

---

**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 and reply slip 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)**

**PROPOSED ADOPTION OF THE THIRD PHASE OF THE  
A SHARE EMPLOYEE STOCK OWNERSHIP PLAN  
AND  
NOTICE OF THE 2021 FIRST EXTRAORDINARY GENERAL MEETING**

---

A letter from the Board is set out on pages 3 to 15 of this circular. A notice convening the extraordinary general meeting (the "EGM") to be held at 2:00 p.m. on Friday, 19 March 2021 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 dispatched to the Shareholders together with this circular.

Shareholders who intend to appoint a proxy to attend the EGM 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 authorized 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 authorized to sign the same. If the proxy form is signed by an attorney of the appointor, the power of attorney authorizing that attorney to sign, or other document of authorization, 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 EGM, either in person or by proxy in respect of such Shares.

For H Share Shareholders, please return the proxy form together with any documents of authority 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 later than 24 hours before the time appointed for holding the EGM. For A Share Shareholders, please return the proxy form together with any documents of authority 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 later than 24 hours before the time appointed for holding the EGM. Completion and return of the proxy form will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish.

25 February 2021

---

## CONTENTS

---

	<i>Page</i>
<b>DEFINITIONS</b> .....	1
<b>LETTER FROM THE BOARD</b> .....	3
1. INTRODUCTION .....	3
2. PROPOSED ADOPTION OF THE THIRD PHASE OF THE A SHARE EMPLOYEE STOCK OWNERSHIP PLAN .....	4
3. ELECTION OF NON-EXECUTIVE DIRECTOR .....	13
4. THE 2021 FIRST EXTRAORDINARY GENERAL MEETING .....	14
5. RECOMMENDATION .....	15
<b>APPENDIX I – FULL TEXT OF THE THIRD PHASE OF THE EMPLOYEE STOCK OWNERSHIP PLAN OF RED STAR MACALLINE GROUP CORPORATION LTD. (DRAFT)</b> .....	16
<b>APPENDIX II – THE MEASURES FOR MANAGEMENT OF THE THIRD PHASE OF THE EMPLOYEE STOCK OWNERSHIP PLAN OF RED STAR MACALLINE GROUP CORPORATION LTD.</b> .....	46
<b>APPENDIX III – ILLUSTRATION ON THE ADOPTION OF CUMULATIVE VOTING SYSTEM IN THE ELECTION OF DIRECTORS, INDEPENDENT DIRECTORS AND SUPERVISORS</b> .....	64
<b>NOTICE OF THE 2021 FIRST EXTRAORDINARY GENERAL MEETING</b> ....	67
<b>SUPPLEMENTAL NOTICE OF THE 2021 FIRST EXTRAORDINARY GENERAL MEETING</b> .....	69

*Note: If there are any discrepancies between the Chinese version and the English version of this circular, the Chinese version shall prevail.*

---

## DEFINITIONS

---

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

“A Share(s)”	ordinary share(s) issued by the Company with nominal value of RMB1.0 each, which is/are listed on the Shanghai Stock Exchange and traded in RMB
“A Share Shareholder(s)”	the holder(s) of A Share(s)
“Articles of Association”	the Articles of Association of the Company
“Asset Management Agency”	the professional asset management agency with asset management qualifications
“Board”	the board of directors of the Company
“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 on the Main Board of The Stock Exchange of Hong Kong Limited (stock code: 1528)
“Company Law”	the Company Law of the People’s Republic of China
“connected parties”	has the meanings ascribed to it under the Listing Rules
“CSRC”	China Securities Regulatory Commission
“Directional Plan”	the directional plan established by a professional agency with asset management qualifications entrusted after the establishment of the Employee Stock Ownership Plan
“Director(s)”	the director(s) of the Company
“Employee Stock Ownership Plan” or “Plan”	the Third Phase of the Employee Stock Ownership Plan of Red Star Macalline Group Corporation Ltd.
“EGM” or “2021 First Extraordinary General Meeting”	the extraordinary general meeting to be convened and held on 19 March 2021
“Guiding Opinions”	the Guiding Opinions on the Implementation of Pilot Program on Employee Stock Ownership Plan by Listed Companies

---

## DEFINITIONS

---

“Holder(s)”	the employees of the Company who pay to participate in the Employee Stock Ownership Plan, comprising Directors, Supervisors, senior management of the Company and management and core personnel of its subsidiaries
“Holders’ Meeting”	meeting of holders of the Employee Stock Ownership Plan
“HK\$” or “HK dollars”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“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 on The Stock Exchange of Hong Kong Limited and traded in HK dollars
“H Share Shareholder(s)”	the holder(s) of H Share(s)
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Management Committee”	the management committee of the Employee Stock Ownership Plan
“PRC”	the People’s Republic of China, which for the purpose of this circular, excludes Hong Kong, Macau Special Administrative Region and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Securities Law”	the Securities Law of the People’s Republic of China
“Share(s)”	the A Share(s) or H Share(s)
“Shareholder(s)”	the A Share Shareholder(s) and H Share Shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supervisor(s)”	supervisor(s) 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. JING Jie  
Mr. XU Hong  
Mr. LIU Jin

*Independent Non-executive Directors:*

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

*Registered office in the PRC:*

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

*Principal place of business  
in Hong Kong:*

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

25 February 2021

*To the Shareholders*

Dear Sir or Madam,

**PROPOSED ADOPTION OF THE THIRD PHASE OF THE  
A SHARE EMPLOYEE STOCK OWNERSHIP PLAN  
AND  
NOTICE OF THE 2021 FIRST EXTRAORDINARY GENERAL MEETING**

**1. INTRODUCTION**

Reference is made to the announcement of the Company dated 7 February 2021 in relation to the proposed adoption of the Third Phase of the A Share Employee Stock Ownership Plan. At the Board meeting held on 6 February 2021, the Board passed the resolutions on the proposed adoption of Third Phase of the A Share Employee Stock Ownership Plan.

---

## LETTER FROM THE BOARD

---

The above resolutions are subject to the approval of the Shareholders by way of an ordinary resolution.

Reference is made to the announcement of the Company dated 24 February 2021 in relation to the proposed appointment of non-executive Director. The Company received a nomination from Zhongrong Life Insurance Co., Ltd. (“**Zhongrong Life**”), its Shareholder, to nominate Mr. CHEN Chaohui (“**Mr. Chen**”) as a non-executive Director of the Company.

The above resolution is subject to the approval of the Shareholders by way of an ordinary resolution under a cumulative voting system.

The purpose of this circular is to provide you with the notice of the EGM and the information regarding certain resolutions to be proposed at the EGM to enable you to make an informed decision on whether to vote for or against those resolutions at the EGM.

### **2. PROPOSED ADOPTION OF THE THIRD PHASE OF THE A SHARE EMPLOYEE STOCK OWNERSHIP PLAN**

The Board has resolved on 6 February 2021 to propose the adoption of the Third Phase of the Employee Stock Ownership Plan by the Company, which will be implemented subject to the approval at the shareholders’ general meeting. The Employee Stock Ownership Plan will become effective upon approval by the Shareholders at the shareholders’ general meeting.

#### **The Third Phase of the Employee Stock Ownership Plan**

##### *Purposes*

The draft of the Employee Stock Ownership Plan is formulated in accordance with the requirements under the Company Law, the Securities Law, the Guiding Opinions, the relevant laws, regulations, rules, normative documents, and the Articles of Association.

Employees participate in and comply with the Employee Stock Ownership Plan voluntarily and lawfully. The purposes of holding Shares of the Company are:

- (I) to establish and improve the benefit-sharing mechanism between employees and the Shareholders;
- (II) to further improve the corporate governance of the Company, enhance the cohesion of employees and corporate competitiveness, and promote the Company’s long-term, sustainable and healthy development;
- (III) to help enhance the employees’ sense of responsibility towards the Company effectively, attract and retain outstanding management talents and core calibers, which in turn will further enhance employees’ cohesion and the vitality of the Company.

---

## LETTER FROM THE BOARD

---

### *Basis for Determination and Scope of Holders*

#### *A. Basis for Determination of Holders*

The Holders of the Plan are determined according to the relevant provisions of relevant laws, regulations and rules including the Company Law, the Securities Law, the Guiding Opinions as well as the Articles of Association. Employees of the Company participate in the Plan in accordance with laws and regulations on a voluntary basis at their own risks.

#### *B. Scope of Holders*

The participants of the Plan are Directors, Supervisors, senior management of the Company and management and core personnel of its subsidiaries.

Unless otherwise stipulated, all participants are required to enter into a labor contract or an employment contract with the Company or subsidiaries of the Company during the term of the Plan.

#### *C. Allocation of Shares among Holders*

The total funds under the Plan upon establishment shall not be more than RMB300 million, divided into “units” for subscription and each unit is equal to RMB1.00. The Employee Stock Ownership Plan has a maximum of 300 million units. The specific number of units to be held by a Holder of the Employee Stock Ownership Plan is subject to his/her actual amount of contribution upon final confirmation.

The total number of the Employee Stock Ownership Plan participants shall not be more than 800. The specific number and list of participants will be selected by the Company and will be determined according to the actual amount of contribution made by employees.

The maximum number of units and proportion proposed to be held by the Holders are as follows:

<b>Name of Holder</b>	<b>Position</b>	<b>Maximum number of units (10 thousand)</b>	<b>Maximum proportion (%)</b>
1 CHE Jianxing	Chairman, general manager		
2 CHE Jianfang	Director, vice general manager		
3 CHEN Shuhong	Director		

---

## LETTER FROM THE BOARD

---

Name of Holder	Position	Maximum number of units (10 thousand)	Maximum proportion (%)
4	JIANG Xiaozhong		
	Director, vice general manager		
5	GUO Binghe	2,360.00	7.87
	Vice Chairman, vice general manager, secretary to the Board		
6	PAN Ning		
	Chairman of the Supervisory Committee		
7	CHAO Yanping		
	Supervisor		
8	LIU Yuanjin		
	Vice general manager		
9	LI Jianhong		
	Vice general manager		
10	XI Shichang		
	Chief financial officer		
11	ZHANG Xian		
	Vice general manager		
<b>Other employees of the Company and its controlling subsidiaries (not more than 789 employees)</b>		27,640.00	92.13
		_____	_____
<b>Total</b>		<u><u>30,000.00</u></u>	<u><u>100.00</u></u>

*Note:* The final number of units in the Employee Stock Ownership Plan to be subscribed for by a participant is subject to his/her actual amount of contribution.

The total number of Shares held under this Employee Stock Ownership Plan shall not exceed 1.00% of the total share capital of the Company. The total number of Shares held under all effective employee stock ownership plans shall not be more than 10.00% of the total share capital of the Company. The total number of Shares to be held by any employee according to the number of units he/she subscribed for in the Stock Ownership Plan (including each Phase) shall not be more than 0.10% of the total share capital of the Company.

The total number of Shares held under the Employee Stock Ownership Plan excludes the Shares acquired by employees before the initial public offering of the Company and the Shares acquired independently from the secondary market.

---

## LETTER FROM THE BOARD

---

### *Source of Funds, Source of Shares and Size*

#### *A. Source of Funds*

The source of the funds for the Plan includes the participants' self-raised funds, funds withdrawn by the Company from incentive payments and other sources as permitted under the laws and regulations. The Company shall withdraw funds from the incentive payments for funding the Employee Stock Ownership Plan in the proportion of the amount of self-raised funds contributed by employees.

The funds raised for the Plan shall not exceed RMB300 million in total, divided into "units" for subscription and each unit is equal to RMB1.00. The total number of Shares of the Company to be held by any Holder according to the number of units he/she subscribed for in the Plan shall not exceed 0.10% of the total share capital of the Company. The specific number of units to be held by a Holder of the Employee Stock Ownership Plan is subject to his/her actual amount of contribution upon final confirmation.

Holders of the Plan shall pay the subscription amount in full and on time according to the subscribed units, and the payment schedule of the Employee Stock Ownership Plan will be notified and arranged centrally by the Company. A Holder who fails to pay the subscription amount on time and in full will automatically lose his/her subscription right.

