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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)

DISCLOSEABLE TRANSACTION
ENTERING INTO OF THE JV TRANSACTION

On August 6, 2024, the Board approved the entering of the Transaction Documents by the Company and its subsidiary, namely Shanghai Xingkai, with China Cinda and Cinda Capital in respect of the JV Transaction.

Listing Rule Implications

As the highest applicable percentage ratio in respect of the JV Transaction exceeds 5% but all percentage ratios are less than 25%, the JV Transaction constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

INTRODUCTION

On August 6, 2024, the Board approved the entering of the Transaction Documents by the Company and its subsidiary, namely Shanghai Xingkai, with China Cinda and Cinda Capital in respect of the JV Transaction.

MAJOR TERMS OF THE JV TRANSACTION

The major terms of the JV Transaction as contemplated in the Transaction Documents are set out as follows:

**Partnership structure
of the joint venture**

Shanghai Xingkai, China Cinda and Cinda Capital hold 61.49%, 38.43% and 0.08% of the partnership interest of Tianjin Xinmei, respectively.

Cinda Capital shall serve as the general partner and managing partner of Tianjin Xinmei with China Cinda and Shanghai Xingkai serving as the preferred limited partner and subordinated limited partner of Tianjin Xinmei, respectively.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, China Cinda, Cinda Capital and their ultimate beneficial owner of the China Cinda and Cinda Capital are Independent Third Parties.

Purpose of the joint venture	Tianjin Xinmei shall establish the SPV to consummate the Proposed Transaction. The consideration for the equity transfer of the Proposed Transaction shall be RMB980 million. The SPV shall also provide loan of RMB1.3 billion to Red Star Yantai (“ Shareholders’ Loan ”) to repay Red Star Yantai’s outstanding loan.
Duration of the joint venture	The duration of the joint venture shall be four (4) years from the date of business license of Tianjin Xinmei.
Funding of the joint venture	<p>Each of Shanghai Xingkai, China Cinda and Cinda Capital will provide funding to Tianjin Xinmei through paid-in capital as equity of Tianjin Xinmei, and SPV will further obtain external financing from financial institutions which are Independent Third Parties.</p> <p>China Cinda commits to make RMB500 million capital contribution, Cinda Capital commits to make RMB1 million capital contribution, and Shanghai Xingkai commits to make RMB800 million capital contribution.</p>
Management of the joint venture	<p>The investment committee shall be responsible for investment, management and exit in connection with the Tianjin Xinmei and decide on material business affairs of Tianjin Xinmei. The investment committee shall be comprised of five members. Shanghai Xingkai shall be entitled to appoint three members and each of China Cinda and Cinda Capital shall be entitled to appoint one member.</p> <p>Each partner shall have one vote on the partners’ meeting and the partners’ meeting shall be convened to approve the following matters:</p> <ol style="list-style-type: none"> (1) change the name and business scope of the partnership; (2) extend the duration of the partnership; (3) increase or decrease the paid-in capital of each partner; (4) dissolve the partnership prior to expiration of the duration; (5) remove and replace general partners; (6) admit new partners to the partnership and approve withdrawal of limited partners; (7) approve request of partners to transfer (including transfer to related parties or non-related parties), pledge or otherwise dispose of their partnership interest, unless otherwise agreed in the Tianjin Xinmei Partnership Agreement;

- (8) incur debts or provide external guarantees by the partnership, except for the payment of daily operating expenses;
- (9) declare non-cash distributions;
- (10) approve the transfer by general partner of its partnership interests to non-related parties, unless otherwise agreed in the Tianjin Xinmei Partnership Agreement;
- (11) amend the Tianjin Xinmei Partnership Agreement; and
- (12) other matters that should be decided by the partners' meeting as required by applicable laws and as agreed in the Tianjin Xinmei Partnership Agreement.

Other than matters reserved for decisions by the investment committee or the partners' meeting, all other affairs of Tianjin Xinmei shall be decided by the managing partner.

