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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)

Hong Kong Red Star Macalline

Universal Home Furnishings Limited

香港紅星美凱龍全球家居有限公司

(incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of

Red Star Macalline Group Corporation Ltd.)

(Stock Code: 5278)

**PROPOSED VOLUNTARY CONDITIONAL CASH OFFER BY
CHINA INTERNATIONAL CAPITAL CORPORATION
HONG KONG SECURITIES LIMITED
ON BEHALF OF
RED STAR MACALLINE GROUP CORPORATION LTD. TO
REPURCHASE UP TO 388,917,038 H SHARES
AT A PRICE OF HK\$11.78 PER H SHARE
AND
RESUMPTION OF TRADING**

Financial adviser to the Company



China International Capital Corporation Hong Kong Securities Limited

THE OFFER

The Board resolved on 4 April 2018 for a conditional voluntary cash offer to be made by CICC on behalf of the Company to repurchase for cancellation up to 388,917,038 H Shares from the Qualifying Shareholders at a cash consideration of HK\$11.78 per H Share.

Assuming full acceptance of the Offer, the total cash consideration payable by the Company under the Offer will amount to HK\$4,581,442,707.64 which will be financed by internal sources of the Group and committed facilities. The Maximum Number of H Shares under the Offer constitutes approximately 36.59% of the total issued H Share capital of the Company and approximately 9.87% of the total issued share capital of the Company.

The Company will not make an offer for the A Shares.

GENERAL

The Offer will be conditional upon, among other things, the passing of a Special Resolution approving the Offer by the Shareholders at the EGM by way of poll in a general meeting and separate class meetings, namely, both the A Share Class Meeting and the H Share Class Meeting. Pursuant to Rule 2.1 of the Takeovers Code, the Independent Board Committee comprising CHEN Shuhong, XU Guofeng, Joseph Raymond GAGNON, ZHANG Qiqi, LI Zhenning, DING Yuan, LEE Kwan Hung and QIAN Shizheng has been established by the Board to advise the H Share Shareholders on the terms of the Offer.

The Offer Document containing, among other things, the detailed terms of the Offer, a letter of recommendation from the Independent Board Committee, a letter of advice from an independent financial adviser, a property valuation report, a notice convening the EGM and other information as required under the Codes, will be despatched to the H Share Shareholders on or about 24 April 2018. The Form of Acceptance will also be sent to the Qualifying Shareholders together with the Offer Document but no Form of Acceptance will be sent to the Excluded Shareholders.

SUSPENSION AND RESUMPTION OF TRADING

At the request of the Company, the H Shares and the debt securities of Hong Kong Red Star Macalline Universal Home Furnishings Limited (stock code: 5278), a wholly-owned subsidiary of the Company, were suspended from trading on the Stock Exchange with effect from 9:00 a.m. on 4 April 2018, pending the issue of this announcement. Application has been made by the Company to the Stock Exchange for the resumption of trading in the H Shares and the abovementioned debt securities with effect from 9:00 a.m. on 6 April 2018.

WARNING

The making of the Offer is subject to, among other others, the approval by Shareholders of the Offer at the EGM and may or may not become unconditional. Completion of the Offer is a possibility only.

Shareholders are advised to consider the detailed terms of the Offer and read, among other things, the letter from the Independent Board Committee and the letter of advice from the independent financial adviser to the Independent Board Committee and the H Share Shareholders to be contained in the Offer Document before deciding whether to vote for or against the resolution(s) in respect of the Offer to be proposed at the EGM. Shareholders should also note that their voting decision on the relevant resolution(s) to be proposed at the EGM relating to the Offer shall not affect their decision as to whether to accept the Offer or not. If Shareholders are in any doubt as to any aspect of the Offer or as to the action to be taken, they should seek independent professional advice.

Dealings in the H Shares will continue notwithstanding the Offer has not become unconditional. During such period, persons dealing in the H Shares will bear the risk that the Offer may lapse. H Share Shareholders and potential investors of the Company are advised to exercise extreme caution when dealing in the securities of the Company, and if they are in any doubt about their position, they should consult their professional advisers.

INTRODUCTION

The Board resolved on 4 April 2018 for a conditional voluntary cash offer to be made by CICC on behalf of the Company to repurchase for cancellation up to 388,917,038 H Shares from the Qualifying Shareholders at a cash consideration of HK\$11.78 per H Share.