#### *B. Source of Shares*

Upon the approval of the draft of the Plan at the shareholders' general meeting of the Company, the Company will entrust a professional agency with asset management qualifications to establish and manage the Directional Plan. The maximum amount of proceeds to be raised from the Directional Plan is RMB300 million, divided into "units" for subscription and each unit is equal to RMB1.

Within six months after consideration and approval of the Employee Stock Ownership Plan at the shareholders' general meeting, the Directional Plan will obtain and hold Shares of the Company through purchases on the secondary market or other means as permitted under the laws and regulations and will not purchase shares of other companies.

#### *C. Size*

Since there are uncertainties as to the date, price and funds for the actual purchase of Shares under the Directional Plan due to the implementation of the Plan and market conditions, the final number of the Underlying Shares is uncertain.

---

## LETTER FROM THE BOARD

---

### *Term and Lock-up Period*

#### A. *Term*

- (1) The term of the Plan is 24 months, commencing from the date when the draft of the Plan is considered and approved at the shareholders' general meeting of the Company and the Company announces the registration of the last tranche of the Underlying Shares under the Directional Plan. The Plan will be automatically terminated if it is not extended upon the expiry of the term.
- (2) After the lock-up period of the Plan expires, the Plan may be terminated in advance after all the Shares held by the Employee Stock Ownership Plan are transferred out and all monetary assets (if any) under the Employee Stock Ownership Plan have been liquidated and distributed.
- (3) If the Shares of the Company held are still not fully sold or transferred to the Holders of the Employee Stock Ownership Plan, the term of the Employee Stock Ownership Plan may be extended within two months before the expiry of the term of the Plan, as agreed by the Holders holding more than two-thirds (inclusive) of the total units and attending the Holders' Meeting, and as considered and approved by the Board of the Company.
- (4) If the Shares held by the Plan cannot be fully realized prior to the expiry of the maximum term of the Plan due to suspension of trading of the Shares or information sensitive period, the term of the Employee Stock Ownership Plan may be extended as agreed by the Holders holding more than two-thirds (inclusive) of the total units and attending the Holders' Meeting, and as considered and approved by the Board.

#### B. *Lock-up Period*

- (1) The lock-up period of the Underlying Shares allotted to the Directional Plan shall be 12 months, commencing from the date when the draft of the Plan is considered and approved at the shareholders' general meeting of the Company and the Company announces the registration of the last tranche of the Underlying Shares under the Directional Plan. The Management Committee will, within 12 months after the expiry of the lock-up period, be entitled to authorize the Asset Management Agency to sell or transfer the purchased Shares of the Company in accordance with the arrangements of the Employee Stock Ownership Plan and the prevailing market conditions.

The Underlying Shares allotted to the Plan and Shares derived from stock dividend distribution and capitalization of capital reserves by the listed company shall also comply with the above share lock-up arrangements.

---

## LETTER FROM THE BOARD

---

- (2) All relevant entities of the Employee Stock Ownership Plan and the Directional Plan must strictly abide by the market trading rules and the requirement that no shares can be traded during the information sensitive period. All parties must not exploit the Employee Stock Ownership Plan for security frauds such as insider trading and market manipulation.

The aforementioned sensitive period refers to:

- (i) 60 days prior to the announcement of the Company's annual report, including the date of announcement of the annual report, or the period from the last day of the financial year to the date of announcement of the annual report (the shorter one prevails);
- (ii) 30 days prior to the review of the announcement of the Company's interim report or quarterly report, including the date of announcement of the interim report or the quarterly report, or, the period from the last day of the quarter or the half year to the date of announcement of the periodic report (the shorter one prevails);
- (iii) 10 days prior to the release of the Company's results preview or preliminary report;
- (iv) The period starting from the date when a material issue, which may significantly affect the Company's share price, occurs or is in the process of decision-making to 2 trading days after its lawful disclosure;
- (v) Other periods as stipulated by the stock exchange.

### ***Management Institution and Management Mode***

The Plan will be managed by an appointed professional agency with asset management qualifications and the Holders' Meeting represents the highest internal management authority. Holders' Meeting consists of all Holders of the Plan. A Management Committee will be elected and authorized by the Holders' Meeting as the manager to take charge of the daily management of the Plan (including but not limited to reducing the Shares of the Company held under the Plan upon the expiry of the lock-up period, distributing gains and cash assets to the Holders on behalf of the Plan, etc.), and exercise the power of shareholder on behalf of the Holders of the Employee Stock Ownership Plan or authorize an asset management agency to do so. The Company has adopted appropriate risk prevention and isolation measures to properly protect the legitimate interests of the Holders of the Employee Stock Ownership Plan. The Board shall be responsible for drafting and revising the Plan, and shall deal with other matters related to the Plan within the scope of authorization as granted by the shareholders' general meeting.

---

## LETTER FROM THE BOARD

---

### *Amendment and Termination of the Employee Stock Ownership Plan and Disposal of Rights and Interests of Holders*

#### *A. Change of Actual Control Right, Consolidation and Division of the Company*

In case of any changes in the controlling Shareholder or the actual controller of the Company for any reasons, no amendment shall be made to the Plan.

#### *B. Amendment to the Employee Stock Ownership Plan*

Within the term, any amendment to the Plan shall be passed by the Holders holding more than two-thirds (inclusive) of the total units and attending the Holders' Meeting and be submitted to the Board for consideration and approval.

#### *C. Termination of the Employee Stock Ownership Plan*

- (1) The Plan will be terminated automatically after the expiry of the term;
- (2) After the lock-up period of the Plan expires, if the assets held under the Employee Stock Ownership Plan are all monetary funds and have been fully liquidated and distributed, the Plan can be terminated in advance;
- (3) If the Shares of the Company held are still not fully sold or transferred to the Holders of the Employee Stock Ownership Plan, the term of the Plan may be extended within two months before the expiry of the term of the Plan, as agreed by the Holders holding more than two-thirds (inclusive) of the total units and attending the Holders' Meeting, and as considered and approved by the Board;
- (4) Where the Company's Shares held under the Plan cannot be fully realized prior to the expiry of the maximum term due to suspension of trading of the Shares of the Company or short trading window, the term of the Employee Stock Ownership Plan may be extended as agreed by the Holders holding more than two-thirds (inclusive) of the total units and attending the Holders' Meeting, and as considered and approved by the Board.

#### *D. Disposal of Rights and Interests of the Holders*

- (1) Within the term, the rights and interests of the Holders held under the Employee Stock Ownership Plan shall neither be withdrawn nor be mortgaged, pledged, guaranteed or used for debts repayment.
- (2) Within the term, the rights and interests of the Holders held under the Employee Stock Ownership Plan shall not be transferred without the consent of the Management Committee. Any transfer without consent shall be void and invalid.

---

## LETTER FROM THE BOARD

---

- (3) Upon occurrence of (a) – (g) below, the rights and interests shall be disposed of in accordance with clause (i) or clause (ii) depending on the time of occurrence:
- (a) both parties agree not to renew the labor contract or employment contract upon its expiry;
  - (b) early termination of the labor contract or employment contract by a Holder upon mutual agreement with the Company;
  - (c) the Company’s unilateral termination or cancellation of a Holder’s labor contract or employment contract due to operational considerations;
  - (d) change of position of the Holders or failure to meet the conditions of relevant position or eligibility requirements for participating in the Employee Stock Ownership Plan due to internal decision of the Company,;
  - (e) unilateral termination or cancellation of labor contract or employment contract by a Holder without mutual agreement with the Company;
  - (f) termination or cancellation of labor contract or employment contract by the Company due to personal reasons of a Holder (including being dismissed or removed by the Company);
  - (g) other circumstances where the Management Committee determines that a Holder is not eligible to participate in the Plan.
    - (i) If any of the above happens during the term and prior to the liquidation of the Plan, the Shares that are purchased with the incentive payments withdrawn by the Company in the funds shall be acquired by the Management Committee without compensation, and the amount received from the disposal at an appropriate time shall be distributed among the remaining Holders in proportion to their respective units held upon expiry of the term or early liquidation (whichever is earlier). Shares that are purchased with the self-raised funds shall be disposed of by the Management Committee at an appropriate time, and the amount received from the disposal shall be returned to the individuals upon expiry of the term or early liquidation (whichever is earlier) according to the units they hold at that time;
    - (ii) If any of the above happens during the period when the Plan is extended, the Shares that are purchased with the incentive payments withdrawn by the Company or the self-raised funds will be retained and be disposed of by the Management Committee at an appropriate time, and the amount received will be returned to the individuals within 3 months from the date of occurrence of such circumstance according to the units the individuals hold at that date of occurrence.

---

## LETTER FROM THE BOARD

---

- (4) Upon occurrence of any one of the following circumstances, the Management Committee may decide that the interests held by the Holders shall remain unchanged:
- (a) loss of working capacity;
  - (b) resignation from his office in the Company due to organizational restructuring;
  - (c) retirement;
  - (d) death, and the rights and interests shall be obtained by his designated estate successor or legal successor;
  - (e) other reasons which the Management Committee considers appropriate that cause the Holder to cease to hold any position in the Company.

In the event of any matters not covered, the disposal of the units in the Employee Stock Ownership Plan held by the Holders shall be determined through negotiation between the Company and the Management Committee.

### **Confirmation of Directors**

The Board considered that the terms of the Employee Stock Ownership Plan are on normal commercial terms and are fair and reasonable and in the interests of the Company and the shareholders as a whole. In accordance with the requirements of relevant laws and regulations, Mr. CHE Jianxing, Ms. CHE Jianfang, Mr. JIANG Xiaozhong, Mr. GUO Binghe, Mr. XU Guofeng and Ms. CHEN Shuhong abstained from voting on the relevant Board resolutions due to conflict of interest or potential conflict of interest with the Plan. Save as disclosed above, none of the Directors has a material interest in the Employee Stock Ownership Plan.

### **Listing Rules Implications**

The Plan is a discretionary employee stock ownership plan of the Company and does not involve granting the Company the option to issue new shares or any other new securities, and does not constitute a share option plan under Chapter 17 of the Listing Rules.

The Company will continue to evaluate whether the Employee Stock Ownership Plan will constitute a connected transaction under Chapter 14A of the Listing Rules and will abide by the applicable requirements when appropriate (including the requirements for resolutions involved connected transactions requiring abstain from voting). The Company will also make sure that it will comply with the public float requirement under the Listing Rules.

---

## LETTER FROM THE BOARD

---

### 3. ELECTION OF NON-EXECUTIVE DIRECTOR

Reference is made to the announcement of the Company dated 24 February 2021 in relation to the proposed appointment of non-executive Director. The Company received a nomination from Zhongrong Life, its Shareholder, to nominate Mr. Chen as a non-executive Director of the Company. As of 18 February 2021, Zhongrong Life held 78,999,969 shares of the Company, representing approximately 2.023% of the total share capital of the Company. Pursuant to the relevant requirements of the Company Law and the Articles of Association, as a shareholder holding more than 1% of the shares of the Company, the Company intends to exercise its shareholder's rights to propose the addition of Mr. Chen as a non-executive Director and recommend Mr. Chen as a candidate for the non-executive Director of the fourth session of the Board of the Company.

The biographical details of Mr. Chen are set out below:

**Mr. CHEN Chaohui** (陳朝輝), aged 42, joined Zhongrong Life in July 2017, served as the chief actuary from July 2017 to December 2018, the deputy general manager since December 2018 and the deputy general manager and person in charge of finance since January 2019. He successively worked at Minsheng Life Insurance Co., Ltd., Sun Life Everbright Life Insurance Co., Ltd., BOB-Cardif Life Insurance Co., Ltd., Bohai Life Insurance Co., Ltd. and Asia Pacific Actuarial Department of PricewaterhouseCoopers from July 2003 to July 2017, during which he was in charge of product development, actuarial evaluation, asset and liability management, solvency management and other related work and corresponding team management.

Mr. Chen studied at Nankai University from September 2000 to July 2003 and obtained a master's degree in economics. Mr. Chen is also a fellow member of China Association of Actuaries and Society of Actuaries.

Mr. Chen will enter into a service contract with the Company upon his appointment being approved by the Shareholders at the EGM. The term of his appointment will be from the date of approval of the appointment at the EGM to the end of the term of the fourth session of the Board of the Company. According to the Articles of Association of the Company, Mr. Chen may seek re-election after the expiration of the term of his appointment. If Mr. Chen or the Company provides the counterparty with not less than one month's written notice, or Mr. Chen is not re-appointed after the expiration of the term of his appointment, the service contract will be terminated. Mr. Chen will not receive any remuneration during his tenure as a non-executive director of the Company.

