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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)

**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**

Red Star Macalline Group Corporation Ltd. (the “**Company**”) has recently received from Red Star Macalline Holding Group Company Limited (“**Red Star Macalline Holding**” or the “**Controlling Shareholder**”), a controlling shareholder of the Company and Mr. CHE Jianxing, a de facto controller of the Company, the Application in Relation to Waiver and Variation of the Undertakings on Intention and Reduction of Shareholding of Shares, indicating that Red Star Macalline Holding and Mr. CHE Jianxing apply for waiver and variation of the undertakings on intention and reduction of shareholding of shares made upon the initial public offering and listing of A shares of the Company.

On 18 January 2023, the Company held the 57th extraordinary meeting of the fourth session of the board (the “**Board**”) of directors (the “**Director(s)**”) and the 16th extraordinary meeting of the fourth session of the Supervisory Committee, and considered and approved the resolution on the Waiver and Variation of the Undertakings of Intention to Hold Shares and Intention to Reduce Shareholding of the Controlling Shareholder and the De Facto Controller of the Company, agreeing to waive and change the undertakings on intention to hold shares and intention to reduce shareholding made by RSM Holding, the controlling shareholder of the Company, and Mr. CHE Jianxing, the de facto controller of the Company, at the time of the initial public offering and listing of A Shares of the Company. Related Director, Mr. CHE Jianxing abstained from voting. The independent Directors and the Supervisory Committee have expressed their agreement to the above proposal. The waiver and variation of the undertakings are subject to the consideration and approval of the Company's shareholders in general meeting and the related shareholders are required to abstain from voting on the resolution.

I. SPECIFIC CONTENTS OF THE STATEMENT OF SHAREHOLDERS' INTENTION AND REDUCTION OF SHAREHOLDING OF SHARES UPON THE INITIAL PUBLIC OFFERING AND LISTING OF A SHARES

(I) Relevant undertakings made by the de facto controller

- “1. As the de facto controller of the issuer, I will continue to be optimistic about the development prospects of the issuer and its industry in the future and am willing to hold the shares of the issuer for a long time, so as to ensure my status as a de facto controller.
2. After the expiry of the lock-up period of the shares of the issuer held by me, and without the loss of the status as a de facto controller of the issuer and violation of relevant undertakings made by me, I may reduce my shareholding in the issuer to a limited extent, but the shareholding reduction limit will be subject to the following requirements: (1) After the expiry of the promised share lock-up period, the number of shares of the issuer transferred by me each year shall not exceed 10% of the total number of the shares of the issuer held as at the end of the previous year; (2) If the shareholding is reduced within two years following the expiry of the promised share lock-up period, the price for the shareholding reduction shall not be lower than the issue price of the shares upon the initial public offering and listing of the issuer (in case of dividend payment, bonus shares issue, conversion of capital reserve into share capital and other ex-right and ex-dividend events, the issue price will be adjusted on an ex-right and ex-dividend basis). If the shareholding is reduced two years after the expiry of the promised share lock-up period, the price for the shareholding reduction is determined based on the market price prevailing at the time of the shareholding reduction, subject to undertakings made by me; (3) In the shareholding reduction by me, I will make an announcement through the issuer three trading days in advance, so as to disclose the reasons for the shareholding reduction, the proposed decrease in the shareholdings, the intention to hold shares in the future, and the impact of the shareholding reduction on the corporate governance structure, shareholding structure and going concern. My shareholding shall not be reduced before the performance of the announcement procedure.
3. If I reduce my shareholding in violation of the undertakings, the proceeds from the reduction in the shareholding in the issuer shall remain with the issuer.”

(II) Undertakings made by controlling shareholder

- “1. As the controlling shareholder of the issuer, the Company will continue to be optimistic about the development prospects of the issuer and its industry in the future and is willing to hold the shares of the issuer for a long time, so as to ensure the status of the Company as a controlling shareholder of the issuer.

