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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)

**ANNOUNCEMENT ON PROPOSED AMENDMENTS
TO THE ARTICLES OF ASSOCIATION**

The board of directors (the “**Board**”) of Red Star Macalline Group Corporation Ltd. (the “**Company**”) recommends on making certain amendments to the articles of association of the Company (the “**Articles of Association**”) in accordance with the requirements of the domestic laws and regulations of the People’s Republic of China in order to further optimize the internal control system of the Company.

Details of the amendments to the Articles of Association are as follows:

Existing Terms of Articles of Association	Proposed Amendments of Articles of Association
<p>Article 8 The Articles of Association shall be binding upon the Company and its shareholders, directors, supervisors, general manager (CEO) and other senior executives, all of whom may, according to the Articles of Association, assert rights in respect of the Company’s affairs.</p> <p>Pursuant to the Articles of Association, the shareholders may pursue actions against the Company; pursuant to the Articles of Association, the Company may pursue actions against the shareholders, directors, supervisors and senior executives; pursuant to the Articles of Association, shareholders may pursue actions against other shareholders; pursuant to the Articles of Association, shareholders of the Company may pursue actions against the Company’s directors, supervisors, general manager (CEO) and other senior executives.</p> <p>The actions, as referred to in the preceding paragraph, include the instituting of legal proceedings with a court or filing with an arbitral authority for arbitration.</p> <p>“Other senior executives” mentioned in this Article include deputy general manager, secretary of the Board, chief financial officer and other persons appointed by the Board as senior executives of the Company.</p>	<p>Article 8 The Articles of Association shall be binding upon the Company and its shareholders, directors, supervisors, general manager (CEO) and other senior executives, all of whom may, according to the Articles of Association, assert rights in respect of the Company’s affairs.</p> <p>Pursuant to the Articles of Association, the shareholders may pursue actions against the Company; pursuant to the Articles of Association, the Company may pursue actions against the shareholders, directors, supervisors and senior executives; pursuant to the Articles of Association, shareholders may pursue actions against other shareholders; pursuant to the Articles of Association, shareholders of the Company may pursue actions against the Company’s directors, supervisors, general manager (CEO) and other senior executives.</p> <p>The actions, as referred to in the preceding paragraph, include the instituting of legal proceedings with a court or filing with an arbitral authority for arbitration.</p> <p>“Other senior executives” mentioned in this Article include deputy general manager, secretary of the Board, chief financial officer and other persons appointed by the Board as senior executives of the Company.</p>

Existing Terms of Articles of Association	Proposed Amendments of Articles of Association
<p>Article 27 The Company may, in the following circumstances, buy back its outstanding shares following the legal procedure specified in the Articles of Association and with approval from the regulatory authority of the state:</p> <p>(I) When cancelling shares for decrease of the registered capital of the Company;</p> <p>(II) When merging with other companies holding shares of the Company;</p> <p>(III) When awarding shares to employees of the Company;</p> <p>(IV) When shareholders objecting to resolutions of the general meeting concerning merger or division of the Company require the Company to buy their shares; or</p> <p>(V) In other circumstances stipulated by laws and administrative regulations.</p>	<p>Article 27 The Company may, in the following circumstances, buy back its outstanding shares following the legal procedure specified in the Articles of Association and with approval from the regulatory authority of the state:</p> <p>(I) When cancelling shares for decrease of the registered capital of the Company;</p> <p>(II) When merging with other companies holding shares of the Company;</p> <p>(III) When awarding shares to employees of the Company <u>using the shares in employee stock ownership scheme or share incentive plans;</u></p> <p>(IV) When shareholders objecting to resolutions of the general meeting concerning merger or division of the Company require the Company to buy their shares; or</p> <p>(V) <u>When using the shares to satisfy the conversion of those corporate bonds convertible into shares issued by the Company;</u></p> <p><u>(VI) When safeguarding corporate value and shareholders' equity as the Company deems necessary; or</u></p> <p>(VII)(V) In other circumstances stipulated by laws and administrative regulations.</p>

Existing Terms of Articles of Association	Proposed Amendments of Articles of Association
<p>Article 28 The Company may buy back its shares in any of the following ways upon approval by the regulatory authority of the state:</p> <p>(I) Issuing a buyback offer to all shareholders according to an equal percentage;</p> <p>(II) Buying back through open transaction in the stock exchanges;</p> <p>(III) Buying back through agreement outside the stock exchanges; or</p> <p>(IV) Other circumstances stipulated by laws and administrative regulations.</p>	<p>Article 28 The Company may buy back its shares in any of the following ways upon approval by the regulatory authority of the state:</p> <p>(I) Issuing a buyback offer to all shareholders according to an equal percentage;</p> <p>(II) Buying back through open transaction in the stock exchanges;</p> <p>(III) Buying back through agreement outside the stock exchanges; or</p> <p>(IV) Other circumstances stipulated by laws and administrative regulations.</p> <p><u>When the Company buys back its shares, it shall perform the obligation of information disclosure in accordance with the requirements of Securities Law. Buyback of the Company's shares under the circumstances as provided in (III), (V) and (VI) of Article 27 of the Articles of Association shall be conducted through open centralized trading.</u></p>

Existing Terms of Articles of Association	Proposed Amendments of Articles of Association
<p>Article 30 After buying back its shares according to the laws, the Company shall cancel or transfer the said shares before the deadline specified by laws and administrative regulations, and register the change of the registered capital with the original company registration authority if the shares are cancelled. Buyback of the Company’s shares for reasons set out in (I) to (III) of Article 27 of the Articles of Association shall be subject to resolution at a general meeting. After the Company has bought back its shares in accordance with Article 27 of the Articles of Association, such shares shall be cancelled within 10 days after buyback in the circumstance set out in (I), or shall be transferred or cancelled within six months in the circumstances set out in (II) and (IV).</p> <p>Shares bought back by the Company as per (III) of Article 27 of the Articles of Association shall not exceed 5% of the total outstanding shares of the Company; the buyback cost shall be covered by the after-tax profit of the Company; and the shares bought back shall be transferred to employees within one year.</p> <p>The Company shall register the change of registered capital or equity with the industrial and commercial administration authority and make announcement according to the Listing Rules.</p> <p>The aggregate par value of the cancelled shares shall be deducted from the Company’s registered capital.</p>	<p>Article 30 After buying back its shares according to the laws, the Company shall cancel or transfer the said shares before the deadline specified by laws and administrative regulations, and register the change of the registered capital with the original company registration authority if the shares are cancelled.</p> <p>Buyback of the Company’s shares for reasons set out in (I), <u>(II) or (IV)</u> to (III) of Article 27 of the Articles of Association shall be subject to resolution at a general meeting; <u>buyback of the Company’s shares in circumstances as provided in (III), (V) and (VI) of Article 27 of the Articles of Association shall be resolved by more than two-thirds of the directors present at the board meeting.</u></p> <p>After the Company has bought back its shares in accordance with Article 27 of the Articles of Association, such shares shall be cancelled within 10 days after buyback under the circumstance set out in (I), or shall be transferred or cancelled within six months under the circumstances set out in (II) and (IV); <u>total shares held by the Company shall not exceed 10% of the total issued shares of the Company under the circumstances set out in (III), (V) and (VI), and such shares shall be transferred or cancelled within 3 years.</u></p> <p>Shares bought back by the Company as per (III) of Article 27 of the Articles of Association shall not exceed 5% of the total outstanding shares of the Company; the buyback cost shall be covered by the after-tax profit of the Company; and the shares bought back shall be transferred to employees within one year.</p> <p>The Company shall register the change of registered capital or equity with the industrial and commercial administration authority and make announcement according to the Listing Rules.</p> <p>The aggregate par value of the cancelled shares shall be deducted from the Company’s registered capital.</p>