Save as disclosed above, Mr. Chen did not hold any other positions in the Company or its subsidiaries, nor did he hold any directorships in any other public companies within the three years prior to the date of his appointment, of which the securities are listed on any securities market in Hong Kong or overseas, and nor did he have other major appointments and professional qualifications.

---

## LETTER FROM THE BOARD

---

To the best knowledge of the Company, Mr. Chen does not have any relationship with any other Directors, senior management, substantial shareholders or controlling shareholders of the Company and does not have any interests in the securities of the Company within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) and has not been subject to any disciplinary action by the China Securities Regulatory Commission or any other relevant authorities or the Stock Exchange.

Save as disclosed above, there is no other information to be disclosed pursuant to the requirements of Rules 13.51 (2) (h) to 13.51 (2) (v) of the Listing Rules, nor are there any other matters relating to Mr. Chen's appointment that need to be brought to the attention of the Shareholders.

The above resolution is hereby submitted to the Shareholders for consideration.

#### **4. THE 2021 FIRST EXTRAORDINARY GENERAL MEETING**

The notice and supplemental notice of the EGM to be held at 2:00 p.m. on Friday, 19 March 2021 at Conference Center, 3/F, South Building, Block B, Red Star Macalline Headquarters, Lane 1466, Shenchang Road, Minhang District, Shanghai, the PRC are set out on pages 67 to 71 of this circular.

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

For H Share Shareholders, the proxy form, and if the proxy form is signed by a person under a power of attorney or other documents of authority on behalf of the appointor, a notarially certified copy of that power of attorney or other documents of 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 EGM in order for such documents to be valid.

Pursuant to the Articles of Association, for the purpose of holding the EGM, H Share register will be closed from Tuesday, 16 March 2021 to Friday, 19 March 2021 (both days inclusive), during which period no transfer of H Shares will be registered. H Share Shareholders whose names appear on the register of members of the Company on Tuesday, 16 March 2021 are entitled to attend and vote at the EGM.

In order to attend the EGM, 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 Monday, 15 March 2021.

---

## LETTER FROM THE BOARD

---

Pursuant to Rule 13.39(4) of the Listing Rules, any vote of Shareholders at the shareholders' 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 EGM will be voted by poll.

### 5. RECOMMENDATION

The Directors consider that all resolutions set out in the notice of EGM 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 favor of all resolutions to be proposed at the EGM.

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

Abbreviation of securities: Macalline

Stock code: 601828



**THE THIRD PHASE OF THE EMPLOYEE STOCK OWNERSHIP PLAN OF  
RED STAR MACALLINE GROUP CORPORATION LTD.**

**(DRAFT)**

February 2021

**STATEMENT**

The Company and all members of the Board hereby represent that this Employee Stock Ownership Plan is free from false or misleading statements, or material omissions, and accept several and joint responsibilities for the truthfulness, accuracy and completeness of its contents.

**RISK WARNING**

- (I) The Third Phase of the Employee Stock Ownership Plan of Red Star Macalline Group Corporation Ltd. (hereinafter referred to as “**Macalline**” or the “**Company**”) shall be implemented upon approval by the shareholders’ general meeting of the Company. There is uncertainty as to whether the Employee Stock Ownership Plan will be approved at the shareholders’ general meeting of the Company;
- (II) Upon establishment, the Employee Stock Ownership Plan will be managed by a professional agency, while there is uncertainty as to whether the scale and objectives of the Employee Stock Ownership Plan can be achieved as expected;
- (III) The detailed source of funds, proportion of contribution and implementation plan of the Employee Stock Ownership Plan are preliminarily decided, therefore there are uncertainties;
- (IV) In the event of low level of subscription by employees, there is uncertainty as to whether the Employee Stock Ownership Plan will be established;
- (V) The contracts in relation to the Directional Plan in accordance with the laws and policies (hereinafter referred to as the “**Directional Plan**”) have not been formally signed and are subject to uncertainties;
- (VI) The share price is subject to various complex factors, such as the operating results of the Company, macroeconomic cycle, international/domestic political and economic situations, and investor psychology etc. Therefore, trading in shares is an investment activity with certain risks, and investors are advised to be fully prepared for this;
- (VII) Investors are advised to exercise caution when making decision and pay attention to investment risks.

## SPECIAL NOTICE

The abbreviations used in this part shall have the same meanings as defined in the “Definitions”.

1. The Third Phase of the Employee Stock Ownership Plan (hereinafter referred to as the “**Employee Stock Ownership Plan**” or the “**Stock Ownership Plan**”) of Red Star Macalline Group Corporation Ltd. is formulated in accordance with the requirements of the Company Law of the People’s Republic of China, the Securities Law of the People’s Republic of China and the Guiding Opinions on the Implementation of Pilot Program on Employee Stock Ownership Plan by Listed Companies, relevant laws, administrative regulations, rules, normative documents, and the Articles of Association.
2. Employees of the Company participate in the Plan in accordance with laws and regulations on a voluntary basis at their own risks. There is no apportionment, mandatory distribution or other circumstances in which employees are forced to participate in the Employee Stock Ownership Plan.
3. The personnel entitled to the Plan include directors, supervisors, Senior Management of the Company and management and core personnel of its subsidiaries, the total number of which shall not be more than 800. The specific number and list of participants will be selected by the Company and will be determined according to the actual amount of contribution made by employees.
4. The funds raised for the Employee Stock Ownership Plan shall not exceed RMB300 million in total, and the funds shall come from the self-raised funds of participating employees, funds withdrawn by the Company from incentive payments and other sources as permitted under the laws and administrative regulations. The Company shall withdraw funds from the incentive payments for funding the Employee Stock Ownership Plan in the proportion of the amount of self-raised funds contributed by the employees.
5. Upon establishment of the Employee Stock Ownership Plan, the Company will entrust a professional agency with asset management qualifications to establish and manage the Directional Plan. The investment scope of the Directional Plan mainly includes ordinary A shares of Macalline (hereinafter referred to as the “**Target Shares**”, stock code: 601828) and cash, bank deposits, public money market funds, bond reverse repurchase, etc.
6. Source of shares of the Employee Stock Ownership Plan: the ordinary A shares of Macalline obtained through purchases from the secondary market or other means as permitted under the laws and regulations.

7. The total number of Shares of the Company held under this Employee Stock Ownership Plan shall not be more than 1% of the total share capital of the Company. The total number of Shares held under all effective employee stock ownership plans shall not be more than 10% of the total share capital of the Company. The total number of Shares held by any employee according to his/her share in the Stock Ownership Plan (including each Phase) shall not be more than 0.1% of the total share capital of the Company. The total number of Shares held under the Employee Stock Ownership Plan excludes the Shares acquired by employees before the initial public offering of the Company and the Shares acquired independently from the secondary market. There are still some uncertainties concerning the final situation of the Underlying Shares purchasing. The final number of Shares held shall be subject to the actual implementation.
8. Term and lock-up period of the Employee Stock Ownership Plan: The term of the Employee Stock Ownership Plan shall be 24 months and the lock-up period of the Underlying Shares acquired shall be 12 months, each effective from the date when the Draft of the Employee Stock Ownership Plan is considered and approved by the shareholders' general meeting of the Company and the Company announces the registration of the last tranche of the Underlying Shares under the Directional Plan. The Employee Stock Ownership Plan can either be terminated automatically upon expiry of its term, or be extended upon expiry. The term of the Employee Stock Ownership Plan can be extended as agreed by the Holders holding more than two-thirds (inclusive) of the total units and attending Holders' Meeting, and as considered and approved by the Board of the Company.
9. Issues of finance, accounting treatment and tax expenses, etc., in relation to the implementation of the Employee Stock Ownership Plan will be dealt with according to the relevant policies of finance, accounting and tax. Any individual income tax payable as a result of the implementation of the Plan shall be borne by employees.
10. After consideration and approval by the board of directors of the Company, a notice to convene a shareholders' general meeting for the purpose of considering the Employee Stock Ownership Plan will be sent by the Company. Voting at the shareholders' general meeting regarding the Employee Stock Ownership Plan will be taken by way of poll, both onsite and via internet. The Employee Stock Ownership Plan shall be implemented upon approval at the shareholders' general meeting of the Company.
11. Voting rights attached to the Shares indirectly held by Holders due to participation in the Employee Stock Ownership Plan shall be waived.
12. The shareholding structure of the Company will remain in compliance with the listing requirements after the implementation of the Employee Stock Ownership Plan.



## DEFINITIONS

*Unless otherwise specified, the following abbreviations shall have the following meanings in this document:*

Macalline or Company	Red Star Macalline Group Corporation Ltd.
Employee Stock Ownership Plan/the Plan	the Third Phase of the Employee Stock Ownership Plan of Red Star Macalline Group Corporation Ltd.
Draft of the Employee Stock Ownership Plan	the Third Phase of the Employee Stock Ownership Plan of Red Star Macalline Group Corporation Ltd. (Draft)
Directional Plan	the directional plan established by a professional agency with asset management qualifications entrusted after the establishment of the Employee Stock Ownership Plan
Holder	employees of the Company who participate in the Employee Stock Ownership Plan, including directors, supervisors, Senior Management of the Company and management and core personnel of its subsidiaries
Senior Management	the senior management as stipulated in the Articles of Association of Red Star Macalline Group Corporation Ltd.
Holder's Meeting	meeting of holders of the Employee Stock Ownership Plan
Management Committee	the management committee of the Employee Stock Ownership Plan
Asset Management Agency	professional asset management agency with asset management qualifications
Shares of Macalline, Shares of the Company	ordinary A shares of Macalline
Underlying Shares	ordinary A shares of Macalline purchased and held by virtue of the Employee Stock Ownership Plan through legal means

CSRC	China Securities Regulatory Commission
RMB, RMB0'000	Renminbi, Renminbi 0'000
Articles of Association	the Articles of Association of Red Star Macalline Group Corporation Ltd.
Company Law	the Company Law of the People's Republic of China
Securities Law	the Securities Law of the People's Republic of China
Guiding Opinions	the Guiding Opinions on the Implementation of Pilot Program on Employee Stock Ownership Plan by Listed Companies
Guidelines for Information Disclosure	the Guidelines for Information Disclosure for Employee Stock Ownership Plan of Listed Companies

Number rounding may result in discrepancy between the total amount and the aggregated amount of the corresponding sub-items.

**I. PURPOSES OF THE EMPLOYEE STOCK OWNERSHIP PLAN**

This Draft of the Employee Stock Ownership Plan is formulated by the Company in accordance with the requirements under the Company Law, the Securities Law, the Guiding Opinions, the Guidelines for Information Disclosure, the relevant laws, administrative regulations, rules, normative documents, and the Articles of Association.

Employees participate in and comply with the Employee Stock Ownership Plan voluntarily and lawfully. The purposes of holding Shares of the Company are:

- (I) to establish and improve the benefit-sharing mechanism between employees and the Shareholders;
- (II) to further improve the corporate governance of the Company, enhance the cohesion of employees and corporate competitiveness, and promote the Company's long-term, sustainable and healthy development;
- (III) to help enhance the employees' sense of responsibility towards the Company effectively, attract and retain outstanding management talents and core calibers, which in turn will further enhance employees' cohesion and the vitality of the Company.

**II. BASIC PRINCIPLES OF THE EMPLOYEE STOCK OWNERSHIP PLAN****(I) Legal compliance**

The Company implements the Employee Stock Ownership Plan and follows the procedures in strict compliance with relevant requirements under the laws and administrative regulations, which require the Company to disclose true, accurate and complete information in a timely manner. No person is permitted to engage in insider trading, manipulation of the securities market, and other fraudulent actions through the Employee Stock Ownership Plan.

**(II) Voluntary participation**

The implementation of the Employee Stock Ownership Plan is subject to the discretionary decisions of the Company, and the voluntary participation of the employees. The Company is not permitted to force the employees to participate in the Employee Stock Ownership Plan in such forms as apportionment and mandatory distribution.

