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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)

**CHANGE OF USE OF CERTAIN PROCEEDS FROM THE INITIAL PUBLIC
OFFERING OF A SHARES AND USE OF CERTAIN PROCEEDS FROM
THE NON-PUBLIC ISSUANCE OF A SHARES**

Reference is made to the announcements of Red Star Macalline Group Corporation Ltd. (the “**Company**”) dated 12 February 2016, 9 May 2016, 28 February 2017, 10 November 2017, 5 December 2017, 22 December 2017, 26 December 2017, 2 January 2018, 3 January 2018, 4 January 2018, 8 January 2018, 15 January 2018, 16 January 2018, 7 February 2018, 8 June 2018, 3 May 2020, 3 June 2020, 18 June 2020, 23 June 2020, 27 September 2020, 19 April 2021, 18 May 2021, 21 October 2021 and 1 April 2024 (the “**Announcements**”) and the circulars dated 12 February 2016, 2 March 2017, 11 October 2018, 3 June 2020 and 29 April 2024 (the “**Circulars**”) in relation to, among other things, the initial public offering of A Shares and the non-public issuance of A Shares. Unless the context otherwise requires, capitalised terms used herein shall have the same meanings as those defined in the Announcements and the Circulars.

I. CHANGES OF USE OF PROCEEDS

Taking into account its own operating conditions, strategic repositioning and the efficiency of the use of proceeds, and other factors, the Company proposes to use its own funds to pay the outstanding balance of the “Changsha Jinxia Shopping Mall Project” and the “New Intelligent Home Furnishing Shopping Mall Project”, both of which are fund-raising investment projects under the initial public offering of A Shares (hereinafter referred to as the “**Fund-raising Investment Projects**”). The Company also proposes to terminate the “Foshan Lecong Shopping Mall Project” and the “Nanning Dingqiu Shopping Mall Project” which are fund-raising investment projects under the 2020 non-public issuance, and to apply the unutilised proceeds from the corresponding fund-raising investment projects to permanently replenish the Company’s working capital (the actual amount shall be subject to the balance of the designated account on the date of the fund transfer).

The details of the fund-raising investment projects before and after such changes are as follows:

(I) Changes of Use of Certain Proceeds from the Initial Public Offering of A Shares

Unit: RMB’0,000

Proposed investment projects		Proposed use of proceeds ⁽¹⁾	This change in amounts	Total planned investment after this change
Home Furnishing Shopping Mall Construction Project	Changsha Jinxia Shopping Mall Project	16,318.09	-1,694.29	14,623.80
New Intelligent Home Furnishing Shopping Mall Project		11,727.64	-12.40	11,715.24

Note:

- (1) The change was made in accordance with the Resolution on the Conclusion, Extension, Suspension and Termination of Certain A-Share Proceeds Investment Projects of the Company, which was considered and approved at the third meeting of the fifth session of the Board of Directors and the 2023 annual general meeting.

(II) Changes of Use of Certain Proceeds from the Non-public Issuance of A Shares

Unit: RMB'0,000

Proposed investment projects		Proposed use of proceeds ⁽¹⁾	This change in amounts	Total planned investment after this change
Home Furnishing Shopping Mall Construction Project	Foshan Lecong Shopping Mall Project	100,000.00	-80,000.00	20,000.00
	Nanning Dingqiu Shopping Mall Project	56,000.00	-19,965.14	36,034.86

Note:

- (1) The change was made in accordance with the Resolution on the Change of Certain Proceeds Investment Projects, which was considered and approved at the 35th extraordinary meeting of the third session of the Board of Directors and the second extraordinary general meeting of 2018.

II. REASONS FOR CHANGE OF USE OF PROCEEDS

(I) Reasons for Proposed Use of the Own Funds for the Outstanding Balance of Certain Fund-raising Investment Projects

The construction of the home shopping mall under the Company's "Changsha Jinxia Shopping Mall Project" had been completed, and the relevant certificate of completion acceptance for the construction site and planning had been obtained in July 2020. The Company had originally planned to reach the intended ready-for-use condition and conclude the project upon the opening of the shopping mall. Due to the slow progress of the development of the surrounding area of Jinxia commercial district in the early stage, and taking into account the tenant recruitment and operational effect of the shopping mall, the Company intends to commence tenant recruitment works for the Changsha Jinxia Shopping Mall after the surrounding ancillary plans are implemented, and will proceed with the opening of the shopping mall upon completion of the tenant recruitment process.