Existing Terms of Articles of Association	Proposed Amendments of Articles of Association
<p>Article 39 The Company's shares are all registered shares.</p> <p>Matters specified in the Company's shares shall include:</p> <p>(I) Company name;</p> <p>(II) Date of incorporation of the Company;</p> <p>(III) Type of shares, par value and number of shares represented;</p> <p>(IV) Stock number;</p> <p>(V) Other matters to be specified pursuant to the Company Law, Special Provisions and as required by the stock exchanges on which the Company's shares are listed.</p> <p>During the period when H shares are listed on the Hong Kong Stock Exchange, the Company shall ensure all listing documents and ownership certificates of all its shares listed on the Hong Kong Stock Exchange (including H shares) shall include the following statements, and shall instruct and promote its share registrar to reject any subscription, purchase or transfer of the shares registered in the name of any individual holder, unless and until the said individual holder has submitted to the said share registrar the signed form relating to the said shares, which form shall include the following statements:</p>	<p>Article 39 The Company's shares are all registered shares.</p> <p>Matters specified in the Company's shares shall include:</p> <p>(I) Company name;</p> <p>(II) Date of incorporation of the Company;</p> <p>(III) Type of shares, par value and number of shares represented;</p> <p>(IV) Stock number;</p> <p>(V) Other matters to be specified pursuant to the Company Law, Special Provisions and as required by the stock exchanges on which the Company's shares are listed.</p> <p>During the period when H shares are listed on the Hong Kong Stock Exchange, the Company shall ensure all listing documents and ownership certificates of all its shares listed on the Hong Kong Stock Exchange (including H shares) shall include the following statements, and shall instruct and promote its share registrar to reject any subscription, purchase or transfer of the shares registered in the name of any individual holder, unless and until the said individual holder has submitted to the said share registrar the signed form relating to the said shares, which form shall include the following statements:</p>

Existing Terms of Articles of Association	Proposed Amendments of Articles of Association
<p>(I) The share buyer agrees with the Company and each of its shareholders, and the Company agrees with each shareholder to observe and comply with the Company Law, Special Provisions, other relevant laws, administrative regulations and the Articles of Association.</p> <p>(II) The share buyer agrees with the Company and the Company's each shareholder, director, supervisor, general manager (CEO) and senior executive, and the Company acting on its behalf and for each director, supervisor, general manager (CEO) and senior executive agrees with each shareholder, to refer all disputes or claims arising from the Articles of Association or from the rights or obligations specified in the Company Law or other relevant laws or administrative regulations with respect to the Company's affairs to arbitration in accordance with the Articles of Association, and that any reference to arbitration shall be deemed to authorize the arbitration tribunal to conduct a public hearing in open session and to publish its arbitration award, and the arbitration award shall be final and conclusive.</p> <p>(III) The share buyer agrees with the Company and each of its shareholders that the shares of the Company can be transferred freely by the holders.</p> <p>The share buyer authorizes the Company to conclude contract on his behalf with each director and senior executive, who shall undertake to observe and fulfil duties for shareholders as specified in the Articles of Association.</p>	<p>(I) The share buyer agrees with the Company and each of its shareholders, and the Company agrees with each shareholder to observe and comply with the Company Law, Special Provisions, other relevant laws, administrative regulations and the Articles of Association.</p> <p>(II) The share buyer agrees with the Company and the Company's each shareholder, director, supervisor, general manager (CEO) and senior executive, and the Company acting on its behalf and for each director, supervisor, general manager (CEO) and senior executive agrees with each shareholder, to refer all disputes or claims arising from the Articles of Association or from the rights or obligations specified in the Company Law or other relevant laws or administrative regulations with respect to the Company's affairs to arbitration in accordance with the Articles of Association, and that any reference to arbitration shall be deemed to authorize the arbitration tribunal to conduct a public hearing in open session and to publish its arbitration award, and the arbitration award shall be final and conclusive.</p> <p>(III) The share buyer agrees with the Company and each of its shareholders that the shares of the Company can be transferred freely by the holders.</p> <p>The share buyer authorizes the Company to conclude contract on his behalf with each director and senior executive, who shall undertake to observe and fulfil duties for shareholders as specified in the Articles of Association.</p>

Existing Terms of Articles of Association	Proposed Amendments of Articles of Association
<p>Article 53 The ordinary shareholders of the Company shall be entitled to the following rights:</p> <p>(I) To receive dividends and other profit distributions in proportion to the shares they hold;</p> <p>(II) To attend general meetings either in person or by proxy and exercise the voting right;</p> <p>(III) To supervise, present suggestions on or make inquiries about the business activities of the Company;</p> <p>(IV) To transfer shares in accordance with the laws, administrative regulations and the Articles of Association;</p>	<p>Article 53 The ordinary shareholders of the Company shall be entitled to the following rights:</p> <p>(I) To receive dividends and other profit distributions in proportion to the shares they hold;</p> <p>(II) To attend general meetings either in person or by proxy and exercise the voting right;</p> <p>(III) To supervise, present suggestions on or make inquiries about the business activities of the Company;</p> <p>(IV) To transfer shares in accordance with the laws, administrative regulations and the Articles of Association;</p>

Existing Terms of Articles of Association	Proposed Amendments of Articles of Association
<p>(V) To obtain relevant information in accordance with the Articles of Association, including:</p> <ol style="list-style-type: none"> 1. Obtaining the copy of the Articles of Association after payment of production cost; 2. Being entitled to access and copy after payment of reasonable expenses: <ol style="list-style-type: none"> (1) Copies of all shareholders' registers; (2) Personal information of the Company's directors, supervisors, general manager (CEO) and other senior executives, including: <ol style="list-style-type: none"> (a) Present and former names and aliases; (b) Principal address (domicile); (c) Nationality; (d) Full-time and all part-time occupations and duties; (e) Identity certificates and numbers thereof. 	<p>(V) To obtain relevant information in accordance with the Articles of Association, including:</p> <ol style="list-style-type: none"> 1. Obtaining the copy of the Articles of Association after payment of production cost; 2. Being entitled to access and copy after payment of reasonable expenses: <ol style="list-style-type: none"> (1) Copies of all shareholders' registers; (2) Personal information of the Company's directors, supervisors, general manager (CEO) and other senior executives, including: <ol style="list-style-type: none"> (a) Present and former names and aliases; (b) Principal address (domicile); (c) Nationality; (d) Full-time and all part-time occupations and duties; (e) Identity certificates and numbers thereof.

Existing Terms of Articles of Association	Proposed Amendments of Articles of Association
(3) Report of status of the issued share capital of the Company;	(3) Report of status of the issued share capital of the Company;
(4) Reports of the total par value, number of shares, and the highest and lowest prices of each class of shares bought back by the Company since the last fiscal year, and the total expense paid by the Company for this purpose (by domestic shares and external shares (and H shares, if applicable));	(4) Reports of the total par value, number of shares, and the highest and lowest prices of each class of shares bought back by the Company since the last fiscal year, and the total expense paid by the Company for this purpose (by domestic shares and external shares (and H shares, if applicable));
(5) Minutes of the general meetings (for reference of shareholders only) and copies of the Company's special resolutions, copies of resolutions of the Board meetings and meetings of the Supervisory Committee;	(5) Minutes of the general meetings (for reference of shareholders only) and copies of the Company's special resolutions, copies of resolutions of the Board meetings and meetings of the Supervisory Committee;
(6) The latest audited financial statements of the Company, and the reports of directors, auditors, and supervisors;	(6) The latest audited financial statements of the Company, and the reports of directors, auditors, and supervisors;
(7) Copy of the latest annual inspection report filed with the industry and commerce authority of China or other competent authorities;	(7) Copy of the latest annual inspection report filed with the industry and commerce authority of China or other competent authorities;

