

---

## THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

---

If you are in any doubt about any of the contents of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your Shares in Red Star Macalline Group Corporation Ltd., you should at once hand this circular together with the form of proxy to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this circular, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.

---



### 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)

**WORK REPORT OF THE BOARD OF THE COMPANY FOR 2019**  
**WORK REPORT OF THE SUPERVISORY COMMITTEE OF THE COMPANY FOR 2019**  
**FINAL ACCOUNT REPORT OF THE COMPANY FOR 2019**  
**FINANCIAL BUDGET REPORT OF THE COMPANY FOR 2020**  
**ANNUAL REPORT AND ANNUAL RESULTS OF THE COMPANY**  
**FOR THE YEAR ENDED 31 DECEMBER 2019**  
**RE-APPOINTMENT OF THE AUDITOR FOR THE FINANCIAL REPORT**  
**AND THE INTERNAL CONTROL AUDITOR FOR THE YEAR 2020**  
**RESOLUTION CONCERNING THE REMUNERATION OF DIRECTORS OF THE COMPANY FOR 2019**  
**RESOLUTION CONCERNING THE REMUNERATION OF SUPERVISORS OF THE COMPANY FOR 2019**  
**PROFIT DISTRIBUTION PLAN OF THE COMPANY FOR 2019**  
**RESOLUTION CONCERNING THE PURCHASE OF LIABILITY INSURANCE FOR**  
**DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND THE COMPANY**  
**NOTICE OF THE 2019 AGM**  
**AND**  
**NOTICE OF THE H SHAREHOLDERS' CLASS MEETING**

---

A letter from the Board is set out on pages 5 to 7 of this circular. A notice convening the AGM to be held at 2:00 p.m. on Thursday, 18 June 2020 at Conference Center, 3/F, South Building, Block B, Red Star Macalline Headquarters, Lane 1466, Shenchang Road, Minhang District, Shanghai, the People's Republic of China (the "PRC"), is being despatched to the Shareholders together with this circular. A notice of the H shareholders' class meeting (the "**H Shareholders' Class Meeting**") of the Company to be held at 4:00 p.m. (or immediately after the conclusion of the A Shareholders' Class Meeting) on Thursday, 18 June 2020 at Conference Center, 3/F, South Building, Block B, Red Star Macalline Headquarters, Lane 1466, Shenchang Road, Minhang District, Shanghai, the PRC is being despatched to the Shareholders together with this circular.

Shareholders who intend to appoint a proxy to attend the AGM and/or H Shareholders' Class Meeting shall complete and return the proxy form in accordance with the instructions printed thereon. The proxy form must be signed by you or your attorney duly authorised in writing or, in case of a legal person, must either be executed under its seal or under the hand of its director or other attorney duly authorised to sign the same. If the proxy form is signed by an attorney of the appointor, the power of attorney authorising that attorney to sign, or other documents of authorisation, must be notarized.

In the case of joint holders of Shares of the Company, only the holder whose name stands first in the register of members of the Company shall alone be entitled to vote at the AGM and/or H Shareholders' Class Meeting, either in person or by proxy in respect of such Shares.

For H Share Shareholders, please return the proxy form together with any document of authorisation to Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible, and in any event not less than 24 hours before the time appointed for holding the AGM/H Shareholders' Class Meeting. For A Share Shareholders, please return the proxy form together with any document of authorisation to the headquarters of the Company in the PRC at B1 Corporate Post Office, Block A, Red Star Macalline Headquarters, No. 5, Lane 1466, Shenchang Road, Minhang District, Shanghai, the PRC as soon as possible, and in any event not less than 24 hours before the time appointed for holding the AGM/A Shareholders' Class Meeting. Completion and return of the proxy form will not preclude you from attending and voting in person at the AGM and the Class Meetings or any adjournment thereof should you so wish.

19 May 2020



---

## EXPECTED TIMETABLE

---

*The expected timetable for the distribution of Cash Dividend and Capitalization Shares, which are subject to Shareholders' approval of the profit distribution plan of the Company for 2019 at the AGM, the A Shareholders' Class Meeting and the H Shareholders' Class Meeting, as set forth below is indicative only and has been prepared on the assumption that all conditions of the profit distribution plan of the Company for 2019 will be fulfilled. Any consequential changes to the expected timetable will be announced in a separate announcement by the Company as and when appropriate.*

Latest time for lodging transfer documents for registration of transfer of H Shares to qualify for attending and voting at the AGM and the H Shareholders' Class Meeting	4:30 p.m. on Friday, 12 June 2020
Closure of register of members for transfer of H Shares to qualify for attending and voting at the AGM and the H Shareholders' Class Meeting	Monday, 15 June 2020 to Thursday, 18 June 2020 (both dates inclusive)
Latest time for returning proxy form for the AGM	2:00 p.m. on Wednesday, 17 June 2020
Latest time for returning proxy form for the H Shareholders' Class Meeting	4:00 p.m. on Wednesday, 17 June 2020
AGM	2:00 p.m. on Thursday, 18 June 2020
A Shareholders' Class Meeting	3:30 p.m. on Thursday, 18 June 2020 (or immediately after the conclusion of the AGM or any adjournment thereof)
H Shareholders' Class Meeting	4:00 p.m. on Thursday, 18 June 2020 (or immediately after the conclusion of the A Shareholders' Class Meeting or any adjournment thereof)
Publication of poll results announcement of the AGM, A Shareholders' Class Meeting and H Shareholders' Class Meeting	Thursday, 18 June 2020
Resumption of registration of transfer of H Shares	Friday, 19 June 2020
Last day of dealings in H Shares on a cum-entitlement basis relating to the Cash Dividend and the Capitalization Shares	Tuesday, 23 June 2020
First day of dealings in H Shares on an ex-entitlement basis relating to the Cash Dividend and the Capitalization Shares	Wednesday, 24 June 2020
Latest time for lodging transfer documents for registration of transfer of H Shares to qualify H Shareholders for the Cash Dividend and the Capitalization Shares	4:30 p.m. on Friday, 26 June 2020

---

## EXPECTED TIMETABLE

---

Closure of register of members for transfer of H Shares to qualify H Shareholders for the Cash Dividend and the Capitalization Shares <sup>(1)</sup>	Sunday, 28 June 2020 to Friday, 3 July 2020 <sup>(2)</sup> (both dates inclusive)
Record Date (to qualify H Shareholders for the Cash Dividend and the Capitalization Shares)	Friday, 3 July 2020
Resumption of registration of transfer of H Shares	Monday, 6 July 2020
Latest time for delivery of payment cheques for the Cash Dividend	on or before Tuesday, 18 August 2020
Certificates for the Capitalization Shares expected to be despatched	on or before Tuesday, 18 August 2020
Commencement of dealings in the Capitalization H Shares	Wednesday, 19 August 2020

---

*Notes:*

1. If there is a tropical cyclone warning signal number 8 or above, or a black rainstorm warning:
  - (a) in force in Hong Kong at any local time before 12:00 noon but no longer in force after 12:00 noon, the latest time for lodging transfer documents will remain at 4:30 p.m. on the same Business Day;
  - (b) in force in Hong Kong at any local time between 12:00 noon and 4:30 p.m., the latest time for lodging transfer documents will be rescheduled to 4:30 p.m. on the following Business Day which does not have either of those warnings in force at any time between 9:00 a.m. and 4:30 p.m.
2. The period of closure of register of members for transfer of H Shares to qualify H Shareholders for the Cash Dividend and the Capitalization Shares is pursuant to the relevant provisions in the Articles of Association.
3. All times and dates in this circular are Hong Kong times and dates.

---

## DEFINITIONS

---

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

“A Share(s)”	the ordinary share(s) issued by the Company, with a nominal value of RMB1.0 each, listed on the Shanghai Stock Exchange and traded in RMB
“A Share Shareholder(s)”	the holder(s) of the A Share(s)
“A Shareholders’ Class Meeting”	the A shareholders’ class meeting to be convened and held on 18 June 2020
“AGM” or “Annual General Meeting”	the 2019 annual general meeting to be convened and held on 18 June 2020
“Articles of Association”	the articles of association of the Company
“Board”	the board of directors of the Company
“Capitalization Issue”	the proposed issue of 1 Capitalization Share for every 10 Shares to all Shareholders by way of conversion of capital reserve
“Capitalization Share(s)”	the new Shares to be allotted and issued under Capitalization Issue
“Cash Dividend”	the proposed distribution of cash dividend of RMB0.253 per Share for the year ended 31 December 2019
“CCASS”	the Central Clearing and Settlement System managed by HKSCC
“Class Meetings”	the A Shareholders’ Class Meeting and the H Shareholders’ Class Meeting
“Company”	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 limited company incorporated in the PRC, the H Shares of which are listed and traded on the main board of the Hong Kong Stock Exchange (stock code: 1528)
“Company Law”	the Company Law of the People’s Republic of China
“Director(s)”	the director(s) of the Company
“Group” or “We”	the Company and its subsidiaries
“H Share(s)”	overseas-listed foreign invested ordinary share(s) with a nominal value of RMB1.0 each in the share capital of the Company, which is/are listed and traded on the Hong Kong Stock Exchange and traded in Hong Kong dollars
“H Share Shareholder(s)”	the holder(s) of the H Share(s)
“H Shareholders’ Class Meeting”	the H shareholders’ class meeting to be convened and held on 18 June 2020

---

## DEFINITIONS

---

“HK\$” or “HK dollars”	Hong Kong dollars, the lawful currency of Hong Kong
“HKSCC”	Hong Kong Securities Clearing Company Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Latest Practicable Date”	14 May 2020, being the latest practicable date of ascertaining certain information contained in this circular before the printing of this circular
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“PRC”	the People’s Republic of China
“Record Date”	3 July 2020, the record date set to determine the H Share Shareholders who are entitled to receive the Cash Dividend and the Capitalization Shares
“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	A Share(s) and H Share(s)
“Shareholder(s)”	the A Share Shareholder(s) and the H Share Shareholder(s)
“SSE”	the Shanghai Stock Exchange
“Subsidiary(ies)”	has the meanings ascribed to it under the Listing Rules
“Supervisor(s)”	supervisor(s) of the Supervisory Committee
“Supervisory Committee”	the supervisory committee of the Company