As the construction of Changsha Jinxia Shopping Mall has been completed and the need for construction investment funded by the proceeds raised has been substantially fulfilled, the Company concluded the aforementioned fund-raising investment project in 2024. Given that the aforementioned expected outstanding payments are primarily retention money for the construction of the Changsha Jinxia Shopping Mall, and the payment is contingent upon the expiry of the warranty period, quality acceptance of the project, and contractual terms, the actual payment is expected to require a certain period of time. After comprehensively considering the development of surrounding facilities for the Changsha Jinxia Shopping Mall and the subsequent arrangements for tenant recruitment and operation, and in order to avoid the long-term idling of funds, further enhance capital efficiency, and support the Company's daily operations and business development, the Company plans to re-allocate the expected outstanding payment of RMB16.9429 million for the 'Changsha Jinxia Shopping Mall Project' to replenish the working capital on a permanent basis. Upon satisfaction of the payment conditions in the future, the Company will apply its own funds towards the relevant payments.

In recent years, as the new retail landscape and online business models in the home furnishing and furniture industries have been continuously evolving, the Company has, since 2022, conducted ongoing feasibility studies and assessments on the development direction and implementation progress of its new retail strategy. To enhance capital efficiency, the Company has terminated the “New Intelligent Home Furnishing Shopping Mall Project” in 2024. Given that the expected outstanding payments for the project are retention money for store decoration, and the payment is contingent upon the expiry of the warranty period, quality acceptance and contractual terms, the actual payment is expected to require a certain period of time. To further improve capital efficiency, the Company plans to re-allocate the expected outstanding payment of RMB124,000 for the “New Intelligent Home Furnishing Shopping Mall Project” to replenish the working capital on a permanent basis. Upon satisfaction of the payment conditions in the future, the Company will apply its own funds towards the relevant payments.

(II) Reasons for the Termination of the Foshan Lecong Shopping Mall Project and the Nanning Dingqiu Shopping Mall Project

1. Material adverse changes in the market conditions of the project locations

Nanning and Foshan are both highly competitive regions for the home furnishing market. In recent years, existing competitors and emerging business formats (such as home furnishing collective stores within shopping centers and full-service interior design companies) have continuously diverted customer traffic, leading to limited room for incremental growth. Against this backdrop, the establishment of a new large-scale stand-alone home furnishing mall in Nanning and Foshan would generate relatively low economic returns.

In 2024, the Company re-evaluated the Nanning Dingqiu Shopping Mall Project based on the premise of continued construction. It was originally scheduled to reach its intended usable state in 2026. However, considering the current increased difficulty in tenant recruitment, the extended incubation period after opening, and the pressure on expected rental levels, continued investment would significantly reduce the efficiency of fund utilisation, posing a risk that investment returns would not meet expectations and result in a substantial loss of the proceeds which would not be in the interests of the Company and its shareholders.

2. Repositioning of the Company’s development strategy

There was a change in the Company’s controlling shareholder and actual controller in June 2023. In light of the external macroeconomic environment and its own capital and financial situation, the Company has re-planned its medium-to-long-term development strategy and capital investment plan. The new development strategy shifts the focus to an asset-light operating model, with the core objective of achieving stable operations by revitalising existing assets, optimising the cash flow structure, reducing the asset-liability ratio, and mitigating financial risks, while no longer making large-scale, high-risk heavy-asset investments.

3. *Enhancing the efficiency of fund utilisation*

The Company's asset-liability ratio has been at a relatively high level in recent years. Considering the current macroeconomic environment, the Company's financial structure, and its operational status, using the proceeds to replenish working capital, repay high-interest debt, or deploy in asset-light, high-turnover core businesses can effectively optimise the Company's debt structure, improve its cash flow, and enhance its overall risk resilience and shareholder returns. This is more prudent and reasonable compared to investing in heavy-asset projects with uncertain prospects.

III. PLAN FOR THE PERMANENT REPLENISHMENT OF WORKING CAPITAL AND UTILISATION OF THE REMAINING PROCEEDS

(I) Plan for Utilisation of Permanent Replenishment of Working Capital for the “Changsha Jinxia Shopping Mall Project” and the “New Intelligent Home Furnishing Shopping Mall Project”

In order to better utilise the proceeds, improve the efficiency of fund utilisation, enhance operational performance, and in line with the principle of maximising shareholder interests, the Company, pursuant to the Rules Governing the Listing of Stocks on the Shanghai Stock Exchange and Shanghai Stock Exchange Self-Discipline Supervision Guidelines for Listed Companies No.1 – Standardized Operation and other laws, regulations and normative documents, and in conjunction with its own development plans and actual business needs, proposes to use the remaining proceeds of RMB17.0669 million in total from the “Changsha Jinxia Shopping Mall Project” and the “New Intelligent Home Furnishing Shopping Mall Project” to permanently replenish working capital (the actual amount shall be subject to the balance of the dedicated proceeds account on the date of transfer). After the balance in the dedicated proceeds account is transferred out to permanently replenish working capital, the Company will close the dedicated proceeds account accordingly, and the monitoring agreement for the dedicated proceeds account signed with the sponsor and the account-opening bank will also be terminated.