2. After the expiry of the lock-up period of the shares of the issuer held by the Company, and without the loss of the status as a controlling shareholder of the issuer and violation of relevant undertakings made by the Company, the Company may reduce its shareholding in the issuer to a limited extent, but the shareholding reduction limit will be subject to the following requirements: (1) After the expiry of the promised share lock-up period, the number of shares of the issuer transferred by the Company each year shall not exceed 10% of the total number of the shares of the issuer held as at the end of the previous year; (2) If the shareholding is reduced within two years following the expiry of the promised share lock-up period, the price for the shareholding reduction shall not be lower than the issue price of the shares upon the initial public offering and listing of the issuer (in case of dividend payment, bonus shares issue, conversion of capital reserve into share capital and other ex-right and ex-dividend events, the issue price will be adjusted on an ex-right and ex-dividend basis). If the shareholding is reduced two years after the expiry of the promised share lock-up period, the price for the shareholding reduction is determined based on the market price prevailing at the time of the shareholding reduction, subject to undertakings made by the company; (3) In the shareholding reduction by the company, it will make an announcement through the issuer three trading days in advance, and its shareholding shall not be reduced before the performance of the announcement procedure.
3. If the company reduces its shareholding in violation of the undertakings, the proceeds from the reduction in the shareholding in the issuer shall remain with the issuer.”

II. THE PERFORMANCE OF UNDERTAKINGS

As of the date of the Board meeting, Red Star Macalline Holding, the Controlling Shareholder of the Company, and Mr. CHE Jianxing, the de facto controller of the Company, strictly fulfill and do not violate the above undertakings. The waiver and variation are subject to consideration at the general meeting of the Company.

III. THE UNDERTAKINGS APPLYING FOR THE WAIVER AND VARIATION

(I) Undertakings applying for exemption and variation by de facto controller

The undertakings in respect of which Mr. CHE Jianxing, the de facto controller of the Company applies for exemption and variation are as follows:

- “1. As the de facto controller of the issuer, I will continue to be optimistic about the development prospects of the issuer and its industry in the future and am willing to hold the shares of the issuer for a long time, so as to ensure my status as a de facto controller.
2. After the expiry of the lock-up period of the shares of the issuer held by me, and without the loss of the status as a de facto controller of the issuer and violation of relevant undertakings made by me, I may reduce my shareholding in the issuer to a limited extent, but the shareholding reduction limit will be subject to the following requirements: (1) After the expiry of the promised share lock-up period, the number of shares of the issuer transferred by me each year shall not exceed 10% of the total number of the shares of the issuer held as at the end of the previous year.”

In order to protect the interests of the Company and its investors, Mr. CHE Jianxing applies to vary the undertaking as follows:

“After the general meeting of the Company passed the resolution on the Waiver and variation of my undertakings on intention and reduction of shareholding of shares, the total reduction in the holding of Macalline shares by myself, directly and indirectly, through call auction in the secondary market each year will not exceed 10% of the total number of shares of the Company directly and indirectly held at the end of last year.”

(II) Undertakings applying for exemption and variation by controlling shareholder

- “1. As the controlling shareholder of the issuer, the company will continue to be optimistic about the development prospects of the issuer and its industry in the future and is willing to hold the shares of the issuer for a long time, so as to ensure the status of the company as a controlling shareholder of the issuer.
2. After the expiry of the lock-up period of the shares of the issuer held by the company, and without the loss of the status as a controlling shareholder of the issuer and violation of relevant undertakings made by the company, the company may reduce its shareholding in the issuer to a limited extent, but the shareholding reduction will be subject to the following requirements: (1) After the expiry of the promised share lock-up period, the number of shares of the issuer transferred by the company each year shall not exceed 10% of the total number of the shares of the issuer held as at the end of the previous year.”

In order to protect the interests of the Company and its investors, Red Star Macalline Holding applies to vary the undertaking as follows:

“After the general meeting of the Company passed the resolution on the exemption and variation of the company’s undertakings on intention and reduction of shareholding of shares, the total reduction in the holding of Macalline shares by the company, directly and indirectly, through call auction in the secondary market each year will not exceed 10% of the total number of shares of the Company directly and indirectly held at the end of last year.”