Assuming full acceptance of the Offer, the total cash consideration payable by the Company under the Offer will amount to HK\$4,581,442,707.64 which will be financed by internal resources of the Group and committed facilities. The Maximum Number of H Shares under the Offer constitutes approximately 36.59% of the total issued H Share capital of the Company and approximately 9.87% of the total issued share capital of the Company.

The Company will not make an offer for the A Shares.

As at the date of this announcement, the Company has an issued share capital comprising 1,062,813,069 H Shares and 2,876,103,969 A Shares. There are no other outstanding warrants, options or securities of the Company which are convertible into new H Shares as at the date of this announcement.

TERMS OF THE OFFER

The Offer will be made on the terms set out below:

(a) Offer Price

CICC will make the Offer on behalf of the Company to the H Share Shareholders to repurchase up to 388,917,038 H Shares on the following basis:

For each H Share. HK\$11.78 in cash

The Company will not increase the Offer Price. Shareholders and potential investors should be aware that, following the making of this statement, the Company will not be allowed to increase the Offer Price. The Company does not reserve the right to increase the Offer Price. For avoidance of doubt, this means that the Offer Price will not be adjusted by the payment of final dividend for the year of 2017 (whether or not approved at the annual general meeting of the Company to be held on or around 8 June 2018).

(b) Conditions to the Offer

The Offer will be subject to the following conditions being fulfilled:

- (i) the passing of a Special Resolution by the Shareholders in a general meeting approving the Offer and the transactions contemplated thereunder at the EGM by way of poll;
- (ii) the passing of a Special Resolution by the A Share Shareholders and the H Share Shareholders approving the Offer and the transactions contemplated thereunder at the A Share Class Meeting and the H Share Class Meeting respectively;
- (iii) approval by holders of Domestic Debt Securities approving the reduction of share capital of the Company in bondholders' meetings, namely:
 - (a) a resolution passed by three fourths of votes of the holders of the Medium-Term Notes present at the meeting of the noteholders in person or by proxies;

- (b) a resolution passed by a simple majority of the votes of the holders of the Corporate Bonds present at the meeting of the bondholders in person or by proxies,
- (iv) the compliance by the Company with the Listing Rules, the Codes and the statutory laws of Hong Kong and the PRC applicable to the Offer and the transactions contemplated thereunder. As at the date of this announcement, the Directors are not aware of the Company not in compliance with the Listing Rules, the Codes and any statutory laws of Hong Kong and the PRC applicable to the Offer.

None of the above conditions can be waived. If any of the above conditions cannot be fulfilled by 31 July 2018, the Offer will lapse.

Pursuant to Note 2 to Rule 30.1 of the Takeovers Code, the Company should not invoke any of the conditions so as to cause the Offer to lapse unless the circumstances which give rise to the right to invoke any such condition are of material significance to the Company in the context of the Offer.

Acceptances by the Qualifying Shareholders under the Offer will be irrevocable and cannot be withdrawn after the Offer becomes unconditional except as otherwise decided by the Executive pursuant to the Codes.

The Offer will not be conditional on any minimum number of H Shares tendered for acceptance.

Whether or not the Qualifying Shareholders wish to accept the Offer, they may approve the Offer in the EGM to be held in connection with the Offer.

(c) Other terms of the Offer

As at the date of this announcement, there are 1,062,813,069 H Shares in issue. The Maximum Number of H Shares under the Offer, being 388,917,038 H Shares, represents approximately 9.87% of the total issued share capital of the Company and approximately 36.59% of the total number of H Shares of the Company as at the date of this announcement.

As at the date of this announcement, the Company has not received any notices from any H Share Shareholders indicating their intention to or not to accept the Offer in respect of their respective H Shares.

Qualifying Shareholders may accept the Offer in respect of all or part of their shareholding. On the assumption that there are no Excluded Shareholders, if a Qualifying Shareholder validly accepts the Offer for the H Shares which is equivalent to not more than 36.59% of the H Shares registered in his/her/its name, the Company will take up all such H Shares when the Offer has been declared unconditional in all respects.