**(III) Self-bearing of risk**

The participants under the Employee Stock Ownership Plan will undertake their own risks for gains or losses, and their equity rights rank *pari passu* with those of other investors.

### **III. BASIS FOR DETERMINATION AND SCOPE OF HOLDERS OF THE EMPLOYEE STOCK OWNERSHIP PLAN**

#### **(I) Basis for Determination of Holders of the Employee Stock Ownership Plan**

The Holders of the Employee Stock Ownership Plan are determined according to the relevant provisions of relevant laws, regulations and rules including the Company Law, the Securities Law, the Guiding Opinions as well as the Articles of Association. Employees of the Company participate in the Plan in accordance with laws and regulations on a voluntary basis at their own risks.

#### **(II) Scope of Holders of Employee Stock Ownership Plan**

The participants of the Employee Stock Ownership Plan are Directors, Supervisors, senior management of the Company and management and core personnel of its subsidiaries.

Unless otherwise stipulated in Item (IV) under Section 10 of the Draft of the Employee Stock Ownership Plan, all participants are required to enter into a labor contract or an employment contract with the Company or its subsidiaries during the term of the Employee Stock Ownership Plan.

#### **(III) List of Holders of Employee Stock Ownership Plan and Allocation of Shares**

The total funds under the Employee Stock Ownership Plan upon establishment shall not be more than RMB300 million, divided into “units” for subscription and each unit is equal to RMB1.00. The Employee Stock Ownership Plan has a maximum of 300 million units. The specific number of units held by a Holder of the Employee Stock Ownership Plan is subject to his/her actual amount of contribution upon final confirmation.

The total number of the Employee Stock Ownership Plan participants shall not be more than 800. The specific number and list of participants will be selected by the Company and will be determined according to the actual amount of contribution made by employees. The maximum number of units and proportion proposed to be held by the Holders are as follows:

<b>Name of Holder</b>	<b>Position</b>	<b>Maximum number of units (10 thousand)</b>	<b>Maximum proportion (%)</b>
1 CHE Jianxing	Chairman, general manager	2,360.0	7.87
2 CHE Jianfang	Director, vice general manager		
3 CHEN Shuhong	Director		

Name of Holder	Position	Maximum number of units (10 thousand)	Maximum proportion (%)
4	JIANG Xiaozhong		
	Director, vice general manager		
5	GUO Binghe		
	Vice Chairman, vice general manager, secretary to the Board		
6	PAN Ning		
	Chairman of the Supervisory Committee		
7	CHAO Yanping		
	Supervisor		
8	LIU Yuanjin		
	Vice general manager		
9	LI Jianhong		
	Vice general manager		
10	XI Shichang		
	Chief financial officer		
11	ZHANG Xian		
	Vice general manager		
	Other employees of the Company and its controlling subsidiaries (not more than 789 employees)	27,640.00	92.13
	<b>Total</b>	<b>30,000.00</b>	<b>100.00</b>

*Note:* The final number of units in the Employee Stock Ownership Plan subscribed for by a participant is subject to his/her actual amount of contribution.

The total number of Shares held under this Employee Stock Ownership Plan shall not exceed 1.00% of the total share capital of the Company. The total number of Shares held under all effective employee stock ownership plans shall not be more than 10.00% of the total share capital of the Company. The total number of Shares held by any employee according to his/her share in the Stock Ownership Plan (including each Phase) shall not be more than 0.10% of the total share capital of the Company.

The total number of Shares held under the Employee Stock Ownership Plan excludes the Shares acquired by employees before the initial public offering of the Company and the Shares acquired independently from the secondary market.

**IV. SOURCE OF FUNDS, SOURCE OF SHARES AND SIZE OF THE EMPLOYEE  
STOCK OWNERSHIP PLAN****(I) Source of Funds**

The source of the funds for the Employee Stock Ownership Plan includes the participant's self-raised funds, funds withdrawn by the Company from incentive payments and other sources as permitted under the laws and administrative regulations. The Company shall withdraw funds from the incentive payments for funding the Employee Stock Ownership Plan in the proportion of the amount of self-raised funds contributed by the employees.

The funds raised for the Employee Stock Ownership Plan shall not exceed RMB300 million in total, divided into "units" for subscription and each unit is equal to RMB1.00. The total number of Shares of the Company held by any Holder according to the number of units he/she subscribed for in the Employee Stock Ownership Plan shall not exceed 0.10% of the total share capital of the Company. The specific number of units held by a Holder of the Employee Stock Ownership Plan is subject to his/her actual amount of contribution upon final confirmation.

Holders of the Employee Stock Ownership Plan shall pay the subscription amount in full and on time according to the subscribed units, and the payment schedule of the Employee Stock Ownership Plan will be notified and arranged centrally by the Company. A Holder who fails to pay the subscription amount on time and in full will automatically lose his/her subscription right.

**(II) Source of Shares**

Upon the approval of the Draft of the Employee Stock Ownership Plan at the shareholders' general meeting of the Company, the Company will entrust a professional agency with asset management qualifications to establish and manage the Directional Plan. The maximum amount of proceeds to be raised from the Directional Plan is RMB300 million, divided into "units" for subscription and each unit is equal to RMB1.00.

Within six months after consideration and approval of the Employee Stock Ownership Plan at the shareholders' general meeting, the Directional Plan will obtain and hold Shares of Macalline through purchases on the secondary market or other means as permitted under the laws and regulations and will not purchase shares of other companies.

**(III) Size**

Since there are uncertainties as to the date, price and funds for the actual purchase of Shares under the Directional Plan due to the implementation of the Employee Stock Ownership Plan and market conditions, the final number of the Underlying Shares is uncertain.

**V. TERM, LOCK-UP PERIOD AND MANAGEMENT MODE OF THE EMPLOYEE STOCK OWNERSHIP PLAN****(I) Term of the Employee Stock Ownership Plan**

1. The term of the Employee Stock Ownership Plan is 24 months, commencing from the date when the Draft of the Employee Stock Ownership Plan is considered and approved at the shareholders' general meeting of the Company and the Company announces the registration of the last tranche of the Underlying Shares under the Directional Plan. The Employee Stock Ownership Plan will be automatically terminated if it is not extended upon the expiry of the term.
2. After the lock-up period of the Employee Stock Ownership Plan expires, the Employee Stock Ownership Plan may be terminated in advance after all the Shares held by the Employee Stock Ownership Plan are transferred out and all monetary assets (if any) under the Employee Stock Ownership Plan have been liquidated and distributed.
3. If the Shares of the Company held are still not fully sold or transferred to the Holders of the Employee Stock Ownership Plan, the term of the Employee Stock Ownership Plan may be extended within two months before the expiry of the term of the Employee Stock Ownership Plan, as agreed by the Holders holding more than two-thirds (inclusive) of the total units and attending the Holders' Meeting, and as considered and approved by the Board of the Company.
4. If the Shares of the Company held by the Employee Stock Ownership Plan cannot be fully realized before the expiry of the term of the Employee Stock Ownership Plan due to suspension of trading of the Shares or information sensitive period, the term of the Employee Stock Ownership Plan may be extended as agreed by the Holders holding more than two-thirds (inclusive) of the total units and attending the Holders' Meeting, and as considered and approved by the Board of the Company.

**(II) Lock-up Period of the Employee Stock Ownership Plan**

1. The lock-up period of the Underlying Shares allotted to the Directional Plan shall be 12 months, commencing from the date when the Draft of the Employee Stock Ownership Plan is considered and approved at the shareholders' general meeting of the Company and the Company announces the registration of the last tranche of the Underlying Shares under the Directional Plan. The Management Committee will, within 12 months after the expiry of the lock-up period, be entitled to authorize the Asset Management Agency to sell or transfer the purchased Shares of the Company in accordance with the arrangements of the Employee Stock Ownership Plan and the prevailing market conditions.

The Underlying Shares allotted to the Employee Stock Ownership Plan and Shares derived from stock dividend distribution and capitalization of capital reserves by the listed company shall also comply with the above share lock-up arrangements.

2. All relevant entities of the Employee Stock Ownership Plan and the Directional Plan must strictly abide by the market trading rules and the requirement that no shares can be traded during the information sensitive period. All parties must not exploit the Employee Stock Ownership Plan for security frauds such as insider trading and market manipulation.

The aforementioned sensitive period refers to:

- (1) 60 days prior to the announcement of the Company's annual report, including the date of announcement of the annual report, or the period from the last day of the financial year to the date of announcement of the annual report (the shorter one prevails);
- (2) 30 days prior to the review of the announcement of the Company's interim report or quarterly report, including the date of announcement of the interim report or the quarterly report, or the period from the last day of the quarter or the half year to the date of announcement of the periodic report (the shorter one prevails);
- (3) 10 days prior to the release of the Company's results preview or preliminary report;
- (4) The period starting from the date when a material issue, which may significantly affect the Company's share price, occurs or is in the process of decision-making to 2 trading days after its lawful disclosure;
- (5) Other periods as stipulated by the stock exchange.

### **(III) Management Agency and Management Mode of the Employee Stock Ownership Plan**

The Employee Stock Ownership Plan will be managed by an appointed professional agency with asset management qualifications and the Holders' Meeting represents the highest internal management authority. Holders' Meeting consists of all Holders of the Employee Stock Ownership Plan. A Management Committee will be elected and authorized by the Holders' Meeting as the manager to take charge of the daily management of the Employee Stock Ownership Plan (including but not limited to reducing the Shares of the Company held under the Employee Stock Ownership Plan upon the expiry of the lock-up period, distributing gains and cash assets to the Holders on behalf of the Employee Stock Ownership Plan, etc.), and exercise the power of Shareholder on behalf of the Holders of the Employee Stock Ownership Plan or authorize an asset management agency to do so. The Company has adopted appropriate risk prevention and isolation measures to properly protect the legitimate interests of the

Holders of the Employee Stock Ownership Plan. The Board of the Company shall be responsible for drafting and revising the Employee Stock Ownership Plan, and shall deal with other matters related to the Employee Stock Ownership Plan within the scope of authorization as granted by the shareholders' general meeting.

## **VI. PARTICIPATION IN FINANCING ARRANGEMENTS OF THE COMPANY BY THE EMPLOYEE STOCK OWNERSHIP PLAN WITHIN THE TERM**

When the Company raises funds through placing of shares, issue of new shares, issue of convertible bonds or other financing methods within the term of the Employee Stock Ownership Plan, the Management Committee shall discuss and decide whether to participate in such financing solutions and the same shall be submitted to the Holders' Meeting for consideration.

## **VII. RIGHTS AND OBLIGATIONS OF THE COMPANY AND HOLDERS**

### **(I) Rights and Obligations of the Company**

#### ***1. Rights of the Company***

- (1) Supervise the operation of assets manager and safeguard the interests of Holders;
- (2) Dispose of Holders' rights and interests in accordance with the relevant provisions under "X. Amendment and Termination of the Employee Stock Ownership Plan and Disposal of Rights and Interests of Holders" under the Employee Stock Ownership Plan;
- (3) Other rights as specified by laws, administrative regulations and the Employee Stock Ownership Plan.

#### ***2. Obligations of the Company***

- (1) Discharge the obligation of information disclosure in relation to the Employee Stock Ownership Plan in a true, accurate, complete and timely manner;
- (2) Open or cancel securities trading account for the Employee Stock Ownership Plan in accordance with relevant regulations;
- (3) Other obligations as specified by laws, administrative regulations and the Employee Stock Ownership Plan.

**(II) Rights and Obligations of Holders****1. *Rights of Holders***

- (1) Be entitled to the rights and interests in assets under the Employee Stock Ownership Plan to the extent of the number of units in the Employee Stock Ownership Plan held by them;
- (2) Attend the Holders' Meeting and exercise corresponding voting rights in person or by proxy;
- (3) Supervise the management of the Employee Stock Ownership Plan and propose suggestions or inquiry thereon;
- (4) Other rights as specified by laws, administrative regulations, departmental rules or the Employee Stock Ownership Plan.