---

LETTER FROM THE BOARD

---



**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)**

*Executive Directors:*

Mr. CHE Jianxing  
Mr. GUO Binghe  
Ms. CHE Jianfang  
Mr. JIANG Xiaozhong

*Non-executive Directors:*

Ms. CHEN Shuhong  
Mr. XU Guofeng  
Mr. JING Jie  
Mr. XU Hong

*Independent Non-executive Directors:*

Mr. QIAN Shizheng  
Mr. LEE Kwan Hung, Eddie  
Mr. WANG Xiao  
Ms. ZHAO Chongyi

*Registered office in the PRC:*

Suite F801, 6/F  
No. 518, Linyu Road  
Pudong New District  
Shanghai  
PRC

*Principal place of business*

*in Hong Kong:*

31/F, Tower 2  
Times Square  
1 Matheson Street  
Causeway Bay, Hong Kong

19 May 2020

*To the Shareholders*

Dear Sir or Madam,

**WORK REPORT OF THE BOARD OF THE COMPANY FOR 2019  
WORK REPORT OF THE SUPERVISORY COMMITTEE OF THE COMPANY FOR 2019  
FINAL ACCOUNT REPORT OF THE COMPANY FOR 2019  
FINANCIAL BUDGET REPORT OF THE COMPANY FOR 2020  
ANNUAL REPORT AND ANNUAL RESULTS OF THE COMPANY  
FOR THE YEAR ENDED 31 DECEMBER 2019  
RE-APPOINTMENT OF THE AUDITOR FOR THE FINANCIAL REPORT  
AND THE INTERNAL CONTROL AUDITOR FOR THE YEAR 2020  
RESOLUTION CONCERNING THE REMUNERATION OF DIRECTORS OF THE COMPANY FOR 2019  
RESOLUTION CONCERNING THE REMUNERATION OF SUPERVISORS OF THE COMPANY FOR 2019  
PROFIT DISTRIBUTION PLAN OF THE COMPANY FOR 2019  
RESOLUTION CONCERNING THE PURCHASE OF LIABILITY INSURANCE FOR  
DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND THE COMPANY  
NOTICE OF THE 2019 AGM  
AND  
NOTICE OF THE H SHAREHOLDERS' CLASS MEETING**

---

## LETTER FROM THE BOARD

---

### 1. INTRODUCTION

The purpose of this circular is to provide you with the notice of the AGM and the notice of H Shareholders' Class Meeting and information on certain resolutions to be proposed and considered at the AGM and the Class Meetings so that you are able to make an informed decision on whether to vote for or against those resolutions at the AGM and the Class Meetings.

### 2. MATTERS TO BE CONSIDERED AT THE AGM AND THE CLASS MEETINGS

Ordinary resolutions to be proposed at the AGM for the Shareholders to consider and approve include: (a) the work report of the Board of the Company for 2019; (b) the work report of the Supervisory Committee of the Company for 2019; (c) the final account report of the Company for 2019; (d) the financial budget report of the Company for 2020; (e) the annual report and annual results of the Company for the year ended 31 December 2019; (f) the re-appointment of the auditor for the financial report and the internal control auditor for the year 2020; (g) the resolution concerning the remuneration of Directors of the Company for 2019; (h) the resolution concerning the remuneration of Supervisors of the Company for 2019; and (i) the resolution concerning the purchase of liability insurance for Directors, Supervisors, senior management and the Company.

Special resolution to be proposed at the AGM for consideration and approval includes: (a) the profit distribution plan of the Company for 2019.

Special resolution to be proposed at the Class Meetings for consideration and approval includes: (a) the profit distribution plan of the Company for 2019.

Details of the matters to be considered at the AGM and the Class Meetings are set out on pages 8 to 17 in this circular. In order to enable you to have a better understanding of the resolutions to be proposed at the AGM and the Class Meetings and to make well-informed decisions, the Company has provided detailed information in this circular, including matters to be considered at the 2019 AGM and the Class Meetings (see Appendix I), the work report of the Board for 2019 (see Appendix II), the work report of the Supervisory Committee for 2019 (see Appendix III), the final account report of the Company for 2019 (see Appendix IV) and the financial budget report of the Company for 2020 (see Appendix V).

### 3. THE AGM AND THE CLASS MEETINGS

The notice of the AGM to be held at 2:00 p.m. on Thursday, 18 June 2020 at Conference Center, 3/F, South Building, Block B, Red Star Macalline Headquarters, Lane 1466, Shenchang Road, Minhang District, Shanghai, the PRC is set out on pages 34 to 35 of this circular. The notice of the H Shareholders' Class Meeting to be held at 4:00 p.m. (or immediately after the conclusion of the A Shareholders' Class Meeting) on Thursday, 18 June 2020 at Conference Center, 3/F, South Building, Block B, Red Star Macalline Headquarters, Lane 1466, Shenchang Road, Minhang District, Shanghai, the PRC is set out on pages 36 to 37 of this circular.

The proxy forms for the AGM and the H Shareholders' Class Meeting are also enclosed herein and published on the website of the Stock Exchange ([www.hkexnews.com.hk](http://www.hkexnews.com.hk)). The Shareholders who intend to appoint (a) proxy/proxies to attend the AGM and H Shareholders' Class Meeting shall complete, sign and return the proxy forms in accordance with the instructions printed thereon.

---

## LETTER FROM THE BOARD

---

For H Share Shareholders, the proxy form, and if the proxy form is signed by a person under a power of attorney or other authority on behalf of the appointor, a notarially certified copy of that power of attorney or other authority, must be delivered to the Company's H Share Registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not less than 24 hours before the time for holding the AGM/H Shareholders' Class Meeting in order for such documents to be valid. For A Share Shareholders, the proxy form, and if the proxy form is signed by a person under a power of attorney or other authority on behalf of the appointor, a notarially certified copy of that power of attorney or other authority, must be delivered to the headquarters of the Company in the PRC at B1 Corporate Post Office, Block A, Red Star Macalline Headquarters, No. 5, Lane 1466, Shenchang Road, Minhang District, Shanghai, the PRC not less than 24 hours before the time for holding the AGM/A Shareholders' Class Meeting in order for such documents to be valid.

Pursuant to the Articles of Association, for the purpose of holding the AGM/H Shareholders' Class Meeting, the register of members of H Shares will be closed from Monday, 15 June 2020 to Thursday, 18 June 2020 (both dates inclusive), during this period no transfer of H Shares will be registered. H Share Shareholders whose names appear on the register of members of the Company on Friday, 12 June 2020 after close of business are entitled to attend and vote at the AGM/H Shareholders' Class Meeting. For information about A Share Shareholders' attendance at the AGM/A Shareholders' Class Meeting, please see the A Share announcement published by the Company on the website of the SSE.

In order to attend and vote at the AGM/H Shareholders' Class Meeting, H Share Shareholders shall lodge all transfer documents together with the relevant share certificates to Computershare Hong Kong Investor Services Limited, the Company's H Share registrar, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on Friday, 12 June 2020.

Pursuant to Rule 13.39(4) of the Listing Rules, any vote of shareholders at a general meeting must be taken by poll except where the chairman, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands. Therefore, the resolutions proposed at the AGM/H Shareholders' Class Meeting will be voted by poll.

#### **4. RECOMMENDATION**

The Directors consider that all resolutions set out in the notice of AGM and notices of Class Meetings for consideration and approval by Shareholders are in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Shareholders to vote in favour of all resolutions to be proposed at the AGM and the Class Meetings.

#### **5. RESPONSIBILITY STATEMENT**

This circular for which the Directors collectively and individually accept full responsibility, provides information in relation to the Company in compliance with the Listing Rules. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

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

**A. TO CONSIDER AND APPROVE THE WORK REPORT OF THE BOARD OF THE COMPANY FOR 2019**

The work report of the Board of the Company for 2019 has been considered and approved by the Board and is hereby proposed at the AGM for Shareholders' consideration and approval, details of which are set out in Appendix II to this circular.

**B. TO CONSIDER AND APPROVE THE WORK REPORT OF THE SUPERVISORY COMMITTEE OF THE COMPANY FOR 2019**

The work report of the Supervisory Committee of the Company for 2019 has been considered and approved by the Supervisory Committee and is hereby proposed at the AGM for Shareholders' consideration and approval, details of which are set out in Appendix III to this circular.

**C. TO CONSIDER AND APPROVE THE FINAL ACCOUNT REPORT OF THE COMPANY FOR 2019**

The final account report of the Company for 2019 has been considered and approved by the Board and is hereby proposed at the AGM for Shareholders' consideration and approval, details of which are set out in Appendix IV to this circular.

**D. TO CONSIDER AND APPROVE THE FINANCIAL BUDGET REPORT OF THE COMPANY FOR 2020**

The financial budget report of the Company for 2020 has been considered and approved by the Board and is hereby proposed at the AGM for Shareholders' consideration and approval, details of which are set out in Appendix V to this circular.

**E. TO CONSIDER AND APPROVE THE ANNUAL REPORT AND ANNUAL RESULTS OF THE COMPANY FOR THE YEAR ENDED 31 DECEMBER 2019**

The Board will submit the 2019 Annual Report and Summary of the Company (A Shares), the Annual Results for the year ended 31 December 2019 of the Company and the Annual Report for the year ended 31 December 2019 of the Company (H Shares) to the Shareholders' general meeting for consideration, which complies with the procedural requirements of the Articles of Association for the proposal of resolutions at and convening of the Shareholders' general meeting.

The abovementioned resolution has been considered and approved by the Board and is hereby proposed at the AGM for Shareholders' consideration and approval.

**F. TO CONSIDER AND APPROVE THE RE-APPOINTMENT OF THE AUDITOR FOR THE FINANCIAL REPORT AND THE INTERNAL CONTROL AUDITOR FOR THE YEAR 2020**

The Company proposes to re-appoint Ernst & Young Hua Ming LLP as the external auditor of the Company for the year 2020 until conclusion of the next annual general meeting and determine its audit fees according to industry standards and the actual situation of the Company's audit work.

The Company proposes to re-appoint BDO China Shu Lun Pan Certified Public Accountants LLP (立信會計師事務所(特殊普通合夥)) as the internal control consultant of the Company for the year 2020 until conclusion of the next annual general meeting and determine its service fees according to industry standards and the actual situation of the Company's internal control work.

The abovementioned resolution has been considered and approved by the Board and is hereby proposed at the AGM for Shareholders' consideration and approval.

**G. TO CONSIDER AND APPROVE THE RESOLUTION CONCERNING THE REMUNERATION OF DIRECTORS OF THE COMPANY FOR 2019**

In accordance with the relevant provisions of the Company Law, the Articles of Association and other regulations, based on the remuneration level of the Company's industry, the annual operating performance and performance appraisal results of the Company, and combined with the actual situation of the Company and the service terms and workload of independent Directors, the remuneration of Directors and senior management of the Company for 2019 is as follows:

Name	Position	Remuneration received from the Company for 2019 (RMB'0,000, before tax)
CHE Jianxing	Chairman, General Manager	221.86
GUO Binghe	Vice chairman, Deputy General Manager	248.86
CHE Jianfang	Director, Deputy General Manager	290.02
JIANG Xiaozhong	Director, Deputy General Manager	459.90
XU Guofeng	Director	—
CHEN Shuhong	Director	166.09
XU Hong	Director	—
JING Jie	Director	—
LEE Kwan Hung, Eddie	Independent Director	60.00
QIAN Shizheng	Independent Director	60.00
WANG Xiao	Independent Director	60.00
ZHAO Chongyi	Independent Director	60.00
Joseph Raymond GAGNON (resigned) <sup>(1)</sup>	Former Director	—
ZHANG Qiqi (resigned) <sup>(2)</sup>	Former Director	—

Note (1): Mr. Joseph Raymond GAGNON resigned on 24 May 2019 as the Director of the Company due to adjustments of his job;

Note (2): Mr. ZHANG Qiqi resigned on 24 May 2019 as the Director of the Company due to adjustments of his job.

