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**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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If you are in any doubt about any of the contents of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your Shares in Red Star Macalline Group Corporation Ltd., you should at once hand this circular together with the proxy form to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this circular, 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 circular.

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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  
AND  
NOTICE OF THE 2025 THIRD EXTRAORDINARY  
GENERAL MEETING**

**Independent Financial Adviser to the Independent Board Committee and the  
Independent Shareholders**



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A letter from the Board is set out on pages 5 to 14 of this circular. A notice of the EGM of the Company to be held at 10:30 a.m. on Thursday, 29 May 2025 at Conference Center, 3/F, South Building, Block B, Macalline Global Center, Lane 1466, Shenchang Road, Minhang District, Shanghai, the PRC, will be published on the websites of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company ([www.chinaredstar.com](http://www.chinaredstar.com)) together with this circular.

Shareholders who intend to appoint a proxy to attend the EGM shall complete and return the proxy form in accordance with the instructions printed thereon. The proxy form must be signed by you or your attorney duly authorized in writing or, in case of a legal person, must either be executed under its seal or under the hand of its director or other attorney duly authorized to sign the same. If the proxy form is signed by an attorney of the appointor, the power of attorney authorising that attorney to sign, or other document of authorization, must be notarized.

In the case of joint holders of Shares, only the holder whose name stands first in the register of members of the Company shall alone be entitled to vote at the EGM, either in person or by proxy in respect of such Shares.

For H Share Shareholders, please return the proxy form together with any documents of authority to Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong as soon as possible, and in any event not later than 24 hours before the time appointed for holding the EGM. Completion and return of the proxy form will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish.

13 May 2025

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## DEFINITIONS

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

“A Share(s)”	the ordinary share(s) issued by the Company, with a nominal value of RMB1.0 each, listed on the Shanghai Stock Exchange and traded in RMB
“A Share Shareholder(s)”	the holder(s) of the A Share(s)
“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 circular
“Articles of Association”	the articles of association of the Company, as amended, modified or otherwise supplemented from time to time
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“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 directors of the Company
“Collateral”	certain real estate mortgages, equities, 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 (stock code: 1528)
“connected person”	has the meaning ascribed to it under the Listing Rules
“connected transaction(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Effective Date”	the date on which all the condition precedents under the Loan Framework Agreement are satisfied

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## DEFINITIONS

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“EGM”	the 2025 third extraordinary general meeting to be convened and held on Thursday, 29 May 2025
“Group”	the Company and its subsidiaries
“H Share(s)”	the overseas listed foreign invested ordinary share(s) with a nominal value of RMB1.0 each in the share capital of the Company, listed on the Stock Exchange and traded in Hong Kong dollars
“H Share Shareholder(s)”	the holder(s) of H Share(s)
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“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), is the independent financial adviser appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in respect of Loan Framework Agreement, the Transactions and the Annual Caps
“Independent Shareholder(s)”	shareholders who are not required to abstain from voting at the EGM to be held to consider, and if thought fit, approve the Transactions and the Annual Caps
“Independent Third Party(ies)”	an individual or a company which, to the best of the Directors’ knowledge, information and belief, having made all reasonable enquiries, is not a connected person of the Company within the meaning of the Listing Rules and is(are) third party(ies) independent of the Company and its connected person

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## DEFINITIONS

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“Latest Practicable Date”	12 May 2025, being the latest practicable date for the purpose of ascertaining certain information contained herein
“Lianfa Group”	Lianfa Group Co., Ltd.* (聯發集團有限公司), a subsidiary of Xiamen C&D
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Loan Framework Agreement”	a loan framework agreement entered into between the Company and Xiamen C&D
“PBOC”	the People’s Bank of China (中國人民銀行), the central bank of the PRC
“PRC” or “China”	the People’s Republic of China, but for the purpose of this circular only, excludes Hong Kong, the Macau Special Administrative Region and Taiwan
“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
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Shanghai Stock Exchange”	the Shanghai Stock Exchange
“Share(s)”	A Share(s) and H Share(s)
“Shareholder(s)”	the A Share Shareholder(s) and the H Share Shareholder(s) of the Company
“Specific Agreement(s)”	specific agreements entered into between the Company and Xiamen C&D under the Loan Framework Agreement
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules

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## DEFINITIONS

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“substantial shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Supervisor(s)”	the supervisor(s) of the Company
“Supervisory Committee”	the supervisory committee of the Company
“Transaction(s)”	the transactions contemplated under the Loan Framework Agreement
“Treasury shares”	has the meaning ascribed to it under the Listing Rules
“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 Lianfa Group
“%”	per cent

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## LETTER FROM THE BOARD

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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)**

*Executive Directors:*

Mr. LI Yupeng (*Chairman*)  
Mr. CHE Jianxing  
Mr. SHI Yaofeng  
Mr. YANG Yingwu

*Registered office in the PRC:*

Suite F801, 6/F  
No. 518, Linyu Road  
Pudong New District  
Shanghai  
PRC

*Non-executive Directors:*

Mr. ZHENG Yongda  
Mr. ZOU Shaorong  
Mr. LI Jianhong  
Mr. SONG Guangbin  
Ms. XU Di

*Principal place of business in Hong Kong:*

31/F, Tower 2  
Times Square  
1 Matheson Street  
Causeway Bay, Hong Kong

*Independent non-executive Directors:*

Mr. XUE Wei  
Mr. HUANG Jianzhong  
Mr. CHEN Shanang  
Mr. WONG Chi Wai  
Mr. CAI Qinghui

13 May 2025

*To the Shareholders*

Dear Sir or Madam,

**CONTINUING CONNECTED TRANSACTION IN RELATION  
TO THE LOAN FRAMEWORK AGREEMENT  
AND  
NOTICE OF THE 2025 THIRD EXTRAORDINARY  
GENERAL MEETING**

#### **I. INTRODUCTION**

Reference is made to the announcement of the Company dated 11 April 2025 in relation to entering into Loan Framework Agreement. The Board has approved, among other things, the resolution on the continuing connected transaction in relation to the Loan Framework Agreement. The resolution is subject to the approval of the Shareholders at the EGM by way of ordinary resolution.

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## LETTER FROM THE BOARD

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The purpose of this circular is to provide you with, among other things, the notice of the EGM and the information of the resolution to be proposed for consideration at the EGM, in order to enable you to make informed decisions on whether to vote for or against such resolution at the EGM.

### II. CONTINUING CONNECTED TRANSACTION IN RELATION TO THE LOAN FRAMEWORK AGREEMENT

#### 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.

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## LETTER FROM THE BOARD

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**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, such as employee salaries and payments to suppliers. The Company will determine the use of the loans in corresponding Specific Agreement based on its funding needs after receiving the loan.

**Interest of the Loan:**

It is a market norm to apply Loan Prime Rate (LPR) set by PBOC as a reference rate for loan interest. Currently, only the 1-year LPR and above-five-year LPR are published to the general public. Considering that the term of each drawdown will be less than 36 months, the interest rate of each drawdown is the 1-year LPR published by the PBOC applicable on the date of drawdown + floating point. The 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 negotiations between the Company and Xiamen C&D, based on the following references: (1) the 1-year LPR published by the National Interbank Funding Center as authorized by PBOC, which was 3.1% as of the Latest Practicable Date; (2) the one-year to three-year loan interest rates ranging from approximately 4.0% to 4.98% obtained by the Company from the major commercial banks, including but not limited to Industrial and Commercial Bank of China, China Construction Bank Corporation and Bank of Communications, in China over the past three years. All of these banks are Independent Third Parties; (3) 90 basis points, being the lowest basis points of the interest rates set out in (2); and (4) the floating point (calculated by interest rate minus 1-year or 5-year LPR) of the existing bank and other borrowings of the Company as at 31 December 2024 ranged from -5 basis points to +320 basis points, with approximately 65% exceeding 90 basis points. The Company will review each interest rates (including the basis point) before entering into Specific Agreement ensuring that the interest rate (including the basis point) of relevant loan will equal to or more favor than those provided by Independent Third Parties.