**2. *Obligations of Holders***

- (1) Comply with the relevant provisions under laws, administrative regulations, departmental rules or the Employee Stock Ownership Plan;
- (2) Pay subscription proceeds in accordance with the number of units and method of which the units are subscribed by them under the Employee Stock Ownership Plan;
- (3) Share the investment risk in relation to the Employee Stock Ownership Plan to the extent of the number of units of the Employee Stock Ownership Plan held by them;
- (4) Abide by the Measures for Management of the Employee Stock Ownership Plan;
- (5) Within the term of the Employee Stock Ownership Plan, the units of the Plan held by the Holders shall not be transferred, withdrawn, used for guaranteed or debts repayment or subject to other similar disposals;
- (6) Within the term of the Employee Stock Ownership Plan, the Holders shall not request the distribution of the assets of the Plan;
- (7) Waive the voting rights of the Shares of the Company indirectly held due to the participation in the Employee Stock Ownership Plan;
- (8) Other obligations as specified by laws, administrative regulations and the Employee Stock Ownership Plan.

**VIII. MANAGEMENT MODE OF THE EMPLOYEE STOCK OWNERSHIP PLAN****(I) Holders' Meeting**

1. Holders' Meeting is the highest internal management authority of the Employee Stock Ownership Plan. All Holders are entitled to attend and vote at the Holders' Meeting in person or by proxy. The expenses of travel, board and lodging, etc. incurred by the Holders and their proxies to attend the Holders' Meeting shall be borne by the Holders themselves.
2. The following matters shall be considered and discussed at the Holders' Meeting:
  - (1) Election and removal of any members of the Management Committee;
  - (2) Amendment, termination and extension of the term of the Employee Stock Ownership Plan;
  - (3) The Management Committee shall discuss the concrete proposal on financing of the Company through placing of shares, issue of new shares, issue of convertible bonds or other financing methods within the term of the Employee Stock Ownership Plan and submit the proposal to the Holders' Meeting for consideration;
  - (4) Amendment to the Measures for Management of the Employee Stock Ownership Plan;
  - (5) Authorization for the Management Committee to supervise the daily management of the Employee Stock Ownership Plan;
  - (6) Authorization for the Management Committee or the Asset Management Agency to exercise Shareholders' rights;
  - (7) Authorization for the Management Committee to choose and replace the Asset Management Agency, develop and amend relevant administrative rules;
  - (8) Authorization for the Management Committee to be responsible for collaborating with the Asset Management Agency;
  - (9) Other matters that are considered by the Management Committee as necessary for consideration at the Holders' Meeting.

3. The first Holders' Meeting shall be convened and presided over by the secretary to the Board of the Company, and subsequent Holders' Meetings shall be convened by the Management Committee and presided over by a member of the Management Committee. When the officer of the Management Committee is unable to perform his/her duties, he/she shall appoint a member of the Management Committee to preside over the meeting.
  
4. To convene a Holders' Meeting, the Management Committee shall send out a notice of meeting in writing 5 days prior to the meeting to all Holders by direct delivery, post, facsimile, electronic mail or other means. The written notice of meeting shall at least include the following details:
  - (1) Time and venue of the meeting;
  - (2) Way of convening the meeting;
  - (3) Proposed matters to be considered at the meeting (meeting proposals);
  - (4) Convener and chairman of the meeting and the proposer(s) of extraordinary meeting and his/her (their) written proposals;
  - (5) Meeting materials required for voting;
  - (6) Requirements for the Holders to attend the meeting in person or assign other Holders to attend the meeting on their behalf;
  - (7) Contact person and contact information;
  - (8) Date of issuance of the notice.

In case of any emergency, a Holders' Meeting can be convened by a verbal notice. The verbal meeting notice shall at least include the above clauses (1), (2) and an explanation on the emergency and necessity to convene a Holders' Meeting as soon as possible.

A Holders' Meeting can be convened through teleconference, video conference or similar correspondence means. All the Holders attending the meeting through such means shall be deemed as attending the meeting in person provided that all the Holders attending the meeting can hear and communicate with each other.

5. Voting procedures of the Holders' Meeting
  - (1) After each proposal has been fully discussed, the chairman shall invite Holders attending the meeting to vote in a timely manner. The chairman may also invite Holders attending the meeting to vote only after all proposals for the meeting have been discussed. Voting shall be carried out by paper ballot.
  - (2) The Holders of the Employee Stock Ownership Plan are entitled to voting power based on the number of units held.
  - (3) The Holders may choose to vote for, against or abstain. The Holders attending the meeting shall select one of the aforesaid voting options, and any vote with no option or more than one option indicated will be deemed as abstention. Any Holder who leaves in the course of the meeting without indicating any voting options shall be deemed as abstention from voting. Any vote which is not filled or filled wrongly or with unrecognizable writing or not cast shall be deemed as abstention. Any vote made after the announcement of voting results by the chairman of the meeting or the lapsing of voting period shall not be counted.
  - (4) The chairman of the meeting shall announce the onsite voting results at the spot of the meeting. A proposed resolution shall only become a valid resolution of the Holders' Meeting after being passed by more than half (inclusive) of the total units held by the Holders attending the Holder's Meeting, unless the consent of more than two-thirds (inclusive) of the total units is required by the Employee Stock Ownership Plan.
  - (5) In the event that a resolution of the Holders' Meeting must be submitted to the Board and the shareholders' general meeting of the Company for consideration, it shall be submitted to the Board and the shareholders' general meeting of the Company for consideration in accordance with the provisions of the Articles of Association.
  - (6) The chairman of the meeting shall arrange for record keeping for the Holders' Meeting.
6. Holders who individually or jointly hold over 30% of the units in the Employee Stock Ownership Plan may submit a temporary proposal to the Holders' Meeting. Such temporary proposal shall be submitted to the Management Committee 3 days before the Holders' Meeting is convened.
7. Holders who individually or jointly hold over 30% of the units in the Employee Stock Ownership Plan may propose to convene a Holders' Meeting.

**(II) Management Committee**

1. A management committee shall be set up for the Employee Stock Ownership Plan to supervise the daily management of the Employee Stock Ownership Plan and be responsible for the Employee Stock Ownership Plan.
2. The Management Committee comprises three members with one officer of the Management Committee. All members of the Management Committee shall be elected by the Holders' Meeting. The officer of the Management Committee shall be elected by more than half of all members of the Management Committee. The term of office of members of the Management Committee shall be the term of the Employee Stock Ownership Plan.
3. Members of the Management Committee have the following fiduciary duties to the Employee Stock Ownership Plan in accordance with laws, administrative regulations and the Measures for Management of the Third Phase of the Employee Stock Ownership Plan of Red Star Macalline Group Corporation Ltd.:
  - (1) Not to take advantage of their position and authority to accept bribes or other illegal income; not to occupy any property of the Employee Stock Ownership Plan;
  - (2) Not to misappropriate funds of the Employee Stock Ownership Plan;
  - (3) Without the consent of the Management Committee, not to open personal account under his or her own name or other people's names with the assets or funds of the Employee Stock Ownership Plan as the deposits;
  - (4) Not to lend the funds of the Employee Stock Ownership Plan to other persons or provide guarantee for other persons with the properties of the Employee Stock Ownership Plan without the consent of the Holders' Meeting;
  - (5) Not to take advantage of their positions and authority to jeopardize the interests of the Employee Stock Ownership Plan;
  - (6) Not to arbitrarily disclose the commercial secrets in relation to the Employee Stock Ownership Plan.

Where a member of the Management Committee causes any loss to the Employee Stock Ownership Plan due to his or her breach of fiduciary duties, such a member shall be liable for indemnification.

4. The Management Committee shall discharge the following functions and authority:
  - (1) Convene the Holders' Meetings;
  - (2) Supervise the daily management of the Employee Stock Ownership Plan on behalf of all Holders;
  - (3) Exercise Shareholders' rights attached to the Shares under the Employee Stock Ownership Plan on behalf of all Holders or authorize the Asset Management Agency to exercise Shareholders' rights;
  - (4) Be responsible for collaborating with the Asset Management Agency;
  - (5) Execute relevant agreements or contracts with external parties on behalf of the Employee Stock Ownership Plan;
  - (6) Manage the allocation of benefits of the Employee Stock Ownership Plan, and decide on the sales and allocation and other matters of the Underlying Shares upon the expiry of the statutory lock-up period and share lock-up period of the Employee Stock Ownership Plan;
  - (7) Register the allocation of the units of the Employee Stock Ownership Plan or inheritance of such allocations;
  - (8) Be responsible for share reduction arrangement of the Employee Stock Ownership Plan;
  - (9) Other functions and authority as delegated by the Holders' Meeting.
  
5. The officer of the Management Committee shall discharge the following functions and authority:
  - (1) Preside over the Holders' Meetings, convene and preside over the Management Committee meetings;
  - (2) Exercise Shareholders' rights on behalf of all Holders as authorized by the Management Committee;
  - (3) Supervise and inspect the execution of resolutions of the Holders' Meetings and the Management Committee;
  - (4) Execute relevant agreements or contracts with external parties on behalf of the Employee Stock Ownership Plan;
  - (5) Other functions and authority as delegated by the Management Committee.

6. The Management Committee meetings shall be convened occasionally by the officer of the Management Committee. Notice of meeting shall be sent out to all members of the Management Committee three days before a meeting is convened. With the consent of all members of the Management Committee to the proposed matters, the meeting may be convened and the voting be carried out by means of telecommunication.

As agreed by all members of the Management Committee, the despatch of the notice can be exempted from the above time limit. Where an interim Management Committee meeting is required to be convened as soon as possible in case of emergency, notice of meeting can be given via telephone or other verbal means, but explanations shall be given by the convenor at the meeting.

7. A Management Committee meeting shall only be held when more than half of the members are present. Meeting resolutions shall be valid only upon obtaining approval from more than half of all members of the Management Committee. The voting for resolutions of the Management Committee shall follow the one-person one-vote principle.
8. Voting for resolutions of the Management Committee shall be conducted by way of open ballot. Provided that members of the Management Committee can fully express their views, the Management Committee meeting can be conducted and resolutions can be passed by means of facsimile and such resolutions shall be signed by members of the Management Committee attending the meeting.
9. Members of the Management Committee shall attend the Management Committee meetings in person. For any member who cannot attend the meetings in person, he/she can appoint other member(s) of the Management Committee as his/her proxy(ies) in writing to attend the meetings. A form of proxy shall be signed or sealed by the authorizer with the name(s) of the proxy(ies), and the matters, scope and validity period of the authorization being specified. The authorized member of the Management Committee shall exercise his/her rights as a member of the Management Committee within the scope of authorization. For any Management Committee member who neither attends the meetings nor authorizes another member as his/her proxy, he/she will be deemed to abstain from voting at the meetings.
10. The Management Committee shall take minutes of the matters discussed at the meeting, and all members of the Management Committee attending the meeting shall sign on the minutes.

11. Minutes of the Management Committee meetings shall include the following items:
- (1) Date, venue and name of the convener of the meeting;
  - (2) Attendance of the members of the Management Committee and the appointed proxies attending the Management Committee meeting;
  - (3) The agenda;
  - (4) Key points in the statements of the members of the Management Committee;
  - (5) Way of voting for each resolution and the respective voting results (stating clearly the number of votes for, against and abstained respectively).

### **(III) Management Agency**

Upon the establishment of the Employee Stock Ownership Plan, all assets will be used for the subscription of the Directional Plan and all assets of the Directional Plan will be managed by the Asset Management Agency appointed by the Company. The Asset Management Agency shall protect the legitimate interests of the Employee Stock Ownership Plan in accordance with relevant rules on asset management issued by the CSRC and other regulatory authorities and the provisions in the legal documents in relation to the Employee Stock Ownership Plan and ensure that the assets under the Employee Stock Ownership Plan will not be embezzled.

## **IX. ASSET COMPOSITION AND DISTRIBUTION OF RIGHTS AND INTERESTS OF THE EMPLOYEE STOCK OWNERSHIP PLAN**

### **(I) Asset Composition of the Employee Stock Ownership Plan**

1. Rights and interests corresponding to the Shares of the Company: The current Employee Stock Ownership Plan is entitled to the corresponding interests of the Shares of the Company held by the Directional Plan by subscribing for the entitlements in the Directional Plan in full;
2. Cash deposits and bank interest;
3. Assets arising from other investments with the Stock Ownership Plan.