Distribution of the joint venture

The income earned by Tianjin Xinmei shall first be deducted by, or reserved for, various taxes and fees (including taxes and fees paid in advance by the managing partner) and daily operating expenses that Tianjin Xinmei shall bear. The remaining part of such income shall constitute distributable income and shall be distributed to the partners in the following order before each Expected Profit Distribution Date:

- (1) settle the remuneration payable to the managing partner;
- (2) make distributions to the preferred limited partner until the preferred limited partner achieves the Preferred Return for the relevant period up to the Expected Profit Distribution Date;
- (3) make distributions to the preferred limited partner until the preferred limited partner recovers its paid-in capital in full;
- (4) make distributions to the general partner until the general partner recovers its paid-in capital in full;
- (5) make distributions to the subordinated limited partner until the subordinated limited partners recover their paid-in capital in full;
- (6) make distributions to the general partner until the general partners achieves Preferred Return for the relevant period; and
- (7) distribute any surplus to the subordinated limited partner in full.

“Preferred Return” shall be calculated by the following formula:
 $\text{paid-in capital} \times \text{expected yield} \times \text{number of days the relevant party has paid its paid-in capital} \div 360.$

**Deficit compensation
by the Company**

The Company agrees that the Company shall compensate China Cinda and Cinda Capital in the following manners if any of the following circumstances occurs:

- (1) if the 100% of the equity interest of Red Star Yantai fails to be transferred to the SPV and the amount of distribution received by China Cinda from Tianjin Xinmei is less than the sum of its actual paid-in capital and the Preferred Return, the Company shall compensate China Cinda the deficit in cash;
- (2) if, on any Expected Income Distribution Date, the amount of distribution received by China Cinda from Tianjin Xinmei is less than the Preferred Return, the Company shall compensate China Cinda the deficit in cash;
- (3) in the event that China Cinda disposes of all of its partnership interest in Tianjin Xinmei and the equity transfer price is lower than the disposal floor price (which shall be determined in accordance with the method for calculating the China Cinda Mandatory Transfer Price), the Company shall compensate China Cinda the deficit in cash;
- (4) in the event that Cinda Capital disposes of all of its partnership interest in Tianjin Xinmei and the equity transfer price is lower than the disposal floor price (which shall be determined in accordance with the method for calculating the Cinda Capital Mandatory Transfer Price), the Company shall compensate Cinda Capital the deficit in cash.

**Put option granted
by the Company**

The Company shall be required to take up the entire partnership interest of Tianjin Xinmei held by China Cinda at the China Cinda Mandatory Transfer Price, and other party designated by the Company to take up the entire partnership interest of Tianjin Xinmei held by Cinda Capital at the Cinda Capital Mandatory Transfer Price, upon the occurrence of any of the following events:

- (1) on any Expected Profit Distribution Date, China Cinda fails to fully achieve its Preferred Return and the Company fails to compensate the deficit. In such circumstance, China Cinda shall, for the avoidance of doubt, require the Company to take up the entire partnership interest of Tianjin Xinmei held by China Cinda;
- (2) on the date when China Cinda fails to recover all the paid-in capital through the distributable income distributed by Tianjin Xinmei after three years from the date when China Cinda has paid all the capital to Tianjin Xinmei;
- (3) changes in the actual controller or controlling shareholder of the Company; major operational or financial crises of the Company and its actual controller or controlling shareholder; and other circumstances that China Cinda believes may have a material adverse impact;

- (4) circumstances in which China Cinda has the right to exercise its security rights and dispose of the underlying collateral (if any);
- (5) other circumstances in which the Company shall take up the partnership interest of Tianjin Xinmei held by China Cinda and Cinda Capital as expressly agreed in the Deficit Compensation and Option Transaction Agreement.

“China Cinda Mandatory Transfer Price” shall be calculated by the following formula: (i) total amount of paid-in capital of China Cinda + (ii) Preferred Return (i.e. balance of paid-in capital of China Cinda \times expected yield \times number of days China Cinda has paid its paid-in capital \div 360) + (iii) the amount of liquidated damages or any other amount that China Cinda is entitled to receive (including the right to receive directly and/or through distribution by the partnership) in accordance with the Transaction Documents (if any) – (iv) the total and cumulative amount of distribution China Cinda has received from Tianjin Xinmei – (v) any payment received by China Cinda for any deficit pursuant to the provisions set forth in the above subsection “– Deficit compensation by the Company” – (vi) any amount that China Cinda is entitled to receive first by exercising its security rights and disposing of the underlying collateral (if any). If China Cinda pays the paid-in capital in batches or recovers the paid-in capital in batches, the Preferred Return referred to in the China Cinda Mandatory Transfer Price shall be calculated based on the respective changes to the paid-in capital balance before aggregation.

