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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)

VOLUNTARY ANNOUNCEMENT

PROPOSED PROVISIONS OF GUARANTEES TO SUBSIDIARIES OF THE COMPANY AND THE ESTIMATED PROVISIONS OF FINANCIAL ASSISTANCE BY THE COMPANY

This announcement is made voluntarily by Red Star Macalline Group Corporation Ltd. (the “**Company**”), together with its subsidiaries (collectively, the “**Group**”).

I. PROPOSED PROVISION OF A GUARANTEE FOR THE FINANCING PROVIDED BY THE FINANCIAL INSTITUTION TO A WHOLLY-OWNED SUBSIDIARY OF THE COMPANY

1. Brief Description of the Guarantee

In order to ensure the daily operation requirements, Chongqing Red Star Macalline International Home Furnishing Plaza Company Limited (重慶紅星美凱龍國際家居生活廣場有限責任公司) (“**Chongqing Chayuan**”), a wholly-owned subsidiary of the Company, has entered into a fixed assets syndicated loan contract (“**Master Contract I**”) with Bank of Communications Co., Ltd. Chongqing Branch (“**Bank of Communications**”) and Red Star Macalline Group Finance Company Limited (紅星美凱龍家居集團財務有限責任公司) (“**Finance Company**”) with a loan amount of RMB360 million (hereinafter collectively referred to as the “**Financing I**”), for which Chongqing Chayuan has provided its real estate located at No. 5 Yuma Road, Nan’an District, Chongqing, as the mortgaged collateral for the Financing I.

Due to the adjustment of the financing plan, the Company intends to provide a joint liability guarantee (the “**Guarantee I**”) for the above financing.

2. Information on the Guaranteed Party

Name of company: Chongqing Chayuan

Unified social credit code: 91500108MA5UTE3M9N

Legal representative: Wu Youning (吳幼寧)

Registered address: No. 5 Yuma Road, Nan'an District, Chongqing

Registered capital: RMB121 million

Scope of business: General items: Sales: furniture, building materials and decoration materials (excluding hazardous chemicals), hardware and electric materials, metal materials (excluding rare and precious metals), chemical products (excluding hazardous chemicals and precursor chemicals), general merchandise, and computers; leasing of self-owned counters; market management; and property management. (Except for items subject to approval according to the law, business activities set forth in the business license may be conducted independently in accordance with law).

3. The following sets forth the relevant financial data of Chongqing Chayuan:

According to the audit report issued by Wuhan Liguang Accountant Affairs Limited Company (武漢蒞光會計師事務所有限公司), as at 31 December 2022, Chongqing Chayuan's total assets were RMB448,133,388.68; total liabilities were RMB381,238,504.93; net assets were RMB66,894,883.75; and the gearing ratio was 85.07%. In 2022, Chongqing Chayuan's revenue was RMB44,917,823.99 and net profit was RMB883,014.84.

According to the latest financial statement of Chongqing Chayuan (unaudited), as at 31 October 2023, Chongqing Chayuan's total assets were RMB420,732,764.99; total liabilities were RMB391,600,396.05; net assets were RMB29,132,368.94, and the gearing ratio was 93.08%. For the ten months ended 31 October 2023, the revenue of Chongqing Chayuan was RMB27,518,790.53 and net profit¹ of Chongqing Chayuan was RMB-20,425,900.08.

Chongqing Chayuan is a wholly-owned subsidiary of the Company and is not a dishonest person subject to enforcement. It is not a related party of the Company as defined in the Rules Governing the Listing of Stocks on the Shanghai Stock Exchange.