By way of illustration, a Qualifying Shareholder holding one board lot of 200 H Shares will have an Assured Entitlement of 73 H Shares (being 36.59% of his shareholding). Therefore, his valid acceptance to the extent that it is for 73 H Shares or less will be met in full by the Company. If he tenders an acceptance in excess of 73 H Shares per board lot of 200 H Shares, his Assured Entitlement will be taken up in full, but it is possible that not all (or any) of the excess H Shares will be taken up by the Company.

Qualifying Shareholders may accept the Offer in respect of all or part of the H Shares held by them. If some Qualifying Shareholders accept the Offer for less than their Assured Entitlements, in addition to all valid acceptances not exceeding a Qualifying Shareholder's Assured Entitlement being taken up, the excess valid acceptances by other Qualifying Shareholders will be taken up to the extent necessary to enable the Company to acquire the Maximum Number of H Shares under the Offer.

In the event that the total number of H Shares acceded to the Offer exceeds 388,917,038 H Shares, the Company will repurchase H Shares in excess of the Assured Entitlements of the accepting Qualifying Shareholders in accordance with the following formula:

$$\frac{(388,917,038 - A)}{B} \times C$$

- A: Total number of H Shares in respect of which the Offer is validly accepted by all Qualifying Shareholders up to and including their respective Assured Entitlements. For the avoidance of doubt, "A" excludes any H Shares validly accepted by Qualifying Shareholders in excess of their respective Assured Entitlements. By way of elaboration, in the event that only certain (but not all) of the H Share Shareholders tender their holdings pursuant to the Offer and/or where certain H Share Shareholders accept the Offer to the extent that is less than their respective Assured Entitlements, "A" will be less than 388,917,038 and the formula will produce a result for the Company to repurchase H Shares in excess of the Assured Entitlements for those Qualifying Shareholders who have validly accepted the Offer
- B: Total number of H Shares in respect of which the Offer is validly accepted by Qualifying Shareholders in excess of their Assured Entitlements

C: Number of H Shares in respect of which the Offer is validly accepted by a particular Qualifying Shareholder in excess of his/her/its Assured Entitlement

As a result, it is possible that if a Qualifying Shareholder tenders all his/her/its H Shares to the Company under the Offer, not all of such H Shares will be taken up eventually. Fractions of H Shares will not be taken up under the Offer and, accordingly, the number of H Shares that the Company will take up from each Qualifying Shareholder in accordance with the above formula will be rounded up or down to the nearest whole number at the discretion of the Company.

The decision of the Company as to any scaling down of acceptances of the Offer in excess of Assured Entitlements and as to the treatment of odd lots or fractional entitlements will be conclusive and binding on all H Share Shareholders.

In the event that the total number of H Shares acceded to the Offer is less than or equal to 388,917,038 H Shares, acceptances of the Offer in excess of the Assured Entitlements will be taken up in full.

The full terms and conditions of the Offer will be set out in the Offer Document and the accompanying Form of Acceptance. The Offer will be made in accordance with the Codes.

EFFECT OF ACCEPTING THE OFFER

By validly accepting the Offer, Qualifying Shareholders will sell to the Company their tendered H Shares which are finally taken up by the Company free from all encumbrances and together with all rights and benefits at any time accruing thereto, including all rights to any dividend or other distributions (if any) declared, made or paid on or after the closing date of the Offer. Any dividends or other distributions declared, made or paid before the closing date of the Offer will be paid by the Company to the H Share Shareholders who are qualified for such dividends or distributions.

As disclosed in the annual results announcement of the Company dated 28 March 2018, the Board has recommended the payment of a final cash dividend of RMB0.32 per H Share for the year ended 31 December 2017 to H Share Shareholders whose names appear on the Final Dividend Record Date. Accordingly, for Qualifying Shareholders who accept the Offer after the Final Dividend Record Date and whose names appear on the register of members on the Final Dividend Record Date shall be entitled to (i) the final cash dividend (if approved by Shareholders in the 2017 annual general meeting) and (ii) cash consideration of HK\$11.78 per H Share under the Offer.

All the H Shares repurchased under the Offer will be cancelled.