“Cinda Capital Mandatory Transfer Price” shall be calculated by the following formula: (i) total amount of paid-in capital of Cinda Capital + (ii) Preferred Return (i.e. balance of paid-in capital of Cinda Capital \times expected yield \times number of days Cinda Capital has paid its paid-in capital \div 360) + (iii) the managing partner remuneration receivable by Cinda Capital (i.e. balance of paid-in capital of China Cinda \times 0.15% \times number of days China Cinda has paid its paid-in capital \div 360) – (iv) the total and cumulative amount of distribution made by Tianjin Xinmei to Cinda Capital and the managing partner remuneration paid. If China Cinda or Cinda Capital pays its respective paid-in capital in batches or recovers its respective paid-in capital in batches, the Preferred Return and the managing partner remuneration receivable by Cinda Capital referred to in the Cinda Capital Mandatory Transfer Price shall be calculated based on the respective changes to the paid-in capital balance before aggregation.

REASONS AND BENEFITS OF THE JV TRANSACTION

Upon the completion of the JV Transaction, Red Star Yantai will be consolidated by the Company as a wholly owned subsidiary of the Company. The structure of the Company's assets and liabilities will be further improved, and confidence in the capital market will be boosted. The JV Transaction is thus beneficial to the Company's stable operation and long-term development.

None of the Directors has any material interest in the JV Transaction or has abstained from voting on such board resolution. The Directors (including the independent non-executive Directors) are of the view that the terms of the JV Transaction are fair and reasonable, the JV Transaction is on normal commercial terms and in the interests of the Company and Shareholders as a whole.

The Board fully authorizes the management of the Company to handle all matters related to the JV Transaction in accordance with market conditions, including but not limited to signing various legal documents like relevant contracts, agreements, etc., adjusting the details, conditions, and increase/decrease credit enhancement measures (if necessary) of the JV Transaction, etc.

VALUATION AND INFORMATION OF RED STAR YANTAI

Set out below is the audited financial information of Red Star Yantai for the two years ended December 31, 2022 and December 31, 2023:

	For the year ended/As at 31 December		For the four months ended/As at 30 April
	2022	2023	2024
	(Audited)	(Audited)	(Unaudited)
	RMB'000	RMB'000	RMB'000
Total asset	2,735,444	2,747,003	2,696,320
Net asset	1,316,191	1,435,306	1,356,110
Net profit/(loss) before tax	1,208	(4,495)	44,413
Net profit/(loss) after tax	1,208	(4,495)	44,413

According to the valuation report (“**Valuation Report**”) prepared by Jinzheng (Shanghai) Asset Appraisal Co., Ltd. (the “**Asset Valuer**”), an independent asset valuer engaged by the Company, for the valuation of the entire equity interest of Red Star Yantai (the “**Valuation**”), the Asset Valuer has adopted the asset-based approach to estimate the fair value of the entire equity interest of Red Star Yantai as of 30 April 2024 (the “**Valuation Date**”). The methodology adopted in the preparation of the Valuation Report by the Asset Valuer for the Valuation and details of the Valuation Report are as follows:

(I) Selection of valuation approach and principal factors

Market approach is not appropriate as it is difficult to find enough comparable listed companies or comparable transactions in the same industry with similar business operations and scale as Red Star Yantai.

Red Star Yantai serves as a management platform. It is difficult to make reliable predictions about the future profitability, income period, and risks assumed by the expected income of Red Star Yantai. Therefore, income approach is also considered inappropriate.

Since the on-balance-sheet assets and liabilities of Red Star Yantai can be identified and appraised separately using appropriate methods on the Valuation Date, asset-based approach has been adopted in the Valuation.