The Board has considered and approved the abovementioned resolution and the related Directors have abstained from voting on the relevant resolution concerning their remuneration. The abovementioned resolution is hereby proposed at the AGM for Shareholders' consideration and approval, while the related Shareholder, Red Star Macalline Holding Group Company Limited, will be required to abstain from voting.

## H. TO CONSIDER AND APPROVE THE RESOLUTION CONCERNING THE REMUNERATION OF SUPERVISORS OF THE COMPANY FOR 2019

In accordance with the relevant provisions of the Company Law, the Articles of Association and other relevant regulations, based on the remuneration level in the industry in which the Company operates, the annual operating performance and performance appraisal results of the Company, and combined with the actual situation of the Company and the service terms and workload of independent Supervisors, the remuneration of Supervisors of the Company for 2019 is as follows:

Name	Position	Remuneration received from the Company for 2019 (RMB'0,000, before tax)
PAN Ning	Chairman of the Supervisory Committee, employee representative Supervisor	197.66
NG, Ellen Hoi Ying (resigned) <sup>(1)</sup>	Former Shareholder representative Supervisor	—
CHAO Yanping	Employee representative Supervisor	107.78
CHEN Gang	Independent Supervisor	18.00
ZHENG Hongtao	Independent Supervisor	18.00

*Note (1):* Ms. NG, Ellen Hoi Ying resigned on 24 May 2019 as the Company's Supervisor due to adjustments of her job.

The Supervisory Committee has considered and approved the abovementioned resolution and the related Supervisors have abstained from voting on the relevant resolution concerning their remuneration. The abovementioned resolution is hereby proposed at the AGM for Shareholders' consideration and approval, while the related Shareholder, Shanghai Hongmei Investment Management Center (Limited Partnership), will be required to abstain from voting.

The abovementioned resolution has been considered and approved by the Board and is hereby proposed at the AGM for Shareholder's consideration and approval.

## I. TO CONSIDER AND APPROVE THE PROFIT DISTRIBUTION PLAN OF THE COMPANY FOR 2019

The profit distribution plan for 2019 of the Company is as follows:

1. The accumulated undistributed earnings of the parent company after adjustments due to changes in accounting policies amounted to RMB4,768,456,624.21 at the beginning of 2019, plus net profit of RMB2,351,804,558.22 realized by the parent company in 2019, less cash dividends of RMB958,500,000.00 for 2018 distributed by the Company in 2019, after the statutory surplus reserve of RMB137,971,445.67 was drawn according to relevant regulations of the Company Law and the Articles of Association, as of 31 December 2019, the profit of the parent company available for distribution amounted to RMB6,023,789,736.76.

2. Given that the net profit attributable to shareholders of the listed company in the consolidated statements in 2019 of the Company was RMB4,479,681,652.61, in consideration of long term development of the Company and the interests of the investors, the factors including the industry features, operating model, profitability and fund demand, etc., the Company proposed to distribute Cash Dividend for 2019 of RMB898,150,000.00 (tax inclusive), accounting for 20.05% of the profit available for distribution realized in 2019. If the net profit attributable to shareholders of the listed company was RMB2,613,622,255.31 after deducting non-recurring profit or loss, the abovementioned Cash Dividend proposed to be distributed represented 34.36% of net profit attributable to the shareholders of listed company in the consolidated statements after deducting non-recurring profit or loss in 2019.
3. Based on the total issued share capital of 3,550,000,000 Shares at the end of 2019, a distribution of Cash Dividend per 10 Shares was RMB2.53 (tax inclusive, the actual distribution amount may be subject to rounding adjustments). If the total issued share capital of the Company is changed due to reasons such as placing, buy-back and other reasons on the Record Date, the distribution amount of Cash Dividend will be adjusted accordingly within the total amount of RMB898,150,000.00 (tax inclusive). After the completion of the profit distribution of the Company for 2019, the undistributed profit of RMB5,125,639,736.76 of the Company for the current year will be carried forward to next year.
4. Based on the total issued share capital of 3,550,000,000 Shares at the end of 2019, the Board has proposed the issuance of one Share per 10 Shares by way of conversion of capital reserve.
5. Based on the total issued share capital of 3,550,000,000 Shares (including 2,876,103,969 A Shares and 673,896,031 H Shares) as at the Latest Practicable Date and assuming no new Shares will be allotted or issued and no Shares will be repurchased before the Record Date, Shareholders whose names are listed on the register of members of the Company on the Record Date after close of business will be distributed:
  - (a) Cash Dividend of RMB898,150,000, of which RMB727,654,304.16 will be paid to A Share Shareholders and RMB170,495,695.84 will be paid to H Share Shareholders; and
  - (b) 355,000,000 new Shares, including 287,610,397 new A Shares and 67,389,603 new H Shares will be issued upon satisfaction of the conditions set out in the paragraph headed “Conditions for Capitalization Issue” below, for which RMB355,000,000 will be capitalized.

#### **Details on Distribution of Cash Dividends**

After the profit distribution plan of the Company for 2019 is considered and approved at the Shareholders’ general meeting, the Cash Dividend will be distributed within two months from the date of the Shareholders’ general meeting. The Cash Dividend will be denominated and declared in RMB, and paid in RMB and in HK dollars to A Share Shareholders and H Share Shareholders, respectively. The actual amount distributed in HK dollars will be calculated based on the average benchmark exchange rate of RMB against HK dollars announced by the People’s Bank of China in the five working days prior to the date of the Shareholders’ general meeting of the Company.

The Company has convened a performance brief meeting on 20 April 2020, to illustrate the matters regarding the cash dividend proposal.

The abovementioned resolution has been considered and approved by the Board and is hereby proposed at the AGM and the Class Meetings for Shareholders' consideration and approval.

### **Details of Capitalization Issue**

#### **1. Conditions for the Capitalization Issue**

The Capitalization Issue is subject to the following conditions:

- (a) approval of the Shareholders by way of special resolution at the AGM and the Class Meetings;
- (b) the Hong Kong Stock Exchange granting the listing of, and permission to deal in the new H Shares issued under the Capitalization Issue; and
- (c) compliance with the relevant legal procedures and requirements under the Company Law to effect the Capitalization Issue.

#### **2. Status of Capitalization Shares**

The Capitalization Shares will, subject to the Articles of Association, rank *pari passu* in all respects with the Shares in issue on the date of the issuance of the Capitalization Shares. Holders of the Capitalization Shares will be entitled to receive all future dividends and distributions (if any) which are declared, made or paid after the date on which the Capitalization Shares are allotted and issued. The Capitalization of Reserve should not result in any change to the rights of the Shares. For the avoidance of doubt, the holder of the Capitalization Shares will not be entitled to receive the Cash Dividend under the profit distribution plan of the Company for 2019.

#### **3. Fractional Capitalization Shares**

No fractional Capitalization Shares shall be allotted to H Share Shareholders and fractional entitlements (if any) will be aggregated and sold for the benefit of the Company.

For A Share Shareholders, in accordance with requirements under the Guideline of the Shanghai Branch of China Securities Depository and Clearing Corporation Limited on Business of Security Issuers (《中國證券登記結算有限責任公司上海分公司證券發行人業務指南》), in the event of registration of fractional shares, China Securities Depository and Clearing Corporation Limited (the "CSDC") requires that: the fractional shares less than one share arising from the issuance of bonus shares or the issuance of shares by capitalization of capital reserves are sorted in descending order by the number of fractional shares held by shareholders; if the numbers of fractional shares are same, they shall be sorted randomly by electronic settlement system. The CSDC shall register them as one share one by one according to the order until the issuance of bonus shares or the issuance of shares by capitalization of capital reserves is completed. Accordingly, no fractional Capitalization Shares shall be allotted to A Share Shareholders under the Capitalization Issue.

#### **4. Arrangement on odd lot trading**

In order to facilitate the trading of odd lots (if any) of the new H Shares arising from the Capitalization Issue, the Company has appointed Computershare Hong Kong Investor Services Limited as an agent to provide matching service, on a best effort basis, to those H Share Shareholders who wish to acquire odd lots of the New H Shares to make up a full board lot, or to dispose of their holding of odd lots of the new H Shares during the period from 9:00 a.m. on Wednesday, 19 August 2020 to 4:00 p.m. on Tuesday, 8 September 2020. H Share Shareholders who wish to use this service should contact Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong or at telephone number (852) 2862 8555 during office hours (i.e. 9:00 a.m. to 6:00 p.m.) over such period. H Share Shareholders should note that successful matching of the sale and purchase of odd lots of the new H Shares is not guaranteed. H Share Shareholders who are in doubt about this service are recommended to consult their professional advisors.

#### **5. Overseas H Share Shareholders**

As at the Latest Practicable Date and based on information provided by Computershare Hong Kong Investor Services Limited, the H Share registrar of the Company, none of the H Shareholders as recorded on the register of members of the Company had address(es) which is/are outside Hong Kong.

Upon the Capitalization Issue becoming unconditional or should there be any overseas Shareholders on the Record Date, the Company will make enquiry on whether there are any overseas Shareholders located in other jurisdictions, and if there are such overseas Shareholders, then the Company will make enquiry regarding the legal restrictions (if any) under the laws of the relevant places and the requirements of the relevant regulatory bodies or stock exchanges for the relevant overseas Shareholders to be eligible to take part in the Capitalization Issue pursuant to the Listing Rules. Upon such enquiry, if the Board is of the view that the exclusion of the overseas Shareholders is necessary or expedient on account either of the legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place, the Capitalization Shares will not be issued to those overseas Shareholders. If any such overseas Shareholder is excluded, arrangements will be made for the Capitalization Shares which would otherwise have been issued to the overseas Shareholders to be sold in the market as soon as practicable after dealings commence, if a premium, net of expenses, can be obtained. Any net proceeds of such sale for each overseas Shareholder, after deduction of expenses, of HK\$100 or more will be distributed in HK dollars to the relevant overseas Shareholders, by post at his/her/its own risk, unless the amount falling to be distributed to any such person is less than HK\$100 in which case it will be retained for the benefit of the Company.