VALUE OF THE OFFER

The Offer Price of HK\$11.78 represents:

- (i) a premium of approximately 17.56% over the closing price of HK\$10.02 per H Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a premium of approximately 22.58% over the average closing price of HK\$9.61 per H Share as quoted on the Stock Exchange for the last 5 consecutive trading days up to and including the Last Trading Day;
- (iii) a premium of approximately 23.22% over the average closing price of HK\$9.56 per H Share as quoted on the Stock Exchange for the last 10 consecutive trading days up to and including the Last Trading Day;
- (iv) a premium of approximately 25.32% over the average closing price of HK\$9.40 per H Share as quoted on the Stock Exchange for the last 30 consecutive trading days up to and including the Last Trading Day; and
- (v) a discount of approximately 15.43% to the audited consolidated net asset value of the Group attributable to the H Share Shareholders of approximately HK\$13.93 per H Share as at 31 December 2017.

As at the date of this announcement, the Company has 1,062,813,069 H Shares in issue. The Offer for 388,917,038 H Shares is being valued at HK\$4,581,442,707.64 based on the Offer Price of HK\$11.78 per H Share. On the basis of the Offer Price of HK\$11.78 per H Share, the entire market capitalization of H Shares of the Company is valued at approximately HK\$12,519,937,953.

HIGHEST AND LOWEST CLOSING PRICES OF THE H SHARES

The highest and lowest closing prices of the H Shares as quoted on the Stock Exchange during the six-month period from 4 October 2017, being the date falling six months prior to 3 April 2018, being the Last Trading Day, up to and including the Last Trading Day, were HK\$13.66 per H Share on 16 January 2018, and HK\$8.94 per H Share on 9 February 2018 and 14 February 2018, respectively.

TOTAL CONSIDERATION FOR THE OFFER AND FINANCIAL RESOURCES OF THE COMPANY

Assuming full acceptance of the Offer, the total cash consideration payable by the Company for the Offer at the Offer Price of HK\$11.78 per H Share will amount to no more than HK\$4,581,442,707.64. The Offer will be funded by internal resources of the Group and committed facilities.

CICC, the financial adviser to the Company in relation to the Offer, is satisfied that sufficient financial resources are available to the Company to satisfy full acceptance of the Offer.

OVERSEAS H SHARE SHAREHOLDERS

The making of the Offer to H Share Shareholders who are citizens, residents or nationals of jurisdictions outside Hong Kong may be subjected to the laws of the relevant jurisdictions. The laws of the relevant jurisdictions may prohibit the making of the Offer to the Overseas H Share Shareholders or require compliance with certain filing, registration or other requirements in respect of the Offer. The Company reserves the right, subject to the consent of the Executive and the relevant legal requirements, to make special arrangements with respect to Overseas H Share Shareholders whose receipt of the Offer Document and the Form of Acceptance is subject to the laws of the overseas jurisdiction.

It is the responsibility of each Overseas H Share Shareholder who wishes to accept the Offer to satisfy himself/herself/itself as to the full observance of the laws of the relevant jurisdiction in connection therewith, including the obtaining of any governmental, exchange control or other consents which may be required in compliance with all necessary formalities or legal requirements and the payment of any transfer or other taxes due in such relevant jurisdictions. Any acceptance by any H Share Shareholder will be deemed to constitute a representation and warranty from such H Share Shareholder to the Company that the local laws and requirements have been complied with. H Share Shareholders should consult their professional advisers if in doubt.

STAMP DUTY

Seller's ad valorem stamp duty at the rate of HK\$1.00 for every HK\$1,000 (or part thereof) of the value of the consideration arising from acceptance of the Offer will be payable by the Qualifying Shareholders who accept the Offer. The relevant amount of stamp duty payable by the Qualifying Shareholders will be deducted from the consideration payable to the Qualifying Shareholders under the Offer. The Company will bear its own portion of buyer's ad valorem stamp duty at the rate of HK\$1.00 for every HK\$1,000 (or part thereof) of the consideration payable in respect of relevant acceptances of the Offer and will be responsible to account to the Stamp Office of Hong Kong for all the stamp duty payable for sale and purchase of the H Shares which are validly tendered for acceptance under the Offer.

ODD LOTS

The existing board lot size of 200 H Shares per board lot will remain unchanged after the close of the Offer. Qualifying Shareholders should note that acceptance of the Offer may result in their holding odd lots of H Shares.