(II) Valuation Assumptions

The Valuation assumptions were as follows:

- (i) Transaction assumption: it is assumed that all assets to be appraised are already in the process of trading, and the appraiser simulates the market based on the trading conditions of the assets to be appraised;
- (ii) Open market assumption: it is assumed that assets can be freely bought and sold in a fully competitive market, and their prices depend on the value judgments of the independent buyers and sellers under certain market supply conditions;
- (iii) Going concern assumption: it is assumed that Red Star Yantai's business activities can continue, and that the Red Star Yantai's business activities will not cease or terminate within a foreseeable time in the future;
- (iv) There are no unforeseeable significant adverse changes in the existing laws, macro-economics, finance, industrial policies and other external economic environments, and there is no significant impact caused by other irresistible and unforeseeable factors;
- (v) The impact of the possible mortgages and guarantees made by Red Star Yantai, and additional prices to be paid for special transaction methods on the conclusion of the Valuation is not considered; and
- (vi) It is assumed that there will be no significant changes in the socio-economic environment in which Red Star Yantai is located and taxation policies, such as taxes and tax rates, and that the credit policy, interest rate, exchange rate and other financial policies will be generally stable.

(III) Appraised value and book value of the total assets and total liabilities of Red Star Yantai

According to the results of the Valuation, the book value of the total assets of Red Star Yantai on the Valuation Date is RMB2,696.3203 million, the appraised value of the total assets of Red Star Yantai is RMB2,385.4965 million, the impairment amount is RMB310.8239 million, and the impairment rate is 11.53%; the book value of total liabilities of Red Star Yantai is RMB1,340.2106 million, the appraised value of total liabilities of Red Star Yantai is RMB1,395.2106 million, the appreciation amount is RMB55.00 million, and the appreciation rate is 4.10%; the book value of net assets of Red Star Yantai is RMB1,356.1098 million, the appraised value of net assets of Red Star Yantai is RMB990.2859 million, the impairment amount is RMB365.8239 million, and the impairment rate is 26.98%. The appraised value of Red Star Yantai is lower than the book value of the assets of Red Star Yantai primarily due to that the book value of the long-term equity investment equals the original investment amounts using the cost method, and the appraised value of the long-term equity investment was appraised with reference to the market value. The difference between the book value of the total liabilities of Red Star Yantai and appraised value of the total liabilities of Red Star Yantai is primarily due to the unaccrued interest from the time of the last interest payment date of long-term loans to the Valuation Date.

INFORMATION RELATING TO THE PARTIES

As a leading home improvement and furnishings shopping mall operator in the PRC, the Group mainly engages in the business of offering comprehensive services to the merchants, consumers and partners of the home improvement and furnishings shopping malls under “Red Star Macalline” through the operation and management of both Portfolio Shopping Malls and Managed Shopping Malls. Meanwhile, the Group is also involved in pan home furnishings consumption, including internet retail, home decoration and design.

China Cinda provides customers with tailor-made financial solutions and differentiated asset management services through a collaborative and diversified business platform. The ultimate beneficial owner of China Cinda is the Ministry of Finance of the People’s Republic of China.

Cinda Capital is a company established under the laws of the PRC with limited liability and is a subsidiary of China Cinda. Its principal business is entrusted management of private equity investment funds. It is engaged in investment and financing management and related advisory services.

LISTING RULES IMPLICATIONS

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DEFINITIONS

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

“associate(s)”	has the meaning ascribed to it under the Listing Rules;
“Board”	the board of directors of the Company;
“China Cinda”	China Cinda Asset Management Co., Ltd. Guangdong Branch (中國信達資產管理股份有限公司廣東省分公司), a company established under the laws of the PRC and an Independent Third Party;
“Cinda Capital”	Cinda Capital Management Co., Ltd. (信達資本管理有限公司), a company established under the laws of the PRC and an Independent Third Party;
“Company”	Red Star Macalline Group Corporation Ltd., 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 and A Shares are listed on the Shanghai Stock Exchange;
“connected person(s)”	has the meaning ascribed to it under the Listing Rules;
“Deficit Compensation and Option Transaction Agreement”	the deficit compensation and option transaction agreement to be entered into between the Company, China Cinda and Cinda Capital, pursuant to which (i) the Company shall agree to compensate China Cinda and Cinda Capital certain deficit generated in connection with Red Star Yantai, and (ii) the Company and its designated party shall be required to take up all the partnership interest of Tianjin Xinmei held by China Cinda and Cinda Capital;
“Director(s)”	the director(s) of the Company;
“Expected Profit Distribution Date”	the date on which Tianjin Xinmei is expected to distribute distributable income to the partners, which is the 20th day of the last month of each natural quarter starting from the beginning of the investment period of Tianjin Xinmei. If such date falls on a statutory holiday or public holiday, it will be postponed to the next business day;
“Group”	the Company and its subsidiaries from time to time;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Independent Third Party(ies)”	any entity or person who is not a connected person of the Company within the meaning ascribed there to under the Listing Rules;
“JV Transaction”	the transactions contemplated under the Transaction Documents (including, for the avoidance of doubt, the Proposed Transaction);