**Credit Enhancement Measures:**

The Group shall provide Collateral for the Revolving Facility.

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## LETTER FROM THE BOARD

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The overall mortgage/pledge rate of these Collateral shall ranges from 45% to 75% of the appraised fair value of these Collateral, which is calculated as the principal amount of an individual loan divided by the value (or residual value) of its 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 (i) the average loan-to-value ratio of approximately 26.0% of the Company's new or renewed mortgage loan with comparable maturity over the last year; (ii) the average mortgage rate, being approximately 23.0%, of the borrowings during the three months ended 31 March 2025 provide by the Independent Third Parties (including banks); (iii) an increase of the mortgage rate with reference to the average mortgage rate in (ii) considering the fluctuation of the valuation of the investment properties of the Company; and (iv) the weighted average mortgage rate of the Group's existing banks and other borrowings with property as collateral was approximately 34.8%, which is lower than the overall mortgage rate specified in the Loan Framework Agreement. If the Collateral also guarantees debts such as 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 adjust credit enhancement measures. Such adjustments may be made if the mortgage/pledge rate falls outside the range of 45% to 75%, or if the Company is able to obtain more favorable financing terms from financial institutions.

**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; and
- (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.

As at the Latest Practicable Date, condition precedent (1) above has been satisfied.

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## LETTER FROM THE BOARD

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### Historical Amounts

There was no historical amount incurred prior to the Latest Practicable Date 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, being the Annual Caps for the Revolving Facility, shall be RMB9.73 billion, RMB9.88 billion, RMB9.88 billion and RMB9.66 billion, respectively. The Annual Caps is calculated as below:

	For the period from the Effective Date to 31 December 2025	For the year ending 31 December 2026	For the year ending 31 December 2027	For the period from 1 January 2028 to the expiration date of the Loan Framework Agreement
Maximum principal amount	RMB9.50 billion	RMB9.50 billion	RMB9.50 billion	RMB9.50 billion
Estimated maximum accrued interest	RMB0.23 billion	RMB0.38 billion	RMB0.38 billion	RMB0.16 billion
Proposed Annual Caps	RMB9.73 billion	RMB9.88 billion	RMB9.88 billion	RMB9.66 billion

*Note: There is no separate annual cap for principal amount and accrued interest.*

In determining the Annual Caps, the Directors have taken into account (i) the fair value of the Company's property available for mortgage, estimated at approximately RMB15.30 billion, with a corresponding principal amount ranging from approximately RMB6.89 billion to RMB11.48 billion with a mid-point of RMB9.18 billion, based on the mortgage rates of 45% and 75%; (ii) approximately RMB6.0 billion borrowings with average interest rate of approximately 5.1% are repayable within one year or on demand and approximately RMB6.7 billion borrowings with average interest rate of approximately 5.07% are repayable more than one year but not exceeding two years according to the Company's 2024 annual report; (iii) the possibility of the Company to refinancing certain matured loans. For example, if the interest rates provided by the Independent Third Parties are higher those applicable under the Transaction, the Company will drawdown a facility under the Loan Framework Agreement with lower interest rates from Xiamen C&D; (iv) the Company's bank balances and cash of approximately RMB3.15 billion as at 31 December 2024; (v) the amount of newly added borrows during last year with reference to the proceeds from new bank and other borrowings records RMB13.1 billion for the year ended 31 December 2024; and (vi) the maximum accrued interest which is calculated by the maximum interest rate of LPR (i.e. 3.1%) plus 90 basis points and multiplying it by the maximum principal amount. Based on above, the Board is of the view that the proposed Annual Caps are fair and reasonable, reflecting the Group's borrowing needs and refinancing flexibility.

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## LETTER FROM THE BOARD

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### Internal Control Measures

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

- (1) The Company is required to obtain internal approval from the finance management centre of the Company or the Board 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 on quarterly basis 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 Collateral 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. If the utilization of the Annual Caps is expected to exceed 100%, the finance management centre of the Company will promptly report this to the Board. Any adjustment to the Annual Caps will comply with the connected transaction requirements under Chapter 14A of the Listing Rules, including reporting, annual review, announcement, circular (with independent financial advice), and approval by Independent Shareholders;
- (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 of the Company 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;

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## LETTER FROM THE BOARD

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- (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. The internal procedures required by Xiamen C&D for provision of loans under the Transaction are fewer than those required by banks for provision of loans. Therefore, the Company is able to secure financing more quickly. Moreover, the average mortgage rate of the borrowings during the three months ended 31 March 2025 provide by the Independent Third Parties (including banks) is approximately 23.0% and the Company will only enter into Specific Agreement with Xiamen C&D when the interest rate and mortgage rate are equal to or more favor than those provided by the Independent Third Parties. Therefore, the mortgage or pledge rate for the Transaction is more favour than that of bank loans. Additionally, the use of funds obtained through the Transaction are subject to fewer restrictions, offering greater flexibility for the Company to efficiently manage its cash flow. The Company also considered other means of financing (e.g. equity financing). However, the other means of financing would take a longer preparation and application time and would impose more restrictions on the use of the proceeds (i.e. the proceeds need to be used for specific projects and unable to change the use of proceeds at the Company's own discretion). Such restrictions make it challenging to meet the Company's financing needs. Notwithstanding the foregoing, the Company has no obligation to drawdown the entire amount of the loan, and is free to obtain loan financing from other banks or explore other financing means if the market conditions change in the future and the interest rate set under the Loan Framework Agreement no longer commensurate with the interest rate obtainable by our Company from the market. Base on above, the Company believes that entering into the Loan Framework Agreement is the best alternative. To the best knowledge of the Directors, the provision of the Revolving Facilities by Xiamen C&D neither requires any regulatory approval nor is subject to any restrictions.

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## LETTER FROM THE BOARD

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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. According to the 2024 annual report of Xiamen C&D, Xiamen C&D Co., Ltd. \* (廈門建發集團有限公司) is a controlling shareholder of Xiamen C&D and held approximately 46.03% total issued shares of Xiamen C&D. Xiamen C&D Co., Ltd. is wholly-owned by the State-owned Assets Supervision and Administration Commission of Xiamen Municipal People's Government\* (廈門市人民政府國有資產監督管理委員會). As at the Latest Practicable Date, 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 Latest Practicable Date, Xiamen C&D Group 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.

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## LETTER FROM THE BOARD

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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, circular (including independent financial advice) and Independent 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 has also been appointed by the Company to advise the Independent Board Committee and the Independent Shareholders on the fairness and reasonableness of the Transactions and the Annual Caps.

### **III. THE 2025 THIRD EXTRAORDINARY GENERAL MEETING**

The notice of the EGM to be held at 10:30 a.m. on Thursday, 29 May 2025 at Conference Center, 3/F, South Building, Block B, Macalline Global Center, Lane 1466, Shenchang Road, Minhang District, Shanghai, the PRC, is set out on pages 37 to 38 of this circular.

The proxy form for the EGM is also enclosed herein and published on the websites of the Stock Exchange ([www.hkexnews.com.hk](http://www.hkexnews.com.hk)) and the Company ([www.chinaredstar.com](http://www.chinaredstar.com)). The Shareholders who intend to appoint (a) proxy/proxies to attend the EGM shall complete, sign and return the proxy form in accordance with the instructions printed thereon.

For H Share Shareholders, the proxy form, and if the proxy form is signed by a person under a power of attorney or other authority on behalf of the appointor, a notarially certified copy of that power of attorney or other authority, must be delivered to the Company's H share registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, not less than 24 hours before the time for holding the EGM in order for such documents to be valid.

Pursuant to the Articles of Association, for the purpose of holding the EGM, the register of members of H Shares will be closed from Tuesday, 27 May 2025 to Thursday, 29 May 2025 (both days inclusive), during this period no transfer of H Shares will be registered. H Share Shareholders whose names appear on the register of members of the Company on Tuesday, 27 May 2025 are entitled to attend and vote at the EGM.