Existing Terms of Articles of Association	Proposed Amendments of Articles of Association
<p data-bbox="240 230 703 264">3. Counterfoils of corporate bonds;</p> <p data-bbox="317 315 786 1234">The Company shall keep at its Hong Kong address the documents as referred to in (2) to (7) above and any other applicable document as per the requirements of the Listing Rules for free reference of the public and shareholders (except minutes of the general meetings for reference of shareholders only). Shareholders of the Company can also inspect the resolutions of the meetings of the Board and the Supervisory Committee of the Company, as well as the counterfoils of any corporate bonds. If any shareholder requests access to the aforesaid relevant or provision of data, the said shareholder shall provide the Company with written documents bearing evidence of the type and number of shares held by the said shareholder, and the Company will provide the said information as required by the said shareholder upon authentication of the said shareholder.</p>	<p data-bbox="888 230 1351 264">3. Counterfoils of corporate bonds;</p> <p data-bbox="965 315 1434 1234">The Company shall keep at its Hong Kong address the documents as referred to in (2) to (7) above and any other applicable document as per the requirements of the Listing Rules for free reference of the public and shareholders (except minutes of the general meetings for reference of shareholders only). Shareholders of the Company can also inspect the resolutions of the meetings of the Board and the Supervisory Committee of the Company, as well as the counterfoils of any corporate bonds. If any shareholder requests access to the aforesaid relevant or provision of data, the said shareholder shall provide the Company with written documents bearing evidence of the type and number of shares held by the said shareholder, and the Company will provide the said information as required by the said shareholder upon authentication of the said shareholder.</p>

Existing Terms of Articles of Association	Proposed Amendments of Articles of Association
<p>(VI) In the event of termination or liquidation of the Company, to participate in the distribution of the remaining assets of the Company as per their shares;</p> <p>(VII) For shareholders objecting to resolutions of the general meeting concerning merger or division of the Company, to require the Company to buy their shares;</p> <p>(VIII) Pursuant to the Company Law or other laws and administrative regulations, to institute legal proceedings to the People’s Court and claim related rights concerning any act infringing upon the interests of the Company or the legitimate rights and interests of the shareholders;</p> <p>(IX) To exercise other rights specified by laws, administrative regulations, departmental rule, listing rules at the location where the Company’s shares are listed and the Articles of Association.</p>	<p>(VI) In the event of termination or liquidation of the Company, to participate in the distribution of the remaining assets of the Company as per their shares;</p> <p>(VII) For shareholders objecting to resolutions of the general meeting concerning merger or division of the Company, to require the Company to buy their shares;</p> <p>(VIII) Pursuant to the Company Law or other laws and administrative regulations, to institute legal proceedings to the People’s Court and claim related rights concerning any act infringing upon the interests of the Company or the legitimate rights and interests of the shareholders;</p> <p>(IX) To exercise other rights specified by laws, administrative regulations, departmental rule, listing rules at the location where the Company’s shares are listed and the Articles of Association.</p>
<p>Article 63 The Company may not enter into any contract with anyone other than a director, supervisor, general manager (CEO) or other senior executive to have all or significant part of the Company’s business in the care of the said person, unless approved by the shareholders at a general meeting beforehand.</p>	<p>Article 63 The Company may not enter into any contract with anyone other than a director, supervisor, general manager (CEO) and other senior executive to have all or significant part of the Company’s business in the care of the said person, unless approved by the shareholders at a general meeting beforehand.</p>

Existing Terms of Articles of Association	Proposed Amendments of Articles of Association
<p>Article 70 The notice of a general meeting shall meet the following requirements:</p> <p>(I) In written form;</p> <p>(II) Specifies the venue, date and time of the meeting;</p> <p>(III) States matters to be discussed at the meeting;</p> <p>(IV) Provides such necessary information and explanations for shareholders to make an informed judgment on the matters to be considered. Without limitation to the generality of the foregoing, where a proposal is made with respect to the merger of the Company with another company, the repurchase of shares, the restructuring of share capital, or other reorganization of the Company, the terms of the proposed transaction must be provided in detail along with copies of the proposed contract (if any), and the reason(s) and effect of such proposal must be properly explained;</p> <p>(V) contains a disclosure of the nature and extent of the material interests of any director, supervisor, general manager (CEO) or other senior executives in the proposed transaction and the effect which the proposed transaction will have on them in their capacity as shareholders insofar as it is different from the effect on interests of shareholders of the same class;</p>	<p>Article 70 The notice of a general meeting shall meet the following requirements:</p> <p>(I) In written form;</p> <p>(II) Specifies the venue, date and time of the meeting;</p> <p>(III) States matters to be discussed at the meeting;</p> <p>(IV) Provides such necessary information and explanations for shareholders to make an informed judgment on the matters to be considered. Without limitation to the generality of the foregoing, where a proposal is made with respect to the merger of the Company with another company, the repurchase of shares, the restructuring of share capital, or other reorganization of the Company, the terms of the proposed transaction must be provided in detail along with copies of the proposed contract (if any), and the reason(s) and effect of such proposal must be properly explained;</p> <p>(V) contains a disclosure of the nature and extent of the material interests of any director, supervisor, general manager (CEO) and other senior executives in the proposed transaction and the effect which the proposed transaction will have on them in their capacity as shareholders insofar as it is different from the effect on interests of shareholders of the same class;</p>

Existing Terms of Articles of Association	Proposed Amendments of Articles of Association
<p>(VI) contains the full text of any special resolution to be proposed at the meeting;</p> <p>(VII) contains a clear statement that a shareholder entitled to attend and vote at such meeting is entitled to appoint one or more proxies to attend and vote at such meeting on his behalf and that such proxy need not be a shareholder of the Company;</p> <p>(VIII) Sets out the equity registration date of shareholders who are entitled to attend the general meeting;</p> <p>(IX) Specifies the time and venue for serving the power of attorney for the voting proxy for the meeting; and</p> <p>(X) Lists the name(s) and telephone number(s) of the contact person(s) for the meeting.</p>	<p>(VI) contains the full text of any special resolution to be proposed at the meeting;</p> <p>(VII) contains a clear statement that a shareholder entitled to attend and vote at such meeting is entitled to appoint one or more proxies to attend and vote at such meeting on his behalf and that such proxy need not be a shareholder of the Company;</p> <p>(VIII) Sets out the equity registration date of shareholders who are entitled to attend the general meeting;</p> <p>(IX) Specifies the time and venue for serving the power of attorney for the voting proxy for the meeting; and</p> <p>(X) Lists the name(s) and telephone number(s) of the contact person(s) for the meeting.</p>
<p>Article 120 Any director who has left his office without authorization before his term of office expires and thereby caused the Company to incur a loss shall be liable for compensation to the Company.</p> <p>A general meeting may dismiss a director (including a director serving concurrently as general manager (CEO) or other executive director) within his term of office by an ordinary resolution provided that the relevant laws and administrative regulations are observed (however, the said director's claim for compensation under any contract shall not be affected).</p> <p>A director who has failed to attend two consecutive meetings of the Board in person and has not appointed other director(s) to attend on his behalf shall be deemed to be incapable of performing his duties. The Board may propose his removal at a general meeting.</p>	<p>Article 120 Any director who has left his office without authorization before his term of office expires and thereby caused the Company to incur a loss shall be liable for compensation to the Company.</p> <p>A general meeting may dismiss a director (including a director serving concurrently as general manager (CEO) or other executive director) within his term of office by an ordinary resolution provided that the relevant laws and administrative regulations are observed (however, the said director's claim for compensation under any contract shall not be affected).</p> <p>A director who has failed to attend two consecutive meetings of the Board in person and has not appointed other director(s) to attend on his behalf shall be deemed to be incapable of performing his duties. The Board may propose his removal at a general meeting.</p>

