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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)

CONTINUING CONNECTED TRANSACTION IN RELATION TO THE LOAN FRAMEWORK AGREEMENT

LOAN FRAMEWORK AGREEMENT

The Board is pleased to announce that on 11 April 2025, the Board resolved for the Company to enter into the Loan Framework Agreement with Xiamen C&D. Pursuant to the Loan Framework Agreement, Xiamen C&D either directly or through its designated subsidiaries, joint ventures, and associates (excluding the Group), or by entrusting banks, shall provide Revolving Facility up to RMB9.5 billion to the Company for the period of three years commencing from the date on which the Loan Framework Agreement, the Transactions and Annual Caps are to be approved by the Independent Shareholders at the EGM. The Company and its subsidiaries will provide Collateral for the Revolving Facility.

LISTING RULES IMPLICATIONS

As at the date of this announcement, Xiamen C&D directly and indirectly hold 1,304,242,436 shares of the Company, representing approximately 29.95% of the total issued share capital of the Company. Therefore, Xiamen C&D is a substantial shareholder of the Company and a connected person of the Company under Rule 14A.07(1) of the Listing Rules. Accordingly, the Transactions contemplated under the Loan Framework Agreement constitute continuing connected transactions of the Company under the Listing Rules.

As the highest applicable percentage ratio in respect of the highest amount of the Annual Caps is higher than 5%, the Transactions thereunder are subject to reporting, annual review, announcement requirements, circular (including independent financial advice) and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

A circular containing, among other things, (i) details of the Loan Framework Agreement, the Transactions and Annual Caps; (ii) a letter from the Independent Board Committee to the Independent Shareholders in respect of the Transactions and the Annual Caps; (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Transactions and the Annual Caps; and (iv) a notice of the EGM, is expected to be published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.chinaredstar.com) on or before 8 May 2025.

INTRODUCTION

The Board is pleased to announce that on 11 April 2025, the Board resolved for the Company to enter into the Loan Framework Agreement with Xiamen C&D. Pursuant to the Loan Framework Agreement, Xiamen C&D either directly or through its designated subsidiaries, joint ventures, and associates (excluding the Group), or by entrusting banks, shall provide Revolving Facility up to RMB9.5 billion to the Company for the period of three years commencing from the date on which the Loan Framework Agreement, the Transactions and Annual Caps are to be approved by the Independent Shareholders at the EGM. The Company and its subsidiaries will provide Collateral for the Revolving Facility.

THE LOAN FRAMEWORK AGREEMENT

The principal terms of the Loan Framework Agreement are summarised below:

- Parties:** The Company (as borrower); and
Xiamen C&D (as lender) (for itself and on behalf of its subsidiaries, joint ventures and associates except for the Group)
- Revolving Facility:** Subject to the satisfaction of the condition precedent as set out below, a Revolving Facility of up to RMB9.5 billion shall be made available to the Company by Xiamen C&D Group. The Revolving Facility is available for one or multiple drawings during the Available Period. For the avoidance of doubt, the repaid principal amounts of the Revolving Facility (if any) shall be available for drawing during the Available Period.
- Available Period:** Three years commencing from the date on which the Loan Framework Agreement was considered and approved by the EGM. The available period of each drawdown of the Revolving Facility will be no more than 36 months. If the actual available period agreed upon at each drawdown of loans exceeds the Available Period (“**Excess Portion**”) under the Loan Framework Agreement, the Excess Portion will continue to be valid subject to the renewal of the Loan Framework Agreement. In the event the Company does not complete the renewal of the Loan Framework Agreement, all remaining amounts drawn must be repaid by the expiration date of the Loan Framework Agreement.
- Use of the Loan:** The loans granted by Xiamen C&D to the Company under the Loan Framework Agreement will be used for the Company’s regular operational activities, repayment of interest-bearing debt, and other matters related to lawful business activities.

Interest of the Loan: The interest rate of each drawdown is the 1-year Loan Prime Rate (LPR) + floating point that is published by the national interbank funding centre on the business day before the provision of each loan, with a floating point shall not exceed 90 basis points. The interest rate of each drawdown shall be specified in the corresponding Specific Agreement.