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## LETTER FROM THE BOARD

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In order to ascertain the entitlements to attend and vote at the EGM, H Share Shareholders shall lodge all transfer documents together with the relevant share certificates to Computershare Hong Kong Investor Services Limited, the Company's H share registrar, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, no later than 4:30 p.m. on Monday, 26 May 2025.

As at the Latest Practicable Date, Xiamen C&D holds 1,042,958,475 A Shares, representing approximately 23.95% of the total issued share capital of the Company. Lianfa Group, a subsidiary of Xiamen C&D, directly holds 261,283,961 A Shares, representing approximately 6% of the total issued share capital of the Company. Therefore, Xiamen C&D and Lianfa Group will abstain from voting on the resolution approving the Loan Framework Agreement, the Transactions and the Annual Cap at the EGM. Save for Xiamen C&D Group, to the best knowledge, information and belief of the Directors having made all reasonable enquiries, no other Shareholder is required to abstain from voting on resolution at the EGM.

For the avoidance of doubt and for the purpose of the Listing Rules, holders of Treasury shares, shall abstain from voting at the EGM.

Pursuant to Rule 13.39(4) of the Listing Rules, any vote of shareholders at a general meeting must be taken by poll except where the chairman, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands. Therefore, the resolution proposed at the EGM will be voted by poll.

#### IV. RECOMMENDATION

The Board is of the view that entering into the Loan Framework Agreement is in the ordinary and usual course of business, the terms (including the proposed Annual Caps) are fair and reasonable and on normal commercial terms and better and are in the interests of the Company and the Shareholders as a whole. Accordingly, the Board recommends the Independent Shareholders to vote in favour of the resolution regarding the Loan Framework Agreement to be proposed at the EGM.

By order of the Board

**Red Star Macalline Group Corporation Ltd.**

**QIU Zhe**

*Secretary of the Board and Joint Company Secretary*



**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)**

*To the Independent Shareholders*

13 May 2025

Dear Sir or Madam,

**CONTINUING CONNECTED TRANSACTION**

We refer to the circular of the Company dated 13 May 2025 (the “**Circular**”) of which this letter forms part. Unless the context otherwise requires, capitalised terms used herein shall have the same meanings as those defined in the Circular.

We have been appointed by the Board as the Independent Board Committee to consider and advise the Independent Shareholders as to whether the terms of the Loan Framework Agreement, the Transactions contemplated thereunder, and the Annual Caps as set out under the Loan Framework Agreement are fair and reasonable and are in the interests of the Company and the Shareholders as a whole. Gram Capital has been appointed as the Independent Financial Adviser to advise us and the Independent Shareholders in this respect.

We wish to draw your attention to the “Letter from Independent Financial Adviser” as set out on pages 16 to 28 of the Circular. We have considered the terms and conditions of the Transactions, the advice of the Independent Financial Adviser and other factors contained in the “Letter from the Board” as set out on pages 5 to 14 of the Circular.

Having considered the advice given by Gram Capital, in particular the principal factors, reasons and recommendation as set out in this letter, we consider that (i) the enter into and the terms of the Loan Framework Agreement is in ordinary and usual course of business of the Group and is in the interests of the Company and the Shareholders as a whole respectively; and (ii) the terms and conditions of the Loan Framework Agreement are normal commercial terms whilst the Annual Caps as set out in the Loan Framework Agreement are fair and reasonable so far as the Company and the Independent Shareholders are concerned. Accordingly, we recommend the Independent Shareholders to vote in favour of the relevant ordinary resolution to be proposed at the EGM to approve the Loan Framework Agreement, the Transactions contemplated thereunder and the Annual Caps as set out under the Loan Framework Agreement.

Yours faithfully  
For and on behalf of the  
**Independent Board Committee**

**Mr. XUE Wei**

**Mr. CHEN Shanang**

**Mr. HUANG Jianzhong**

**Mr. WONG Chi Wai**

**Mr. CAI Qinghui**

*Independent non-executive Directors*

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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*Set out below is the text of a letter received from Gram Capital, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Transactions for the purpose of inclusion in this circular.*



Room 1209, 12/F.  
Nan Fung Tower  
88 Connaught Road Central/  
173 Des Voeux Road Central  
Hong Kong

13 May 2025

*To: The Independent Board Committees and the Independent Shareholders  
of Red Star Macalline Group Corporation Ltd.*

Dear Sir/Madam,

### CONTINUING CONNECTED TRANSACTION

#### INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committees and the Independent Shareholders in respect of the Transactions, details of which are set out in the letter from the Board (the “**Board Letter**”) contained in the circular dated 13 May 2025 issued by the Company to the Shareholders (the “**Circular**”), of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

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 being approved by the Independent Shareholders at the EGM. The Company and its subsidiaries will provide Collateral for the Revolving Facility. The Loan Framework Agreement was entered into between the Company and Xiamen C&D on 9 May 2025.

With reference to the Board Letter, the Transactions constitute continuing connected transactions of the Company and are subject to the reporting, announcement, annual review and Independent Shareholders’ approval requirements of Chapter 14A of the Listing Rules.

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## **LETTER FROM THE INDEPENDENT FINANCIAL ADVISER**

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The Independent Board Committee comprising Mr. XUE Wei, Mr. CHEN Shanang, Mr. HUANG Jianzhong, Mr. WONG Chi Wai and Mr. CAI Qinghui (all being independent non-executive Directors) has been established to advise the Independent Shareholders on (i) whether the terms of the Transactions (including the Annual Caps) are on normal commercial terms and are fair and reasonable; (ii) whether the Transactions are in the interests of the Company and the Shareholders as a whole and conducted in the ordinary and usual course of business of the Group; and (iii) how the Independent Shareholders should vote in respect of the resolution to approve the Transactions and the Annual Caps at the EGM. We, Gram Capital Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this respect.

### **INDEPENDENCE**

During the past two years immediately preceding the Latest Practicable Date, Gram Capital was engaged as the independent financial adviser to the Company pursuant to Rule 14A.52 of the Listing Rules in respect of continuing connected transactions (details of which were set out in the Company's announcement dated 12 July 2024). Save for the aforesaid engagement, there was no other service provided by Gram Capital to the Company during the past two years immediately preceding the Latest Practicable Date.

Notwithstanding the aforesaid engagement, we were not aware of any relationship or interest between Gram Capital and the Company or any other parties during the past two years immediately preceding the Latest Practicable Date that could be reasonably regarded as a hindrance to Gram Capital's independence to act as the Independent Financial Adviser.

Having considered the above and that (i) none of the circumstances as set out under the Rule 13.84 of the Listing Rules existed as at the Latest Practicable Date; and (ii) the aforesaid past engagement was only independent financial adviser engagement and would not affect our independence to act as the Independent Financial Adviser, we are of the view that we are independent to act as the Independent Financial Adviser.

### **BASIS OF OUR OPINION**

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have relied on the statements, information, opinions and representations contained or referred to in the Circular and the information and representations as provided to us by the Directors. We have assumed that all information and representations that have been provided by the Directors, for which they are solely and wholly responsible, are true and accurate at the time when they were made and continue to be so as at the Latest Practicable Date. We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors in the Circular were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Company, its advisers and/or the Directors, which have been provided to us. Our opinion is based on the

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Directors' representation and confirmation that there are no undisclosed private agreements/arrangements or implied understanding with anyone concerning the Transactions. We consider that we have taken sufficient and necessary steps on which to form a reasonable basis and an informed view for our opinion in compliance with Rule 13.80 of the Listing Rules.

The Circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in the Circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement as contained therein or the Circular misleading. We, as the Independent Financial Adviser, take no responsibility for the contents of any part of the Circular, save and except for this letter of advice.