“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“PRC”	the People’s Republic of China, for the purpose of this announcement, excluding Hong Kong, Macau Special Administrative Region and Taiwan;
“Proposed Transaction”	the proposed transfer of the entire equity interest of Red Star Yantai to the SPV at the consideration of RMB980 million, which was determined with reference to the net asset value of Red Star Yantai as of 30 April 2024, being approximately RMB1.36 billion, and the appraised value of the entire equity interest of Red Star Yantai as of 30 April 2024 assessed by Jinzheng (Shanghai) Asset Appraisal Co., Ltd., an independent asset valuer engaged by the Company, being approximately RMB990 million. The SPV shall also provide an loan of RMB1.3 billion to Red Star Yantai;
“Red Star Yantai”	Yantai Red Star International Home Management Co., Ltd. (煙台紅星國際家居管理有限公司), a company established under the laws of the PRC, served as a management platform and is wholly owned by Tibet Changxing;
“RMB”	Renminbi;
“Shanghai Xingkai”	Shanghai Xingkai Chengpeng Enterprise Management Co., Ltd. (上海星凱程鵬企業管理有限公司), a company established under the laws of the PRC principally engaged in investment management and an wholly owned subsidiary of the Company;
“Shareholder(s)”	holder(s) of the share(s) of the Company;
“SPV”	a special purpose vehicle to be established by Tianjin Xinmei for the purpose of the Proposed Transaction;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules;
“Tianjin Xinmei”	Tianjin Xinmei Enterprise Management Partnership (Limited Partnership)(天津信美企業管理合夥企業(有限合夥)), a limited partnership established under the laws of the PRC;
“Tianjin Xinmei Partnership Agreement”	the partnership agreement to be entered into between Shanghai Xingkai, China Cinda and Cinda Capital, pursuant to which the parties shall agree on, among others, the terms of the establishment and management of Tianjin Xinmei;

“Tibet Changxing”	Tibet Changxing Furniture Management Co., Ltd. (西藏暢星家具管理股份有限公司), a company established under the laws of the PRC. According to the public information and to the best of the knowledge, information and belief of the Directors after having made all reasonable enquiries, Tibet Gaohe Enterprise Management Center (Limited Partnership) (西藏高和企業管理中心(有限合夥)), “ Tibet Gaohe ”) and Tibet Gaocheng Zhongzhi Enterprise Management Center (Limited Partnership) (西藏高誠眾智企業管理中心(有限合夥)), “ Tibet Gaocheng ”) indirectly holds 80% and 20% equity interest of Tebet Changxing, respectively. Tibet Gaocheng is held by Tibet Gaohe and Beijing Changhe Zhili Cheng Enterprise Management Co., Ltd. (北京暢和智力誠企業管理有限公司) as to 99% and 1% equity interest of Tibet Gaocheng, respectively. Tibet Gaohe is directly held by SU Xin (蘇鑫) as to 59% equity interest and each of the remaining five shareholders of Tibet Gaohe holds less than 30% equity interest of Tibet Gaohe. Tibet Changxing and its ultimate beneficial owner are Independent Third Parties;
“Transaction Documents”	the Tianjin Xinmei Partnership Agreement and the Deficit Compensation and Option Transaction Agreement;
“%”	per cent.

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

Hong Kong, August 6, 2024

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.