The loan interest rate is determined through arm's-length negotiations between the Company and Xiamen C&D, based on the following references: (1) the 1-year Loan Prime Rate (LPR) published by the national interbank funding centre, which was 3.1% as of the date of this announcement; (2) the loan interest rates ranging from approximately 4.0% to 4.98% obtained by the Company from the major commercial banks in China, all of which are independent third parties over the past three years.

Credit Enhancement Measures: The Group shall provide Collateral for the Revolving Facility.

The overall mortgage/pledge ratio of these Collateral shall ranges from 45% to 75% of the appraised fair value of these Collateral. The fair value of the real estate collaterals shall be based on the appraised value of investment properties in the most recent period. The mortgage rate is determined by reference to the loan-to-value ratios of the Company's new or renewed mortgage loan with comparable maturity over the last year. If the Collateral also guarantees other existing financing facilities, fair value of such Collateral should deduct the balance of the relevant existing financing facilities.

During the available period of each drawdown of the Revolving Facility, the Group may, as necessary for business purposes and as agreed by Xiamen C&D, partially or fully replace the Collateral or credit enhancement measures.

Condition precedent: The Loan Framework Agreement shall become effective upon fulfilment of the following conditions:

- (1) Signature(s) (or seal(s)) of the Company and the legal representative(s) or authorized representative(s), and the official seal(s) of both parties shall be affixed;
- (2) The Loan Framework Agreement, the Transactions and the Annual Caps thereunder are subject to the Independent Shareholders' approval obtained by the Company at the EGM in accordance with the Listing Rules.

HISTORICAL AMOUNTS

There was no historical amount incurred prior to the date of this announcement in respect of the Transactions under the Loan Framework Agreement.

PROPOSED ANNUAL CAPS AND BASIS OF DETERMINATION

For the period from the Effective Date to 31 December 2025, the year ending 31 December 2026, the year ending 31 December 2027 and the period from 1 January 2028 to the expiration date of the Loan Framework Agreement, the maximum daily amounts of utilized loans between the Company and Xiamen C&D pursuant to the Loan Framework Agreement, being the Annual Caps for the Revolving Facility, including interest incurred, shall be RMB9.73 billion, RMB9.88 billion, RMB9.88 billion and RMB9.66 billion, respectively.

In determining the Annual Caps, the Directors have taken into account (1) the fair value of the Company's properties applicable for mortgage of approximately RMB15.30 billion, along with the mortgage rate ranging between 45% and 75%; (2) the Company's demand for loan over the past three years, the maturity profile of existing loans over the next three years and the Company's buffer considering its loan requirements for the next three years; (3) the Company's bank balances and cash as at 31 December 2024; (4) the Company's routine financing needs; (5) the operating cash flow to be generated based on the overall business scale of the Company for the next three years.

INTERNAL CONTROL MEASURES

The Group has adopted the following internal control measures in relation to the utilisation of the Revolving Facility by Xiamen C&D:

- (1) The Company is required to obtain internal approval before entering into any Specific Agreement in relation to the Revolving Facility. Before entering into any Specific Agreement, the Company will make enquiries with at least two independent third parties about their offers (including interest rates) in respect of the facilities on equal terms. To ensure that the facility amount (including interest rates) obtained by the Company from Xiamen C&D are offered on general commercial terms or more favorable terms;
- (2) Regular checks will be conducted to review and assess whether the relevant continuing connected transactions are conducted in accordance with the terms of the Specific Agreement and the Loan Framework Agreement and that the interest charged by Xiamen C&D for a transaction contemplated under a Specific Agreement is fair and reasonable, and the collateral mortgage rate of the Company remains within the range stipulated in the Loan Framework Agreement;
- (3) Meetings of the finance management centre of the Company will be convened on a monthly basis, to keep abreast of the each loan granted by Xiamen C&D to the Company, monitor the utilization of the cap on the continuing connected transaction, and the mortgage rate of pledged assets and to reasonably formulate recommendations on financing arrangements of the Company for the next month, which shall also be reported to the management of the Company;
- (4) The finance management centre of the Company will prepare half-year reports and annual reports in relation to the Transactions contemplated under the Loan Framework Agreement. Such reports will be submitted to the Board regularly and be provided to the independent auditor of the Company for their review;
- (5) The finance management centre will closely monitor each loan obtained by the Company from Xiamen C&D and ensure that the interest paid for each loan will not exceed the interest rate as specified in the corresponding Specific Agreement;