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent in-depth investigation into the business and affairs of the Company, Xiamen C&D or their respective subsidiaries or associates, nor have we considered the taxation implication on the Group or the Shareholders as a result of the Transactions. Our opinion is necessarily based on the financial, economic, market and other conditions in effect and the information made available to us as at the Latest Practicable Date. Shareholders should note that subsequent developments (including any material change in market and economic conditions) may affect and/or change our opinion and we have no obligation to update this opinion to take into account events occurring after the Latest Practicable Date or to update, revise or reaffirm our opinion. In addition, nothing contained in this letter should be construed as a recommendation to hold, sell or buy any Shares or any other securities of the Company.

Lastly, where information in this letter has been extracted from published or otherwise publicly available sources, it is the responsibility of Gram Capital to ensure that such information has been correctly extracted from the relevant sources.

### **PRINCIPAL FACTORS AND REASONS CONSIDERED**

In arriving at our opinion in respect of the Transactions (including the Annual Caps), we have taken into consideration the following principal factors and reasons:

#### **Information on the Group**

With reference to the Board Letter, 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

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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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.

### **Information on Xiamen C&D**

With reference to the Board Letter, 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 Latest Practicable Date, 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.

### **Reasons for and benefits of the Transactions**

According to the Company’s annual report for the year ended 31 December 2024 (the “**2024 Annual Report**”), the Group’s operating segments comprised (i) owned/leased portfolio shopping malls (the “**Owned/Leased Portfolio Shopping Malls**”); (ii) managed shopping malls; (iii) construction and decoration services; and (iv) others. Revenue generated from the Owned/Leased Portfolio Shopping Malls segment (i) is from leasing floor areas to the merchants and providing comprehensive and continuous operation and management support to them; and (ii) accounted for approximately 69% and 59% to the Group’s total revenue for the year ended 31 December 2024 (“**FY2024**”) and for the year 31 December 2023 (“**FY2023**”) respectively. The Group’s overall gross profit margin was approximately 63.8% for FY2024 (FY2023: 61.1%). Among all four segments, gross profit margin of Owned/Leased Portfolio Shopping Malls was 73.7% for FY2024 (FY2023: 78.1%). Furthermore, segment profit of Owned/Leased Portfolio Shopping Malls accounted for more than 95% of segment profit of all four segments of the Group for FY2024. Based on the above, Owned/Leased Portfolio Shopping Malls is the most profitable segment of the Group and its financial performance is very important to the Group.

The portfolio shopping malls comprised, among other things, (i) shopping malls in which all or a majority of the operating areas are owned by the Group; and (ii) shopping malls leased by the Group. The Group customizes its owned properties from the very beginning of design and construction to appeal to the commercial and cultural need of its potential tenants, as compared to reconstruction and redecoration sometimes required for leased properties.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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As advised by the Directors, the home improvement and furnishings retail industry is capital intensive in nature. Land purchase or lease, mall construction and promotional renovation and operations require substantial initial investment. In addition, investment for network expansion to gain competitiveness is also costly. With reference to the Board Letter, the Transactions are conducive to meeting the Company's working capital turnover needs and improving the efficiency of the Company's fund usage. After reviewing the sub-sections headed "Use of the Loan" and "Revolving Facility" of the Loan Framework Agreement and discussing with the Directors, we concur with the Directors in this regard given that (i) the Loan will be used for the Company's regular operational activities, repayment of interest-bearing debt, and other matters related to lawful business activities (e.g. employee salaries and payments to supplier); (ii) the Transactions provided a source of fund to the Group; and (iii) the Company has no obligation to draw down the Loan, and is free to obtain loan financing from other banks or explore other financing means.

With reference to the 2024 Annual Report, effective interest rates of the Group's (i) fixed rate bank and other borrowings ranged from 3.10% to 10.00% per annum for FY2024 (FY2023: 3.80% to 15.40%); and (ii) floating rate bank and other borrowings ranged from 3.55% to 6.80% (FY2023: 4.25% to 8.00%). Pursuant to the Loan Framework Agreement and 1-year Loan Prime Rate as announced by PBOC on 21 April 2025, maximum interest rate of individual loan under the Loan Framework Agreement would be 4% per annum as at the Latest Practicable Date, whereas over 80% of the Group's bank and other borrowings as at 31 December 2024 bore interest rates being more than 4%.

With reference to the Board Letter, the internal procedures required by Xiamen C&D for provision of loans under the Transaction are fewer than those required by banks for provision of loans. Therefore, the Company is able to secure financing more quickly. Moreover, the mortgage or pledge rate for the Transaction is more favourable than that of bank loans. Additionally, the use of funds obtained through the Transaction are subject to fewer restrictions (i.e. the use of proceeds from other financing methods is typically restricted to narrow or specific purposes, whereas the Loan offers greater flexibility in fund utilization), offering greater flexibility for the Company to efficiently manage its cash flow. Although the Company has borrowings with interest rate of less than 4%, we consider the actual interest rate of the single loan, if the Company withdraw, under the Revolving Facility would be the most favourable term the Company could obtain when the Company decides to withdraw loan due to (a) the pricing policy of the Loan Framework Agreement (the actual floating point may be less than 90 basis points); and (b) internal control measures to monitor the pricing policy (quotation procedures are in place before entering into any Specific Agreement and the Company will review each interest rates (including the basis point) before entering into Specific Agreement. These measures can ensure that the interest rate (including the basis point) of relevant loan will be equal to or more favourable than those provided by independent third parties).

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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As stated in the Board Letter, the Company also considered other means of financing (e.g. equity financing). However, the other means of financing would take a longer preparation and application time and would impose more restrictions on the use of the proceeds. We noted that (i) the Board passed a resolution in respect of proposed non-public issuance of A Shares in June 2020, with the transaction completed 16 months later in October 2021; (ii) the closing prices of A Shares consistently traded at significant premiums to H Shares over the last 12 months prior to the Latest Practicable Date, ranging from approximately 64% to approximately 153%; and (iii) the market capitalisations of the Company's A Share and H Share were approximately RMB10.6 billion and HK\$1.0 billion as at the Latest Practicable Date. Given the aforesaid, we are of the view that (i) the issuance of new shares to specific target would require extended preparation and regulatory approval timelines; (ii) in addition to (i), for the same fundraising amount, this approach (i.e. the issuance of new shares to specific target) would cause immediate and significant dilution for non-participating shareholders as compared to rights issue given that the maximum size of Loan (i.e. RMB9.5 billion) accounts for over 80% of the Company's market capitalisations of the Company's Shares as at the Latest Practicable Date; and (iii) the significant disparity between the closing prices of A Shares and H Shares makes the Board impracticable to determine a suitable offer price for rights issue for both share classes.

Furthermore, it is also worth to mention that the Company is not obligated to withdraw loan pursuant to the Loan Framework Agreement. Therefore, the Transactions would (i) allow the Group to raise the necessary fund in a timely manner; (ii) expand the Company's source of funds; and (iii) demonstrate the support of the Company's substantial shareholder.

Having considered the above factors, we consider that the Transactions are conducted in the ordinary and usual business of the Group and in the interests of the Company and the Shareholders as a whole.

### **Principal terms of the Transactions**

The following table tabulates a summary of the major terms of the Transactions, details of which are set out under the section headed "The Loan Framework Agreement" in the Board Letter:

#### ***Date***

9 May 2025

#### ***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)

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### *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.

### *Availability 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, such as employee salaries and payments to suppliers. The Company will determine the use of the loans in corresponding Specific Agreement based on its funding needs after receiving the loan.

### *Interest rate on the Loan*

The interest rate of each drawdown is the 1-year Loan Prime Rate (LPR) published by the PBOC applicable on the date of drawdown + floating point. The floating point shall not exceed 90 basis points. The interest rate of each drawdown shall be specified in the corresponding Specific Agreement.