Existing Terms of Articles of Association	Proposed Amendments of Articles of Association
<p>Article 129 The Board shall be accountable to the general meeting and exercise the following functions and powers:</p> <p>(I) To be responsible for convening general meetings and reporting its work to the general meetings;</p> <p>(II) To execute resolutions of general meetings;</p> <p>(III) to resolve on the Company’s business plans and investment plans;</p> <p>(IV) To prepare the Company’s annual financial budgets and final accounting plans;</p> <p>(V) To prepare the Company’s profit distribution plans and loss recovery plans;</p> <p>(VI) To formulate the plan for increase or reduction of the Company’s registered capital, and the plan for issue of the Company’s bonds;</p> <p>(VII) To prepare plans for the Company’s merger, division, dissolution or transformation;</p> <p>(VIII) To decide on the internal management structure of the Company;</p> <p>(IX) To appoint or dismiss the Company’s general manager (CEO); to appoint or dismiss the Company’s vice president, chief financial officer and other senior executives as nominated by the general manager (CEO) and determine their remunerations;</p> <p>(X) To work out the basic management systems of the Company;</p> <p>(XI) To formulate the plan for any amendment to the Articles of Association;</p>	<p>Article 129 The Board shall be accountable to the general meeting and exercise the following functions and powers:</p> <p>(I) To be responsible for convening general meetings and reporting its work to the general meetings;</p> <p>(II) To execute resolutions of general meetings;</p> <p>(III) to resolve on the Company’s business plans and investment plans;</p> <p>(IV) To prepare the Company’s annual financial budgets and final accounting plans;</p> <p>(V) To prepare the Company’s profit distribution plans and loss recovery plans;</p> <p>(VI) To formulate the plan for increase or reduction of the Company’s registered capital, and the plan for issue of the Company’s bonds;</p> <p>(VII) To prepare plans for the Company’s merger, division, dissolution or transformation;</p> <p><u>(VIII) To resolve on the buyback of the Company’s shares under the circumstances as provided in (III), (V) and (VI) of Article 27 of the Articles of Association;</u></p> <p>(IX)(VIII) To decide on the internal management structure of the Company;</p> <p>(X)(IX) To appoint or dismiss the Company’s general manager (CEO); to appoint or dismiss the Company’s vice president, chief financial officer and other senior executives as nominated by the general manager (CEO) and determine their remunerations;</p> <p>(XI)(X) To work out the basic management systems of the Company;</p>

Existing Terms of Articles of Association	Proposed Amendments of Articles of Association
<p>(XII) Manage information disclosure of the Company;</p> <p>(XIII) Propose to the general meeting to appoint or replace the accounting firm which conduct auditing for the Company;</p> <p>(XIV) Listen to the work report of the company managers and inspect the branches managed by the managers;</p> <p>(XV) To exercise other functions and powers as stipulated by laws and regulations, and the listing rules of the stock exchanges with which the Company is listed or conferred by the general meetings and the Articles of Association.</p> <p>The Board may resolve on the issues specified in the preceding paragraph by approval of more than half of the directors save for the issues specified in (VI), (VII) and (XI), of which approval of more than two-thirds of the directors is required. The directors shall perform their duties in accordance with laws and administrative regulations of the state, the Listing Rules, the Articles of Association and resolutions of general meetings.</p>	<p>(XII)(XI) To formulate the plan for any amendment to the Articles of Association;</p> <p>(XIII)(XII) Manage information disclosure of the Company;</p> <p>(XIV)(XIII) Propose to the general meeting to appoint or replace the accounting firm which conduct auditing for the Company;</p> <p>(XV)(XIV) Listen to the work report of the company managers and inspect the tasksbranches managed by the managers;</p> <p>(XVI)(XV) To exercise other functions and powers as stipulated by laws and regulations, and the listing rules of the stock exchanges with which the Company is listed or conferred by the general meetings and the Articles of Association.</p> <p>The Board may resolve on the issues specified in the preceding paragraph by approval of more than half of the directors save for the issues specified in (VI), (VII) and (XI) (XII), of which approval of more than two-thirds of the directors is required. The directors shall perform their duties in accordance with laws and administrative regulations of the state, the Listing Rules, the Articles of Association and resolutions of general meetings.</p>

Existing Terms of Articles of Association	Proposed Amendments of Articles of Association
<p>Article 131 In cases when the Company makes investment to other enterprises or provides guarantees to others, the Board is responsible for making decisions unless otherwise specified in the Articles of Association, laws and regulations, or listing rules of the exchanges where the Company had its shares listed.</p> <p>Shareholders regulated in above articles or controlled by the actual controller being subject to above articles shall not participate in the voting of matters regulated in above articles. The voting should be made by the majority of other shareholders present.</p>	<p>Article 131 In cases when the Company makes investment to other enterprises or provides guarantees to others, the Board is responsible for making decisions unless otherwise specified in the Articles of Association, laws and regulations, or listing rules of the exchanges where the Company had its shares listed. <u>The Board shall determine the limitation of authority for external investment and external guarantee, establish a stringent review and decision-making procedure, and report to the general meeting for approval. Subject to the Articles of Association, laws and regulations, and relevant listing rules of the exchanges where the Company’s shares are listed, the general manager or the operating management of the Company are entitled to review and decide on external investment and external guarantee within their scope of limitation of authority in accordance with the authorization by the Board and the relevant management systems of the Company. However, if the Company provides guarantee for the Company’s shareholders or actual controllers, it shall be resolved at the general meeting.</u></p> <p>Shareholders regulated in above articles or controlled by the actual controller being subject to above articles shall not participate in the voting of matters regulated in above articles. The voting should be made by the majority of other shareholders present.</p>

Existing Terms of Articles of Association	Proposed Amendments of Articles of Association
<p>Article 134 Board meetings include regular meetings and provisional meetings. Board meetings shall be held at least four times a year and shall be convened by the chairman. Notice of the regular meeting of the Board shall be given at least 14 days in advance and that of a provisional meeting shall be given at least five days in advance. Notice deadlines of the said meetings may be exempted upon the consent of directors of the Company. Where a provisional board meeting needs to be convened in emergency, the notice of meeting may be sent by telephone or by other verbal means, but the convener shall make explanations at the meeting.</p> <p>An extraordinary board meeting may be held, if:</p> <ul style="list-style-type: none"> (I) Proposed by shareholders representing more than 10% of the voting rights; (II) Jointly proposed by more than one-third of the directors; (III) Proposed by the Supervisory Committee; (IV) Deemed necessary by the chairman of the Board; (V) Jointly proposed by more than half of the independent non-executive directors; (VI) Proposed by the general manager (CEO). (VII) The chairman shall convene and preside over a board meeting within 10 days after receipt of the resolution. 	<p>Article 134 Board meetings include regular meetings and provisional meetings. Board meetings shall be held at least four times a year and shall be convened by the chairman. Notice of the regular meeting of the Board shall be given at least 14 days in advance and that of a provisional meeting shall be given at least five days in advance. Notice deadlines of the said meetings may be exempted upon the consent of directors of the Company. Where a provisional board meeting needs to be convened in emergency, the notice of meeting may be sent by telephone or by other verbal means, but the convener shall make explanations at the meeting.</p> <p>An extraordinary board meeting may be held, if:</p> <ul style="list-style-type: none"> (I) Proposed by shareholders representing more than 10% of the voting rights; (II) Jointly proposed by more than one-third of the directors; (III) Proposed by the Supervisory Committee; (IV) Deemed necessary by the chairman of the Board; (V) Jointly proposed by more than half of the independent non-executive directors; (VI) Proposed by the general manager (CEO). (VII) The chairman shall convene and preside over a board meeting within 10 days after receipt of the resolution.