CHANGES IN H SHAREHOLDING STRUCTURE

The table below shows the shareholding structure of the Company as at the date of this announcement and the possible changes upon completion of the Offer, on the basis of public information available to the Company as at the date of this announcement and with the assumptions as described below:

Shareholders	As at the date of this announcement			At the completion of the Offer (assuming full acceptance of the Offer by the Qualifying Shareholders in respect of their Assured Entitlements)		
	Shares held in the relevant class ⁽¹⁾	% in the relevant class ⁽¹⁾	% in the total issued share capital ⁽¹⁾	Shares held in the relevant class ⁽¹⁾	% in the relevant class ⁽¹⁾	% in the total issued share capital ⁽¹⁾
A Shares:						
<i>CHE Jianxing</i> (車建興) ⁽²⁾⁽³⁾	2,480,315,772	86.24%	62.97%	2,480,315,772	86.24%	69.87%
<i>Shanghai Hong Mei</i> ⁽⁴⁾	12,659,994	0.44%	0.32%	12,659,994	0.44%	0.36%
<i>Public A Shares</i> <i>Shareholders</i>	383,128,203	13.32%	9.73%	383,128,203	13.32%	10.79%
H Shares:						
<i>H Shares Public</i> <i>Shareholders</i>	<u>1,062,813,069</u>	100%	<u>26.98%</u>	<u>673,896,031</u>	100%	<u>18.98%</u>
Total	<u><u>3,938,917,038</u></u>		<u><u>100%</u></u>	<u><u>3,550,000,000</u></u>		<u><u>100%</u></u>

Notes:

- (1) As at the date of this announcement, the Company had 3,938,917,038 issued Shares in total, comprising of 2,876,103,969 A Shares and 1,062,813,069 H Shares.
- (2) Mr. CHE Jianxing indirectly holds 62.97% of the issued Shares in total 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) (formerly known as “Shanghai Red Star Macalline Investments Company Limited” (上海紅星美凱龍投資有限公司)) (“RSM Holding”, a limited liability company incorporated in the PRC) and is deemed to be interested in the 2,480,315,772 A Shares held by RSM Holding for the purpose of the SFO. The remaining 8.00% in the share capital of RSM Holding is held by the sister of Mr. CHE Jianxing, Ms. CHE Lianfang, who does not hold any H Shares.
- (3) 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.
- (4) Shanghai Hong Mei is a limited partnership established under the laws of the PRC. CHAO Yanping (巢豔萍), a supervisor of the Company and therefore a “core connected person” of the Company, is the general partner of Shanghai Hong Mei. Accordingly, Shanghai Hong Mei, a close associate (as defined in the Listing Rules) of CHAO Yanping, also constitutes a “core connected person” of the Company and therefore, the 12,659,994 A Shares held by Shanghai Hong Mei shall not be counted towards public float of the Company.

Save as disclosed above, none of the Directors or the Company or persons acting in concert with the Company owns, controls or directs any Shares or rights over the Shares. The Directors confirm that, as at the date of this announcement, (i) there is no arrangement as referred to in Note 8 to Rule 22 of the Takeovers Code (whether by way of option, indemnity or otherwise) in relation to the H Shares which might be material to the Offer; and (ii) there is no agreement or arrangement to which the Company or any parties acting in concert with it is a party which relates to circumstances in which it may or may not invoke or seek to invoke a pre-condition or a condition to the Offer.

There is no existing holding of voting rights and rights over H Shares in respect of which the Company or any person acting in concert with it has received an irrevocable commitment to accept the Offer. As at the date of this announcement, there is no existing holding of voting rights and rights over H Shares in respect of which the Company or any person acting in concert with it holds convertible securities, warrants or options.

As at the date of this announcement, there is no outstanding derivative in respect of securities in the Company entered into by the Company or any person acting in concert with it. No H Shares or securities carrying conversion or subscription rights into H Shares or any options or derivatives in respect of the H Shares have been lent or borrowed by the Company or by any person acting in concert with it.

INFORMATION OF THE GROUP

The Company is a company operating and managing home furnishing shopping malls, the H Shares of which are listed on the Main Board of the Stock Exchange and the A Shares of which are listed on the Shanghai Stock Exchange. The Group is also involved in pan home furnishings consumption, including internet home decoration, internet retails, as well as logistics and delivery services.