IV. REASONS AND BASIS FOR APPLYING FOR WAIVER AND VARIATION OF THE UNDERTAKINGS

Red Star Macalline Holding, the Controlling Shareholder of the Company, and Mr. CHE Jianxing, the de facto controller of the Company, have been committed to the sustainable and healthy development of the Company. In order to revitalize its assets and relieve its own liquidity pressure, as well as to provide impetus for the Company's development, optimize its shareholder structure, integrate resource advantages, stimulate its vitality, enhance its resilience, and help the Company introduce controlling shareholders with state-owned assets background, Red Star Macalline Holding, Mr. CHE Jianxing and Xiamen C&D Inc. (stock code: 600153, "**Xiamen C&D**") signed the Share Transfer Framework Agreement ("**Framework Agreement**") on 13 January 2023 and the Share Transfer Agreement among Xiamen C&D Inc., Red Star Macalline Holding Group Company Limited and CHE Jianxing in relation to Red Star Macalline Group Corporation Ltd. on 17 January, to transfer 29.95% equity interest held by Red Star Macalline Holding in the Company (For details, see the announcements of the Company dated 13 January, 2023 and 17 January, 2023 disclosed "Inside Information Potential Share Transfer by Controlling Shareholder" and "Inside Information Formal Agreement on Transfer of Shares by Controlling Shareholder"). The Transaction may result in a change of control over the Company (please refer to "VI. Impact of the Exemption and Variation of Undertakings of the Company" for details). Therefore, Red Star Macalline Holdings and Mr. Che Jianxing have applied for a waiver of the shareholding intention undertaking of "willingness to hold the shares of the issuer for a long time, so as to ensure the status of the Company/me as a controlling shareholder/de facto controller of the issuer".

Meanwhile, as of 17 January, 2023, Red Star Macalline Holding had pledged a total of 1,949,269,768 shares of the Company, representing 74.45% of its shareholding; after excluding 91,575,092 shares pledged as security for the intention money pledged to Xiamen C&D based on the Framework Agreement (please refer to the "Update to the Proposed Acquisition" announcement disclosed by the Company on 17 January, 2023), Red Star Macalline Holding had pledged a total of 1,857,694,676 shares of the Company, representing 70.96% of its shareholding. In order to enable Red Star Macalline Holding to respond more flexibly to its potential liquidity problems in future periods through, for example, block trade and to reduce the pressure of debt repayment, Red Star Macalline Holding and Mr. CHE Jianxing have applied for a waiver and variation of the intention to reduce shareholding that, the number of shares of the issuer transferred by the Company/me each year shall not exceed 10% of the total number of the shares of the issuer held as at the end of the previous year after the expiry of committed shareholding lock-up period."

The undertakings in respect of which Red Star Macalline Holding and Mr. CHE Jianxing apply for waiver and variation are undertakings voluntarily made at the time of the initial public offering and listing of A shares of the Company and are not preconditions or required terms for the implementation and completion of the Company's initial public offering of A shares. In order to prevent the Controlling Shareholder and the de facto controller of the Company from violating the undertakings on intention and reduction of shareholding of shares due to the aforesaid transaction, and to ensure the smooth implementation of the Company's introduction of external investors and the deepening of strategic cooperation, Red Star Macalline Holding and Mr. CHE Jianxing apply to the Company for waiver and variation of the above-mentioned undertakings on intention and reduction of shareholding of shares, in accordance with the Guidelines for Regulation of Listed Companies No. 4 – Undertakings of Listed Companies and Their Relevant Parties and the Self-regulatory Guidelines of the Shanghai Stock Exchange No.1 – Standardized Operation.

V. SUBSEQUENT ARRANGEMENTS OF THE WAIVER AND VARIATION OF THE UNDERTAKINGS OF INTENTION TO HOLD SHARES AND INTENTION TO REDUCE SHAREHOLDING

On 18 January 2023, the Company and Red Star Macalline Holding receive the notice of C&D. For the purpose of protecting the benefits of the Company and investors, C&D makes the following commitments in accordance with the relevant requirements of the Guidelines for Regulation of Listed Companies No. 4 – Undertakings of Listed Companies and Their Relevant Parties:

“If Xiamen C&D becomes the controlling shareholder of Macalline due to this transaction in accordance with the provisions of the Measures for the Administration of the Takeover of Listed Companies, the Rules Governing the Listing of Stocks on Shanghai Stock Exchange and other regulations, Xiamen C&D will not transfer shares of Macalline acquired through this transaction within 18 months after the completion of this transaction; upon the expiry of the aforesaid lock-up period, during the period of being the controlling shareholder of Macalline, the annual transfer of Macalline shares by Xiamen C&D shall not exceed 10% of the total number of Macalline shares held at the end of the previous year.”