(II) Plan for Utilisation of the Remaining Proceeds After the Termination of the Foshan Lecong Shopping Mall Project and the Nanning Dingqiu Shopping Mall Project

In order to improve the efficiency of fund utilisation, enhance the Company's operational performance, and in line with the principle of maximising shareholder interests, the Company, pursuant to the Rules Governing the Listing of Stocks on the Shanghai Stock Exchange and Shanghai Stock Exchange Self-Discipline Supervision Guidelines for Listed Companies No.1 – Standardized Operation and other laws, regulations and

normative documents, and in conjunction with its own development plans and actual business needs, proposes to terminate the “Foshan Lecong Shopping Mall Project” and the “Nanning Dingqiu Shopping Mall Project”. The remaining proceeds of RMB999.6514 million (the actual amount shall be subject to the balance of the dedicated proceeds account on the date of transfer) will be used to permanently replenish working capital to alleviate the financial pressure on the Company’s core business operations and development, effectively optimise the Company’s debt structure, improve its cash flow, reduce its financial risks, promote the long-term and stable development of its business, and protect the interests of the Company and its minority shareholders. After the balance in the dedicated proceeds account is transferred out to permanently replenish working capital, the Company will close the dedicated proceeds account accordingly, and the monitoring agreement for the dedicated proceeds account signed with the sponsor and the account-opening bank will also be terminated.

IV. IMPACT OF CHANGES OF USE OF PROCEEDS AND TERMINATION OF PROJECTS ON THE COMPANY

(I) Impact of Permanent Replenishment of Working Capital with the Remaining Proceeds from the “Changsha Jinxia Shopping Mall Project” and the “New Intelligent Home Furnishing Shopping Mall Project”

The Company’s use of the remaining proceeds to permanently replenish working capital is conducive to improving the efficiency of proceeds utilisation, further enhancing the Company’s operational capabilities, and safeguarding the interests of the Company and its shareholders. It does not harm the interests of the Company and its shareholders, will not have a material adverse effect on the Company’s normal operations, is in line with the Company’s long-term development plan, and complies with the relevant regulations of the CSRC and the Shanghai Stock Exchange regarding the use of proceeds by listed companies.

(II) Impact of Termination of the Foshan Lecong Shopping Mall Project and the Nanning Dingqiu Shopping Mall Project on the Company

The termination of the implementation of the aforesaid fund-raising investment projects is a prudent decision made by the Company based on a comprehensive consideration of the current macroeconomic environment, its own operations, and financial status, and will not have a material adverse effect on the Company’s normal operations. After the termination of the fund-raising investment projects, the remaining proceeds will be applied to permanently replenish its working capital, which can effectively improve the Company’s cash flow, reduce financial risks, increase the Company’s profit level, provide stable financial support for the development of the Company’s main business, and further enhance the Company’s risk resilience. In the future, the Company will arrange the use of funds reasonably in accordance with its development plan and actual operational needs, based on the principle of maximising shareholder interests, to reward all investors with better performance.

V. CIRCULAR OF GENERAL MEETING

Such changes are subject to the approval of the shareholders of the Company (the “Shareholders”) at a general meeting of the Company and a circular containing, among other things, details of such changes, together with a notice of the extraordinary general meeting, will be published on the website of The Stock Exchange of Hong Kong Limited (www.hkexnews.hk) and the Company’s website (www.chinaredstar.com) in due course.

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

Shanghai, the PRC, 30 July 2026

As at the date of this announcement, the executive Directors of the Company are LI Yupeng, SHI Yaofeng and YANG Yingwu; the non-executive Directors are YE Yanliu, ZOU Shaorong, CHE Jianxing and XU Guofeng; the independent non-executive Directors are XUE Wei, HUANG Jianzhong, CHEN Shanang, WONG Chi Wai and CAI Qinghui; and the employee Director is ZHENG Jianjie.