Accordingly, overseas Shareholders receiving a copy of this circular about the Capitalization Issue may not be treated the same as an invitation to participate in the Capitalization Issue unless invitation could lawfully be made to him/her/it without requiring the Company or such overseas Shareholders to comply with any registration or other legal requirements in the relevant jurisdiction(s). Furthermore, any Shareholder with a registered address outside Hong Kong or otherwise residing outside Hong Kong should consult their professional advisers as to whether they are permitted to receive the Capitalization Shares under the Capitalization Issue and the taxation consequences of their decision. It is the responsibility of the Shareholders who wish to receive the Capitalization Shares under the Capitalization Issue to comply with the laws of the relevant jurisdiction(s).

**6. Effect to the shareholding upon completion of the Capitalization Issue**

Set out below is the shareholding structure of the Company as at the Latest Practicable Date and immediately upon completion of allocation and issue of Capitalization Shares (assuming that no other Shares are allotted and no existing Shares are repurchased or cancelled prior to the Record Date):

	As at the Latest Practicable Date		Immediately upon completion of the Capitalization Issue	
	Number of Shares	Approximate percentage of total issued Shares	Number of Shares	Approximate percentage of total issued Shares
A Shares	2,876,103,969	81.02%	3,163,714,366	81.02%
H Shares	673,896,031	18.98%	741,285,634	18.98%
<b>Total</b>	<b>3,550,000,000</b>	<b>100.00%</b>	<b>3,905,000,000</b>	<b>100.00%</b>

**7. Application for listing**

Application will be made by the Company to the Listing Committee of the Hong Kong Stock Exchange for approval on the listing of and permission to deal in the 67,389,603 new H Shares issued under the Capitalization Issue. Upon satisfaction of the conditions set out in “Conditions for the Capitalization Issue” above, the 67,389,603 new H Shares will be accepted by the HKSCC as qualified securities, which can be deposited, cleared and settled at the CCASS. The Company will make all necessary arrangements to procure the acceptance of the new H Shares by CCASS. All actions to be taken at CCASS must comply with the General Rules of CCASS and the CCASS Operational Procedures in force at the time. The new A Shares to be allotted and issued to the existing A Shareholders under the Capitalization Issue will be listed on SSE.

Trading of new H Shares is subject to Hong Kong stamp duty.

After the Capitalization Issue becomes unconditional, the certificates of new H Shares will be sent to the H Share Shareholders who are entitled to the new Shares by ordinary post on Tuesday, 18 August 2020 at their own risk. In case of joint Shareholders, certificates of new H Shares will be posted to the person whose name appears first on the register of members of H Shares for such jointly-held Shares. All Capitalization Shares are non-renounceable. Shareholders will receive one share certificate for all the Capitalization Shares being allotted.

All new H Shares will be registered at the register of members of H Shares kept by the Company in Hong Kong. Aside from the Hong Kong Stock Exchange, the new H Shares will not be listed on or dealt in any other stock exchanges, and the Company is not currently seeking for or proposing to seek for the listing or trading on any other stock exchanges for the new H Shares.

**8. Risk warning for trading of H Shares**

H Share Shareholders should note that H Shares are expected to be traded on ex-entitlement basis commencing from Wednesday, 24 June 2020. The Capitalization Issue will not be carried out until satisfaction of the conditions for the Capitalization Issue as set out in this circular, while distribution of the Cash Dividend will be subject to the approval of Shareholders at the AGM and the Class Meetings. Any person who deals in H Shares on ex-entitlement basis prior to the satisfaction of the conditions and obtaining of the approval will be subject to the risk that the relevant proposal may not become unconditional or fail to proceed. Shareholders or potential investors shall seek professional advice from their own professional consultants should they have any doubt on their situations.

**9. Statements to be made on acquisition of Shares**

The Company shall ensure that all its listing documents and share certificates include the statements stipulated below and shall instruct and cause its share registrars not to register the subscription, purchase or transfer of any of its Shares in the name of any particular holder unless and until such holder delivers to such share registrar a signed form in respect of such Shares bearing statements to the following effect:

- (a) the acquirer of Shares agrees with the Company and each of its Shareholder, and the Company agrees with each Shareholder, to observe and comply with the Company Law, the Special Regulations on the Overseas Offering and Listing of Shares by Joint Stock Limited Companies and its Articles of Association;
- (b) the acquirer of Shares agrees with the Company, each of its Shareholders, Directors, Supervisors, managers and officers, and the Company acting for itself and for each Director, Supervisor, manager and officer agrees with each Shareholder, to refer all differences and claims arising from its Articles of Association or any rights or obligations conferred or imposed by the Company Law or other relevant laws and administrative regulations concerning the affairs of the Company to arbitration in accordance with its Articles of Association. Any reference to arbitration will be deemed to authorise the arbitration tribunal to conduct its hearing in open session and to publish its award. Such arbitration will be final and conclusive;
- (c) the acquirer of Shares agrees with the Company and its Shareholders that H Shares are freely transferable by the holder of such Shares; and
- (d) the acquirer of Shares authorises the Company to enter into a contract on his/her/its behalf with each Director and officer whereby such Directors and officers undertake to observe and comply with their obligations to Shareholders stipulated in its Articles of Association.

**Reasons for the distribution of Cash Dividend and Capitalization Issue**

Based on the positive expectations on the future development of the Company, and with reference to the operating results and the overall financial conditions of the Company, the Board proposed the distribution of Cash Dividend and the Capitalization Issue so as to share the fruitful result of the Company's business performance with the Shareholders.

In addition, to encourage the Shareholders to continue to support the Company's future development, the Board believes that the Capitalization Issue will allow the Shareholders to enjoy a pro-rata increase in the number of Shares held by them in the Company without incurring any significant costs to them. Although the Capitalization Issue is not expected to increase the Shareholders' proportionate equity interests in the Company, the Capitalization Issue will increase the number of Shares to be held by the Shareholders, which will afford the Shareholders with more flexibility in managing their own investment portfolios such as giving them more convenience in disposing of a portion of the Shares for cash return. The Capitalization Issue will also result in the increase of number of Shares in issue, and the number of Shares held by H Shareholders, which will motivate the trading of Shares by the H Shareholders, and thus will enhance the trading activities and liquidity of the Shares in the market.

### **Closure of Register of Members**

For the purpose of determining the list of H Share Shareholders who are entitled to receive the Cash Dividend and the Capitalization Shares, the register of members of the Company will be closed from Sunday, 28 June 2020 to Friday, 3 July 2020 (both dates inclusive), during which period no transfer of Shares will be registered. H Share Shareholders whose names appear on the register of members of H Shares of the Company on Friday, 3 July 2020 are entitled to receive the Cash Dividend and the Capitalization Shares. In order to be entitled to receive the Cash Dividend and the new H Shares issued under the Capitalization Issue, all share certificates, together with the instruments of transfers, must be lodged for registration with the Company's H Share registrar, Computershare Hong Kong Investor Services Limited (for H Share Shareholders) at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on Friday, 26 June 2020.

### **Tax Arrangements in respect of the distribution of the Cash Dividend and the Capitalization Shares**

Pursuant to the PRC Individual Income Tax Law (《中華人民共和國個人所得稅法》), the Implementation Regulations of the PRC Individual Income Tax Law (《中華人民共和國個人所得稅法實施條例》) and other laws and regulations and relevant normative documents promulgated by the State Administration of Taxation of the PRC, the Company shall, as a withholding agent, withhold and pay individual income tax at the rate of 10% for the individual holders of H Shares in respect of the dividend for 2019 to be distributed to them. The individual holders of H Shares may be entitled to certain tax preferential treatments pursuant to the tax treaties between the PRC and the countries (regions) in which the individual holders of H Shares are domiciled and the tax arrangements between mainland China, Hong Kong or Macau.

For non-resident enterprise holders of H Shares, the Company will withhold and pay enterprise income tax at the tax rate of 10% for such holders of H Shares pursuant to relevant regulatory documents of the State Administration of Taxation of the PRC.

For investors of the Shanghai Stock Exchange investing in the H Shares of the Company, the Company will distribute the Cash Dividend for 2019 to the Shanghai Branch of China Securities Depository and Clearing Corporation Limited which, as the nominee of the investors of H Shares of Southbound Trading, will then distribute the Cash Dividend to the relevant investors of H Shares of Southbound Trading through its depository and clearing system. Pursuant to the Notice on the Tax Policies Related to the Pilot Program of the Shanghai-Hong Kong Stock Connect (Cai Shui [2014] No. 81) (《關於滬港股票市場交易互聯互通機制試點有關稅收政策的通知》), for domestic individual

investors, the Company shall withhold and pay individual income tax at the rate of 20% on behalf of the investors. For domestic securities investment funds, the tax payable shall be the same as that for individual investors. The Company will not withhold and pay the income tax of dividends for domestic enterprise investors which shall report and pay the relevant tax themselves. The Record Date and the date of distribution of Cash Dividend and other arrangements for the investors of Southbound Trading will be the same as those for the holders of H Shares of the Company.

Should the holders of H Shares of the Company have any doubt in relation to the aforesaid arrangements, they are recommended to consult their tax advisors for relevant tax impact in mainland China, Hong Kong and other countries (regions) on the possession and disposal of the H Shares of the Company.

#### **J. RESOLUTION CONCERNING THE PURCHASE OF LIABILITY INSURANCE FOR DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND THE COMPANY**

In order to improve the risk management system of the Company and protect the rights and interests of Directors, Supervisors, the Company's senior management and the Company, the Company intends to purchase liability insurance for Directors, Supervisors, the Company's senior management and the Company in accordance with the relevant provisions of Code of Corporate Governance for Listed Companies. The specific plan regarding liability insurance is as follows:

1. Policyholder: Red Star Macalline Group Corporation Ltd.
2. Insured: the Company, Directors, Supervisors and the Company's senior management, etc.
3. Policy duration: 1 year

The indemnity limit and the gross premium of liability insurance shall be determined by negotiation with the insurance company.

The Board of the Company intends to submit to the AGM for authorizing the Board, and allowing the Board to authorize the management of the Company, to handle matters in connection with the purchase of liability insurance (including but not limited to the determination of other related responsible persons; the determination of the insurance company; the determination of the indemnity limit, the premium and other insurance clauses; selecting and engaging the insurance brokers or other intermediaries; the signing of relevant legal documents and dealing with other matters relating to the purchase of insurance, etc.), within the abovementioned limits of authority, and to deal with matters relating to the purchase and renewal or repurchase of the insurance upon or before the expiration of the liability insurance contracts in the future.

The abovementioned resolution has been considered and approved by the Board and is hereby proposed at the AGM for Shareholders' consideration and approval.