VI. IMPACT OF THE EXEMPTION AND VARIATION OF UNDERTAKINGS ON THE COMPANY

In view of the fact that 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) If Alibaba exercises the exchange rights in full as the above-mentioned intention disclosed, upon completion of the undertaking of waiver and the variation and the completion of the transaction, pursuant to the provisions of the Measures for the Administration of the Takeover of Listed Companies and the Rules Governing the Listing of Stocks on Shanghai Stock Exchange, the Company's controlling shareholder will change to Xiamen C&D and the de facto controller of the Company will change to State-owned Assets Supervision and Administration Commission of Xiamen Government.

The exemption and variation of the undertakings is conducive to the smooth introduction of external investors and a new controlling shareholder with state-owned assets background by the Company, the deepening of cooperation of the Company with strategic investors, without adverse impact on the development of the Company, and can provide sufficient impetus for the future development of the Company, and facilitate the overall improvement of the Company's ability to continue as a going concern, without damage to the legitimate rights and interests of all shareholders. After the completion of the Share Transfer of the Company, the introduction of the state-owned enterprise as a new controlling shareholder of the Company will optimize the shareholder structure, integrate resource advantages, stimulate the Company's vitality and enhance its resilience, which is beneficial to the sustainable and stable development of the Company.

VII. OPINION OF THE BOARD

The Board of the Company believes that the waiver and the variation of undertakings of intention to hold shares and intention to reduce shareholding of shares of Red Star Macalline Holding, the controlling shareholder of the Company and Mr. CHE Jianxing, the de facto controller of the Company, are in compliance with the Guidelines for Regulation of Listed Companies No. 4 – Undertakings of Listed Companies and Their Relevant Parties and other laws and regulations, and the Articles of Association of Red Star Macalline Group Corporation Ltd., without any prejudice to the interests of the Company and all shareholders. When the Board considered the resolution, the related directors abstained from voting, and the consideration and decision-making procedures of the proposal were in compliance with the Company Law of the People's Republic of China, the Rules Governing the Listing of Stocks on Shanghai Stock Exchange and other laws and regulations and the relevant provisions of the Articles of Association of Red Star Macalline Group Corporation Ltd.. All Directors of the Company agreed to the application for the waiver and the variation of 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 and agreed to submit the proposal to the general meeting of the Company for consideration.

VIII. OPINION OF THE INDEPENDENT DIRECTORS

The independent Directors of the Company believes that the waiver and the variation of undertakings of intention to hold shares and intention to reduce shareholding of shares of Red Star Macalline Holding, the controlling shareholder of the Company and Mr. CHE Jianxing, the de facto controller of the Company, are in compliance with the Guidelines for Regulation of Listed Companies No. 4 – Undertakings of Listed Companies and Their Relevant Parties and other laws and regulations, and the Articles of Association of Red Star Macalline Group Corporation Ltd., without any prejudice to the interests of the Company and all shareholders. When the Board considered the resolution, the related directors abstained from voting, and the consideration and decision-making procedures of the proposal were in compliance with the Company Law of the People's Republic of China, the Rules Governing the Listing of Stocks on Shanghai Stock Exchange and other laws and regulations and the relevant provisions of the Articles of Association of Red Star Macalline Group Corporation Ltd.. All independent Directors of the Company agreed to the application for the waiver and the variation of 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.

IX. OPINION OF THE SUPERVISORY COMMITTEE

The Supervisory Committee of the Company believes that the waiver and the variation of undertakings of intention to hold shares and intention to reduce shareholding of shares of Red Star Macalline Holding, the controlling shareholder of the Company and Mr. CHE Jianxing, the de facto controller of the Company, are in compliance with the Guidelines for Regulation of Listed Companies No. 4 – Undertakings of Listed Companies and Their Relevant Parties and other laws and regulations, and the Articles of Association of Red Star Macalline Group Corporation Ltd., without any prejudice to the interests of the Company and all shareholders. When the Board considered the resolution, the related directors abstained from voting, and the consideration and decision-making procedures of the proposal were in compliance with the Company Law of the People’s Republic of China, the Rules Governing the Listing of Stocks on Shanghai Stock Exchange and other laws and regulations and the relevant provisions of the Articles of Association of Red Star Macalline Group Corporation Ltd.. All supervisors of the Company agreed to the application for the waiver and the variation of undertakings on of intention to hold shares and intention to reduce shareholding of shares of the controlling shareholder and the de facto controller of the Company.

A circular containing, among other things, details of the proposal applying for waiver and variation of the undertakings on intention and reduction of shareholding of shares and the notice convening the general meeting, will be despatched to the Shareholders in due course.

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

Shanghai, the PRC
18 January 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.