According to the website of PBOC, LPR is the most preferential lending rate offered by a commercial bank to its prime clients. Other lending rates can be offered based on the LPR adding or subtracting certain basis points. The centralized quote and publish mechanism of LPR is that the authorized publisher calculates the quotes provided by the panel banks as the weighted average LPR and releases it to the public. Currently the one-year LPR and above-five-year LPR are published to the general public. PBOC authorised National Interbank Funding Center to announce the latest LPRs on or around the 20th day of each month since 20 August 2019. We also noted from the 2024 Annual Report that floating rate of bank and other borrowings is based on the loan market quoted interest rate published by the PBOC.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Given that the PBOC only published one-year LPR and above-five-year LPR and the available period of each drawdown of the Revolving Facility will be no more than 36 months, one-year LPR was therefore adopted as the reference to the interest of Loan. The one-year LPR remained at 3.1% since October 2024.

Upon our request, we obtained a list, showing a summary of the Group's existing bank and other borrowings as at 31 December 2024. Based on the list, we noted that interest rate of floating rate bank and other borrowings ranged from 3.55% to 6.80%, with implied floating point (calculated by interest rate minus 1-year or 5-year LPR) ranged from -5 basis points to +320 basis points with weighted average of 119 basis points, approximately 65% of which (in terms of amounts) were more than 90 basis points. The maximum floating point of 90 basis points falls within the floating point range of the Group's existing floating rate bank and other borrowings and below its weighted average.

Furthermore, we also noted that 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 terms (including interest rates) obtained by the Company from Xiamen C&D are offered on general commercial terms or more favorable terms. As confirmed by the Directors, the Company could seek other financing methods if the terms offered under the Loan Framework Agreement is less favourable to the Group than that offered by the independent third parties.

Having considered that (i) LPR is the most preferential lending rate offered by a commercial bank to its prime clients (other lending rates can be offered based on the LPR adding or subtracting certain basis points); (ii) the maximum floating point of 90 basis points falls within the floating point range of the Group's existing floating rate bank and other borrowings; and (iii) quotation procedures are in place before entering into any Specific Agreement, we are of the view that the basis for determination of the interest rate of the Revolving Facility to be fair and reasonable and the interest rate of the Revolving Facility is on normal commercial terms.

### *Credit Enhancement Measures*

The Group shall provide Collateral for the Revolving Facility.

The overall mortgage/pledge ratio of these Collateral shall range 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. With reference to the Board Letter, the mortgage rate is determined by reference to (i) the average loan-to-value ratio of the Company's new or renewed mortgage loan with comparable maturity over the last year (i.e. approximately 26.0%); (ii) the average mortgage rate of the borrowings during the three months ended 31 March 2025 provided by the independent third parties (including banks) (i.e. approximately 23%); (iii) an increase of the mortgage rate with reference to the average mortgage rate in (ii) considering the fluctuation of the valuation of the investment real estate of the Company; and (iv) the weighted average mortgage rate of the

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Group's existing banks and other borrowings with property as collateral (i.e. approximately 34.8%). 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.

We noted from the 2024 Annual Report, almost all of the Group's existing banks and other borrowings are secured by collateral or pledge as at 31 December 2024. As advised by the Directors, the weighted average mortgage rate of the Group's existing banks and other borrowings with properties as collateral was approximately 34.8%. As part of our due diligence work, we (i) obtained information showing the outstanding amount of secured borrowings as at 31 December 2024 together with value of the collateral; and (ii) cross-checked the accuracy of mortgage rate of the Group's existing banks and other borrowings according to the aforesaid information.

The mortgage ratio is calculated as the principal amount of an individual loan divided by the value (or residual value) of its collateral. A lower mortgage ratio indicates greater asset security, while a higher ratio implies less secured coverage.

Furthermore, we noted that the General Office of PBOC and the General Office of National Financial Regulatory Administration published the Notice on Effective Management of Commercial Property Loans\* (《關於做好經營性物業貸款管理的通知》) on 24 January 2024 (the "Notice"). The Notice is designated to establish guidelines for commercial property loans to foster stability in the real estate markets. It mandates that commercial banks must adhere strictly to legal regulations when providing commercial property loans and emphasizing prudent lending practice. Furthermore, it is stated in the Notice that in principle, the commercial property loans shall not exceed 70% of the appraisal value of the underlying property. The applicable period for relevant policies in the Notice was extended to 31 December 2026 as announced by PBOC and National Financial Regulatory Administration on 24 September 2024.

Given the aforesaid and that (i) lower limit of the mortgage ratio of the Revolving Facility (i.e. 45%) was above the weighted average mortgage ratio range of the Group's existing banks and other borrowings (i.e. approximately 34.8%), indicating that less collateral assets was required as compared to the aforesaid weighted average; and (ii) the upper limit of the mortgage ratio of the Revolving Facility (i.e. 75%) was above maximum mortgage ratio (i.e. 70%) as stipulated in the Notice, we are of the view that the credit enhancement measures are justifiable.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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The Company also adopted measures to monitor the collateral mortgage rate being within the range stipulated in the Loan Framework Agreement, including quarterly checks the collateral mortgage rate remains within the range stipulated in the Loan Framework Agreement; and monthly meeting to keep abreast of each loan granted by Xiamen C&D to the Company and monitor the mortgage rate of pledged assets.

### *Annual Caps*

With reference to the Board Letter, 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, for the period from the Effective Date to 31 December 2025 (the “**2025 Period**”), for the year ending 31 December 2026, for the year ending 31 December 2027 and for the period from 1 January 2028 to the expiration date of the Loan Framework Agreement (the “**2028 Period**”) 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 certain factors, details of which are set out under the section headed “Proposed Annual Caps and Basis of Determination” of the Board Letter.

We understood that the Annual Cap for a full financial year comprised principal amount of RMB9.5 billion and interest expense of RMB0.38 billion.

To assess the fairness and reasonableness of the principal amount of RMB9.5 billion for a full financial year, we performed the following works in addition to the review of maximum principal amount of the Revolving Facility (i.e. RMB9.5 billion) pursuant to the Loan Framework Agreement:

- based on (a) the fair value of the Company’s properties applicable for mortgage of approximately RMB15.30 billion; and (b) mortgage ratio of the Revolving Facility (i.e. 45% to 75%), the implied principal amount of loan would be RMB6.885 billion to RMB11.475 billion, with a mid-point of RMB9.18 billion;
- according to the 2024 Annual Report, proceeds from new bank and other borrowings was approximately RMB13.1 billion for FY2024; and
- as at 31 December 2024, the Group recorded bank and other borrowings of approximately RMB25.8 billion which bore interest rate over 4%, indicating that the possibility of the Group for the replacement of higher interest rate loan.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Having considered that (i) the estimated principal amount (i.e. RMB9.5 billion) is close to the mid-point of implied principal amount of loan (i.e. RMB9.18 billion); and (ii) both the amounts of proceeds from new bank and other borrowings for FY2024 (i.e. RMB13.1 billion) and bank and other borrowings with interest rate over 4% as at 31 December 2024 (i.e. RMB25.8 billion) were more than the principal amount of RMB9.5 billion, indicating the possible demand of the Revolving Loan, we are of the view that the principal amount of RMB9.5 billion for a full financial year is fair and reasonable.

In respect of interest expense of RMB0.38 billion, we noted that such interest expense was arrived based on (i) the principal amount of RMB9.5 billion (which is fair and reasonable as analysed above); and (ii) maximum interest rate pursuant to the Loan Framework Agreement and LPR as announced by PBOC on 20 March 2025.

Furthermore, the Loan Framework Agreement is conditional on, among other things, the Independent Shareholders' approval obtained by the Company at the EGM (which will be held on 29 May 2025). As the 2025 Period was approximately seven months and the 2028 Period was approximately five months, the interest expenses for 2025 Period and 2028 Period were formulated on a pro rata basis, which represented approximately 7/12 and 5/12 of the full-year Interest Cap. The interest expenses will be approximately RMB0.222 billion for the 2025 Period and RMB0.158 billion for the 2028 Period.

Accordingly, the principal amount and interests income for the 2025 Period, the year ending 31 December 2026, 31 December 2027 and the 2028 Period would be RMB9.722 billion, RMB9.8 billion, RMB9.8 billion and RMB9.658 billion. Given that the Annual Caps for the corresponding period are the same as or very close to the aforesaid figures, we are of the view that the Annual Caps for the terms of the Loan Framework Agreement are fair and reasonable.