Existing Terms of Articles of Association	Proposed Amendments of Articles of Association
<p>Article 136 Board meetings shall be held only if more than half of the directors (including directors attending the meeting on behalf of others pursuant to Article 137 of the Articles of Association) are present.</p> <p>Every director shall have the right to one vote. Unless otherwise provided in the Articles of Association, a resolution of the Board must be passed by the majority of the directors of the Company. If pros and cons are equal, the chairman shall be entitled to an additional vote.</p>	<p>Article 136 <u>Unless otherwise provided herein,</u> board meetings shall be held only if more than half of the directors (including directors attending the meeting on behalf of others pursuant to Article 137 of the Articles of Association) are present.</p> <p>Every director shall have the right to one vote. Unless otherwise provided in the Articles of Association, a resolution of the Board must be passed by the majority of the directors of the Company. If pros and cons are equal, the chairman shall be entitled to an additional vote.</p>
<p>CHAPTER 13 GENERAL MANAGER OF THE COMPANY (CEO)</p>	<p>CHAPTER 13 GENERAL MANAGER OF THE COMPANY (CEO)</p>
<p>Article 142 The Company shall have one general manager (CEO), who shall be appointed and dismissed by the Board, several vice general managers and one chief financial officer, who shall be appointed or dismissed by the Board as nominated by the general manager (CEO).</p> <p>Upon approval of the Board of the Company, a director may serve concurrently as the general manager (CEO) or other senior executives.</p> <p>The general manager (CEO) and other senior executives shall serve a term of three years and may be reappointed for consecutive terms if re-elected.</p>	<p>Article 142 The Company shall have one general manager (CEO), who shall be appointed and dismissed by the Board, several vice general managers and one chief financial officer, who shall be appointed or dismissed by the Board as nominated by the general manager (CEO).</p> <p>Upon approval of the Board of the Company, a director may serve concurrently as the general manager (CEO) or other senior executives.</p> <p>The general manager (CEO) and other senior executives shall serve a term of three years and may be reappointed for consecutive terms if re-elected.</p>

Existing Terms of Articles of Association	Proposed Amendments of Articles of Association
<p>Article 143 The manager (CEO) of the Company shall be accountable to the Board and exercise the following functions and powers:</p> <ul style="list-style-type: none"> (I) To manage the business operations of the Company and organise to execute the resolutions of the Board; (II) To organise to execute the Company’s annual business plans and investment plans; (III) To prepare the plan for the internal management setup of the Company; (IV) To draft the basic management systems of the Company; (V) To formulate the basic rules of the Company; (VI) To propose to appoint or dismiss the vice general manager, chief financial officer and other senior executives of the Company; (VII) To appoint or dismiss executives other than those appointed or dismissed by the Board; (VIII) To exercise other functions and powers conferred in the Articles of Association and by the Board. 	<p>Article 143 The general manager (CEO) of the Company shall be accountable to the Board and exercise the following functions and powers:</p> <ul style="list-style-type: none"> (I) To manage the business operations of the Company and organise to execute the resolutions of the Board; (II) To organise to execute the Company’s annual business plans and investment plans; (III) To prepare the plan for the internal management setup of the Company; (IV) To draft the basic management systems of the Company; (V) To formulate the basic rules of the Company; (VI) To propose to appoint or dismiss the vice general manager, chief financial officer and other senior executives of the Company; (VII) To appoint or dismiss executives other than those appointed or dismissed by the Board; (VIII) To exercise other functions and powers conferred in the Articles of Association and by the Board.
<p>Article 144 The general manager (CEO) shall be present at board meetings, and if he is not a director (CEO), shall not have any voting right at board meetings.</p>	<p>Article 144 The general manager (CEO) shall be present at board meetings, and if he is not a director (CEO), shall not have any voting right at board meetings.</p>
<p>Article 145 In exercising functions and powers, the general manager (CEO) of the Company shall fulfil the obligation of honesty and diligence in accordance with laws, administrative regulations and the Articles of Association.</p>	<p>Article 145 In exercising functions and powers, the general manager (CEO) of the Company shall fulfil the obligation of honesty and diligence in accordance with laws, administrative regulations and the Articles of Association.</p>
<p>Article 149 A director, the general manager (CEO) and other senior executives shall not serve as supervisor concurrently.</p>	<p>Article 149 A director, the general manager (CEO) and other senior executives shall not serve as supervisor concurrently.</p>

Existing Terms of Articles of Association	Proposed Amendments of Articles of Association
<p>CHAPTER 15 QUALIFICATIONS AND DUTIES OF DIRECTORS, SUPERVISORS, GENERAL MANAGER (CEO) AND OTHER SENIOR EXECUTIVES OF THE COMPANY</p>	<p>CHAPTER 15 QUALIFICATIONS AND DUTIES OF DIRECTORS, SUPERVISORS, GENERAL MANAGER (CEO) AND OTHER SENIOR EXECUTIVES OF THE COMPANY</p>
<p>Article 156 A person shall not serve as director, supervisor, general manager (CEO) or other senior executives of the Company if the said person:</p> <p>(I) Is without capacity or with limited capacity for civil conduct;</p> <p>(II) Was imposed criminal penalty due to taking graft or committing bribery, infringing upon property, embezzling property or disrupting socialism market economic order and it is less than five years since the completion of enforcement of the criminal penalty; or is deprived of political rights due to criminal offence and it is less than five years since the completion of enforcement of the penalty;</p> <p>(III) Was once the director or factory manager, the manager of any company or enterprise which was bankrupted due to bad operation and was responsible for the bankruptcy of the said company or enterprise, and it is less than three years since the completion of liquidation for the bankruptcy of the said company or enterprise;</p> <p>(IV) Ever was the legal representative of any company or enterprise which was revoked business license or ordered to close down due to illegal activities and was responsible for such illegal activities, and it is less than three years since the revocation of the business license;</p> <p>(V) Has large outstanding personal debts;</p> <p>(VI) Is under investigation by the judiciary institution for suspected violation of the criminal law, and the result is still pending;</p>	<p>Article 156 A person shall not serve as director, supervisor, general manager (CEO) or other senior executives of the Company if the said person:</p> <p>(I) Is without capacity or with limited capacity for civil conduct;</p> <p>(II) Was imposed criminal penalty due to taking graft or committing bribery, infringing upon property, embezzling property or disrupting socialism market economic order and it is less than five years since the completion of enforcement of the criminal penalty; or is deprived of political rights due to criminal offence and it is less than five years since the completion of enforcement of the penalty;</p> <p>(III) Was once the director or factory manager, the manager of any company or enterprise which was bankrupted due to bad operation and was responsible for the bankruptcy of the said company or enterprise, and it is less than three years since the completion of liquidation for the bankruptcy of the said company or enterprise;</p> <p>(IV) Ever was the legal representative of any company or enterprise which was revoked business license or ordered to close down due to illegal activities and was responsible for such illegal activities, and it is less than three years since the revocation of the business license;</p> <p>(V) Has large outstanding personal debts;</p> <p>(VI) Is under investigation by the judiciary institution for suspected violation of the criminal law, and the result is still pending;</p>

Existing Terms of Articles of Association	Proposed Amendments of Articles of Association
<p>(VII) Is disqualified as corporate leader in laws and administrative regulations;</p> <p>(VIII) Is not a natural person;</p> <p>(IX) Was ruled by the relevant regulatory authority that he has violated the relevant securities regulations and committed any fraudulent or dishonest act, and such ruling was made less than five years ago;</p> <p>(X) Is such a person as specified in the Listing Rules or the laws and rules of the places in which the Company's shares are listed.</p> <p>Any election, appointment or employment of directors, supervisors or other senior executives in violation of the above provisions shall be invalid.</p> <p>The Company shall dismiss the director, supervisor and senior executive if he is involved in the said circumstances set out in Paragraph 1 herein during his term of office.</p>	<p>(VII) Is disqualified as corporate leader in laws and administrative regulations;</p> <p>(VIII) Is not a natural person;</p> <p>(IX) Was ruled by the relevant regulatory authority that he has violated the relevant securities regulations and committed any fraudulent or dishonest act, and such ruling was made less than five years ago;</p> <p>(X) Is such a person as specified in the Listing Rules or the laws and rules of the places in which the Company's shares are listed.</p> <p>Any election, appointment or employment of directors, supervisors or other senior executives in violation of the above provisions shall be invalid.</p> <p>The Company shall dismiss the director, supervisor and senior executive if he is involved in the said circumstances set out in Paragraph 1 herein during his term of office.</p>
<p>Article 157 The validity of an act of a director, the general manager (CEO) or other senior executives on behalf of the Company for a goodwill third person is not affected any incompliance in the appointment, election or qualification thereof.</p>	<p>Article 157 The validity of an act of a director, the general manager (CEO) and other senior executives on behalf of the Company for a goodwill third person is not affected by any incompliance in the appointment, election or qualification thereof.</p>