4. Principal Terms of the Guarantee Contract

Guarantor: The Company;

Creditor: Bank of Communications, and Finance Company;

Debtor: Chongqing Chayuan;

¹ Losses are shown with “-”

Principal of Guarantee: RMB360 million;

Method of Guarantee: joint liability guarantee;

Scope of Guarantee: all debts under the loan contract and corresponding financing documents, including but not limited to the principal, interest (including compound interest and penalty interest), default penalties and compensations of all loans, other amounts payable by the borrower to the syndicate member (including but not limited to the relevant handling fee, telecommunication fee, and miscellaneous fee), and expenses incurred by the lender from the realization of debt and guarantee rights (including but not limited to litigation costs, arbitration costs, property security fees, travel expenses, execution fees, valuation fees, auction fees, notary fees, delivery fees, announcement fees, legal fees, etc.).

Term of Guarantee: three years after the date on which any and/or all debt performance periods under the Master Contract I expire.

5. Necessity and Reasonableness of the Guarantee I

The Guarantee I is to ensure the daily operation requirements of the Company and is in line with the Company's actual needs of production and operation. Chongqing Chayuan is operating under normal condition. Although the gearing ratio in the latest period is higher than 70%, Chongqing Chayuan has a sound credit status and has no major contingencies which may affect its capability to repay debts. Therefore, the risks of the Guarantee I are controllable and the Guarantee I will not have an adverse impact on the production and operation of the Company. The Financing I is mainly to ensure the daily operation requirements of Chongqing Chayuan and is conducive to its stable operation and long-term development. The board of the Company (the "**Board**") believes that Chongqing Chayuan is capable to repay debts and the risks of the Guarantee I are controllable.

6. The Impact of the Guarantee I on the Company

Chongqing Chayuan seeks for financing from the Bank of Communications and the Finance Company based on its own business development. Due to the adjustment of the financing plan, the Company will provide a joint liability guarantee for Chongqing Chayuan in relation to its repayment obligations to the Bank of Communications and the Finance Company, which is conducive to the sustainable development of the Company and its subsidiaries, further enhance their economic benefits, and is in line with the interests of the Company and shareholders (the "**Shareholders**") as a whole.

7. Cumulative External Guarantees of the Company

Currently, the cumulative total guarantees provided by the Company and its controlling subsidiaries (approved) are RMB15,573.96 million (of which the guarantees provided by the Company to its controlling subsidiaries and between controlling subsidiaries are RMB15,573.96 million), and the total guarantees provided by the Company to its controlling subsidiaries are RMB11,302.86 million, accounting for 29.08% and 21.11% of the Company's audited net assets attributable to the parent company as at 31 December 2022, respectively. The Company and its controlling subsidiaries have no overdue guarantees.

Since Chongqing Chayuan's gearing ratio at 31 October 2023 was 93.08%, which exceeds 70%, the Guarantee I is subject to the consideration and approval at the extraordinary general meeting of the Company upon the consideration of the Board according to the Rules Governing the Listing of Stocks on the Shanghai Stock Exchange.

II. PROPOSED PROVISION OF A GUARANTEE FOR THE FINANCING PROVIDED BY THE FINANCIAL INSTITUTION TO A CONTROLLING SUBSIDIARY OF THE COMPANY

1. Brief Description of the Guarantee

In order to ensure the daily operation requirements, Dalian Red Star Macalline Shibo Home Furnishing Plaza Company Limited (大連紅星美凱龍世博家居廣場有限公司) (“**Dalian Red Star**”), a controlling subsidiary of the Company, has entered into the Fixed Asset Loan Contract (“**Master Contract II**”) with Bank of China Limited Dalian Ganjingzi Sub-branch (“**Bank of China**”) with a loan amount of RMB750 million (hereinafter collectively referred to as the “**Financing II**”) in August 2019, for which Dalian Red Star has provided its house located at No. 61 Huili Street, Ganjingzi District, Dalian City, Liaoning Province, and its land use rights (real estate certificate No.: Liao (2019) Dalian Neisi Real Estate No.00018947 (遼(2019)大連市內四區不動產權第 00018947 號), as the mortgaged collateral for the Financing II.