REASONS FOR THE OFFER

The Board (other than the independent non-executive Directors who will express their opinion in the Offer Document having considered the advice from the independent financial adviser) believes that the Offer is in the Company's best interest as:

- (i) *the share price of the H Shares has not sufficiently reflected the Group's robust operating performance:* since the listing of the Company's H Shares on the Stock Exchange in June 2015, the closing price of the H Shares, during the period from the listing of the H Shares on the Stock Exchange up to and including the Last Trading Day, has been fluctuating within the range of HK\$5.99 per H Share to HK\$13.66 per H Share (the median being HK\$8.57 per H Share), with no significant increase as compared to the market price of the H Shares upon listing (i.e. HK\$13.28 per H Share). These prices have not sufficiently reflected the Group's robust operating performance;
- (ii) *it will provide an exit opportunity for the H Share Shareholders:* the Offer provides an opportunity for those Qualifying Shareholders to dispose of any of their H Shares to realise part of their investments in the Company for an attractive price (i.e. at a premium over the market price of the H Share, without any discount on the lack of liquidity in the trading of the H Shares and without brokerage fee); and
- (iii) *it will enhance the Company's earnings per Share:* the Company's earnings per Share will increase upon the completion of the Offer and cancellation of the H Shares repurchased.

INTENTIONS OF THE COMPANY

It is the intention of the Company to maintain the listing of the H Shares on the Stock Exchange. As at the date of this announcement, the Company has a H Share public float of 26.98%, which is not less than 15.10% of all Shares issued by the Company, the minimum public float requirement as prescribed by the Stock Exchange. Assuming full acceptances of the Offer by all the Qualifying Shareholders, the Company will have a H Share public float of 18.98% of all Shares issued by the Company immediately following the completion of the Offer and accordingly meet the minimum public float requirement as prescribed by the Stock Exchange.

Following the close or lapse of the Offer, as the case may be, the Company intends to continue with the existing businesses of the Group. The Company does not intend to introduce any major changes by reason only of the Offer to the existing operations and management structure of the Group, including the redeployment of the fixed assets of the Group.

GENERAL

Pursuant to Rule 2.1 of the Takeovers Code, the Independent Board Committee comprising CHEN Shuhong, XU Guofeng, Joseph Raymond GAGNON, ZHANG Qiqi, LI Zhenning, DING Yuan, LEE Kwan Hung and QIAN Shizheng has been established by the Board to advise the H Share Shareholders on the terms of the Offer. An independent financial adviser will be appointed to advise the Independent Board Committee in this regard and an announcement will be made upon its appointment. The appointment of the independent financial adviser will be subject to the approval by the Independent Board Committee. The independent financial adviser shall advise the Independent Board Committee and the H Share Shareholders as to whether the Offer is fair and reasonable and as to acceptance and voting.

The Offer Document containing, among other things, the detailed terms of the Offer, a letter of recommendation from the Independent Board Committee, a letter of advice from the independent financial adviser, a property valuation report, a notice convening the EGM and other information as required under the Codes, will be despatched to the H Share Shareholders on or about 24 April 2018. The Form of Acceptance will also be sent to the Qualifying Shareholders together with the Offer Document.

In the event that the despatch of the Offer Document to overseas Qualifying Shareholders is prohibited by any relevant law or may only be effected after compliance with conditions or requirement that are unduly burdensome, subject to the Executive's waivers, the Offer Document will not be despatched to such overseas Qualifying Shareholders. The Company will apply for such waivers as may be required by the Executive pursuant to Note 3 to Rule 8 of the Code at such time. As at the date of this announcement, there is no Excluded Shareholder based on the latest available H Share shareholders' register.

DEALINGS IN H SHARES

Each of the Company, Mr. CHE Jianxing and their respective concert parties has not repurchased or dealt in any H Shares for the past six months before 4 April 2018, being the date on which the Board approved the proposal relating to the Offer and the date of this announcement, and will not conduct any on-market H Share repurchase from the date of this announcement up to and including the date on which the Offer closes, lapses or is withdrawn, as the case may be.

In accordance with Rule 3.8 of the Takeovers Code, the associates of the Company (including any person who owns or controls 5% or more of any class of relevant securities of the Company (as defined in Note 4 to Rule 22 of the Takeovers Code)) are reminded to disclose their dealings during the Offer period in the relevant securities of the Company pursuant to Rule 22 of the Takeovers Code.