Existing Terms of Articles of Association	Proposed Amendments of Articles of Association
<p>Article 158 In exercising the powers conferred by the Company, directors, supervisors, the general manager (CEO) and other senior executives of the Company shall fulfil the following obligations to each shareholder in addition to the obligations under the laws, administrative regulations or the listing rules of the stock exchanges on which the shares of the Company are listed:</p> <p>(I) Not to let the Company operate beyond the business scope specified in its business licence;</p> <p>(II) To sincerely act in the best interest of the Company;</p> <p>(III) Not to seize from the Company the property in any form, including (but not limited to) opportunity favourable to the Company;</p> <p>(IV) Not to seize from any shareholder any personal interests, including (but not limited to) right to profit distribution and right to vote, but excluding corporate reorganization submitted for adoption at the general meeting pursuant to the Articles of Association.</p>	<p>Article 158 In exercising the powers conferred by the Company, directors, supervisors, the general manager (CEO) and other senior executives of the Company shall fulfil the following obligations to each shareholder in addition to the obligations under the laws, administrative regulations or the listing rules of the stock exchanges on which the shares of the Company are listed:</p> <p>(I) Not to let the Company operate beyond the business scope specified in its business licence;</p> <p>(II) To sincerely act in the best interest of the Company;</p> <p>(III) Not to seize from the Company the property in any form, including (but not limited to) opportunity favourable to the Company;</p> <p>(IV) Not to seize from any shareholder any personal interests, including (but not limited to) right to profit distribution and right to vote, but excluding corporate reorganization submitted for adoption at the general meeting pursuant to the Articles of Association.</p>
<p>Article 159 In exercising rights or fulfilling obligations, the directors, supervisors, the general manager (CEO) and other senior executives of the Company have the duty to act with due discretion, diligence and skill as a reasonable discreet person should do in similar circumstances.</p>	<p>Article 159 In exercising rights or fulfilling obligations, the directors, supervisors, the general manager (CEO) and other senior executives of the Company have the duty to act with due discretion, diligence and skill as a reasonable discreet person should do in similar circumstances.</p>

Existing Terms of Articles of Association	Proposed Amendments of Articles of Association
<p>Article 160 In fulfilling duties, the directors, supervisors, the general manager (CEO) and other senior executives of the Company shall observe the principle of honesty and shall not set themselves in a position where their own interests may conflict with their obligations. The principle includes (but is not limited to) the following obligations:</p> <p>(I) To sincerely act in the best interest of the Company;</p> <p>(II) To exercise their rights within their terms of reference;</p> <p>(III) To exercise personally the discretion vested in them and not to allow themselves to be controlled by others and, save as permitted by laws, administrative regulations or the Listing Rules or approved by a shareholders' general meeting having knowledge of the circumstances, not to transfer the exercise of their discretion to others;</p> <p>(IV) To be equitable towards shareholders of the same class and fair towards shareholders of different classes;</p> <p>(V) Not to conclude any contract, conduct any transaction or make any arrangement with the Company saved as specified in the Articles of Association or the Listing Rules or unless approval is obtained by a shareholders' general meeting;</p> <p>(VI) Not to seek personal gains by using the property of the Company in any form unless approval is obtained by a shareholders' general meeting;</p> <p>(VII) Not to abuse official powers to accept bribes or other unlawful income, and not to expropriate the Company's property in any form, including (but not limited to) opportunity favourable to the Company;</p>	<p>Article 160 In fulfilling duties, the directors, supervisors, the general manager (CEO) and other senior executives of the Company shall observe the principle of honesty and shall not set themselves in a position where their own interests may conflict with their obligations. The principle includes (but is not limited to) the following obligations:</p> <p>(I) To sincerely act in the best interest of the Company;</p> <p>(II) To exercise their rights within their terms of reference;</p> <p>(III) To exercise personally the discretion vested in them and not to allow themselves to be controlled by others and, save as permitted by laws, administrative regulations or the Listing Rules or approved by a shareholders' general meeting having knowledge of the circumstances, not to transfer the exercise of their discretion to others;</p> <p>(IV) To be equitable towards shareholders of the same class and fair towards shareholders of different classes;</p> <p>(V) Not to conclude any contract, conduct any transaction or make any arrangement with the Company saved as specified in the Articles of Association or the Listing Rules or unless approval is obtained by a shareholders' general meeting;</p> <p>(VI) Not to seek personal gains by using the property of the Company in any form unless approval is obtained by a shareholders' general meeting;</p> <p>(VII) Not to abuse official powers to accept bribes or other unlawful income, and not to expropriate the Company's property in any form, including (but not limited to) opportunity favourable to the Company;</p>

Existing Terms of Articles of Association	Proposed Amendments of Articles of Association
<p>(VIII) Not to accept commissions in connection with the Company’s transactions unless approval is obtained by a shareholders’ general meeting;</p> <p>(IX) To observe the Articles of Association, fulfil duties honestly, protect the interests of the Company, and not to seek personal gains by using their positions and powers in the Company;</p> <p>(X) Not to compete with the Company in any form unless approval is obtained by a shareholders’ general meeting;</p> <p>(XI) Not to appropriate the monies of the Company or lend the same to others, not to deposit the Company’s assets in the accounts of their own or others, and not to use the Company’s assets as security for the personal debts of the shareholders of the Company or others; and</p> <p>(XII) Unless approval is obtained by a shareholders’ general meeting, not to disclose any confidential information related to the Company acquired by them during their term of office; not to use the said information save for the interest of the Company; however, they may disclose such information to a court or other competent government authorities in the following circumstances:</p> <ol style="list-style-type: none"> 1. Required by law; 2. Required in the interests of the public; 3. Required for the interests of the said directors, supervisors, the general manager and (CEO) other senior executives. 	<p>(VIII) Not to accept commissions in connection with the Company’s transactions unless approval is obtained by a shareholders’ general meeting;</p> <p>(IX) To observe the Articles of Association, fulfil duties honestly, protect the interests of the Company, and not to seek personal gains by using their positions and powers in the Company;</p> <p>(X) Not to compete with the Company in any form unless approval is obtained by a shareholders’ general meeting;</p> <p>(XI) Not to appropriate the monies of the Company or lend the same to others, not to deposit the Company’s assets in the accounts of their own or others, and not to use the Company’s assets as security for the personal debts of the shareholders of the Company or others; and</p> <p>(XII) Unless approval is obtained by a shareholders’ general meeting, not to disclose any confidential information related to the Company acquired by them during their term of office; not to use the said information save for the interest of the Company; however, they may disclose such information to a court or other competent government authorities in the following circumstances:</p> <ol style="list-style-type: none"> 1. Required by law; 2. Required in the interests of the public; 3. Required for the interests of the said directors, supervisors, the general manager (CEO) and other senior executives.