Due to the adjustment of the financing plan, the Company intends to provide a joint liability guarantee (the “**Guarantee II**”) for the Financing II. Considering that Dalian Red Star and the Company have provided sufficient guarantees for the Financing II, and other shareholders do not participate in the operation and management of Dalian Red Star, other shareholders of Dalian Red Star have not provided guarantees pro rata.

2. Information on the Guaranteed Party

Name of company: Dalian Red Star

Unified social credit code: 91210200MA0QCU3820

Legal representative: Zhang Lei (張磊)

Registered address: Room F8888, F6, No. 61 Huili Street, Zhonghua West Road, Ganjingzi District, Dalian City, Liaoning Province

Registered capital: RMB40 million

Scope of business:

Licensed items: residential interior decoration and renovation, catering services, food business, food business (sales of pre-packaged food), food business (sales of bulk food) (For the items subject to approval according to the law, business activities may be conducted after obtaining approval from relevant authorities, and specific business items are subject to the results of such approval)

General items: leasing of counter and booth, rental of non-residential real estate, property management, business management, office equipment rental services, rental of sports goods and equipment, parking lot services, conference and exhibition services, typing and copying services, sales of furniture, sales of general merchandise, wholesale of hardware products, retails of hardware products, sales of knitted textiles, sales of daily necessities, sales of building materials, sales of metal materials, wholesale of sports goods and equipment, and domestic trade agency (Except for items subject to approval according to the law, business activities set forth in the business license may be conducted independently in accordance with law)

3. The following sets forth the relevant financial data of Dalian Red Star:

According to the audit report issued by Dalian Ruihua Certified Public Accountants Co., Ltd. (大連瑞華會計師事務所有限公司), as at 31 December 2022, Dalian Red Star's total assets were RMB790,242,344.24, total liabilities were RMB745,410,926.68, net assets were RMB44,831,417.56, and the gearing ratio was 94.33%. In 2022, Dalian Red Star's revenue was RMB99,043,391.62 and net profit¹ was RMB-12,509,527.93.

According to the latest financial statement of Dalian Red Star (unaudited), as at 31 October 2023, Dalian Red Star's total assets were RMB740,147,739.94, total liabilities were RMB712,802,210.22, net assets were RMB27,345,529.72, and the gearing ratio was 96.31%. For the ten months ended 31 October 2023, the revenue of Dalian Red Star was RMB66,579,625.89 and net profit¹ of Dalian Red Star was RMB-16,153,195.56.

Dalian Red Star is a controlling subsidiary of the Company which directly holds 62% of its shares. Dalian Red Star is not a dishonest person subject to enforcement, and is not a related party of the Company as defined in the Rules Governing the Listing of Stocks on the Shanghai Stock Exchange.

4. Principal Terms of the Guarantee Contract

Guarantor: The Company;

Creditor: Bank of China;

Debtor: Dalian Red Star;

Principal of Guarantee: RMB750 million;

Method of Guarantee: joint liability guarantee;

Scope of Guarantee: the creditor's rights under the Master Contract II constitute the principal creditor's rights of the contract, including the principal, interest (including interest, compound interest and penalty interest), default penalties and compensations, expenses incurred from the realization of creditor's rights (including but not limited to litigation costs, legal fees, notary fees, execution fees, etc.), losses caused to the creditor due to the debtor's default, and all other payable expenses.

¹ Losses are shown with “-”

Term of Guarantee: three years after the date on which the repayment period of the principal creditor's rights expires. In case that the principal creditor's rights are paid in installments, the term of the guarantee shall commence on the effective date of the Master Contract II and end on three years after the date on which the last debt performance period expires.