**WORK REPORT OF THE BOARD FOR 2019****WORK REPORT OF THE BOARD OF THE COMPANY FOR 2019**

In 2019, the Board led the management in achieving good operational and financial results by actively coping with challenges and taking the initiative to introduce reforms and innovation. In respect of corporate governance, the Board was in strict compliance with the relevant requirements of company laws, listing regulations and corporate rules and systems in performing their responsibilities and safeguarding the overall interests of the Shareholders and the Company. The major work of the Board in 2019 are presented as follows, the capitalized terms used herein shall have the same meanings as those defined in the 2019 annual report of the Company:

**I. MAJOR WORK OF THE BOARD IN 2019**

As of 31 December 2019, the Board convened 4 Shareholders' meetings for the year, in which 23 resolutions were considered and passed, and held 24 meetings of the Board, in which 77 resolutions were considered and passed. For the four special committees under the Board, the audit committee held 5 meetings; the remuneration and evaluation committee held 3 meetings; and the nomination committee held 2 meetings. For further details in relation to matters reviewed and discussed, please refer to the 2019 annual report of the Company.

During the year, the Board of the Company was responsible for the holding of the Shareholders' general meeting and performed the following duties: to approve and supervise all policy issues, overall strategy, budget, internal control and risk management system, material transactions (especially the transactions in which the parties with conflict of interests may be involved), the Directors' appointment and other material financial and operating affairs. The Directors may seek for independent professional opinions when fulfilling their duties and the relevant costs incurred will be borne by the Company. The Company also encourages the Directors to seek independent consultations with the senior management of the Company.

**II. RESULTS IN 2019****1. CONTINUOUS GROWTH IN FINANCIAL RESULTS**

The rapid growth trend of the Company's financial results for the past few years is maintained in 2019. The Company's revenue amounted to RMB16.47 billion in 2019, representing an increase of 15.7% from RMB14.24 billion in 2018; the net profit attributable to the owners of the Company amounted to RMB4.48 billion in 2019, remaining basically stable as compared with 2018.

**2. BUSINESS DEVELOPMENT AND PRESENCE: STABLE DEVELOPMENT OF SHOPPING MALLS AND STRATEGIC PRESENCE WITH A NATIONWIDE COVERAGE**

As of the end of 2019, we operated 428 home improvement material stores/industry streets with a total operating area of 20.99 million sq.m. in 212 cities in 29 provinces, municipalities, and autonomous regions in China. We have adopted the two-pronged business model of Portfolio Shopping Malls and Managed Shopping Malls to occupy properties in prime locations in Tier I and Tier II Cities. At the same time, we have accumulated extensive experience in the operation of shopping malls, constantly strengthened the brand value, and set a relatively high barrier of entry for other companies. As of the end of the Reporting Period, we operated 87 Portfolio Shopping Malls, with an average occupancy rate of 93.4% and 250 Managed Shopping Malls, with an average occupancy rate of 93.5%. The same mall growth rate of mature shopping malls during the Reporting

Period was 6.1%. In addition, the Company operated 12 home furnishing shopping malls through strategic cooperation, and opened 44 franchised home improvement material projects by way of franchising.

### **3. IMPLEMENTING THE EMPLOYEE STOCK OWNERSHIP PLAN AND BUILDING A BENEFIT-SHARING MECHANISM**

For the purpose of further improving the corporate governance structure of the Company, establishing the risk-bearing and benefit-sharing mechanism among the employees, the Company and the Shareholders, our Company continuously launched the First Phase of the Employee Stock Ownership Plan and the Second Phase of the Employee Stock Ownership Plan, which involved over 2,600 employees including core cadres of the Company and its subsidiaries, in which an amount of over RMB200 million capital fund was raised. Through the establishment of a trust structure, a trust scheme with an amount of over RMB400 million was jointly formed. The successful implementation of this plan provides the Company powerful guarantee to attract and retain outstanding management talents and core cadres, effectively mobilize the initiatives of managements and technical personnel and promote the long-term, sustainable and healthy development of the Company.

### **4. BUSINESS MANAGEMENT: CONTINUOUS IMPROVEMENT OF SHOPPING MALL OPERATION AND MANAGEMENT**

#### ***(1) Tenant sourcing management***

We continuously optimized the layout of the brands and categories of merchandize in shopping malls and promoted the upgrade of home furnishing shopping malls consumption. We continuously enhanced the standards of our refined rental management to achieve sustainable growth of rental income by increasing the sales volume of merchants through IMP, and constantly strengthened the management of brand and dealer resources and improved the service ability for brand and dealers. We also catered to the trend of consumption upgrading, stepped up efforts in introducing global brands and continued to build international pavilions. The trade shows have collected global excellent brands and have accumulated resources for the tenant sourcing management and business integration.

#### ***(2) Operational management***

We have comprehensively and deeply carried out the “Word of Mouth Advertising” project, and put forward unified high standards and strict requirements for the operation and management of shopping malls in terms of environmental friendliness, service, credit system, consumer satisfaction, etc. to further enhance the recognition of its service quality. We continued to launch “Leading Green” campaigns to promote consumers’ green home life quality. We also improved operational management efficiency of shopping malls by means of digital space management.

#### ***(3) Marketing management***

In terms of marketing management, we continued to iterate on IMP (Intelligent Marketing Platform), the global home furniture intelligent marketing platform, to upgrade Red Star Macalline from a home shopping mall of one-stop shopping to a global super traffic field that radiates online and offline home furnishing industry. With omni-channel efforts to draw in customers, the platform helped merchants build private domain traffic pools, so as to realize

full links, full scenarios, full-cycle and in-depth operation from introduction, interaction, shop, conversion and repurchase to joint purchase for each home improvement user. In terms of brand management, we continued to place concern on expanding the brand positioning of Selecting Global Top-notch Design Products, and we were devoted to building a high-end brand image of global home furniture trendsetter through continuous innovation and deep cultivation in visual communication, content marketing, IP cooperation, cross-sector marketing, etc.

#### **(4) *Property Management***

We strictly managed and controlled the safety risks in our shopping malls with preventive control at the forefront, complemented by emergency plans and prevented safety hazards through our staff and technology; we continuously improved the environment of shopping malls to enhance the experience of our tenants and customers.

### **5. EXPANSIONARY BUSINESS: ROBUST DEVELOPMENT**

#### **(1) *Development of internet pan-home consumption***

We have established the internet-based platform building on the concept of “home”, which provides consumers with pan-home consumption industry chain services ranging from home renovation to purchase of household related products through the operation model of expanding the design and home decoration business. We have fully integrated and shared the business resources of the online home consumption platform with the offline real shopping mall network by digitally transforming and upgrading the existing home improvement and furnishings mall. Through these efforts, the Company succeeded in providing convenient and quality services and an interactive O2O experience to our customers. At the same time, we had achieved synergies between the offline business and the expansionary business on the internet, which has further improved the overall operation efficiency and maximized value creation.

#### **(2) *Comprehensive logistic service with system platform as the center to realize end-to-end logistics distribution by integrating industry resources***

In order to provide professional distribution and installation services to our tenants and customers to facilitate the “Last Mile” distribution, installation and after-sales services, and to improve customer satisfaction and loyalty to the brands of our tenants as well as the brand of “Red Star Macalline”, we have set up logistics centers in 26 cities, to provide one-stop shop professional services for customers from purchase to professional product distribution and installation. As at the end of the Reporting Period, more than 450 brands have commenced operations with our logistics service business which has a storage area of more than 100,000 sq.m..

Based on its deep understanding for the pain point and needs of household industry, our “Xinghe Zhaipei” (星和宅配) extends its service chains from online and offline to after-sales service for factories and customers while meeting the originally localized distribution needs for mall consumers offline. It realizes comprehensive update in its systematic functions by achieving full process service from factory production line to customer rooms and multi-scenario logistics coverage for online and offline, enterprises and customers through its integrated supply chain project. In addition, our “Xinghe Zhaipei” (星和宅配) has been awarded as “modern home furnishings supply chain pilot enterprise” by the Ministry of Commerce of the PRC, and obtained special research and development fund support of home furnishings supply chain pilot by the Ministry of Commerce of the PRC and the Ministry of Finance of the PRC.

**6. UPGRADE AND RESTRUCTURE THE INFORMATION TECHNOLOGY INFRASTRUCTURE TO SUPPORT THE DEVELOPMENT OF THE INTEGRATION OF ONLINE AND OFFLINE BUSINESSES**

During the Reporting Period, centering on the Group's continuous consolidation of information construction achievements and gradual advancement of digital and intelligent construction objectives, we vigorously promoted information construction and continued to empower business development through financial intelligence and data intelligence, thereby providing assurance for the Company's achievement of goals and rapid development.

**7. HIGHLY EFFICIENT HUMAN RESOURCES MANAGEMENT POLICIES TO SUPPORT BUSINESS GROWTH**

During the Reporting Period, our human resources policies took the "13 character values" of Red Star Macalline as the key orientation, closely centered on the Company's strategy to promote the implementation of the Company's strategic adjustment on operation and development integration, and achieved progress in a number of aspects including of performance management, talent development, business support, personnel operations and staff relations. During the Reporting Period, we have successfully created an image of employer widely recognized by the industry and have been successively granted eight authoritative employer brand awards.

**8. STRENGTHEN THE ESTABLISHMENT OF HOME FURNISHINGS SHOPPING MALLS BRAND PORTFOLIO**

In terms of the establishment of brand portfolio, in addition to the core brand "Red Star Macalline", the Company also invested in new brands paralleling to the core brand to achieve brand diversity and further enrich the variety of services provided by the Company, such as "Red Star Ogloria (紅星 • 歐麗洛雅)", "Xingyijia (星藝佳)" and "Jisheng Wellborn (吉盛偉邦)".

### III. DEVELOPMENT PLAN FOR 2020 AND THE FUTURE

We have persistently adhered to the mission of “building cozy and harmonious homes and improving quality of shopping and home life”. In 2020 and thereafter, we will continue to follow the operation and management model of “market-oriented operation and shopping-mall-based management”, provide better and more professional services for consumers, consolidate our market leadership and strengthen brand image of “Red Star Macalline” as a Home Furnishings Expert in the consumers’ mind to build the most pioneering and professional “omni-channel platform in the home improvement and furnishings industry”, which is the development goal of the Company. Our future development plans are as follows:

**1. To continue the implementation of two-pronged business model of Portfolio Shopping Malls and Managed Shopping Malls and strengthen the market leadership through strategic expansion of shopping mall network and brand portfolio**

In terms of shopping mall network construction, we will fully ride on the tide of the thriving trend showed in the industry arising from the acceleration of urbanization, improvement in living standard and the increased population mobility, and continue to selectively expand our network of home furnishings malls in attractive cities. We will further strengthen the market leading position in Tier I and II Cities through self-operation mode, and continue to selectively open new home shopping malls in the core cities; at the same time, relying on the sound brand reputation, mature shopping mall development, tenant sourcing and operation and management capabilities in the home improvement and furnishings industry, we will quickly penetrate into the Tier III Cities and other cities through the asset-light managed business model, so as to further expand the operation coverage of the Company nationwide and thus accelerating market penetration.