Shareholders should note that as the Annual Caps are relating to future events and were estimated based on assumptions which may or may not remain valid for the term of the Loan Framework Agreement, and they do not represent forecasts of revenue/cost to be recorded/incurred from the Loan Framework Agreement. Consequently, we express no opinion as to how closely the actual revenue/cost to be recorded/incurred from transactions contemplated under the Loan Framework Agreement will correspond with the Annual Caps.

We also noted that meetings of the finance management centre of the Company will be convened on a monthly basis, to keep abreast of 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 Collateral 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. We consider the effective implementation of the aforesaid internal control procedure will ensure the Annual Caps not to be exceeded.

In light of the above, we consider that the terms of the Transactions (including the Annual Caps) are on normal commercial terms and are fair and reasonable.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### **Listing Rules implication**

The Directors confirmed that the Company shall comply with the requirements of Rules 14A.53 to 14A.59 of the Listing Rules pursuant to which (i) the maximum values of the Transactions must be restricted by the Annual Caps for the period concerned under the Loan Framework Agreement; (ii) the terms of the Transactions must be reviewed by the independent non-executive Directors annually; (iii) details of independent non-executive Directors' annual review on the terms of the Transactions must be included in the Company's subsequent published annual reports.

Furthermore, it is also required by the Listing Rules that the auditors of the Company must provide a letter to the Board confirming, among other things, whether anything has come to their attention that causes them to believe that the Transactions (i) have not been approved by the Board; (ii) were not entered into, in all material respects, in accordance with the relevant agreement governing the transactions; and (iii) have exceeded the Annual Caps.

In the event that the maximum amounts of the Transactions are anticipated to exceed the Annual Caps, or that there is any proposed material amendment to the terms of the Transactions, as confirmed by the Directors, the Company shall comply with the applicable provisions of the Listing Rules governing continuing connected transaction.

With the stipulation of the above requirements for continuing connected transactions pursuant to the Listing Rules, we are of the view that there are adequate measures in place (including internal control measures as set out in the section headed "Internal Control Measures" of the Board Letter (we consider that the internal control measures will be effective given that the Company provided us supporting documents, showing that the securities and compliance department of the Company provided internal control documents to the relevant department and required such department to strictly follow the internal control measures as contained in the documents) to monitor the Transactions and hence the interest of the Independent Shareholders would be safeguarded.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### RECOMMENDATION

Having taken into account that above factors and reasons, we are of the opinion that (i) the terms of the Transactions (including the Annual Caps) are on normal commercial terms and are fair and reasonable; and (ii) the Transactions are conducted in the ordinary and usual course of business of the Group and are in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the relevant resolution to be proposed at the EGM to approve the Transactions and the Annual Caps and we recommend the Independent Shareholders to vote in favour of the resolution in this regard.

Yours faithfully,  
**For and on behalf of**  
**Gram Capital Limited**  
**Graham Lam**  
*Managing Director*

*Note: Mr. Graham Lam is a licensed person registered with the Securities and Futures Commission and a responsible officer of Gram Capital Limited to carry out Type 6 (advising on corporate finance) regulated activity under the SFO. He has around 30 years of experience in investment banking industry.*

## 1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

## 2. DISCLOSURE OF INTERESTS

### (i) Directors, Supervisors, and the Chief Executives of the Company

As at the Latest Practicable Date, the interests and short positions of the Directors, Supervisors and chief executive of the Company in the shares, underlying shares or debentures of the Company or any of our associated corporations (within the meaning of Part XV of the SFO), which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) contained in the Listing Rules were as follows:

#### *Shares and Underlying Shares of the Company and Associated Corporations*

##### (i) *The Company*

Name of Shareholders	Title	Class of Shares	Nature of Interest	Approximate		
				Number of Shares/ Underlying Shares Held	Percentage of the Relevant Class of Shares <sup>(1)</sup>	Approximate Percentage of Total Shares <sup>(1)</sup>
CHE Jianxing (車建興) <sup>(2)</sup>	Chief Executive Officer and Executive Director	A Shares	Interest of controlled corporation	1,023,348,353 (Long position)	28.32%	23.50%
			Beneficial owner	435,600 (Long position)	0.01%	0.01%
			Interest of spouse	48,620 (Long position)	0.00%	0.00%
LI Jianhong (李建宏)	Non-executive Director	A Shares	Beneficial owner	1,134,330 (Long position)	0.03%	0.03%

*Notes:*

- (1) As at the Latest Practicable Date, the Company had a total of 4,354,732,673 issued shares, including 3,613,447,039 A Shares and 741,285,634 H Shares.
- (2) Mr. CHE Jianxing indirectly holds 23.50% of the total issued Shares of the Company through his 92.00% direct interest in Red Star Macalline Holding Group Company Limited (紅星美凱龍控股集團有限公司) (“**RSM Holding**”), a limited liability company incorporated in the PRC, and is deemed to be interested in the 1,023,348,353 A Shares held by RSM Holding for the purpose of the SFO.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors, Supervisors or chief executive of the Company has any interests or short positions in the shares, underlying shares and debentures of the Company or associated corporations (a) which will have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO); (b) which will be required, pursuant to Section 352 of the SFO, to be recorded in the register referred to therein; or (c) which will be required to be further notified to the Company and the Stock Exchange pursuant to the Model Code.

**(ii) Substantial Shareholders**

As at the Latest Practicable Date, the interests or short positions in the shares or underlying shares of the Company which will have to be notified to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO, and which will be required, pursuant to Section 336 of the SFO, to be recorded in the register referred to therein, as well as persons (other than the Directors, Supervisors or chief executive of the Company), or corporations deemed, directly and/or indirectly, to be interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at our general meetings were as follows:

Name of Shareholders	Type of Shares	Capacity/ Nature of Interest	Number of Shares/ Underlying Shares Held	Approximate Percentage of the Relevant Type of Shares <sup>(1)</sup>	Approximate Percentage of Total Share Capital <sup>(1)</sup>
The State-owned Assets Supervision and Administration Commission of the Xiamen Municipal People's Government	A Shares	Interest of controlled corporation	1,304,242,436 (Long position)	36.09%	29.95%
RSM Holding	A Shares	Beneficial owner	980,325,353 (Long position)	27.13%	22.51%

Name of Shareholders	Type of Shares	Capacity/ Nature of Interest	Number of Shares/ Underlying Shares Held	Approximate Percentage of the Relevant Type of Shares <sup>(1)</sup>	Approximate Percentage of Total Share Capital <sup>(1)</sup>
		Interest of controlled corporation	43,023,000 (Long position)	1.19%	0.99%
CHEN Shuhong <sup>(2)</sup>	A Shares	Interest of spouse	1,023,783,953 (Long position)	28.33%	23.51%
		Beneficial owner	48,620 (Long position)	0.00%	0.00%
Alibaba Group Holding Limited <sup>(3)</sup>	A Shares	Interest of controlled corporation	290,747,243 (Long position)	8.05%	6.68%
	H Shares	Interest of controlled corporation	114,622,963 (Long position)	15.46%	2.63%
Taobao China Holding Limited <sup>(3)</sup>	A Shares	Interest of controlled corporation	290,747,243 (Long position)	8.05%	6.68%
	H Shares	Beneficial owner	72,311,482 (Long position)	9.75%	1.66%
Taobao Holding Limited <sup>(3)</sup>	A Shares	Interest of controlled corporation	290,747,243 (Long position)	8.05%	6.68%
	H Shares	Interest of controlled corporation	72,311,482 (Long position)	9.75%	1.66%
Zhejiang Tmall Technology Co., Ltd. (浙江天貓技術有限公司) <sup>(4)</sup>	A Shares	Interest of controlled corporation	290,747,243 (Long position)	8.05%	6.68%
Tao Bao (China) Software Co., Ltd. (淘寶(中國)軟件有限公司) <sup>(4)</sup>	A Shares	Interest of controlled corporation	290,747,243 (Long position)	8.05%	6.68%
Hangzhou Haoyue Enterprise Management Co., Ltd. (杭州灝月企業管理有限公司) <sup>(4)</sup>	A Shares	Beneficial owner	290,747,243 (Long position)	8.05%	6.68%