5. Necessity and Reasonableness of the Guarantee II

The Guarantee II is to ensure the daily operation requirements of the Company and is in line with the Company's actual needs of production and operation. Dalian Red Star is operating under normal condition. Although the gearing ratio in the latest period is higher than 70%, Dalian Red Star has a sound credit status and has no major contingencies which may affect its capability to repay debts. Therefore, the risks of the Guarantee II are controllable and the Guarantee II will not have an adverse impact on the production and operation of the Company. The Financing II is mainly to ensure the daily operation requirements of Dalian Red Star and is conducive to its stable operation and long-term development. The Board believes that Dalian Red Star is capable to repay debts and the risks of the Guarantee II are controllable. Considering that Dalian Red Star and the Company have provided sufficient guarantees for the Financing II, and other shareholders do not participate in the operation and management of Dalian Red Star, other shareholders of Dalian Red Star have not provided guarantees pro rata.

6. The Impact of the Guarantee II on the Company

Dalian Red Star seeks for financing from the Bank of China based on its own business development. Due to the adjustment of the financing plan, the Company will provide a joint liability guarantee for Dalian Red Star in relation to its repayment obligations to the Bank of China, which is conducive to the sustainable development of the Company and its subsidiaries, further enhance their economic benefits, and is in line with the interests of the Company and Shareholders as a whole.

7. Cumulative External Guarantees of the Company

Currently, the cumulative total guarantees provided by the Company and its controlling subsidiaries (approved) are RMB15,573.96 million (of which the guarantees provided by the Company to its controlling subsidiaries and between controlling subsidiaries are RMB15,573.96 million), and the total guarantees provided by the Company to its controlling subsidiaries are RMB11,302.86 million, accounting for 29.08% and 21.11% of the Company's audited net assets attributable to the parent company as at 31 December 2022, respectively. The Company and its controlling subsidiaries have no overdue guarantees.

Since Dalian Red Star's gearing ratio at 31 October 2023 was 96.31%, which exceeds 70%, the Financing II is subject to the consideration and approval at the extraordinary general meeting of the Company upon the consideration of the Board according to the Rules Governing the Listing of Stocks on the Shanghai Stock Exchange.

III. THE ESTIMATED PROVISIONS OF FINANCIAL ASSISTANCE BY THE COMPANY

In order to support JV and Associate Portfolio Home Furnishing Shopping Malls and Managed Shopping Malls, the Company and its controlling subsidiaries (branches) will provide financial assistance to JV and Associate Portfolio Home Furnishing Shopping Mall project companies, and partners of Managed Shopping Malls. Without affecting the normal production and operation activities of the Company, the planned provision of the new financial assistance cap in the year of 2024 by the Company and its controlling subsidiaries (branches) will not exceed RMB105.00 million in total.

According to the Guidelines No. 1 for the Self-regulation of Companies Listed on the Shanghai Stock Exchange – Standardized Operation, considering that the gearing ratio of the estimated targets of the financial assistance in the latest financial statements exceeds 70%, the matter is subject to consideration and approval at the extraordinary general meeting of the Company. The details are announced as follows:

1. Estimated Provisions of New Financial Assistance

1) *Targets and amount of the financial assistance*

Provider	Type of Assistance	Targets of Assistance	Planned Cap (RMB0'000)	Fund Usage Fee	Period of Assistance
The Company or its controlling companies (branches)	JV and Associate Portfolio Home Furnishing Shopping Mall project companies	Guangzhou Red Star Macalline Expo Home Plaza Co., Ltd. (廣州紅星美凱龍世博家居廣場有限公司)	500.00	Interest rate not exceeding four times of the loan prime rate for the one-year loan at the time of the formation of the contract	Subject to relevant contracts signed
	Partners of Managed Shopping Malls	Partners of Managed Shopping Malls	10,000.00		
Total			10,500.00		

a. *Provision of loans to JV and Associate Portfolio Home Furnishing Shopping Mall project companies*

The debtors of the type of loans are JV and Associate Portfolio Home Furnishing Shopping Mall project companies of the Company, and the relevant loans are the amounts lent by shareholders of the Company in proportion to their respective shareholding percentages as agreed, for the construction and operation of the project companies.

b. Provision of loans to partners of Managed Shopping Malls

The debtors of the type of loans are partners of Managed Shopping Mall projects of the Company. For managed projects, the rents, deposits and other payments paid by the tenants are generally collected by managed project management companies and accumulated in a short period. Some partners of Managed Shopping Mall projects may need to prepay the rent/deposit of tenants due to their capital requirements.

