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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)

INSIDE INFORMATION

POTENTIAL SHARE TRANSFER BY CONTROLLING SHAREHOLDER

Reference is made to the announcements of the Company dated January 6, 2023, January 8, 2023, and January 10, 2023.

This announcement is made by the Company pursuant to Rule 13.09 and 13.10B of the Listing Rules and the Inside Information Provisions under Part XIVA of the Securities and Futures Ordinance.

The Board has been informed by Mr. Che that the Framework Agreement was entered into on January 13, 2023 (after trading hours) among Mr. Che, RSM Holding and Xiamen C&D, pursuant to which RSM Holding has agreed to sell, and Xiamen C&D has agreed to buy, the Sale Shares at a consideration not more than (A) RMB6,300 million or (B) the value of the Sale Shares to be appraised by a professional valuer and to be approved by a competent state-owned assets supervision and administrative authority, whichever is lower.

Upon completion of the Proposed Acquisition, Xiamen C&D will be interested in 1,304,242,436 Shares, representing approximately 29.95% of the total issued share capital of the Company as of the date of this announcement.

The signing of the Formal Agreement is conditional upon:

- (a) no creditors to RSM Holding, Mr. Che or the Company objecting to the Proposed Acquisition;
- (b) the parties to the Framework Agreement agreeing on the key terms and conditions of the Proposed Acquisition, including but not limited to the consideration of the Proposed Acquisition and its payment mechanism and conditions, the corporate governance arrangements of the Company during the interim period, completion logistics and any other matters after completion; and
- (c) RSM Holding and Mr. Che not in breach of the representations, warranties and undertakings made by them under the Framework Agreement or otherwise in breach their obligations under the Framework Agreement.

RESUMPTION OF TRADING IN A SHARES

At the request of the Company, trading of A Shares on the Shanghai Stock Exchange has been suspended from January 9, 2023, in order to ensure fair information disclosure, protect the interest of investors and avoid material movement in the price of A Shares. An application has been made by the Company to the Shanghai Stock Exchange for the resumption of trading in the A Shares on the Shanghai Stock Exchange from January 16, 2023.

The Proposed Acquisition is subject to the fulfilment (or waiver, where applicable) of a number of conditions precedent and may or may not proceed. Shareholders and other investors are advised to exercise caution when dealing in the securities of the Company.

Reference is made to the announcements of the Company dated January 6, 2023, January 8, 2023, and January 10, 2023.

This announcement is made by the Company pursuant to Rule 13.09 and 13.10B of the Listing Rules and the Inside Information Provisions under Part XIVA of the Securities and Futures Ordinance.

BACKGROUND

The Board has been informed by Mr. Che that the Framework Agreement was entered into on January 13, 2023 (after trading hours) among Mr. Che, RSM Holding and Xiamen C&D, pursuant to which RSM Holding has agreed to sell, and Xiamen C&D has agreed to buy, the Sale Shares at a consideration not more than (A) RMB6,300 million and (B) the value of the Sale Shares to be appraised by a professional valuer and to be approved by a competent state-owned assets supervision and administrative authority, whichever is lower.

THE FRAMEWORK AGREEMENT

Date: January 13, 2023

Parties to the Framework Agreement

- (1) Xiamen C&D
- (2) RSM Holding
- (3) Mr. Che

To the best knowledge, information and belief of the Directors having made all reasonable enquiries, as at the date of this announcement, (i) Xiamen C&D is independent of the Company and its connected persons, (ii) RSM Holding is the controlling shareholder of the Company which is held as to 92% by Mr. Che, the chairman and the executive Director of the Company.

The Proposed Acquisition

Pursuant to the Framework Agreement, RSM Holding has agreed to sell, and Xiamen C&D has agreed to buy, the Sale Shares, at a consideration not more than (A) RMB6,300 million and (B) the value of the Sale Shares to be appraised by a professional valuer and to be approved by a competent state-owned assets supervision and administrative authority, whichever is lower.

Upon completion of the Proposed Acquisition, Xiamen C&D will be interested in 1,304,242,436 Shares, representing approximately 29.95% of the total issued share capital of the Company as of the date of this announcement.

Payment of Consideration

After the signing of the Framework Agreement, Xiamen C&D has agreed to pay an amount of earnest money into an account jointly established with RSM Holding under the name of Xiamen C&D (the “**Joint Account**”). Upon RSM Holding and Mr. Che providing the relevant security in favour of Xiamen C&D (including but not limited to the pledge of (i) the shares of the Company held by RSM Holding and (ii) the equity interest in RSM Holding held by Mr. Che), Xiamen C&D shall pay such earnest money amount from the Joint Account to an account designated by RSM Holding.