- (6) to ensure proper and complete separation of duties, no common staff, senior management or director of the Group and Xiamen C&D (and its subsidiaries) will be involved in the internal control procedures. The Company will conduct an annual review of the above internal control measures and report the review results to the Board;
- (7) the independent non-executive Directors and the independent auditor of the Company will conduct an annual review on the terms of the Transactions; and
- (8) the Board will oversee the Company's internal control measures in relation to the Loan Framework Agreement on an ongoing basis.

In light of the above, the Directors consider that the internal control mechanism is effective to ensure that the Transactions contemplated under the Loan Framework Agreement have been and will be conducted on normal commercial terms and not prejudicial to the interests of the Company and the Shareholders as a whole.

The Board considers that the internal control procedures adopted in respect of the Transactions contemplated under the Loan Framework Agreement are appropriate and that they will give sufficient assurance to the Shareholders that the Transactions under the Loan Framework Agreement will be appropriately monitored by the Company.

REASONS FOR AND BENEFITS OF ENTERING INTO THE LOAN FRAMEWORK AGREEMENT

The Transaction between the Company and related parties follows the principles of market economy and market fairness. Both parties involved in the Transaction are equal and enter willingly, mutually benefiting each other. The Transaction safeguards the interests of both parties and will not harm the Company's interests. It is conducive to meeting the Company's working capital turnover needs and improving the efficiency of the Company's fund usage.

In light of the above, the Directors (excluding the independent non-executive Directors whose views will be given after taking into consideration the advice from the Independent Financial Adviser) consider that the Transactions have been negotiated on arm's length basis, are on normal commercial terms or better and in the ordinary and usual course of business of the Group, and the terms of the Loan Framework Agreement, the Transactions contemplated thereunder and the Annual Caps are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The Directors, namely Mr. LI Yupeng, Mr. ZHENG Yongda and Mr. ZOU Shaorong, have abstained from voting on the relevant resolutions approving the above transactions in view of their conflict of interests or potential interests in the Transactions contemplated thereunder. Save as disclosed above, none of the other Directors has material interests in the Transactions contemplated thereunder.

INFORMATION ON PARTIES INVOLVED IN THE TRANSACTION AND ITS ULTIMATE BENEFICIAL OWNERS

As a leading home improvement and furnishings shopping mall operator in the PRC, the Group mainly engages in the business of offering comprehensive services to the merchants, consumers and partners of the home improvement and furnishings shopping malls under "Red Star Macalline" through the operation and management of both Portfolio Shopping Malls and Managed Shopping Malls. Meanwhile, the Group also participates in pan-home furnishings consumption, including internet home decoration, internet retail, etc.

Xiamen C&D is a limited liability company incorporated in the PRC and listed on the Shanghai Stock Exchange under the stock code: 600153, which is principally engaged in import and export of goods, trade agency, sales agency, product sales, international freight forwarding and technology promotion and application. As at the date of this announcement, Xiamen C&D and parties acting in concert with it held in aggregate approximately 29.95% of the issued share capital of the Company, and is therefore a substantial shareholder of the Company.

LISTING RULES IMPLICATIONS

As at the date of this announcement, Xiamen C&D directly and indirectly holds 1,304,242,436 shares of the Company, representing approximately 29.95% of the total issued share capital of the Company. Therefore, Xiamen C&D is a substantial shareholder of the Company and a connected person of the Company under Rule 14A.07(1) of the Listing Rules. Accordingly, the Transactions contemplated under the Loan Framework Agreement constitute continuing connected transactions of the Company under the Listing Rules.

As the highest applicable percentage ratio in respect of the highest amount of the Annual Caps under the Loan Framework Agreement is higher than 5%, the Transactions thereunder are subject to reporting, annual review, announcement requirements, circular (including independent financial advice) and Shareholders' approval requirements under Chapter 14A of the Listing Rules.

INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

An Independent Board Committee comprising all independent non-executive Directors (namely, Mr. XUE Wei, Mr. CHEN Shanang, Mr. HUANG Jianzhong, Mr. WONG Chi Wai and Mr. CAI Qinghui) has been established to advise the Independent Shareholders on whether or not the Transactions and the Annual Caps are conducted in the ordinary and usual course of business and on normal commercial terms or better, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Gram Capital will be appointed to advise the Independent Board Committee and the Independent Shareholders on the fairness and reasonableness of the Transactions and the Annual Caps.

PUBLICATION OF CIRCULAR

A circular containing, among other things, (i) details of the Loan Framework Agreement, the Transactions and Annual Caps; (ii) a letter from the Independent Board Committee to the Independent Shareholders in respect of the Transactions and the Annual Caps; (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Transactions and the Annual Caps; and (iv) a notice of the EGM, is expected to be published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.chinaredstar.com) on or before 8 May 2025.

DEFINITION

In this announcement, unless otherwise defined, terms used herein shall have the following meanings:

“Annual Caps”	the proposed annual caps for the maximum daily amount of utilized loans between the Company and Xiamen C&D pursuant to the Loan Framework Agreement as set out in the section headed “PROPOSED ANNUAL CAPS AND BASIS OF DETERMINATION” in this announcement
“Available Period”	three years commencing from the date on which the Loan Framework Agreement was considered and approved by the EGM
“Board”	the board of the Company
“Collateral”	certain real estate mortgages, equity pledges, or receivables pledges held by the Company
“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 and A shares are listed on the Shanghai Stock Exchange
“Director(s)”	the directors of the Company
“Effective Date”	the date on which all the condition precedents under the Loan Framework Agreement are satisfied
“EGM”	the extraordinary general meeting of the Company to be held considering and approved, among which, the details of the Loan Framework Agreement, the Transactions and Annual Caps.
“Group”	the Company and its subsidiaries
“Independent Board Committee”	the independent committee of the Board comprising all independent non-executive Directors, namely Mr. XUE Wei, Mr. CHEN Shanang, Mr. HUANG Jianzhong, Mr. WONG Chi Wai and Mr. CAI Qinghui, which is established to advise the Independent Shareholders in respect of the Transactions and the Annual Caps
“Independent Financial Adviser” or “Gram Capital”	Gram Capital Limited, a corporation licensed to carry out Type 6 (advising on corporate finance) regulated activity under the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong), being the independent financial adviser to be appointed to advise the Independent Board Committee and the Independent Shareholders in respect of Transactions and the Annual Caps

“Independent Shareholder(s)”	shareholders who are not required to abstain from voting at the relevant general meeting of the Company to be held to consider, and if thought fit, approve the Loan Framework Agreement, the Transactions and the Annual Caps
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Loan Framework Agreement”	a loan framework agreement to be entered into between the Company and Xiamen C&D
“Revolving Facility”	a revolving loan facility up to RMB9.5 billion to be made available by Xiamen C&D to the Company pursuant to the Loan Framework Agreement
“Shareholder(s)”	shareholder(s) of the Company
“Specific Agreement(s)”	specific agreements to be entered into between the Company and Xiamen C&D under the Loan Framework Agreement
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Transaction(s)”	the transactions contemplated under the Loan Framework Agreement
“Xiamen C&D”	Xiamen C&D Inc.* (廈門建發股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 600153), a substantial shareholder of the Company
“Xiamen C&D Group”	Xiamen C&D and its subsidiaries, joint ventures and other associates
“%”	per cent

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

Shanghai, the PRC
11 April 2025

As at the date of this announcement, the executive Directors of the Company are LI Yupeng, CHE Jianxing, SHI Yaofeng and YANG Yingwu; the non-executive Directors are ZHENG Yongda, ZOU Shaorong, LI Jianhong, SONG Guangbin and XU Di; and the independent non-executive Directors are XUE Wei, HUANG Jianzhong, CHEN Shanang, WONG Chi Wai and CAI Qinghui.