In accordance with Rule 3.8 of the Takeovers Code, the full text of Note 11 to Rule 22 of the Takeovers Code is reproduced below:

“Responsibilities of stockbrokers, banks and other intermediaries

Stockbrokers, banks and others who deal in relevant securities on behalf of clients have a general duty to ensure, so far as they are able, that those clients are aware of the disclosure obligations attaching to associates and other persons under Rule 22 (of the Takeovers Code) and that those clients are willing to comply with them. Principal traders and dealers who deal directly with investors should, in appropriate cases, likewise draw attention to the relevant Rules (of the Takeovers Code). However, this does not apply when the total value of dealings (excluding stamp duty and commission) in any relevant security undertaken for a client during any 7 day period is less than HK\$1 million.

This dispensation does not alter the obligation of principals, associates and other persons themselves to initiate disclosure of their own dealings, whatever total value is involved.

Intermediaries are expected to co-operate with the Executive in its dealings enquiries. Therefore, those who deal in relevant securities should appreciate that stockbrokers and other intermediaries will supply the Executive with relevant information as to those dealings, including identities of clients, as part of that co-operation.”

SUSPENSION AND RESUMPTION OF TRADING

At the request of the Company, the H Shares and the debt securities of Hong Kong Red Star Macalline Universal Home Furnishings Limited (stock code: 5278), a wholly-owned subsidiary of the Company were suspended from trading on the Stock Exchange with effect from 9:00 a.m. on 4 April 2018, pending the issue of this announcement. Application has been made by the Company to the Stock Exchange for the resumption of trading in the H Shares and the abovementioned debt securities with effect from 9:00 a.m. on 6 April 2018.

DEFINITIONS

“A Share(s)”	the ordinary shares issued by the Company pursuant to the A Share Offering, with a nominal value of RMB1.00 each, listed on the Shanghai Stock Exchange and traded in RMB
“A Share Shareholder(s)”	means the holder(s) of A Share(s)
“A Share Class Meeting”	the special general meeting of the A Share Shareholders to be convened, and any adjournment thereof, for the purpose of approving the Offer
“acting in concert”	has the meaning ascribed to it under the Takeovers Code, and “persons acting in concert” and “concert parties” should be construed accordingly
“associate(s)”	has the meaning ascribed to it under the Takeovers Code
“Assured Entitlement”	the minimum number of H Shares which will be entitled to be sold to the Company pursuant to the Offer by each Qualifying Shareholder
“Board”	the board of directors of the Company
“CCASS”	Central Clearing and Settlement System established and operated by Hong Kong Securities Clearing Company Limited
“CICC”	China International Capital Corporation Hong Kong Securities Limited, the financial adviser to the Company. CICC is a licensed corporation under the SFO, licensed to carry out Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities), Type 5 (advising on futures contracts) and Type 6 (advising on corporate finance) regulated activities
“Codes”	The Takeovers Code and the Share Buy-backs Code

“Company”	Red Star Macalline Group Corporation Ltd. (紅星美凱龍家居集團股份有限公司), a sino-foreign joint stock company incorporated in the PRC with limited liability, whose H Shares are listed on the main board of The Stock Exchange of Hong Kong Limited (stock code: 1528)
“core connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Corporate Bonds”	domestic corporate bonds issued by the Company with an aggregate principal amount of RMB8 billion
“Director(s)”	the director(s) of the Company
“Domestic Debt Securities”	the Medium Term Notes and the Corporate Bonds
“EGM”	the extraordinary general meeting of the Company to be convened and held to consider and, if thought fit, approve the Offer
“Excluded Shareholder(s)”	Overseas H Share Shareholder(s), if any, whose address(es), as shown on the register of members of the Company as at the latest practicable date prior to the publication of the Offer Document, is/are outside Hong Kong and located in a jurisdiction the laws of which may prohibit the making of the Offer to such H Share Shareholder(s) or otherwise require the Company to comply with additional requirements which are (in the opinion of the Directors, but subject to the prior consent of the Executive) unduly onerous or burdensome, having regard to the number of H Share Shareholders involved in that jurisdiction and their shareholdings in the Company
“Executive”	the Executive Director of the Corporate Finance Division of the SFC or any delegate of the Executive Director
“Final Dividend Record Date”	the record date to be specified in the shareholders’ circular (to be despatched on or around 24 April 2018) for the 2017 annual general meeting such that holders of A Shares and H Shares whose names appear on the Company’s register of members on such a date shall be entitled to receive such dividend