Name of Shareholders	Type of Shares	Capacity/ Nature of Interest	Number of Shares/ Underlying Shares Held	Approximate Percentage of the Relevant Type of Shares <sup>(1)</sup>	Approximate Percentage of Total Share Capital <sup>(1)</sup>
Alibaba Investment Limited <sup>(3)</sup>	H Shares	Interest of controlled corporation	42,311,481 (Long position)	5.71%	0.97%
New Retail Strategic Opportunities Fund GP, L.P. <sup>(3)</sup>	H Shares	Interest of controlled corporation	42,311,481 (Long position)	5.71%	0.97%
New Retail Strategic Opportunities Fund, L.P. <sup>(3)</sup>	H Shares	Interest of controlled corporation	42,311,481 (Long position)	5.71%	0.97%
New Retail Strategic Opportunities GP Limited <sup>(3)</sup>	H Shares	Interest of controlled corporation	42,311,481 (Long position)	5.71%	0.97%
New Retail Strategic Opportunities Investments 4 Limited <sup>(3)</sup>	H Shares	Beneficial owner	42,311,481 (Long position)	5.71%	0.97%
WONG Man Li <sup>(5)</sup>	H Shares	Interest of controlled corporation	47,904,600 (Long position)	6.46%	1.10%
Man Wah Investments Limited <sup>(5)</sup>	H Shares	Beneficial owner	47,904,600 (Long position)	6.46%	1.10%
HUI Wai Hing <sup>(5)</sup>	H Shares	Interest of the spouse	47,904,600 (Long position)	6.46%	1.10%
WONG Luen Hei <sup>(6)</sup>	H Shares	Interest of controlled corporation	60,442,281 (Long position)	8.15%	1.39%
UBS Trustees (B.V.I.) Limited <sup>(6)</sup>	H Shares	Interest of controlled corporation	60,442,281 (Long position)	8.15%	1.39%
New Fortune Star Limited <sup>(6)</sup>	H Shares	Interest of controlled corporation	60,442,281 (Long position)	8.15%	1.39%
Fuhui Capital Investment Limited <sup>(6)</sup>	H Shares	Interest of controlled corporation	60,442,281 (Long position)	8.15%	1.39%
China Lesso Group Holdings Limited <sup>(6)</sup>	H Shares	Interest of controlled corporation	60,442,281 (Long position)	8.15%	1.39%

*Notes:*

- (1) As at the Latest Practicable Date, the Company had 4,354,732,673 issued Shares in total, comprised of 3,613,447,039 A Shares and 741,285,634 H Shares.
- (2) Ms. CHEN Shuhong is the spouse of Mr. CHE Jianxing. Under the SFO, Ms. CHEN Shuhong is deemed to be interested in the same number of Shares in which Mr. CHE Jianxing is interested.
- (3) New Retail Strategic Opportunities Investments 4 Limited is directly interested in the 42,311,481 H shares of the Company.

New Retail Strategic Opportunities Investments 4 Limited is directly 100% controlled by New Retail Strategic Opportunities Fund, L.P.

New Retail Strategic Opportunities Fund GP, L.P. is the general partner of New Retail Strategic Opportunities Fund, L.P. and New Retail Strategic Opportunities GP Limited is the general partner of New Retail Strategic Opportunities Fund GP, L.P.

New Retail Strategic Opportunities Fund GP, L.P. is directly 100% controlled by Alibaba Investment Limited, the limited partner of New Retail Strategic Opportunities Fund GP, L.P. Meanwhile, New Retail Strategic Opportunities GP Limited is directly 100% controlled by Alibaba Investment Limited. Alibaba Investment Limited is directly 100% controlled by Alibaba Group Holding Limited. Therefore, Alibaba Group Holding Limited is deemed to be interested in the 42,311,481 H shares.

Taobao China Holding Limited is directly interested in the 72,311,482 H shares of the Company.

Taobao China Holding Limited is directly 100% controlled by Taobao Holding Limited. Taobao Holding Limited is directly 100% controlled by Alibaba Group Holding Limited. Therefore, Alibaba Group Holding Limited is deemed to be interested in the 72,311,482 H shares.

Alibaba Group Holding Limited is deemed to be interested in the 114,622,963 H shares.

- (4) Hangzhou Haoyue Enterprise Management Co., Ltd. was 57.59% and 35.75% controlled by Tao Bao (China) Software Co., Ltd. and Zhejiang Tmall Technology Co., Ltd. respectively. Therefore, Tao Bao (China) Software Co., Ltd. and Zhejiang Tmall Technology Co., Ltd. are deemed to be interested in the Company's 290,747,243 A Shares held by Hangzhou Haoyue Enterprise Management Co., Ltd.
- (5) Man Wah Investments Limited is directly 80% controlled by Mr. WONG Man Li and Man Wah Investments Limited is directly interested in the 47,904,600 H Shares of the Company. Therefore, Mr. WONG Man Li is deemed to be interested in the 47,904,600 H shares through Man Wah Investments Limited.

Ms. HUI Wai Hing is the spouse of Mr. WONG Man Li. Under the SFO, Ms. HUI Wai Hing is deemed to be interested in the same number of shares in which Mr. WONG Man Li is or deemed to be interested.

- (6) UBS Trustees (B.V.I.) Limited who is the trustee and sole shareholder of Xi Xi Development Limited (“**Xi Xi Development**”) which in turn is the sole shareholder of New Fortune Star Limited (“**New Fortune Star**”) which in turn holds 68.28% of China Lesso Group Holdings Limited (“**China Lesso**”) which in turn is the sole shareholder of Fuhui Capital Investment Limited (“**Fuhui Capital**”). The trust was established by Mr. WONG Luen Hei on 22 March 2017.

Accordingly, UBS Trustees (B.V.I.) Limited is deemed to be interested in the shareholding interest of each of Xi Xi Development, New Fortune Star, China Lesso and Fuhui Capital in the Company pursuant to the disclosure requirements under the SFO.

Pursuant to Section 336 of the SFO, the Shareholders are required to file disclosure of interests forms when certain criteria are fulfilled. When a Shareholder's shareholding in the Company changes, it is not necessary for the Shareholder to notify the Company and the Stock Exchange unless certain criteria are fulfilled, therefore the Shareholder's latest shareholding in the Company may be different to the shareholding filed with the Stock Exchange.

Save as disclosed above, as at the Latest Practicable Date, the Directors, Supervisors or chief executives of the Company were not aware of any persons (other than the Directors, Supervisors or chief executives of the Company) who had an interest or short position in the Shares or underlying Shares which were required to be disclosed to the Company and the Stock Exchange under Divisions 2 and 3 of Part XV of the SFO, or to be recorded in the register required to be kept by the Company under section 336 of the SFO.

### 3. MATERIAL ADVERSE CHANGES

As at the Latest Practicable Date, the Directors confirmed that there were no material adverse changes to the financial or trading position of the Group since 31 December 2024 (being the date to which the latest published audited accounts of the Company were made up).

### 4. COMPETING BUSINESS

Changzhou Macalline International Computer and Electronics Furnishing Plaza Co., Ltd.\* (常州美凱龍國際電腦家電裝飾城有限公司, "**Changzhou Macalline**"), a wholly-owned subsidiary of the Company, has leased a piece of property from Changzhou Red Star Home Furnishing City\* (常州紅星裝飾城, "**Changzhou RSHFC**") for the operation and management of Changzhou RSHFC. Changzhou RSHFC is an individual proprietary enterprise (個人獨資企業) established by Mr. CHE Jianxing ("**Mr. CHE**") under the PRC laws. Prior to April 2011, Changzhou RSHFC had used the property to operate its Portfolio Shopping Mall which was named as "Changzhou Red Star Mall" at that time. In order to consolidate the Group's core operations and minimize potential competition and conflicts of interests with Mr. CHE and his close associates, Changzhou RSHFC ceased to engage in home improvement and furnishing shopping mall business from April 2011 and leased the property to Changzhou Macalline in view that the transfer of such property to the Group would give rise to tax implications.