The assets under the Employee Stock Ownership Plan are fixed assets independent of the assets owned by the Company. The Company shall not include the assets of the Employee Stock Ownership Plan into its own assets. The properties and profits acquired from the management, utilization, etc. of the Employee Stock Ownership Plan shall be included into the assets of the Employee Stock Ownership Plan.

**(II) Distribution of Rights and Interests of the Employee Stock Ownership Plan**

1. Within the term of the Employee Stock Ownership Plan, unless otherwise stipulated in laws, administrative regulations and departmental rules or upon consent of the Management Committee, the units of the Employee Stock Ownership Plan held by the Holders shall not be transferred, used for guarantee or subject to other similar disposals.
2. Within the term, the Holders shall not request the distribution of rights and interests of the Employee Stock Ownership Plan.
3. When the term of the Employee Stock Ownership Plan expires or it is terminated in advance, the Management Committee shall, according to the authorization by the Holders' Meeting, wind up the Plan after deduction of relevant taxes and fees pursuant to laws, and arrange for distribution according to the units held by the Holders within 30 working days beginning from the expiry date or termination date.

**X. AMENDMENT AND TERMINATION OF THE EMPLOYEE STOCK OWNERSHIP PLAN AND DISPOSAL OF RIGHTS AND INTERESTS OF HOLDERS****(I) Change of Actual Control, Merger and Division of the Company**

In case of any changes in the controlling Shareholder or the de facto controller of the Company for any reasons, no amendment shall be made to the Employee Stock Ownership Plan.

**(II) Amendment to the Employee Stock Ownership Plan**

Within the term, any amendment to the Employee Stock Ownership Plan shall be passed by the Holders holding more than two-thirds (inclusive) of the total units and attending the Holders' Meeting and be submitted to the Board of the Company for consideration and approval.

**(III) Termination of the Employee Stock Ownership Plan**

1. The Employee Stock Ownership Plan will be terminated automatically after the expiry of the term;
2. After the lock-up period of the Employee Stock Ownership Plan expires, if the assets held under the Employee Stock Ownership Plan are all monetary funds and have been liquidated and distributed, the Employee Stock Ownership Plan can be terminated in advance;

3. If the Shares of the Company held are still not fully sold or transferred to the Holders of the Employee Stock Ownership Plan, the term of the Employee Stock Ownership Plan may be extended within two months before the expiry of the term of the Employee Stock Ownership Plan, as agreed by the Holders holding more than two-thirds (inclusive) of the total units and attending the Holders' Meeting, and as considered and approved by the Board of the Company;
4. Where the Company's Shares held under the Employee Stock Ownership Plan cannot be fully realized prior to the expiry of the maximum term due to suspension of trading of Shares of the Company or short trading window, the term of the Employee Stock Ownership Plan may be extended as agreed by the Holders holding more than two-thirds (inclusive) of the total units and attending the Holders' Meeting and considered, and as approved by the Board of the Company.

**(IV) Disposal of Rights and Interests of the Holders**

1. Within the term, the rights and interests of the Holders held under the Employee Stock Ownership Plan shall neither be withdrawn nor be mortgaged, pledged, guaranteed or used for debts repayment.
2. Within the term, the rights and interests of the Holders held under the Employee Stock Ownership Plan shall not be transferred without the consent of the Management Committee. Any transfer without consent shall be void and null.
3. Upon occurrence of any one of the (a) – (g) below, the rights and interests shall be disposed of in accordance with clause (i) or clause (ii) depending on the time of occurrence:
  - a. both parties agree not to renew the labor contract or employment contract upon its expiry;
  - b. early termination of the labor contract or employment contract by a Holder upon mutual agreement with the Company;
  - c. the Company's unilateral termination or cancellation of a Holder's labor contract or employment contract due to operational considerations;
  - d. change of position of the Holders or failure to meet the conditions of relevant position and eligibility for participating in the Employee Stock Ownership Plan due to internal decision of the Company;
  - e. unilateral termination or cancellation of labor contract or employment contract by a Holder without mutual agreement with the Company;

- f. termination or cancellation of labor contract or employment contract by the Company due to personal reasons of a Holder (including being dismissed or removed by the Company);
  - g. other circumstances where the Management Committee determines that a Holder is not eligible to participate do not qualify for participation in the Plan.
    - (i) If any of the above happens during the term and prior to the liquidation of the Plan, the Shares that are purchased with the incentive payments withdrawn by the Company in the funds shall be acquired by the Management Committee without compensation, and the amount received from the disposal at an appropriate time shall be distributed among the remaining Holders in proportion to their respective units held upon expiry of the term of early liquidation (whichever is earlier). Shares that are purchased with self-raised funds shall be disposed of by the Management Committee at an appropriate time, and the amount received from the disposal shall be returned to the individuals upon expiry of the term or early liquidation (whichever is earlier) according to the units they hold at that time;
    - (ii) If any of the above happens during the period when the Plan is extended, the Shares that are purchased with the incentive payments withdrawn by the Company or the self-raised funds will be retained and be disposed of by the Management Committee at an appropriate time, and the amount received will be returned to the individuals within 3 months from the date of occurrence of such circumstance according to the units the individuals hold at that date of occurrence.
4. Upon occurrence of any one of the following circumstances, the Management Committee may decide that the interests held by the Holders shall remain unchanged:
- a. loss of working capacity;
  - b. resignation from his office in the Company due to organizational restructuring;
  - c. retirement;

- d. death, and the rights and interests shall be obtained by his designated estate successor or legal successor;
- e. other reasons which the Management Committee considers appropriate that cause the Holder to cease to hold any position in the Company.

In the event of any matters not covered, the disposal of the units in the Employee Stock Ownership Plan held by the Holders shall be determined through negotiation between the Company and the Management Committee.

#### **XI. MEASURES FOR DISPOSAL OF SHARES UPON EXPIRY OF THE TERM OF THE EMPLOYEE STOCK OWNERSHIP PLAN**

1. If all Shares of the Company held under the Directional Plan are sold or transferred to the Holders of the units in the Employee Stock Ownership Plan and the liquidation and distribution of the assets under the Employee Stock Ownership Plan have been completed according to the requirements of the Employee Stock Ownership Plan, the Employee Stock Ownership Plan shall be terminated.
2. If the Shares of the Company held under the Employee Stock Ownership Plan are not all sold or transferred to the Holders of the units in the Employee Stock Ownership Plan within two months prior to the expiry of the term of the Employee Stock Ownership Plan, the term of the Employee Stock Ownership Plan may be extended as agreed by the Holders holding more than two-thirds (inclusive) of the number of the total units and attending the Holders' Meeting and considered and approved by the Board of the Company.
3. In case of early termination or upon expiry of the term of the Employee Stock Ownership Plan, the Management Committee shall, according to the authorization of the Holders' Meeting, liquidate the assets under the Employee Stock Ownership Plan, complete the liquidation within 30 working days after the termination or expiry of the term and arrange distribution based on the units held by the Holders after deducting relevant taxes and fees according to laws.

#### **XII. SELECTION OF MANAGEMENT AGENCY OF THE EMPLOYEE STOCK OWNERSHIP PLAN AND PRINCIPAL TERMS OF THE AGREEMENT**

##### **(I) Selection of Asset Management Agency**

The Company will select a professional agency with asset management qualifications as the asset management agency of the Employee Stock Ownership Plan and enter into an asset management agreement with the Employee Stock Ownership Plan on behalf of the Employee Stock Ownership Plan.

**(II) Principal Terms of the Asset Management Agreement (Subject to the Final Contract Signed)**

1. Name of the Directional Plan: To be jointly determined by the Board and the Asset Management Agency
2. Type: Directional Plan
3. Entrusting party: Red Star Macalline Group Corporation Ltd. (on behalf of the Third Phase of the Employee Stock Ownership Plan of Macalline)
4. Manager: To be elected by the Board
5. Custodian: A custodian agency qualified for custody selected by the Board
6. Size of the Directional Plan: The maximum size of the Directional Plan is 300 million units.
7. Investment philosophy: Under the premise of active risk management, the Directional Plan shall be managed in accordance with the provisions of the “Employee Stock Ownership Plan” and investment instructions, with a view to achieving continuous and steady appreciation of the assets of the appointer.
8. Scope of investment: The scope of investment of the Directional Plan includes: ordinary A shares of Macalline (stock code: 601828), cash, bank deposits, public money market funds, reverse repurchase of bonds, etc.
9. Term: Effective from the effective date of the contract to the date of termination of the contract, and the term shall be implemented as agreed in the Employee Stock Ownership Plan.

**(III) Accrual and Payment of Management Fees**

The management fees of the Employee Stock Ownership Plan include subscription/application fee, exit fee, remuneration of the Directional Plan, custodian fee and other relevant fees as set out in the signed contract.

**XIII. PROCEDURES FOR IMPLEMENTATION OF THE EMPLOYEE STOCK OWNERSHIP PLAN**

1. Prior to the implementation of the Employee Stock Ownership Plan, the Company shall seek employees’ opinions through the employees’ representatives meeting and other organizations;

2. When the Board of the Company is considering the Draft of the Employee Stock Ownership Plan, independent Directors shall deliver their opinions on the following matters: whether the Employee Stock Ownership Plan is beneficial to the sustainable development of the Company; whether it will impair the interests of the Company and the Shareholders as a whole; whether there is any apportionment, mandatory distribution, etc., to force the employees to participate in the Employee Stock Ownership Plan;
3. The Supervisory Committee shall deliver their opinions on the following matters: whether the Employee Stock Ownership Plan is beneficial to the sustainable development of the Company; whether it will impair the interests of the Company and the Shareholders as a whole; whether there is any apportionment, mandatory distribution, etc., to force the employees to participate in the Employee Stock Ownership Plan;
4. Within 2 trading days after the Board of the Company approves the Draft of the Employee Stock Ownership Plan, the Company shall disclose relevant documents such as the board resolutions, the full text and summary of the Draft of the Employee Stock Ownership Plan, independent directors' opinions, etc.;
5. The Company shall engage a law firm to issue legal opinions for the Employee Stock Ownership Plan and release the legal opinions before convening the shareholders' general meeting for consideration of the Employee Stock Ownership Plan;
6. The shareholders' general meeting shall be convened to consider the Employee Stock Ownership Plan at which voting will be taken by poll both onsite and via internet. The Employee Stock Ownership Plan shall only be implemented after approval by the Shareholders holding the majority of valid voting rights present at the shareholders' general meeting;
7. The Holders' Meeting shall be convened to elect and appoint members of the Management Committee, and define specific matters in relation to the implementation of the Employee Stock Ownership Plan. Convening and relevant resolutions of the meeting shall be disclosed in a timely fashion;
8. In implementing the Employee Stock Ownership Plan, the Company shall, within 6 months after the Employee Stock Ownership Plan is considered and approved at the shareholders' general meeting, complete the purchase of the Underlying Shares in accordance with the arrangements of the Employee Stock Ownership Plan. Prior to the completion of position opening of the Underlying Shares, implementation progress of the Employee Stock Ownership Plan shall be announced every month after the approval at the shareholders' general meeting. The time, quantity and

proportion of the Underlying Shares held shall be disclosed in interim announcement within 2 trading days after the registration of the Underlying Shares under the Employee Stock Ownership Plan;

9. Other procedures that shall be performed as stipulated by the CSRC and the Stock Exchange.

#### **XIV. OTHER IMPORTANT MATTERS**

1. The approvals of the Employee Stock Ownership Plan by the Board and the shareholders' general meeting of the Company do not imply that the Holders have the rights to continue their services in the Company or its subsidiaries, and such approvals do not constitute any commitment of the Company or its subsidiaries to any continued employment of the employees. The employment relationships between the Company or its subsidiaries and the Holders shall remain the same as stipulated in the labor contracts entered into between the Company or its subsidiaries and the Holders.
2. Issues of finance, accounting treatment and tax expenses, etc., in relation to the implementation of the Employee Stock Ownership Plan will be dealt with according to the relevant policies of finance, accounting and tax. Any individual income tax payable as a result of the implementation of the Plan shall be borne by employees.
3. Implementation of the Employee Stock Ownership Plan is subject to the consideration and approval at the shareholders' general meeting of the Company.
4. The Board reserves the right of interpretation over the Employee Stock Ownership Plan.