The targets of the financial assistance are JV and Associate Portfolio Home Furnishing Shopping Mall project companies, and partners of Managed Shopping Malls, all of which have no related party relationship with the Company under the Listing Rules of the Shanghai Stock Exchange. The above-mentioned shareholders of JV and Associate Portfolio Home Furnishing Shopping Mall project companies have no related party relationship with the Company under the Listing Rules of the Shanghai Stock Exchange. The targets shall be subject to strict qualification review, have good standing as internally assessed by the Company, and shall not be dishonest persons subject to enforcement, and shall be solvent and of a certain scale. The financial assistance cap will be determined with reference to factors such as the scale of the cooperation project, the overall operation and capital status of the shopping malls, the credit status of the targets of the financial assistance, and the cooperative relationship with the Company.

2) *The validity period of the financial assistance and authorization*

The validity period of the cap for the estimated new financial assistance is one year ending 31 December 2024 upon the consideration and approval at the extraordinary general meeting of the Company.

Upon consideration and approval of the resolution, the extraordinary general meeting of the Company will grant authorization to the Board, which will authorize the management of the Company to handle specific matters according to the actual needs of financial assistance work.

2. Basic Information on the Targets of Assistance

1) *JV and Associate Portfolio Home Furnishing Shopping Mall project companies as targets*

a. *Guangzhou Red Star Macalline Expo Home Plaza Co., Ltd.*

Company name	: Guangzhou Red Star Macalline Expo Home Plaza Co., Ltd. (廣州紅星美凱龍世博家居廣場有限公司) (“Guangzhou Red Star Macalline”)
Social credit code	: 91440101MA5D1GJ914
Legal representative	: Xue Xingbin (薛興斌)
Date of establishment	: 12 November 2019
Registered capital	: RMB30 million
Registered address	: Room 201, No.180 Pazhou Avenue, Haizhu District, Guangzhou City
Scope of business	: Lease of premises (excluding warehousing); market management, and booth rental; property management; wholesale of furniture; retail of furniture; wholesale of building materials and decoration materials; retail of metal decoration materials; wholesale of hardware products; retail of hardware; comprehensive retail of daily groceries; wholesale of textiles, knitwear and raw materials; retail of textiles and knitwear; wholesale of computers, software and office equipment. (For items subject to approval in accordance with laws, business activities can be carried out only after approval by relevant authorities)

Shareholders of Guangzhou Red Star Macalline:

S/N	Name of Shareholder	Shareholding Percentage
1	Guangzhou Red Star Macalline Market Management Company Limited (廣州紅星美凱龍市場經營管理有限公司)	50%
2	Oppein Home Group Inc. (歐派家居集團股份有限公司)	50%

Note: Guangzhou Red Star Macalline Market Management Company Limited is a wholly-owned subsidiary of the Company.

Guangzhou Red Star Macalline is not a dishonest person subject to enforcement, and is not involved in major lawsuits, arbitration, or judicial measures including seizing and freezing that may affect its solvency. It has no related party relationship as defined in the Listing Rules of the Shanghai Stock Exchange with the Company, its controlling shareholders, actual controllers, controlling subsidiaries, and Directors, supervisors and the management of the Company.

As at 31 December 2022, Guangzhou Red Star Macalline had total assets of RMB323,380.5 thousand, total liabilities of RMB333,083.9 thousand, net assets of RMB-9,703.4 thousand and the gearing ratio of 103.00%. In 2022, it recorded a revenue of RMB36,416.3 thousand and net profit¹ of RMB-27,360.9 thousand.