Existing Terms of Articles of Association	Proposed Amendments of Articles of Association
<p>Article 161 Directors, supervisors, general manager (CEO) and other senior executives of the Company shall not tell the following persons or institutions (“connected persons”) to do anything that the directors, supervisors, general manager (CEO) and other senior executives cannot do:</p> <p>(I) Spouses or minor offspring of directors, supervisors, general manager (CEO) and other senior executives of the Company;</p> <p>(II) Trustees of directors, supervisors, general manager (CEO) and other senior executives of the Company or persons set out in (I) herein;</p> <p>(III) Partners of directors, supervisors, general manager (CEO) and other senior executives of the Company or persons set out in (I) and (II) herein;</p> <p>(IV) Companies effectively and independently controlled by directors, supervisors, general manager (CEO) and other senior executives of the Company or companies effectively and jointly controlled by the persons set out in (I), (II) and (III) herein or other directors, supervisors, general Manager (CEO) and other senior executives of the Company; and</p> <p>(V) Directors, supervisors, general manager (CEO) and other senior executives of the companies as set out in (IV) herein.</p>	<p>Article 161 Directors, supervisors, general manager (CEO) and other senior executives of the Company shall not tell the following persons or institutions (“connected persons”) to do anything that the directors, supervisors, general manager (CEO) and other senior executives cannot do:</p> <p>(I) Spouses or minor offspring of directors, supervisors, general manager (CEO) and other senior executives of the Company;</p> <p>(II) Trustees of directors, supervisors, general manager (CEO) and other senior executives of the Company or persons set out in (I) herein;</p> <p>(III) Partners of directors, supervisors, general manager (CEO) and other senior executives of the Company or persons set out in (I) and (II) herein;</p> <p>(IV) Companies effectively and independently controlled by directors, supervisors, general manager (CEO) and other senior executives of the Company or companies effectively and jointly controlled by the persons set out in (I), (II) and (III) herein or other directors, supervisors, general manager (CEO) and other senior executives of the Company; and</p> <p>(V) Directors, supervisors, general manager (CEO) and other senior executives of the companies as set out in (IV) herein.</p>

Existing Terms of Articles of Association	Proposed Amendments of Articles of Association
<p>Article 162 The honesty obligation of the directors, supervisors, general manager (CEO) and other senior executives of the Company shall not necessarily end with the expiry of their terms of office, and their confidentiality obligation to the Company in respect of commercial secrets shall continue after expiry of their terms of office. Other obligations may continue for such period as the principle of fairness may require depending on the amount of time which has lapsed between the termination and the act concerned and the specific circumstances under which the relationship between the Company and them was terminated.</p>	<p>Article 162 The honesty obligation of the directors, supervisors, general manager (CEO) and other senior executives of the Company shall not necessarily end with the expiry of their terms of office, and their confidentiality obligation to the Company in respect of commercial secrets shall continue after expiry of their terms of office. Other obligations may continue for such period as the principle of fairness may require depending on the amount of time which has lapsed between the termination and the act concerned and the specific circumstances under which the relationship between the Company and them was terminated.</p>
<p>Article 163 The liability of directors, supervisors, general manager (CEO) and other senior executives of the Company for breaching a given obligation may be waived by the shareholders' general meeting which has knowledge of the circumstances, save for the circumstances specified in Article 58 of the Articles of Association.</p>	<p>Article 163 The liability of directors, supervisors, general manager (CEO) and other senior executives of the Company for breaching a given obligation may be waived by the shareholders' general meeting which has knowledge of the circumstances, save for the circumstances specified in Article 58 of the Articles of Association.</p>
<p>Article 164 If directors, supervisors, general manager (CEO) and other senior executives of the Company have any direct or indirect material interests in any contract, transaction or arrangement already concluded or under planning with the Company (exclusive of engagement contract with the Company), they shall responsibly disclose the nature and extent of the said interests to the Board regardless whether the relevant matters are subject to approval by the Board in normal circumstances.</p> <p>If any director has connection with the enterprise involved in the resolution made at a Board meeting, the said director shall not vote on the said resolution for himself or on behalf of another director and shall abstain from voting. The Board meeting may be held when more than half of the non-connected directors attend the meeting. The resolution of the Board meeting shall be passed by more than half of the non-connected directors. If the number of non-connected directors attending the meetings is less than 3, the issue shall be submitted to the general meeting of the listed company for examination.</p>	<p>Article 164 If directors, supervisors, general manager (CEO) and other senior executives of the Company have any direct or indirect material interests in any contract, transaction or arrangement already concluded or under planning with the Company (exclusive of engagement contract with the Company), they shall responsibly disclose the nature and extent of the said interests to the Board regardless whether the relevant matters are subject to approval by the Board in normal circumstances.</p> <p>If any director has connection with the enterprise involved in the resolution made at a Board meeting, the said director shall not vote on the said resolution for himself or on behalf of another director and shall abstain from voting. The Board meeting may be held when more than half of the non-connected directors attend the meeting. The resolution of the Board meeting shall be passed by more than half of the non-connected directors. If the number of non-connected directors attending the meetings is less than 3, the issue shall be submitted to the general meeting of the listed company for examination.</p>

Existing Terms of Articles of Association	Proposed Amendments of Articles of Association
<p>Unless under the exceptional circumstances specified in Note 1 of Appendix 3 of Listing Rules or approved by the Hong Kong Stock Exchange, a director shall not vote on any resolution of the Board which approves the contract, transaction or arrangement or any other relevant suggestions where he/she or his/her close associates (as defined in the applicable Listing Rules which come into effect from time to time) own a material interest; and shall not be included into the quorum of the meeting. If the relevant contract, transaction, arrangement or suggestion involves the connected transaction specified in the Listing Rules, the “close associates” herein shall be changed to “associates” (as defined in the applicable Listing Rules which come into effect from time to time).</p> <p>Unless the directors, supervisors, general manager (CEO) and other senior executives of the Company having material interests have disclosed to the Board as per Paragraph 1 herein, and the said transaction is approved at the Board meeting at which they are not included into the quorum and do not vote, the Company shall have the right to cancel the said contract, transaction or arrangement, save for the circumstance in which the other parties are goodwill parties uninformed of the default of the relevant directors, supervisors, managers and other senior executives.</p> <p>If the connected persons or associates of the directors, supervisors, general manager (CEO) and other senior executives of the Company have any interests in a given contract, transaction or arrangement, the said directors, supervisors, general manager (CEO) and other senior executives shall also be deemed as having interests.</p>	<p>Unless under the exceptional circumstances specified in Note 1 of Appendix 3 of Listing Rules or approved by the Hong Kong Stock Exchange, a director shall not vote on any resolution of the Board which approves the contract, transaction or arrangement or any other relevant suggestions where he/she or his/her close associates (as defined in the applicable Listing Rules which come into effect from time to time) own a material interest; and shall not be included into the quorum of the meeting. If the relevant contract, transaction, arrangement or suggestion involves the connected transaction specified in the Listing Rules, the “close associates” herein shall be changed to “associates” (as defined in the applicable Listing Rules which come into effect from time to time).</p> <p>Unless the directors, supervisors, general manager (CEO) and other senior executives of the Company having material interests have disclosed to the Board as per Paragraph 1 herein, and the said transaction is approved at the Board meeting at which they are not included into the quorum and do not vote, the Company shall have the right to cancel the said contract, transaction or arrangement, save for the circumstance in which the other parties are goodwill parties uninformed of the default of the relevant directors, supervisors, managers and other senior executives.</p> <p>If the connected persons or associates of the directors, supervisors, general manager (CEO) and other senior executives of the Company have any interests in a given contract, transaction or arrangement, the said directors, supervisors, general manager (CEO) and other senior executives shall also be deemed as having interests.</p>