**2. To strengthen the brand image of “omni-channel service provider for the pan-home improvement and furnishing industry” by deeply promoting the business transformation and making a breakthrough in full-cycle services of home furnishing consumption**

In 2020, we will give full play to the value mining capabilities of the traffic, and expand our business lines to design, home decoration and other links in addition to home furnishing consumption based on the needs of consumers throughout the full-life cycle. As regards home furnishing business and home design, in order to meet the personalized needs of mid-end and high-end customers, we will expand our business to front-end design and end-user services based on the existing Internet retail and Internet home furnishing business, and with the strategic goal of “one-stop service for high-end home improvement” in practice, provide consumers with one-stop solutions for design, home improvement, goods and services. Furthermore, we will launch Mshejiyun (設計雲), a panoramic platform we create to offer cloud design and furnishing procurement services. In addition, we will continue to promote brand upgrading, create a social media matrix, realize branding rejuvenation, and build and strengthen the brand image of “omni-channel service provider for the pan-home improvement and furnishing industry” by, on the one hand, opening up the new traffic entrance to empower distributors comprehensively, and on the other hand, meticulously well operating the existing customer resources with active transformation.

**3. To establish a comprehensive service system, striving to become new retail benchmark in home decoration and furnishings industry**

As one of the most influential brands in the home industry in China, we will, from the perspective of truly understanding and satisfying the needs of consumers, always provide consumers with a better and more in-depth experience, more professional and all-round value-added services, and more convenient and humanized service mode. We will provide a trustworthy circulation platform that can integrate a sufficient number of home improvement and furnishings industry brand commodities to satisfy the various needs of customer, tackle problems faced by consumers, enhance online and offline integration experience of consumers, establish the most valuable circulation platform in home improvement and furnishings industry, and strive to become new retail benchmark in the home improvement and furnishings industry.

**4. To work with Alibaba and further expand the layout of new retail areas**

We will work closely with Alibaba to carry out multi-level cooperation in terms of business and talents. Both of us will conduct all-round and in-depth cooperation in the areas of construction of new retail stores, construction of e-commerce platform, logistics warehouse distribution and installation service provider system, consumer finance, complex commercial activities, payment system and information sharing. This cooperation will open a new round of upgrading and reconstruction for the commercial mode, promote the long-term competitiveness of enterprise and get prepared for new development opportunities.

**5. To actively make innovations and value the application of capital market and financial instruments**

We will continue to explore new business model and deeply integrate upstream and downstream resources of home decoration and furniture industry through investment, and in particular look for opportunities to enter the smart household field for the purpose of enlarging enterprise scale, strengthening corporate strength, proactively embracing the future and leading the development of the industry.

**6. To continuously improve corporate governance, standardize operation, and fulfill social responsibility**

We will make continuous improvements in our corporate governance structure, organizational process and management mechanism, abide by national laws and business ethics and create the commercial atmosphere of “standardized operation” as well as proactively undertake and fulfill social responsibility.

**IV. THE DISTRIBUTION PLAN OF FINAL DIVIDEND FOR 2019**

Based on the audited results of 2019 and in accordance with the requirements of relevant laws and regulations and the Articles of Association, the proposed distribution of final dividends for 2019 of the Company is as follows: on the basis of the total share capital of 3,550,000,000 Shares (including 2,876,103,969 A Shares and 673,896,031 H Shares) as at 31 December 2019, a cash dividend of RMB2.53 per 10 Shares (inclusive of tax, the actual distribution amount may be slightly different due to the rounding of the mantissa) is proposed to be distributed to the holders of A Share and the holders of the H Share whose names appear on the Company's register of members on the record date. At the same time, the Board has proposed the issuance of one Share per 10 Shares for all Shareholders. The final cash dividends proposed for 2019 amount to RMB898,150,000.00 (inclusive of tax) in total and additional 355,000,000 Shares are proposed to be issued. The Cash Dividend of the Company for 2019 account for 20.05% of the net profit attributable to the Shareholders of the listed company in the consolidated statement for 2019.

By order of the Board  
**Red Star Macalline Group Corporation Ltd.**  
**CHE Jianxing**  
*Chairman*

Shanghai, the PRC  
17 April 2020

**WORK REPORT OF THE SUPERVISORY COMMITTEE FOR 2019****I. Meetings of the Supervisory Committee and Relevant Resolutions**

The Supervisory Committee of Red Star Macalline Group Corporation Ltd. (the “Company”) convened a total of 9 meetings in 2019, and details of the relevant meetings and the resolutions are as follows:

- (1) The eighth extraordinary meeting of the third session of the Supervisory Committee was convened on 5 March 2019. The resolution in respect of the use of part of the idle A Share offering proceeds to replenish liquidity of funds temporarily was reviewed and passed.
- (2) The seventh meeting of the third session of the Supervisory Committee was convened on 27 March 2019. The work report of the Supervisory Committee of the Company for 2018, the final account report of the Company for 2018, the financial budget report of the Company for 2019, the financial statements of the Company for the year ended 31 December 2018, the annual report and annual results of the Company for the year ended 31 December 2018, the profit distribution plan of the Company for 2018, the corporate environmental and social responsibility report of the Company for 2018, the exclusive report on the depositary and actual use of funds raised of the Company in 2018, the resolution concerning the remuneration of Supervisors of the Company for 2018, the resolution in respect of changes in accounting policies, and the resolution in respect of the provision of asset impairment allowances of the Company for 2018 were reviewed and passed.
- (3) The ninth extraordinary meeting of the third session of the Supervisory Committee was convened on 28 March 2019. The resolution in respect of the second phase of the employee stock ownership plan of Red Star Macalline Group Corporation Ltd. (draft) and its summary (《關於《紅星美凱龍家居集團股份有限公司第二期員工持股計劃(草案)》及其摘要的議案》), the resolution in respect of measures for management of the second phase of the employee stock ownership plan of Red Star Macalline Group Corporation Ltd. (《關於《紅星美凱龍家居集團股份有限公司第二期員工持股計劃管理辦法》的議案》), and the resolution in respect of authorization to the Board to handle matters in connection with the second phase of the employee stock ownership plan of the Company by the Shareholders’ general meeting were reviewed and passed.
- (4) The tenth extraordinary meeting of the third session of the Supervisory Committee was convened on 23 April 2019. The resolution in respect of the appointment of the auditor for the financial report and the internal control auditor of the Company for 2019 (《關於聘請公司2019年度財務報告審計機構及內部控制審計機構的議案》) was reviewed and passed.
- (5) The eighth meeting of the third session of the Supervisory Committee was convened on 26 April 2019. The first quarterly report of the Company for 2019 was reviewed and passed.
- (6) The ninth meeting of the third session of the Supervisory Committee was convened on 26 August 2019. The interim financial statements of the Company as of 30 June 2019 (《公司截至2019年6月30日止半年度財務報表》), the interim report and interim results announcement of the Company as of 30 June 2019 (《公司截至2019年6月30日止半年度報告及半年度業績公告》), and the exclusive report on the depositary and actual use of funds raised of the Company in the

first half of 2019 (《公司2019年上半年度募集資金存放與實際使用情況的專項報告》) were reviewed and passed.

- (7) The tenth meeting of the third session of the Supervisory Committee was convened on 29 October 2019. The third quarterly report of the Company for 2019 was reviewed and passed.
- (8) The eleventh extraordinary meeting of the third session of the Supervisory Committee was convened on 5 November 2019. The resolution in respect of nominating candidates for independent Supervisors of the fourth session of the Supervisory Committee of the Company was reviewed and passed.
- (9) The first extraordinary meeting of the fourth session of the Supervisory Committee was convened on 27 December 2019. The resolution in respect of electing the chairman of the fourth session of the Supervisory Committee of Red Star Macalline Group Corporation Ltd. was reviewed and passed.

## II. Independent Opinions of the Supervisory Committee Regarding Certain Matter

- (1) Legal operations: during the year of 2019, members of the Supervisory Committee continued to supervise the Company's operations through attending Board meetings, reviewing exclusive reports, conducting onsite inspections and meetings with staff, conducting audit and specific survey. With reference to various regulations, the Supervisory Committee was of the opinion that the decision-making process of the Company was lawful, the internal control was effective, and the Directors and the senior management of the Company had diligently carried out their duties, and there was no behavior of violation of the laws, regulations, the Articles of Association, nor had they prejudiced the Company's and Shareholders' interests. The Supervisory Committee had reviewed the Company's internal control audit report from Ernst & Young Hua Ming LLP for the year 2019, and was of the view that the report reflected the actual situation of the Company's corporate governance and internal control, that the audit opinions were objective, and agreed to publish the relevant report.
- (2) Monitoring the Company's financial situation: during the Reporting Period, the Supervisory Committee diligently performed its duty of monitoring the Company's financial conditions, including monitoring the Company's operations and its risks and providing review opinions to each periodic report. The Supervisory Committee was of the opinion that the Company's financial report reflected a true and fair view on the Company's financial conditions and operating results.
- (3) Use of Proceeds

### Use of proceeds from the listing of H Shares

The net proceeds from the Global Offering amounted to RMB5,573.30 million, used for the development of 9 Portfolio Shopping Malls, investment in or acquisition of other home improvement and furnishings retailers and other market participants, refinancing of our existing indebtedness, development of our e-commerce business and information technology systems, working capital and other general corporate purposes. The Board resolved on 31 July 2015 and 16 January 2018 to change the intended use of part of the net proceeds from the global offering. For details, please refer to the announcements of the Company dated 31 July 2015 and 16 January 2018. As of the end of the Reporting Period, the Company cumulatively used 99.8% of the net proceeds in the abovementioned fund-raising investment projects.

### Use of proceeds from the listing of A Shares

The A Shares of the Company (stock code: 601828) were listed and commenced trading on the Shanghai Stock Exchange on 17 January 2018. The Company issued 315,000,000 A Shares at the issue price of RMB10.23 per share. The total proceeds raised from this issuance amounted to RMB3,222.45 million, and the net proceeds raised, after deducting the cost of the A Share offering of RMB172.4422 million, amounted to RMB3,050.0078 million (the “**A Share Offering Proceeds**”). On 7 September 2018, the Company convened the 35th extraordinary meeting of the third session of the Board and the fourth extraordinary meeting of the third session of the Supervisory Committee, which considered and approved the Resolution on the Change in Part of the Fund-raising Investment Projects. The resolution was considered and approved at the second extraordinary general meeting of the Company held on 28 November 2018.