We have adopted corporate governance measures to manage potential conflicts of interest between the Group, Mr. CHE and his close associates.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and Supervisors or their respective associates was interested in any business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

## 5. DIRECTORS' AND SUPERVISORS' INTEREST IN ASSETS, CONTRACTS OR ARRANGEMENT

As at the Latest Practicable Date, none of the Directors and Supervisors had any direct or indirect interest in any assets which had been acquired by or disposed of or leased to any member of the Group since 31 December 2024 (being the date to which the latest published audited financial statements of the Group were made up) or were proposed to be acquired by or disposed of or leased to any member of the Group; and none of the Directors and Supervisors or their respective associates was materially interested in any contract or arrangement subsisting as at the Latest Practicable Date which was significant in relation to the business of the Group.

## 6. DIRECTORS' AND SUPERVISORS' SERVICE CONTRACTS

Each of our Directors entered into a contract with the Company in August 2023\*. The principal particulars of these service contracts comprise: (a) a term of three years commencing from the date on which the relevant Shareholders' approvals for the appointment were obtained; and (b) termination provisions in accordance with their respective terms.

\* *The Company has entered into a new contract with Mr. LI Jianhong due to re-designated as a non-executive Director in December 2024. The Company entered into a service contract with Mr. Li Yupeng in February 2025 as a non-executive Director and in March 2025 as an executive Director.*

Mr. TANG Rongzhen and Mr. WANG Shouyi, the employee representative Supervisors as well as Mr. CHEN Jiasheng and Ms. MA Chenguang, the independent Supervisors, entered into service contracts with the Company in August 2023. The principal particulars of these service contracts comprise: (a) a term of three years commencing from the date on which the relevant Shareholders' approvals for the appointment were obtained (save as from the date on which the third session of the Supervisory Committee commences for the employee representative Supervisors); and (b) termination provisions in accordance with their respective terms. The Supervisors may be re-appointed for successive reappointments.

Save as disclosed above, none of the Directors or Supervisors has or is proposed to have any service contracts with the Group (other than contracts expiring or determinable by the relevant employers within one year without the payment of compensation (other than statutory compensation)).

## 7. EXPERT AND CONSENT

The following is the qualification of the expert who has given opinions and advice which are contained in this circular:

<b>Name</b>	<b>Qualification</b>
Gram Capital	a corporation licensed to carry out Type 6 (advising on corporate finance) regulated activity under the SFO

As at the Latest Practicable Date, Gram Capital has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letter dated 13 May 2025 (as set out on pages 16 to 28 of this circular) and references to its name, in the form and context in which it respectively appears.

As at the Latest Practicable Date, Gram Capital:

- i. did not have any shareholding in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any shares, convertible securities, warrants, options or derivatives which carry voting rights in any member of the Group; or
- ii. did not have any interest, either directly or indirectly, in any assets which have been, since the date to which the latest published audited financial statements of the Company were made up (i.e., 31 December 2024), acquired by or disposed of or leased to or are proposed to be acquired by or disposed of or leased to any member of the Group.

## **8. DOCUMENTS ON DISPLAY**

Copies of the following documents will be posted on the websites of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company ([www.chinaredstar.com](http://www.chinaredstar.com)) for a period of 14 days from the date of this circular:

- i. Loan Framework Agreement;
- ii. the letter from the Independent Board Committee, the text of which is set out on page 15 of the circular;
- iii. the letter from the Independent Financial Adviser, the text of which is set out on pages 16 to 28 of the circular;
- iv. the written consent of the Independent Financial Adviser referred to under the paragraph headed “7. Expert and Consent” in this Appendix; and
- v. this circular.

## **9. MISCELLANEOUS**

- i. The registered office of the Company is located at Suite F801, 6/F, No. 518, Linyu Road, Pudong New District, Shanghai, PRC.
- ii. The H Share registrar of the Company is Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wan Chai, Hong Kong.
- iii. The joint company secretaries of the Company are Ms. QIU Zhe and Ms. NG Sau Mei.

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## NOTICE OF THE 2025 THIRD EXTRAORDINARY GENERAL MEETING

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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)**

#### **NOTICE OF THE 2025 THIRD EXTRAORDINARY GENERAL MEETING**

**NOTICE IS HEREBY GIVEN** that the 2025 third extraordinary general meeting (the “**EGM**”) of Red Star Macalline Group Corporation Ltd. (the “**Company**”) will be held at 10:30 a.m. on Thursday, 29 May 2025 at Conference Center, 3/F, South Building, Block B, Macalline Global Center, Lane 1466, Shenchang Road, Minhang District, Shanghai, the PRC for the purpose of considering, and if thought fit, passing the following resolution:

#### **ORDINARY RESOLUTION**

1. To consider and approve the resolution regarding the Company’s application for borrowings and connected transactions from substantial shareholders (including approval of the Loan Framework Agreement, the transactions thereunder and the annual caps).

By order of the Board

**Red Star Macalline Group Corporation Ltd.**

**QIU Zhe**

*Secretary of the Board and Joint Company Secretary*

Shanghai, the PRC

13 May 2025

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## NOTICE OF THE 2025 THIRD EXTRAORDINARY GENERAL MEETING

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*Notes:*

1. Unless the context otherwise stated, capitalised terms used in this notice shall have the same meanings as those defined in the circular of the Company dated 13 May 2025 (the “**Circular**”). Details of the resolution are set forth in the Circular.
2. For the purpose of holding the EGM, the register of members of H shares of the Company will be closed from Tuesday, 27 May 2025 to Thursday, 29 May 2025 (both days inclusive), during which period no transfer of H shares will be registered. In order for H share shareholders to be qualified to attend and vote at the EGM, all transfer documents accompanied by the relevant share certificates must be lodged with the H share registrar of the Company, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wan Chai, Hong Kong, no later than 4:30 p.m. on Monday, 26 May 2025 for registration.  
  
The shareholders whose names appear on the register of members of the Company on Tuesday, 27 May 2025 are entitled to attend and vote at the EGM.
3. The shareholders who are entitled to attend and vote at the EGM may appoint one or more proxies to attend and vote on their behalf. A proxy need not to be a shareholder of the Company.
4. The instrument appointing a proxy must be in writing under the hand of a shareholder or his attorney duly authorized in writing. If the shareholder is a legal person, that instrument must be executed either under its seal or under the hand of its director or other attorney duly authorized to sign the same on its behalf.
5. In order to be valid, the proxy form must be deposited, for H share shareholders of the Company, to the H share registrar of the Company, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen’s Road East, Wan Chai, Hong Kong, not less than 24 hours before the time for holding the EGM. If the proxy form is signed by a person under the power of attorney or other authority, a notarized copy of that power of attorney or other authority shall be deposited at the same time as mentioned in the proxy form. Completion and return of the proxy form will not preclude shareholders of the Company from attending the voting in person at the EGM or any adjourned meetings should they so wish.
6. Shareholders shall produce their identification documents and supporting documents in respect of the shares of the Company held when attending the EGM. If corporate shareholders appoint authorized representative to attend the EGM, the authorized representative shall produce his/her identity documents and a notarized copy of the relevant authorization instrument signed by the board of directors or other authorized parties of the corporate shareholders or other notarized documents allowed by the Company. Proxies shall produce their identification documents and the proxy form signed by the shareholders or their attorney when attending the EGM.
7. The EGM is expected to take for less than half a day. Shareholders attending the EGM shall be responsible for their own travel and accommodation expenses.
8. All voting at the EGM will be conducted by poll.