Existing Terms of Articles of Association	Proposed Amendments of Articles of Association
<p>Article 165 If, before the Company concludes relevant contract, transaction or arrangement for the first time, the directors, supervisors, general manager (CEO) and other senior executives of the Company have notified the Board in writing that they will have interests in the contract, transaction or arrangement concluded by the Company in the future because of the reasons set out in the notice, they shall be deemed as having executed disclosure as specified in the preceding paragraph of this chapter to the extent specified in the notice.</p>	<p>Article 165 If, before the Company concludes relevant contract, transaction or arrangement for the first time, the directors, supervisors, general manager (CEO) and other senior executives of the Company have notified the Board in writing that they will have interests in the contract, transaction or arrangement concluded by the Company in the future because of the reasons set out in the notice, they shall be deemed as having executed disclosure as specified in the preceding paragraph of this chapter to the extent specified in the notice.</p>
<p>Article 166 The Company shall not pay taxes in any form for its directors, supervisors, general manager (CEO) and other senior executives.</p>	<p>Article 166 The Company shall not pay taxes in any form for its directors, supervisors, general manager (CEO) and other senior executives.</p>
<p>Article 167 The Company shall not directly or indirectly provide loan or loan guarantee to the directors, supervisors, general manager (CEO) and other senior executives of the Company or its parent company, or to the connected persons of the aforesaid persons.</p> <p>The preceding paragraph does not apply to the following circumstances:</p> <p>(I) The Company provides loan or loan guarantee for its subsidiaries;</p> <p>(II) The Company, in accordance with the engagement contracts approved at the general meeting, provides loan, loan guarantee or other monies to the directors, supervisors, general manager (CEO) and other senior executives of the Company so that they may pay the expenses incurred for the Company or for fulfilling their duties for the Company; and</p> <p>(III) If the normal business scope of the Company includes provision of loan and loan guarantee, the Company may provide loan and loan guarantee to relevant directors, supervisors, general manager (CEO) and other senior executives and their connected persons, but the conditions for providing loan or loan guarantee shall be normal business conditions.</p>	<p>Article 167 The Company shall not directly or indirectly provide loan or loan guarantee to the directors, supervisors, general manager (CEO) and other senior executives of the Company or its parent company, or to the connected persons of the aforesaid persons.</p> <p>The preceding paragraph does not apply to the following circumstances:</p> <p>(I) The Company provides loan or loan guarantee for its subsidiaries;</p> <p>(II) The Company, in accordance with the engagement contracts approved at the general meeting, provides loan, loan guarantee or other monies to the directors, supervisors, general manager (CEO) and other senior executives of the Company so that they may pay the expenses incurred for the Company or for fulfilling their duties for the Company; and</p> <p>(III) If the normal business scope of the Company includes provision of loan and loan guarantee, the Company may provide loan and loan guarantee to relevant directors, supervisors, general manager (CEO) and other senior executives and their connected persons, but the conditions for providing loan or loan guarantee shall be normal business conditions.</p>

Existing Terms of Articles of Association	Proposed Amendments of Articles of Association
<p>Article 169 The Company shall not be forced to execute loan guarantee provided in violation of Paragraph 1 of Article 167 except in the following circumstances:</p> <p>(I) The loan provider does not know that it has provided loan to the connected persons of the directors, supervisors, general manager (CEO) and other senior executives of the Company or its parent company;</p> <p>(II) The guarantee provided by the Company has been sold by the loan provider lawfully to a goodwill buyer.</p>	<p>Article 169 The Company shall not be forced to execute loan guarantee provided in violation of Paragraph 1 of Article 167 except in the following circumstances:</p> <p>(I) The loan provider does not know that it has provided loan to the connected persons of the directors, supervisors, general manager (CEO) and other senior executives of the Company or its parent company;</p> <p>(II) The guarantee provided by the Company has been sold by the loan provider lawfully to a goodwill buyer.</p>
<p>Article 171 If the directors, supervisors, general manager (CEO) or other senior executives fail to fulfil the obligations to the Company, the Company shall have the right to take the following actions in addition to the rights and remedial measures under the relevant laws and administrative regulations:</p> <p>(I) Require the relevant directors, supervisors, general manager (CEO) or other senior executives to compensate the Company for the losses arising from their neglect of duty;</p> <p>(II) Cancel the contracts or transactions concluded between the Company and the relevant directors, supervisors, general manager (CEO) or other senior executives, or between the Company and a third person (if the third person knows or is supposed to know that the directors, supervisors, general manager (CEO) or other senior executives representing the Company have breached their obligations to the Company);</p> <p>(III) Require the relevant directors, supervisors, general manager (CEO) or other senior executives to surrender gains arising from breach of obligations;</p>	<p>Article 171 If the directors, supervisors, general manager (CEO) or other senior executives fail to fulfil the obligations to the Company, the Company shall have the right to take the following actions in addition to the rights and remedial measures under the relevant laws and administrative regulations:</p> <p>(I) Require the relevant directors, supervisors, general manager (CEO) and other senior executives to compensate the Company for the losses arising from their neglect of duty;</p> <p>(II) Cancel the contracts or transactions concluded between the Company and the relevant directors, supervisors, general manager (CEO) and other senior executives, or between the Company and a third person (if the third person knows or is supposed to know that the directors, supervisors, general manager (CEO) and other senior executives representing the Company have breached their obligations to the Company);</p> <p>(III) Require the relevant directors, supervisors, general manager (CEO) and other senior executives to surrender gains arising from breach of obligations;</p>

Existing Terms of Articles of Association	Proposed Amendments of Articles of Association
<p>(IV) Recover monies, including (but not limited to) commissions, received by the relevant directors, supervisors, general manager (CEO) or other senior executives but receivable by the Company;</p> <p>(V) Require the relevant directors, supervisors, general manager (CEO) or other senior executives to surrender interests earned or likely to be earned from monies payable to the Company.</p>	<p>(IV) Recover monies, including (but not limited to) commissions, received by the relevant directors, supervisors, general manager (CEO) and other senior executives but receivable by the Company;</p> <p>(V) Require the relevant directors, supervisors, general manager (CEO) and other senior executives to surrender interests earned or likely to be earned from monies payable to the Company.</p>
<p>Article 190 The certified public accountants appointed by the Company shall have the following rights:</p> <p>(I) To access the account books, records or vouchers of the Company at any time, and to ask directors, general manager (CEO) or other senior executives to provide relevant documents and explanations;</p> <p>(II) To ask the Company to take every action possible to obtain documents and explanations from its subsidiaries needed for the certified public accountants to perform their duties;</p> <p>(III) To be present at general meetings, get notice of general meeting that any shareholder has the right to receive or other information relating to general meetings, and deliver speeches at any general meeting in relation to the matters concerning the certified public accountants.</p>	<p>Article 190 The certified public accountants appointed by the Company shall have the following rights:</p> <p>(I) To access the account books, records or vouchers of the Company at any time, and to ask directors, general manager (CEO) or other senior executives to provide relevant documents and explanations;</p> <p>(II) To ask the Company to take every action possible to obtain documents and explanations from its subsidiaries needed for the certified public accountants to perform their duties;</p> <p>(III) To be present at general meetings, get notice of general meeting that any shareholder has the right to receive or other information relating to general meetings, and deliver speeches at any general meeting in relation to the matters concerning the certified public accountants.</p>

Save for the above amendments to the provisions, other provisions of the Articles of Association will remain unchanged. The proposed amendments to the Articles of Association are subject to the approval of the shareholders of the Company (the “**Shareholders**”) at the general meeting, and it is proposed at the general meeting to authorize the Board and the Board to then authorize the operating management of the Company to handle relevant formalities such as the registration/filing of changes with relevant competent departments in respect of the amendments to the Articles of Association. The Company will send a supplemental circular containing, among others, the proposed amendments to the Articles of Association to the Shareholders as soon as practicable.

By order of the Board
Red Star Macalline Group Corporation Ltd.
GUO Binghe
Company Secretary

Shanghai, the PRC
11 November 2018

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