to Hold Shares and Intention to Reduce Shareholding of Shares of The Controlling Shareholder and the De Facto Controller of the Company” disclosed by the company on the same day.

Alibaba (China) Technology Co., Ltd. (阿里巴巴(中國)網絡技術有限公司) (the “**Alibaba**”), as the sole holder of the exchangeable corporate bonds (First Tranche) non-publicly issued by Red Star Macalline Holding in 2019, has notified Red Star Macalline Holding its intention to exercise the exchange rights at the price of RMB8.44 per share to obtain 248,220,000 A Shares of the Company (representing 5.70% of the total share capital of the Company) through exchange of shares, to the extent permitted under applicable laws and regulations and the relevant rules of the exchangeable corporate bonds, for details of which, please see the Inside Information – Amendment to the Terms of the Exchangeable Bonds and Intention to Exercise the Exchange Rights of the Exchangeable Bonds disclosed by the Company on 13 January, 2023. On January 18, 2023, Alibaba has converted part of its current exchangeable bonds into 30,586,255 A shares of the Company (accounting for 0.70% of the Company’s total share capital, subject to the liquidation results of the Shanghai Stock Exchange on that day) (For details, please refer to the “Red Star Macalline Group Corporation Ltd. Simplified Equity Change Report” disclosed by the Company on the same day).

In addition, Red Star Holding has disclosed the shareholding reduction plan (for details, see the Announcement of Red Star Macalline Group Corporation Ltd. in Relation to the Plan for Shareholding Reduction by Controlling Shareholder and Its Concerted Parties disclosed by the Company on December 27, 2022) and intends to reduce its shareholdings in the Company by way of call auction and block trading.

After the self-examination by the Company and the verification conducted through written confirmation with Red Star Macalline Holding, the controlling shareholder of the Company, and Mr. CHE Jianxing, the de facto controller of the Company, show that as at the date of disclosure of this announcement, except for information disclosed by the Company, the Company, its controlling shareholder and de facto controller are not involved in any other significant matters resulting in the abnormal movement in the trading of shares of the Company, and there is no other significant information that should be disclosed but has not been disclosed, including but not limited to significant asset restructuring, issuance of shares, significant transaction matters, business restructuring, share buyback, equity incentives, bankruptcy restructuring, significant business cooperation, the introduction of strategic investors and other significant matters.

- (III) After the self-examination, the Company did not find any media reports, market rumors and hot market concepts possibly having a significant impact on the trading price of the shares of the Company which is required to be clarified or responded to, or any other significant events that may have a significant impact on the Company's share price.
- (IV) After verification, the Company did not find that the Company's directors, supervisors, senior management, controlling shareholder and their concerted parties dealt in the Company's shares during the period of abnormal movement in the trading of shares of the Company.

III. STATEMENT OF THE BOARD OF THE COMPANY

The Board of Directors of the Company confirms that, save as the information disclosed, the Company does not have any matter that is required to be disclosed pursuant to the Rules Governing the Listing of Stocks on the Shanghai Stock Exchange and other relevant provisions, or plans, discussions, intentions, agreements relating to such matter but has not been disclosed. The Board is not aware of any information possibly having a significant impact on the trading prices of the Company's shares and their derivatives that is required to be disclosed pursuant to the Rules Governing the Listing of Stocks on the Shanghai Stock Exchange and other relevant provisions but has not been disclosed; the information disclosed by the Company in prior periods does not need to be corrected or supplemented.

IV. RELEVANT RISK WARNING

(I) Transaction Risks in the Secondary Market

The total deviation of the increase in the daily closing price of the A shares of the Company exceeded 20% for three consecutive trading days on January 16, 2023, January 17, 2023 and January 18, 2023, which is a large fluctuation. The actual fluctuation in the share price excluding the overall factors of the market and the sectors is large. Investors are advised to pay attention to the trading risks in the secondary market, make rational decisions and prudent investments.

(II) Risk of Progress in Material Issues

In accordance with the Share Transfer Agreement, the principal terms including the Share Transfer arrangements, pricing, consideration payment and share delivery arrangement, and post-delivery matters have not become effective and will come into force upon the confirmation by the competent authority that in no case will the overall arrangement for the transaction trigger the offer obligation of C&D under the laws, regulations and rules of the place where the Company is listed (C&D has the right to waive the conditions for the entry into force of the agreement), approval by the internal consideration procedures of C&D, the approval of the state-owned assets supervision and administration authority having jurisdiction over C&D, and without any objection that may impede the transaction.

In accordance with relevant laws and regulations, the transaction is subject to approval by the internal consideration procedures of C&D, and by Xiamen Municipal State-owned Assets Supervision and Administration Commission, expiry and compliant exemption of the undertakings made by Red Star Holding and Mr. Che Jianxing (including but not limited to the undertakings of Red Star Holding and Mr. Che Jianxing in relation to shareholding intention and shareholding reduction intention) that impede the transaction, passing of the examination of concentrations of undertakings by the Anti-monopoly Bureau, the obtaining of the compliance confirmation from the Shanghai Stock Exchange, the share transfer registration with China Securities Depository and Clearing Corporation Limited Shanghai Branch and other procedures. There are significant uncertainties about whether the transaction can be finally implemented. Investors are advised to pay attention to relevant risks.

In view of restrictions on rights including the pledge on the shares of the Company held by Red Star Holding, if the restrictions on the rights to which the underlying shares are subject cannot be released before the delivery, there is a risk that the underlying shares cannot be transferred. Investors are advised to pay attention to the risks.

(III) Potential Change of Control over the Company

Alibaba (China) Technology Co., Ltd. (“**Alibaba**”) as the sole holder of the exchangeable corporate bonds (First Tranche) issued by Red Star Macalline Holding Group Company Limited through private placement in 2019 (the “**Exchangeable Bonds**”), has informed Red Star Holding that it intends to exercise the right to exchange shares at a price of RMB8.44 per share, and acquire 248.22 million A shares (accounting for 5.70% of the total share capital of the Company) by way of share exchange subject to applicable laws and regulations and relevant rules on exchangeable corporate bonds (for details, see the Announcement of Inside Information - Amendment to the Terms of the Exchangeable Bonds and Intention to Exercise the Exchange Rights of the Exchangeable Bonds (disclosed by the Company on January 13, 2023). On January 18, 2023, Alibaba has converted part of its current exchangeable bonds into 30,586,255 A shares of the Company (accounting for 0.70% of the Company’s total share capital, subject to the liquidation results of the Shanghai Stock Exchange on that day) (For details, please refer to the “Red Star Macalline Group Corporation Ltd. Simplified Equity Change Report” disclosed by the Company on the same day). If Alibaba exercises the exchange rights in full according to the above intentions disclosed, after the completion of the waiver and variation of undertakings and the completion of this transaction, the C&D will be the controlling shareholder of the Company and the State-owned Assets Supervision and Administration Commission of Xiamen Municipal People’s Government becoming the de facto controller of the Company in accordance with the Administrative Measures for the Acquisition of Listed Companies, the Rules Governing the Listing of Stocks on the Shanghai Stock Exchange and other provisions.

By Order of the Board
Red Star Macalline Group Corporation Ltd.
QIU Zhe
Secretary of the Board and Joint Company Secretary

Shanghai, the PRC
January 18, 2023

As at the date of this announcement, the executive Director of the Company is CHE Jianxing; the non-executive Directors are CHEN Zhaohui, JIANG Xiangyu, HU Xiao and YANG Guang; and the independent non-executive Directors are QIAN Shizheng, LEE Kwan Hung, Eddie, WANG Xiao, ZHAO Chongyi and QIN Hong.