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

6 February 2021

**RED STAR MACALLINE GROUP CORPORATION LTD.**  
**THE MEASURES FOR MANAGEMENT OF THE THIRD PHASE OF THE**  
**EMPLOYEE STOCK OWNERSHIP PLAN**

**CHAPTER I GENERAL RULES**

**Article 1** To specify the implementation of the Third Phase of the Employee Stock Ownership Plan (hereinafter referred to as the “**Employee Stock Ownership Plan**”) of Red Star Macalline Group Corporation Ltd. (hereinafter referred to as “**Macalline**” or the “**Company**”), the measures for management is formulated in accordance with the requirements of the Company Law of the People’s Republic of China (hereinafter referred to as the “**Company Law**”), the Securities Law of the People’s Republic of China (hereinafter referred to as the “**Securities Law**”) and the Guiding Opinions on the Implementation of Pilot Program on Employee Stock Ownership Plan by Listed Companies (hereinafter referred to as the “**Guiding Opinions**”), relevant laws, administrative regulations, rules, normative documents, and the Articles of Association.

**CHAPTER II THE FORMULATION OF THE EMPLOYEE STOCK OWNERSHIP  
PLAN**

**Article 2** Basic Principles of the Employee Stock Ownership Plan

(I) Legal compliance

The Company implements the Employee Stock Ownership Plan and follows the procedures in strict compliance with relevant requirements under the laws and administrative rules, which require the Company to disclose true, accurate and complete information in a timely manner. No person is permitted to engage in insider trading, manipulation of the securities market, and other securities fraudulent actions through the Employee Stock Ownership Plan.

(II) Voluntary participation

The implementation of the Employee Stock Ownership Plan is subject to the discretionary decisions of the Company, and the voluntary participation of the employees. The Company is not permitted to force the employees to participate in the Employee Stock Ownership Plan in the way of apportionment and mandatory distribution.

(III) Self-bearing of risk

The participants under the Employee Stock Ownership Plan will undertake their own risks for gains or losses, and their equity rights rank pari passu with those of other investors.

**Article 3** Procedures for Implementation of the Employee Stock Ownership Plan

1. Prior to the implementation of the Employee Stock Ownership Plan, the Company shall seek for employees' opinions thoroughly through the employees' representatives meeting and other organizations;
2. When the Board of the Company considers and approves the Draft of the Employee Stock Ownership Plan, independent Directors shall deliver their opinions on the following matters: whether the Employee Stock Ownership Plan is beneficial to the sustainable development of the Company; whether it will impair the interests of the Company and all Shareholders; whether there is any apportionment, mandatory distribution, etc., to force the employees to participate in the Employee Stock Ownership Plan;
3. The Supervisory Committee shall deliver their opinions on the following matters: whether the Employee Stock Ownership Plan is beneficial to the sustainable development of the Company; whether it will impair the interests of the Company and all Shareholders; whether there is any apportionment and mandatory distribution, etc., to force employees to participate in the Employee Stock Ownership Plan;
4. Within two trading days after the Board of the Company approves the Draft of the Employee Stock Ownership Plan, the Company shall announce relevant documents such as the board resolutions, the full text and summary of the Draft of the Employee Stock Ownership Plan, independent Directors' opinions, etc.;
5. The Company shall engage a law firm to issue legal opinions for the Employee Stock Ownership Plan and release the legal opinions before convening the shareholders' general meeting for consideration of the Employee Stock Ownership Plan;
6. The shareholders' general meeting shall be convened to consider the Employee Stock Ownership Plan at which voting will be taken by poll both onsite and via internet. The Employee Stock Ownership Plan shall only be implemented after approval by the Shareholders holding the majority of valid voting rights present at the shareholders' general meeting;
7. The Holders' Meeting shall be convened to elect and appoint members of the Management Committee, and define specific matters in relation to the implementation of the Employee Stock Ownership Plan. Convening and relevant resolutions of the meeting shall be disclosed in a timely fashion;
8. In implementing the Employee Stock Ownership Plan, the Company shall, within 6 months after the Employee Stock Ownership Plan is considered and approved at the shareholders' general meeting, complete the purchase of the Underlying Shares in accordance with the arrangements of the Employee Stock Ownership Plan. Prior to

the completion of position opening of the Underlying Shares, implementation progress of the Employee Stock Ownership Plan shall be announced every month after the approval at the shareholders' general meeting. The time, quantity and proportion of the Underlying Shares held shall be disclosed in interim announcement within 2 trading days after the registration of the Underlying Shares under the Employee Stock Ownership Plan;

9. Other procedures that shall be performed as stipulated by the CSRC and the Stock Exchange.

#### **Article 4** Holders of the Employee Stock Ownership Plan

##### (I) Basis for Determination of Holders

The Holders of the Employee Stock Ownership Plan are determined according to the relevant provisions of relevant laws, regulations and rules including the Company Law, the Securities Law, the Guiding Opinions as well as the Articles of Association. Employees of the Company participate in the Plan in accordance with laws and regulations on a voluntary basis at their own risks.

##### (II) Scope of Holders

The participants of the Employee Stock Ownership Plan are Directors, Supervisors, Senior Management of the Company and management and core personnel of its subsidiaries.

Unless otherwise stipulated in Item (IV) under Section 10 of the Draft of the Employee Stock Ownership Plan, all participants are required to enter into a labor contract or an employment contract with the Company or subsidiaries of the Company during the term of the Employee Stock Ownership Plan.

#### **Article 5** Source of Funds, Source of Shares and Size of the Employee Stock Ownership Plan

##### (I) Source of Funds

The source of funds for the Employee Stock Ownership Plan includes the participants' self-raised funds, funds withdrawn by the Company from incentive payments and other sources as permitted under the laws and administrative regulations. The Company shall withdraw funds from the incentive payments for funding the Employee Stock Ownership Plan in the proportion of the amount of self-raised funds contributed by employees.

The funds raised for the Employee Stock Ownership Plan shall not exceed RMB300 million in total, divided into "units" for subscription and each unit is equal to RMB1.00. The total number of Shares of the Company held by any Holder according to the number

of units he/she subscribed for in the Employee Stock Ownership Plan shall not exceed 0.10% of the total share capital of the Company. The specific number of units held by a Holder of the Employee Stock Ownership Plan is subject to his/her actual amount of contribution upon final confirmation.

Holders of the Employee Stock Ownership Plan shall pay the subscription amount in full and on time according to the subscribed units, and the payment schedule of the Employee Stock Ownership Plan will be notified and arranged centrally by the Company. A Holder who fails to pay the subscription amount on time and in full will automatically lose his/her subscription right.

(II) Source of Shares

Upon the approval of the Draft of the Employee Stock Ownership Plan at the shareholders' general meeting of the Company, the Company will entrust a professional agency with asset management qualifications to establish and manage the Directional Plan in accordance with the laws and policies (hereinafter referred to the "**Directional Plan**"). The maximum amount of proceeds to be raised from the Directional Plan is RMB300 million, divided into "units" for subscription and each unit is equal to RMB1.00.

Within six months after consideration and approval of the Employee Stock Ownership Plan at the shareholders' general meeting, the Directional Plan will obtain and hold Shares of Macalline through purchases from the secondary market or other means as permitted under the laws and regulations and will not purchase shares of other companies.

(III) Size

Since there are uncertainties as to the date, price and funds for the actual purchase of Shares under the Directional Plan due to the implementation of the Employee Stock Ownership Plan and market conditions, the final number of the Underlying Shares is uncertain.

**Article 6** Term and Lock-up Period of the Employee Stock Ownership Plan

(I) Term

1. The term of the Employee Stock Ownership Plan is 24 months, commencing from the date when the Draft of the Employee Stock Ownership Plan is considered and approved at the shareholders' general meeting of the Company and the Company announces the registration of the last tranche of the Underlying Shares under the Directional Plan. The Employee Stock Ownership Plan will be automatically terminated if it is not extended upon the expiry of the term.

2. After the lock-up period of the Employee Stock Ownership Plan expires, the Employee Stock Ownership Plan may be terminated in advance after all the assets held by the Employee Stock Ownership Plan are transferred out and all monetary assets (if any) under the Employee Stock Ownership Plan have been liquidated and distributed.
3. If the Shares of the Company held are still not fully sold or transferred to the Holders of the Employee Stock Ownership Plan, the term of the Employee Stock Ownership Plan may be extended within two months before the expiry of the term of the Employee Stock Ownership Plan, as agreed by the Holders holding more than two-thirds (inclusive) of the total units and attending the Holders' Meeting, and as considered and approved by the Board of the Company.
4. If the Shares of the Company held by the Employee Stock Ownership Plan cannot be fully realized prior to the expiry of the maximum term of the Employee Stock Ownership Plan due to suspension of trading of the Shares or information sensitive period, the term of the Employee Stock Ownership Plan may be extended as agreed by the Holders holding more than two-thirds (inclusive) of the total units and attending the Holders' Meeting, and as considered and approved by the Board.

(II) Lock-up Period

1. The lock-up period of the Underlying Shares allotted to the Directional Plan shall be 12 months, commencing from the date when the Draft of the Employee Stock Ownership Plan is considered and approved at the shareholders' general meeting of the Company and the Company announces the registration of the last tranche of the Underlying Shares under the Directional Plan. The Management Committee will, within 12 months after the expiry of the lock-up period, be entitled to authorize the Asset Management Agency to sell or transfer the purchased Shares of the Company in accordance with the arrangements of the Employee Stock Ownership Plan and the prevailing market conditions.

The Underlying Shares allotted to the Employee Stock Ownership Plan and Shares derived from stock dividend distribution and capitalization of capital reserves by the listed company shall also comply with the above share lock-up arrangements.

2. All relevant entities of the Employee Stock Ownership Plan and the Directional Plan must strictly abide by the market trading rules and the requirement that no shares can be traded during the information sensitive period. All parties must not exploit the Employee Stock Ownership Plan for security frauds such as insider trading and market manipulation.

The aforementioned sensitive period refers to:

- (1) 60 days prior to the announcement of the Company's annual report, including the date of announcement of the annual report, or the period from the last day of the financial year to the date of announcement of the annual report (the shorter one prevails);
- (2) 30 days prior to the review of the announcement of the Company's interim report or quarterly report, including the date of announcement of the interim report or the quarterly report, or the period from the last day of the quarter or the half year to the date of announcement of the periodic report (the shorter one prevails);
- (3) 10 days prior to the release of the Company's results preview or preliminary report;
- (4) The period starting from the date when a material issue, which may significantly affect the Company's share price, occurs or is in the process of decision-making to 2 trading days after its lawful disclosure;
- (5) Other periods as stipulated by the stock exchange.

### CHAPTER III MANAGEMENT OF THE EMPLOYEE STOCK OWNERSHIP PLAN

#### **Article 7** Management Agency and Management Mode of the Employee Stock Ownership Plan

The Employee Stock Ownership Plan will be managed by an appointed professional agency with asset management qualifications and the Holders' Meeting represents the highest internal management authority. Holders' Meeting consists of all Holders of the Employee Stock Ownership Plan. A Management Committee will be elected and authorized by the Holders' Meeting as the manager to take charge of the daily management of the Employee Stock Ownership Plan (including but not limited to reducing the Shares of the Company held under the Employee Stock Ownership Plan upon the expiry of the lock-up period, distributing gains and cash assets to the Holders on behalf of the Employee Stock Ownership Plan, etc.), and exercise the power of Shareholders on behalf of the Holders of the Employee Stock Ownership Plan or authorize an asset management agency to do so. The Company has adopted appropriate risk prevention and isolation measures to properly protect the legitimate interests of the Holders of the Employee Stock Ownership Plan. The Board of the Company shall be responsible for drafting and revising the Employee Stock Ownership Plan, and shall deal with other matters related to the Employee Stock Ownership Plan within the scope of authorization as granted by the shareholders' general meeting.