As of the end of the Reporting Period, the Company cumulatively used 86.45% of the A Share Offering Proceeds in the abovementioned fund-raising investment projects.

- (4) Stock incentive plan: during the Reporting Period, the Company had no stock incentive plan.
- (5) Major asset acquisitions and disposals: during the Reporting Period, the Company did not conduct any major asset acquisitions and disposals.
- (6) Connected and continuing connected transactions: during the Reporting Period, the Supervisory Committee paid attention to the continuing connected transactions of the Company for the year.

In the future, with the further development of the Company’s businesses, the Supervisory Committee will, based on its existing work nature, firmly implement the Company’s established strategies and policies, fulfill its duties strictly as prescribed by national laws and regulations as well as the Articles of Association, and supervise the Company to operate in such a way as to promote compliance in the Company’s operation, and practically guarantee and safeguard the legitimate interests of the Company and Shareholders.

**The Supervisory Committee of  
Red Star Macalline Group Corporation Ltd.**

17 April 2020

## RED STAR MACALLINE GROUP CORPORATION LTD.

## FINAL ACCOUNT REPORT OF THE COMPANY FOR 2019

Dear Directors,

During the Reporting Period, Red Star Macalline Group Corporation Ltd. (the “**Company**”) took the “building warm and harmonious homes and enhancing taste for consumption and home life” as its duty, followed the operation and management mode of “market-oriented and shopping-mall-based management”, provided consumers with better and more professional service, and strengthened the “Red Star Macalline” brand as the expert of home living in the minds of consumers. During the Reporting Period, the Company’s operation as a whole achieved healthy and stable development, its main businesses was in sound trend, the overall financial status was healthy, and the total assets, net assets and profit of the Company continued to grow. The final account report for 2019 was prepared especially for its main business- Portfolio Shopping Malls.

As at the end of the Reporting Period, we operated 87 Portfolio Shopping Malls covering a total operating area of 7,736,844 sq.m. with an average occupancy rate of 93.4%. Among these Portfolio Shopping Malls, 20 Portfolio Shopping Malls, representing 23.0% of the total number of Portfolio Shopping Malls, were located in the four municipalities of Beijing, Shanghai, Tianjin and Chongqing. The operating area of the aforesaid Portfolio Shopping Malls was 2,084,277 sq.m., representing 26.9% of the total operating area of the Portfolio Shopping Malls. During the Reporting Period, we opened 6 new Portfolio Shopping Malls, of which, 3 Managed Shopping Malls were converted into Portfolio Shopping Malls. As at the end of the Reporting Period, we had 33 pipeline Portfolio Shopping Malls.

The Company’s Portfolio Shopping Malls in 2019 achieved a revenue of RMB7,789.06 million, representing an increase of RMB621.96 million or 8.7% as compared with that in 2018; and a gross profit of RMB6,164.40 million, representing an increase of RMB593.51 million or 10.7% as compared with that in 2018.

Portfolio Shopping Malls	2019	2018	Difference	Unit: RMB’0,000
				Change percentage %
Revenue	778,906	716,710	62,196	8.7%
Cost of sales	162,466	159,621	2,845	1.8%
Gross profit	616,440	557,089	59,351	10.7%

In terms of type of business of Portfolio Shopping Malls, the owned Portfolio Shopping Malls achieved a revenue of RMB6,550.74 million, accounting for 84.1% of the total revenue of Portfolio Shopping Malls, representing an increase of RMB417.09 million or 6.8% as compared to that in 2018. The leased Portfolio Shopping Malls achieved a revenue of RMB1,238.32 million, accounting for 15.9% of the total revenue of Portfolio Shopping Malls, representing an increase of RMB204.86 million or 19.8% as compared to that in 2018.

Unit: RMB'0,000

<b>Portfolio Shopping Malls</b>	<b>2019</b>	<b>2018</b>	<b>Difference</b>	<b>Change percentage %</b>
Owned Portfolio Shopping Malls	655,074	613,365	41,709	6.8%
Leased Portfolio Shopping Malls	<u>123,832</u>	<u>103,346</u>	<u>20,486</u>	<u>19.8%</u>
<b>Total</b>	<b><u>778,906</u></b>	<b><u>716,711</u></b>	<b><u>62,195</u></b>	<b><u>8.7%</u></b>

In terms of the regions of Portfolio Shopping Malls, the revenue from Beijing in 2019 reached RMB926.40 million, representing an increase of RMB8.82 million or 1.0% from 2018; the revenue from Shanghai reached RMB1,740.12 million, representing an increase of RMB76.74 million or 4.6% from 2018; the revenue from Tianjin reached RMB212.67 million, representing a decrease of RMB45.25 million or 17.5% from 2018; the revenue from Chongqing reached RMB537.06 million, representing an increase of RMB48.43 million or 9.9% from 2018; the revenue from Northeast China (Heilongjiang, Jilin and Liaoning) reached RMB843.69 million, representing an increase of RMB37.94 million or 4.7% from 2018; the revenue from North China (Hebei, Inner Mongolia, Shanxi, excluding Beijing and Tianjin) reached RMB301.81 million, representing an increase of RMB98.23 million or 48.3% from 2018; the revenue from East China (Anhui, Jiangsu, Shandong and Zhejiang, excluding Shanghai) reached RMB1,894.96 million, representing an increase of RMB209.91 million or 12.5% from 2018; the revenue from Central China (Henan, Hubei and Hunan) reached RMB774.94 million, representing an increase of RMB39.95 million or 5.4% from 2018; the revenue from South China (Guangdong) reached RMB121.12 million, representing an increase of RMB17.60 million or 17.0% from 2018; the revenue from Western China (Gansu, Sichuan and Yunnan, excluding Chongqing) reached RMB436.29 million, representing an increase of RMB129.58 million or 42.3% from 2018.

*Unit: RMB'0,000*

Portfolio Shopping Malls	2019	2018	Difference	Change percentage %
Beijing	92,640	91,758	882	1.0%
Shanghai	174,012	166,338	7,674	4.6%
Tianjin	21,267	25,792	-4,525	-17.5%
Chongqing	53,706	48,863	4,843	9.9%
Northeast China	84,369	80,575	3,794	4.7%
North China (excluding Beijing, Tianjin)	30,181	20,358	9,823	48.3%
East China (excluding Shanghai)	189,496	168,505	20,991	12.5%
Central China	77,494	73,499	3,995	5.4%
South China	12,112	10,352	1,760	17.0%
Western China (excluding Chongqing)	43,629	30,671	12,958	42.3%
<b>Total</b>	<b><u>778,906</u></b>	<b><u>716,711</u></b>	<b><u>62,195</u></b>	<b><u>8.7%</u></b>

The above resolution is hereby proposed to the Directors for consideration.

The above resolution will be proposed at the Shareholders' general meeting for consideration upon deliberation and approval by the Board.

**The Board of Red Star Macalline Group Corporation Ltd.**

17 April 2020

**RED STAR MACALLINE GROUP CORPORATION LTD.****FINANCIAL BUDGET REPORT OF THE COMPANY FOR 2020**

Dear Directors,

Based on the operating results for 2019, combined with the national and regional macroeconomic policies, the Company will continue to strengthen its internal refined management and set the goal of maximizing the wealth of Shareholders in 2020. We prepared the financial budget for 2020 especially for the main business of the Company-Portfolio Shopping Malls to ensure that the Company can achieve its strategies and operating development goals.

**I. BASIC ASSUMPTIONS OF BUDGET PREPARATION**

1. There are no significant changes in the existing national and local laws, regulations and economic policies followed by the Company.
2. There is no major change in the socio-economic environment of the countries or regions involved in the operation of Portfolio Shopping Malls of the Company, and there is no abnormal change in the industry situation and market conditions.
3. There are no significant changes in country's existing bank loan interest rates and inflation rates.
4. There are no major changes in tax policy and related tax incentives followed by the Company.
5. The business plans, marketing plans and investment plans of Portfolio Shopping Malls of the Company are smoothly implemented without being materially affected by government's actions. There are no such difficulties in the implementation of various plans which are due to insufficient funding sources, market demand, or changes in the prices of supply and demand, etc.
6. The acquisition of resources required by Portfolio Shopping Malls of the Company is successfully completed as planned. All business contracts are successfully concluded and there are no major controversies or disputes between the Company and its contracting parties. The Company does not need to make significant adjustment on its operating policies.
7. There are no other major adverse effects caused by unforeseen and irresistible factors.

## II. FINANCIAL BUDGET DETAILS

The Company's Portfolio Shopping Malls in 2020 is expected to achieve a revenue of RMB7,141.61 million, representing a decrease of RMB647.45 million or 8.3% as compared with that in 2019, and a gross profit of RMB5,662.00 million, representing a decrease of RMB502.40 million or 8.2% from 2019. As effected by the outbreak of "COVID-19", the Company has successively exempted any one-month rent and management fee in 2020 for relevant qualified tenants in Portfolio Shopping Malls since the beginning of February.

Unit: RMB'0,000

<b>Portfolio Shopping Malls</b>	<b>Budget amount for 2020</b>	<b>Final account amount for 2019</b>	<b>Difference</b>	<b>Change percentage (%)</b>
Revenue	714,161	778,906	-64,745	-8.3%
Cost of sales	147,961	162,466	-14,505	-8.9%
Gross profit	566,200	616,440	-50,240	-8.2%

In terms of type of business of Portfolio Shopping Malls, the owned Portfolio Shopping Malls is expected to achieve a revenue of RMB6,072.52 million, accounting for 85.0% of the total revenue of Portfolio Shopping Malls. The leased Portfolio Shopping Malls is expected to achieve a revenue of RMB1,069.09 million, accounting for 15.0% of the total revenue of Portfolio Shopping Malls.