“Form of Acceptance”	the form of acceptance in respect of the Offer to be sent out to the Qualifying Shareholders, together with the Offer Document
“Group”	the Company together with its subsidiaries
“H Share(s)”	means overseas-listed foreign invested ordinary share(s) with a nominal value of RMB1.00 each in the share capital of the Company, which is/are listed on the Stock Exchange and traded in HK\$
“H Share Class Meeting”	the special general meeting of the H Shareholders to be convened, and any adjournment thereof, for the purpose of approving the Offer
“H Share Shareholder(s)”	means the holder(s) of the H Share(s)
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	an independent board committee of the Board, comprising CHEN Shuhong, XU Guofeng, Joseph Raymond GAGNON, ZHANG Qiqi, LI Zhenning, DING Yuan, LEE Kwan Hung and QIAN Shizheng, which has been established to advise the H Share Shareholders in respect of the Offer
“Last Trading Day”	3 April 2018, being the last full trading day of the H Shares on the Stock Exchange prior to suspension of trading in the H Shares with effect from 9:00 a.m. on 4 April 2018 pending the issue of this announcement
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Maximum Number of H Shares”	the maximum number of the H Shares to be repurchased pursuant to the Offer, being 388,917,038 H Shares in aggregate, representing approximately 9.87% of the total issued share capital of the Company and approximately 36.59% of the H Share share capital of the Company as the date of this announcement

“Medium Term Notes”	medium-term notes issued by the Company with an aggregate principal amount of RMB500 million
“Offer”	the proposed voluntary conditional cash offer to be made by CICC, on behalf of the Company to repurchase up to 388,917,038 H Shares at the Offer Price in cash from the Qualifying Shareholders in accordance with the Codes on the basis to be set out in the Offer Document and accompanying Form of Acceptance, and any subsequent revision or extension of such offer
“Offer Document”	the offer document in respect of the Offer to be issued and despatched by the Company in accordance with the Codes
“Offer Price”	HK\$11.78 per H Share
“Overseas H Share Shareholder(s)”	H Share Shareholder(s) whose address(es) as stated in the register of members of the Company as at the latest practicable date prior to the publication of the Offer Document, is or are outside Hong Kong
“PRC”	the People’s Republic of China which, for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region and Taiwan
“Qualifying Shareholder(s)”	H Share Shareholder(s), other than Excluded Shareholders, whose name(s) appear(s) on the register of members of the Company at the close of the Offer, being 14 days after the Offer becomes unconditional
“Share Buy-backs Code”	the Code on Share Buy-backs
“RMB”	Renminbi, the lawful currency of the PRC
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)

“Shanghai Hong Mei”	Shanghai Hong Mei Investment Management Centre (上海弘美投資管理中心), a limited partnership established under the laws of PRC and a A Shareholder holding approximately 0.32% of the total issued Shares as of the date of this announcement
“Share(s)”	the A Share(s) and the H Share(s)
“Shareholder(s)”	the A Shareholder(s) and the H Share Shareholder(s) of the Company
“Special Resolution”	means a resolution approved by votes representing more than two-thirds of the voting rights of the Shareholders (including proxies) present at the general meeting
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	the Code on Takeovers and Mergers of Hong Kong
“%”	per cent.

By Order of the Board
Red Star Macalline Group Corporation Ltd.
Guo Binghe
Company Secretary

Shanghai, the PRC
5 April 2018

As at the date of this announcement, the executive Directors of the Company are CHE Jianxing, ZHANG Qi, CHE Jianfang and JIANG Xiaozhong; the non-executive Directors are CHEN Shuhong, XU Guofeng, Joseph Raymond GAGNON and ZHANG Qiqi; and the independent non-executive Directors are LI Zhenning, DING Yuan, LEE Kwan Hung and QIAN Shizheng.

As at the date of this announcement, the directors of Hong Kong Red Star Macalline Universal Home Furnishings Limited are CHE Jianxing and CHEN Shuhong.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this announcement, and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this announcement have been arrived at after due and careful consideration and there are no other facts not contained in this announcement the omission of which would make any statement contained in this announcement misleading.