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Red Star Macalline Group Corporation Ltd.

紅星美凱龍家居集團股份有限公司

(A sino-foreign joint stock company incorporated in the People's Republic of China with limited liability)

(Stock Code: 1528)

**VOLUNTARY ANNOUNCEMENT
INDICATIVE ANNOUNCEMENT IN RELATION TO
THE PROPOSED SECOND PHASE
EMPLOYEE STOCK OWNERSHIP PLAN**

This voluntary announcement is made by Red Star Macalline Group Corporation Ltd. (the “**Company**”).

For the purpose of further improving the corporate governance of the Company, fully stimulating the initiative of the management as well as the key and core staff of the Company, facilitating the Company’s long-term, sustainable, and healthy development and realizing a full integration of the long-term development of the Company with the interests of employees, the Company intends to launch the second phase employee stock ownership plan (the “**Employee Stock Ownership Plan**”) in accordance with the requirements under the relevant laws, rules and specifications such as the Company Law of the People’s Republic of China, the Securities Law of the People’s Republic of China, the Guiding Opinions on the Implementation of the Pilot Program on Employee Stock Ownership Plans by Listed Companies by the China Securities Regulatory Commission, the Guidelines for Information Disclosure for Employee Stock Ownership Plan of Listed Companies issued by Shanghai Stock Exchange. The relevant plan is set out as follows:

I. SIZE OF THE EMPLOYEE STOCK OWNERSHIP PLAN

The Employee Stock Ownership Plan shall have a total size of not more than RMB120 million. The accumulative number of shares obtained under the Employee Stock Ownership Plan shall not exceed 1% of the total share capital of the Company. The accumulative number of shares corresponding to the equity interests obtained by each individual employee shall not exceed 0.1% of the total share capital of the Company.

II. SOURCE OF THE SHARES INVOLVED IN THE EMPLOYEE STOCK OWNERSHIP PLAN

The shares of the Company in the Employee Stock Ownership Plan are ordinary A Shares of the Company and are intended to be obtained through purchases made on the secondary market and other means as permitted under relevant laws and regulations.

No funding for the Employee Stock Ownership Plan will be provided to holders of the Employee Stock Ownership Plan (including directors, supervisors, and senior management) by the Company.

III. HOLDERS OF THE EMPLOYEE STOCK OWNERSHIP PLAN

The holders of the Employee Stock Ownership Plan primarily comprise directors, supervisors, senior management and certain employees as well as front-line management personnel of the Company and its subsidiaries who have indirectly held shares of the Company through stock ownership platform.

On November 30, 2018, the Company proposed to establish the first phase employee stock ownership plan (the “**First Phase Employee Stock Ownership Plan**”). As the Company is an A and H Shares company, the Company’s First Phase Employee Stock Ownership Plan had to comply with requirements of the Stock Exchange of Hong Kong such as those on special deal. Given the impact of the implementation of the offer to buy-back the H Shares of the Company, the actual holders of the First Phase Employee Stock Ownership Plan did not include directors, supervisors, senior management and employees who had indirectly held shares of the Company through stock ownership platform. As of now, the aforementioned restrictions have been released. In order to further expand the scope of the holders, the Company intended to implement the second phase employee stock ownership plan.

Eligible employees shall participate in the Employee Stock Ownership Plan in accordance with laws and relevant regulations, on a voluntary basis and bearing their own risks.

IV. RISK WARNING

The Employee Stock Ownership Plan is still at the planning stage. The Company will conduct adequate discussion in terms of the feasibility of the plan and will seek opinions from employees. The process from launch to implementation of the Employee Stock Ownership Plan will be subject to approval by the board of directors and the shareholder’s meeting, and whether such plan will be implemented is still unknown.

Upon determining the relevant matters under the Employee Stock Ownership Plan, the Company will disclose the draft of the Employee Stock Ownership Plan in accordance with relevant requirements, and fulfill the corresponding approval procedures as well as the information disclosure obligation in a timely manner.

Investors are advised to pay attention to the announcements of the Company and be aware of investment risks.

By order of the Board
Red Star Macalline Group Corporation Ltd.
GUO Binghe
Vice Chairman

Shanghai, the PRC, 26 February 2019

As at the date of this announcement, the executive Directors of the Company are CHE Jianxing, GUO Binghe, CHE Jianfang and JIANG Xiaozhong; the non-executive Directors are CHEN Shuhong, XU Guofeng, Joseph Raymond GAGNON and ZHANG Qiqi; and the independent non-executive Directors are QIAN Shizheng, LEE Kwan Hung, WANG Xiao and ZHAO Chongyi.