Due Diligence

Pursuant to the Framework Agreement, Xiamen C&D has the right to appoint relevant intermediaries to conduct due diligence activities on the legal, financial and business aspects of the Group and to carry out auditing and evaluation work, and RSM Holding and Mr. Che have undertaken to cooperate in providing all information required by Xiamen C&D and its intermediaries in connection with the due diligence activities. The parties have agreed that should there be a material difference between the due diligence results and the publicly available information of the Company as of December 31, 2022, Xiamen C&D shall have the right to adjust the consideration of the Proposed Acquisition accordingly.

Exclusivity and Non-Compete Obligations

For a period of six (6) months from the effective date of the Framework Agreement, RSM Holding and Mr. Che have undertaken that each of them and the Company, and any person acting on behalf of them or the Company, shall not perform any act in conflict with the Proposed Acquisition, provide any information or take part in any negotiation or discussion with a third party regarding any similar transactions as the Proposed Acquisition; and shall not enter into any agreement or arrangement (whether binding or not) with any third party regarding any similar transactions as the Proposed Acquisition.

Formal Agreement

The signing of the Formal Agreement is conditional upon:

- (a) no creditor to RSM Holding, Mr. Che or the Company objecting to the Proposed Acquisition;
- (b) the parties to the Framework Agreement agreeing on the key terms and conditions of the Proposed Acquisition, including but not limited to the consideration of the Proposed Acquisition and its payment mechanism and conditions, the corporate governance arrangements of the Company during the interim period, completion logistics and any other matters after completion; and
- (c) RSM Holding and Mr. Che not in breach of the representations, warranties and undertakings made by them under the Framework Agreement or otherwise in breach their obligations under the Framework Agreement.

GENERAL INFORMATION

Xiamen C&D is a company incorporated in the PRC whose shares are listed on the Shanghai Stock Exchange (SH: 600153). Based on publicly available information, Xiamen C&D is a modern service-type enterprise with supply chain operations and real-estate development as its two main business segments.

RESUMPTION OF TRADING IN A SHARES

At the request of the Company, trading of A Shares on the Shanghai Stock Exchange has been suspended from January 9, 2023, in order to ensure fair information disclosure, protect the interest of investors and avoid material movement in the price of A Shares. An application has been made by the Company to the Shanghai Stock Exchange for the resumption of trading in the A Shares on the Shanghai Stock Exchange from January 16, 2023.

The Proposed Acquisition is subject to the fulfilment (or waiver, where applicable) of a number of conditions precedent and may or may not proceed. Shareholders and other investors are advised to exercise caution when dealing in the securities of the Company.

DEFINITIONS

“A Share(s)”	the ordinary share(s) issued by the Company, with a nominal value of RMB1.00 each, listed on the Shanghai Stock Exchange and traded in RMB
“A Share Shareholder(s)”	the holder(s) of the A Share(s)
“Board”	the board of Directors of 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 of Hong Kong Limited (stock code: 1528)
“Directors”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“Formal Agreement”	the formal agreement to be entered into by the parties to the Framework Agreement in respect of further terms and conditions of the Proposed Acquisition
“Framework Agreement”	the share transfer framework agreement dated January 13, 2023 entered into between among Xiamen C&D, RSM Holding and Mr. Che in respect of the Proposed Acquisition
“H Share(s)”	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 Hong Kong dollars
“H Share Shareholder(s)”	the holder(s) of H Share(s)
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Joint Account”	as defined in the sub-section headed “Payment of Consideration”
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Mr. Che”	Mr. Che Jianxing, the chairman and executive Director of the Company
“PRC”	the People’s Republic of China

“Proposed Acquisition”	the proposed acquisition of the Sale Shares by Xiamen C&D from RSM Holding pursuant to the terms and conditions of the Framework Agreement
“RMB”	Renminbi, the lawful currency of the PRC
“RSM Holding”	Red Star Macalline Holding Group Company Limited (紅星美凱龍控股集團有限公司), the controlling shareholder of the Company holding approximately 60.12% of the total issued share capital of the Company, which is held as to 92% by Mr. Che
“Sale Shares”	1,304,242,436 A Shares of the Company held by RSM Holding (representing approximately 29.95% of the total issued share capital of the Company as of the date of this announcement)
“Shareholders”	the A Share Shareholder(s) and the H Share Shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“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 (SH: 600153)
“%”	per cent

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

Shanghai, the PRC
January 13, 2023

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