Unit: RMB'0,000

<b>Portfolio Shopping Malls</b>	<b>Budget amount for 2020</b>	<b>Final account amount for 2019</b>	<b>Difference</b>	<b>Change percentage (%)</b>
Owned Portfolio Shopping Malls	607,252	655,074	-47,822	-7.3%
Leased Portfolio Shopping Malls	106,909	123,832	-16,923	-13.7%
<b>Total</b>	<b>714,161</b>	<b>778,906</b>	<b>-64,745</b>	<b>-8.3%</b>

In terms of the regions of Portfolio Shopping Malls, in 2020, the budget revenue from Beijing is expected to reach RMB745.20 million, accounting for 10.4% of the total revenue; the budget revenue from Shanghai is expected to reach RMB1,559.71 million, accounting for 21.9%; the budget revenue from Tianjin is expected to reach RMB179.04 million, accounting for 2.5%; the budget revenue from Chongqing is expected to reach RMB497.73 million, accounting for 7.0%; the budget revenue from Northeast China (Heilongjiang, Jilin and Liaoning) is expected to reach RMB753.14 million, accounting for 10.5%; the revenue from North China (Hebei, Inner Mongolia, Shanxi, excluding Beijing and Tianjin) is expected to reach RMB339.12 million, accounting for 4.7%; the revenue from East China (Anhui, Jiangsu, Jiangxi, Shandong and Zhejiang, excluding Shanghai) is expected to reach RMB1,806.74 million, accounting for 25.3%; the revenue from Central China (Henan, Hubei and Hunan) is expected to reach RMB601.23 million, accounting for 8.4%; the revenue from South China (Guangdong) is expected to reach RMB146.61 million, accounting for 2.1%; the revenue from Western China (Xinjiang, Gansu, Sichuan, Yunnan and Qinghai, excluding Chongqing) is expected to reach RMB513.09 million, accounting for 7.2%.

*Unit: RMB'0,000*

Regions	Budget Revenue	Proportion
Beijing	74,520	10.4%
Shanghai	155,971	21.9%
Tianjin	17,904	2.5%
Chongqing	49,773	7.0%
Northeast China	75,314	10.5%
North China (excluding Beijing, Tianjin)	33,912	4.7%
East China (excluding Shanghai)	180,674	25.3%
Central China	60,123	8.4%
South China	14,661	2.1%
Western China (excluding Chongqing)	<u>51,309</u>	<u>7.2%</u>
<b>Total</b>	<b><u>714,161</u></b>	<b><u>100.0%</u></b>

### III. RISK WARNING

The above forward-looking statements and indicators relating to the 2020 annual financial budget do not constitute substantial corporate commitments to investors and do not represent the Company's profit forecast for 2020. As the various factors affecting the operating efficiency of the Company are constantly changing, the final financial account results may differ from this financial budget.

The above resolution is hereby proposed to the Directors for consideration.

The above resolution will be proposed at the Shareholders' general meeting for consideration upon deliberation and approval by the Board.

**The Board of Red Star Macalline Group Corporation Ltd.**

17 April 2020

---

## NOTICE OF THE 2019 AGM

---



### 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)**

## NOTICE OF THE 2019 AGM

**NOTICE IS HEREBY GIVEN** that the 2019 annual general meeting (the “AGM”) of Red Star Macalline Group Corporation Ltd. (the “Company”) will be held at 2:00 p.m. on Thursday, 18 June 2020 at Conference Center, 3/F, South Building, Block B, Red Star Macalline Headquarters, Lane 1466, Shenchang Road, Minhang District, Shanghai, the People Republic of China (the “PRC”) for the purpose of considering, and if thought fit, passing the following resolutions:

### ORDINARY RESOLUTIONS

To consider and approve:

1. The work report of the Board of the Company for 2019;
2. The work report of the Supervisory Committee of the Company for 2019;
3. The final account report of the Company for 2019;
4. The financial budget report of the Company for 2020;
5. The annual report and annual results of the Company for the year ended 31 December 2019;
6. The re-appointment of the auditor for the financial report and the internal control auditor for the year 2020;
7. The resolution concerning the remuneration of Directors of the Company for 2019;
8. The resolution concerning the remuneration of Supervisors of the Company for 2019; and
9. The resolution concerning the purchase of liability insurance for Directors, Supervisors, senior management and the Company.

### SPECIAL RESOLUTION

10. The profit distribution plan of the Company for 2019.

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

Shanghai, the PRC  
19 May 2020

---

## NOTICE OF THE 2019 AGM

---

*Notes:*

1. Unless the context otherwise stated, capitalized terms used in this notice shall have the meanings as those defined in the circular of the Company dated 19 May 2020.
2. For the purpose of holding the AGM, the register of members of the Company will be closed from Monday, 15 June 2020 to Thursday, 18 June 2020 (both dates inclusive), during which period no transfer of shares can be registered. In order for H Share Shareholders to be qualified to attend and vote at the AGM, all transfer documents accompanied by the relevant share certificates must be lodged with the H share registrar of the Company, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on Friday, 12 June 2020 for registration. The Shareholders whose names appear on the register of members of the Company on Friday, 12 June 2020 after close of business are entitled to attend and vote at the AGM.
3. Shareholders who are entitled to attend and vote at the AGM may appoint one or more proxies to attend and vote on their behalves. A proxy need not be a Shareholder of the Company.
4. The instrument appointing a proxy must be in writing under the hand of a Shareholder or his attorney duly authorised in writing. If the Shareholder is a legal person, that instrument must be executed either under its seal or under the hand of its director or other attorney duly authorised to sign the same on its behalf.
5. In order to be valid, the proxy form must be deposited, for H Share Shareholders of the Company, to the H share registrar of the Company, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong not less than 24 hours before the time for holding the AGM. If the proxy form is signed by a person under a power of attorney or other authority, a notarially certified copy of that power of attorney or other authority shall be deposited at the same time as mentioned in the proxy form. Completion and return of the proxy form will not preclude Shareholders from attending and voting in person at the AGM or any adjourned meetings should they so wish.
6. Shareholders shall produce their identity documents and supporting documents in respect of the shares of the Company held when attending the AGM. If corporate Shareholders appoint authorised representative to attend the AGM, the authorized representative shall produce his/her identity documents and a notarially certified copy of the relevant authorization instrument signed by the board of directors or other authorised parties of the corporate Shareholders or other notarially certified documents allowed by the Company. Proxies shall produce their identity documents and the proxy form signed by the Shareholders or their attorney when attending the AGM.
7. For the purpose of determining the list of H Share Shareholders who are entitled to receive the Cash Dividend and the Capitalization Shares, the register of members of the Company will be closed from Sunday, 28 June 2020 to Friday, 3 July 2020 (both dates inclusive), during which period no transfer of Shares will be registered. H Share Shareholders whose names appear on the register of members of H Shares of the Company on Friday, 3 July 2020 are entitled to receive the Cash Dividend and the Capitalization Shares. In order to be entitled to receive the Cash Dividend and the new H Shares issued under the Capitalization Issue, all share certificates, together with the instruments of transfers, must be lodged for registration with the Company’s H Share registrar, Computershare Hong Kong Investor Services Limited (for H Share Shareholders) at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on Friday, 26 June 2020.
8. The AGM is expected to take for less than half a day. Shareholders attending the AGM shall be responsible for their own travel and accommodation expenses.
9. All voting at the AGM will be conducted by poll.

---

**NOTICE OF THE H SHAREHOLDERS' CLASS MEETING**

---



**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)**

**NOTICE OF THE H SHAREHOLDERS' CLASS MEETING**

**NOTICE IS HEREBY GIVEN** that the H shareholders' class meeting (the "**H Shareholders' Class Meeting**") of Red Star Macalline Group Corporation Ltd. (the "**Company**") will be held at 4:00 p.m. (or immediately after the conclusion of A Shareholders' Class Meeting) on Thursday, 18 June 2020 at Conference Center, 3/F, South Building, Block B, Red Star Macalline Headquarters, Lane 1466, Shenchang Road, Minhang District, Shanghai, the People Republic of China (the "**PRC**") for the purpose of considering, and if thought fit, passing the following resolution:

**SPECIAL RESOLUTION**

To consider and approve:

1. The profit distribution plan of the Company for 2019.

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

Shanghai, the PRC  
19 May 2020

---

## NOTICE OF THE H SHAREHOLDERS' CLASS MEETING

---

*Notes:*

1. Unless the context otherwise stated, capitalized terms used in this notice shall have the meanings as those defined in the circular of the Company dated 19 May 2020.
2. For the purpose of holding the H Shareholders' Class Meeting, the register of members of the Company will be closed from Monday, 15 June 2020 to Thursday, 18 June 2020 (both dates inclusive), during which period no transfer of shares can be registered. In order for H Share Shareholders to be qualified to attend and vote at the H Shareholders' Class Meeting, all transfer documents accompanied by the relevant share certificates must be lodged with the H share registrar of the Company, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on Friday, 12 June 2020 for registration. The Shareholders whose names appear on the register of members of the Company on Friday, 12 June 2020 after close of business are entitled to attend and vote at the H Shareholders' Class Meeting.
3. Shareholders who are entitled to attend and vote at the H Shareholders' Class Meeting may appoint one or more proxies to attend and vote on their behalves. A proxy need not be a Shareholder of the Company.
4. The instrument appointing a proxy must be in writing under the hand of a Shareholder or his attorney duly authorised in writing. If the Shareholder is a legal person, that instrument must be executed either under its seal or under the hand of its director or other attorney duly authorised to sign the same on its behalf.
5. In order to be valid, the proxy form must be deposited, for H Share Shareholders of the Company, to the H share registrar of the Company, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not less than 24 hours before the time for holding the H Shareholders' Class Meeting. If the proxy form is signed by a person under a power of attorney or other authority, a notarially certified copy of that power of attorney or other authority shall be deposited at the same time as mentioned in the proxy form. Completion and return of the proxy form will not preclude Shareholders from attending and voting in person at the H Shareholders' Class Meeting or any adjourned meetings should they so wish.
6. Shareholders shall produce their identity documents and supporting documents in respect of the shares of the Company held when attending the H Shareholders' Class Meeting. If corporate Shareholders appoint authorised representative to attend the H Shareholders' Class Meeting, the authorized representative shall produce his/her identity documents and a notarially certified copy of the relevant authorization instrument signed by the board of directors or other authorised parties of the corporate Shareholders or other notarially certified documents allowed by the Company. Proxies shall produce their identity documents and the proxy form signed by the Shareholders or their attorney when attending the H Shareholders' Class Meeting.
7. For the purpose of determining the list of H Share Shareholders who are entitled to receive the Cash Dividend and the Capitalization Shares, the register of members of the Company will be closed from Sunday, 28 June 2020 to Friday, 3 July 2020 (both dates inclusive), during which period no transfer of Shares will be registered. H Share Shareholders whose names appear on the register of members of H Shares of the Company on Friday, 3 July 2020 are entitled to receive the Cash Dividend and the Capitalization Shares. In order to be entitled to receive the Cash Dividend and the new H Shares issued under the Capitalization Issue, all share certificates, together with the instruments of transfers, must be lodged for registration with the Company's H Share registrar, Computershare Hong Kong Investor Services Limited (for H Share Shareholders) at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on Friday, 26 June 2020.
8. The H Shareholders' Class Meeting is expected to take for less than half a day. Shareholders attending the H Shareholders' Class Meeting shall be responsible for their own travel and accommodation expenses.
9. All voting at the H Shareholders' Class Meeting will be conducted by poll.