As at 31 October 2023, Guangzhou Red Star Macalline had total assets of RMB276,805.8 thousand, total liabilities of RMB306,128.7 thousand, net assets of RMB-29,322.9 thousand and the gearing ratio of 110.59%. From January to October 2023, it recorded a revenue of RMB30,579.0 thousand and net profit¹ of RMB-18,542.7 thousand.

As at 31 October 2023, the balance of the financial assistance provided by the Company to Guangzhou Red Star Macalline was RMB5,000.0 thousand, and there was no financial assistance due which was not repaid on time.

3. Partners of Managed Shopping Malls as targets of financial assistance

There are a large number of partners of Managed Shopping Malls of the Company, and it is not possible to predict the specific targets and amounts. The Company expects to provide a total financial assistance of RMB100.0 million. As at 31 October 2023, the balance of the financial assistance provided by the Company to all partners of Managed Shopping Malls was RMB215.379 million, and the Company will not provide additional financial assistance for partners of Managed Shopping Malls who fail to repay the financial assistance due on time.

4. Risk and Control Measures

The repayment ability of the targets of this financial assistance will mainly depend on the operating income of the project shopping mall, etc. The Company will pay close attention to the operation of the project shopping mall and evaluate the risk changes.

Meanwhile, the Company has formulated the Management System for Financial Assistance Provided by Red Star Macalline Group Corporation Ltd., improved the internal control of provision of financial assistance, and defined the approval authority, approval procedures, responsible departments and their duties, and other matters of provision of financial assistance.

The Company will make a prudent judgment on the performance ability of the targets of assistance on the basis of comprehensive analysis of the asset quality, operation, industry prospect, solvency and credit status of the targets of assistance.

In terms of fund safety, the Company will take effective measures to ensure the safety of the funds. Risk prevention measures include, but are not limited to provision of guarantee by legal representatives of the targets or other third parties for the financial assistance.

If the financial assistance is not recovered on time, the Company shall not provide additional financial assistance to the corresponding targets.

For the overdue amount, the Company will take the following measures:

- In accordance with relevant loan agreements, the Company will assign special personnel to follow up the matters in a timely manner, strengthen the supervision of the targets and make greater efforts to urge them to repay the loans, take legitimate collection measures as the case may be, and complete the collection plan to the maximum extent so as to safeguard the Company's interests.
- If necessary, the Company will solve the issue through judicial means if the Company fails to recover the loans on time after repeated reminders.

5. Impact on the Company

The above financial assistance is mainly targeted at JV and Associate Portfolio Home Furnishing Shopping Mall project companies, and partners of Managed Shopping Malls, and will meet the capital requirements of the Company and/or corresponding shopping mall projects, deepen the business cooperation relationship between the Company and relevant parties, and is conducive to business operation and expansion of the Company, and in line with the Company's main business and strategic development direction. The relevant financial assistance will be implemented subject to meeting the Company's demand for daily floating capital, and without affecting the normal daily capital turnover of the Company or harming the interests of the Company or Shareholders, especially minority Shareholders.

Considering that the gearing ratio of the estimated targets of the financial assistance in the latest financial statements exceeds 70%, the estimated financial assistance is required to be submitted to the extraordinary general meeting of the Company for consideration and approval.

Each of the transaction as disclosed in this announcement is disclosed and submitted to the extraordinary general meeting of the Company for consideration due to relevant A share rules only. Each of the transaction as disclosed in this announcement does not constitute an advance to entity, discloseable transaction or connected transaction which is subject to announcement or shareholders' approval under requirement Chapter 13, Chapter 14 and Chapter 14A of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. Each of the counterparties to the transactions as disclosed in this announcement is not a connected person of the Company under Listing Rules.

A circular containing, among other things, details of the above resolutions, together with the notice of the extraordinary general meeting, will be dispatched to the Shareholders in due course.

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

Shanghai, the PRC
1 December 2023

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