**Article 8** Holders' Meeting of the Employee Stock Ownership Plan

1. Holders' Meeting is the highest internal management authority of the Employee Stock Ownership Plan. All Holders are entitled to attend and vote at the Holders' Meeting in person or by proxy. The expenses of travel, board and lodging, etc. incurred by the Holders and their proxies to attend the Holders' Meeting shall be borne by the Holders themselves.
2. The following matters shall be considered and discussed at the Holders' Meeting:
  - (1) Election and removal of any members of the Management Committee;
  - (2) Amendment, termination and extension of the term of the Employee Stock Ownership Plan;
  - (3) The Management Committee shall discuss the concrete proposal on financing of the Company through placing of shares, issue of new shares, issue of convertible bonds or other financing methods within the term of the Employee Stock Ownership Plan and submit the proposal to the Holders' Meeting for consideration;
  - (4) Amendment to the Measures for Management of the Employee Stock Ownership Plan;
  - (5) Authorization for the Management Committee to supervise the daily management of the Employee Stock Ownership Plan;
  - (6) Authorization for the Management Committee or the Asset Management Agency to exercise Shareholders' rights;
  - (7) Authorization for the Management Committee to choose and replace the Asset Management Agency, develop and amend relevant administrative rules;
  - (8) Authorization for the Management Committee to be responsible for collaborating with the Asset Management Agency;
  - (9) Other matters that are considered by the Management Committee as necessary for consideration at the Holders' Meeting.
3. The first Holders' Meeting shall be convened and presided over by the secretary to the Board of the Company, and subsequent Holders' Meetings shall be convened by the Management Committee and presided over by the officer of the Management Committee. When the officer of the Management Committee is unable to perform his/her duties, he/she shall appoint a member of the Management Committee to preside over the meeting.

4. To convene a Holders' Meeting, the Management Committee shall send out a notice of meeting in writing 5 days prior to the meeting to all Holders by direct delivery, post, facsimile, electronic mail or other means. The written notice of meeting shall at least include the following details:
- (1) Time and venue of the meeting;
  - (2) Way of convening the meeting;
  - (3) Proposed matters to be considered at the meeting (meeting proposals);
  - (4) Convener and chairman of the meeting and the proposer(s) of extraordinary meeting and his/her (their) written proposals;
  - (5) Meeting materials required for voting;
  - (6) Requirements for the Holders to attend the meeting in person or assign other Holders to attend the meeting on their behalf;
  - (7) Contact person and contact information;
  - (8) Date of issuance of the notice.

In case of any emergency, a Holders' Meeting can be convened by a verbal notice. The verbal meeting notice shall at least include the above clauses (1), (2) and an explanation on the emergency and necessity to convene a Holders' Meeting as soon as possible.

A Holders' Meeting can be convened through teleconference, video conference or similar correspondence means. All the Holders attending the meeting through such means shall be deemed as attending the meeting in person provided that all the Holders attending the meeting can hear and communicate with each other.

5. Voting procedures of the Holders' Meeting
  - (1) After each proposal has been fully discussed, the chairman shall invite Holders attending the meeting to vote in a timely manner. The chairman may also invite Holders attending the meeting to vote only after all proposals for the meeting have been discussed. Voting shall be carried out by paper ballot.
  - (2) The Holders of the Employee Stock Ownership Plan are entitled to voting power based on the number of units held.
  - (3) The Holders may choose to vote for, against or abstain. The Holders attending the meeting shall select one of the aforesaid voting options, and any vote with no option or more than one option indicated will be deemed as abstention. Any Holder who leaves in the course of the meeting without indicating any voting options shall be deemed as abstention from voting. Any vote which is not filled or filled wrongly or with unrecognizable writing or not cast shall be deemed as abstention. Any vote made after the announcement of voting results by the chairman of the meeting or the lapsing of voting period shall not be counted.
  - (4) The chairman of the meeting shall announce the onsite voting results at the spot of the meeting. A proposed resolution shall only become a valid resolution of the Holders' Meeting after being passed by the Holders holding more than half (inclusive) of the total units and attending the Holder's Meeting, unless the consent of more than two-thirds (inclusive) of the total units is required by the Employee Stock Ownership Plan.
  - (5) In the event that a resolution of the Holders' Meeting must be submitted to the Board and the shareholders' general meeting of the Company for consideration, it shall be submitted to the Board and the shareholders' general meeting of the Company for consideration in accordance with the provisions of the Articles of Association;
  - (6) The chairman of the meeting shall arrange for record keeping for the Holders' Meeting.
6. Holders who individually or jointly hold over 30% of the units in the Employee Stock Ownership Plan may submit a temporary proposal to the Holders' Meeting. Such temporary proposal shall be submitted to the Management Committee 3 days before the Holders' Meeting is convened.
7. Holders who individually or jointly hold over 30% of the units in the Employee Stock Ownership Plan may propose to convene a Holders' Meeting.

**Article 9** The Management Committee of the Employee Stock Ownership Plan

1. A management committee shall be set up for the Employee Stock Ownership Plan to supervise the daily management of the Employee Stock Ownership Plan and be responsible for the Employee Stock Ownership Plan.
2. The Management Committee comprises three members with one officer of the Management Committee. All members of the Management Committee shall be elected by the Holders' Meeting. The officer of the Management Committee shall be elected by more than half of all members of the Management Committee. The term of office of members of the Management Committee shall be the term of the Employee Stock Ownership Plan.
3. Members of the Management Committee have the following fiduciary duties to the Employee Stock Ownership Plan in accordance with laws, administrative regulations and the Measures for Management:
  - (1) Not to take advantage of their position and authority to accept bribes or other illegal income; not to occupy any property of the Employee Stock Ownership Plan;
  - (2) Not to misappropriate funds of the Employee Stock Ownership Plan;
  - (3) Without the consent of the Management Committee, not to open personal account under his or her own name or other people's names with the assets or funds of the Employee Stock Ownership Plan as the deposits;
  - (4) Not to lend the funds of the Employee Stock Ownership Plan to other persons or provide guarantee for other persons with the properties of the Employee Stock Ownership Plan without the consent of the Holders' Meeting;
  - (5) Not to take advantage of their positions and authority to jeopardize the interests of the Employee Stock Ownership Plan;
  - (6) Not to arbitrarily disclose the commercial secrets in relation to the Employee Stock Ownership Plan.

Where a member of the Management Committee causes any loss to the Employee Stock Ownership Plan due to his or her breach of fiduciary duties, such a member shall be liable for indemnification.

4. The Management Committee shall discharge the following functions and authority:
  - (1) Convene the Holders' Meetings;
  - (2) Supervise the daily management of the Employee Stock Ownership Plan on behalf of all Holders;
  - (3) Exercise Shareholders' rights of the units held under the Employee Stock Ownership Plan on behalf of all Holders or authorize the Asset Management Agency to exercise Shareholders' rights;
  - (4) Be responsible for collaborating with the Asset Management Agency;
  - (5) Execute relevant agreements or contracts externally on behalf of the Employee Stock Ownership Plan;
  - (6) Manage the allocation of benefits of the Employee Stock Ownership Plan, and decide on the sales and allocation and other matters of the Underlying Shares upon the expiry of the statutory lock-up period and share lock-up period of the Employee Stock Ownership Plan;
  - (7) Register or register for the inheritance of the units of the Employee Stock Ownership Plan;
  - (8) Be responsible for share reduction arrangement of the Employee Stock Ownership Plan;
  - (9) Other functions and authority as delegated by the Holders' Meeting.
  
5. The officer of the Management Committee shall discharge the following functions and authority:
  - (1) Preside over the Holders' Meetings, convene and preside over the Management Committee meetings;
  - (2) Exercise Shareholders' rights on behalf of all Holders as authorized by the Management Committee;
  - (3) Supervise and inspect the execution of resolutions of the Holders' Meetings and the Management Committee;
  - (4) Execute relevant agreements or contracts with external parties on behalf of the Employee Stock Ownership Plan;
  - (5) Other functions and authority as delegated by the Management Committee.

6. The Management Committee meetings shall be convened occasionally by the officer of the Management Committee. Notice of meeting shall be sent out to all members of the Management Committee three days before a meeting is convened. With the consent of all the members of the Management Committee to the proposed matters, the meeting may be convened and the voting be carried out by means of telecommunication.

As agreed by all members of the Management Committee, the despatch of notice can be exempted from the above time limit. Where an interim Management Committee meeting is required to be convened as soon as possible in case of emergency, notice of meeting can be given via telephone or other verbal means, but explanations shall be given by the convenor at the meeting.

7. A Management Committee meeting shall only be held when more than half of the members are present. Meeting resolutions shall be valid only upon obtaining approval from more than half of all members of the Management Committee. The voting for resolutions of the Management Committee shall follow the one-person one-vote principle.
8. Voting for resolutions of the Management Committee shall be conducted by way of open ballot. Provided that members of the Management Committee can fully express their views, the Management Committee meeting can be conducted and resolutions can be passed by means of facsimile and such resolutions shall be signed by members of the Management Committee attending the meeting.
9. Members of the Management Committee shall attend the Management Committee meetings in person. For any member who cannot attend the meetings in person, he/she can appoint other member(s) of the Management Committee as his/her proxy(ies) in writing to attend the meetings. A form of proxy shall be signed or sealed by the authorizer with the name(s) of the proxy(ies), and the matters, scope and validity period of the authorization being specified. The authorized member of the Management Committee shall exercise his/her rights as a member of the Management Committee within the scope of authorization. For any Management Committee member who neither attends the meetings nor authorizes another member as his/her proxy, he/she will be deemed to abstain from voting at the meetings.
10. The Management Committee shall take minutes of the matters discussed at the meeting, and all members of the Management Committee attending the meeting shall sign on the minutes.

11. Minutes of the Management Committee meetings shall include the following items:
- (1) Date, venue and name of the convener of the meeting;
  - (2) Attendance of the members of the Management Committee and the appointed proxies attending the Management Committee meeting;
  - (3) The agenda;
  - (4) Key points in the statements of the members of the Management Committee;
  - (5) Way of voting for each resolution and the respective voting results (stating clearly the number of votes for, against and abstained respectively).

**Article 10** Holders of the Employee Stock Ownership Plan

1. The rights of Holders are as follows:
- (1) Be entitled to the interests in assets under the Employee Stock Ownership Plan to the extent of the number of units of the Employee Stock Ownership Plan held by them;
  - (2) Attend the Holders' Meeting and exercise corresponding voting rights in person or by proxy;
  - (3) Supervise the management of the Employee Stock Ownership Plan and propose suggestions or inquiry thereon;
  - (4) Other rights as specified by laws, administrative regulations, departmental rules or the Employee Stock Ownership Plan.
2. Obligations of Holders:
- (1) Comply with the relevant provisions under laws, administrative regulations, departmental rules or the Employee Stock Ownership Plan;
  - (2) Pay subscription proceeds in accordance with the number of units and method of which the units are subscribed by them under the Employee Stock Ownership Plan;
  - (3) Share the investment risk in relation to the Employee Stock Ownership Plan to the extent of the number of units of the Employee Stock Ownership Plan held by them;
  - (4) Abide by the Measures for Management of the Employee Stock Ownership Plan;

- (5) Within the term of the Employee Stock Ownership Plan, the units of the Employee Stock Ownership Plan held by the Holders shall not be transferred, withdrawn, used for guarantee and debts repayment or subject to other similar disposals;
- (6) Within the term of the Employee Stock Ownership Plan, the Holders shall not request the distribution of the assets of the Employee Stock Ownership Plan;
- (7) Waive the voting rights of the units of the Company indirectly held due to the participation in the Employee Stock Ownership Plan;
- (8) Other obligations as specified by laws, administrative regulations and the Employee Stock Ownership Plan.

**Article 11** Management Agency of the Employee Stock Ownership Plan

Upon the establishment of the Employee Stock Ownership Plan, all assets will be used for the subscription of the Directional Plan and all assets of the Directional Plan will be managed by the Asset Management Agency entrusted by the Company. The Asset Management Agency shall protect the legitimate interests of the Employee Stock Ownership Plan in accordance with relevant rules on asset management issued by the CSRC and other regulatory authorities and the provisions in the legal documents in relation to the Employee Stock Ownership Plan and ensure that the assets under the Employee Stock Ownership Plan will not be embezzled.

**CHAPTER IV ASSET COMPOSITION AND DISTRIBUTION OF RIGHTS AND  
INTERESTS OF THE EMPLOYEE STOCK OWNERSHIP PLAN****Article 12** Asset Composition of the Employee Stock Ownership Plan

1. Rights and interests corresponding to the Shares of the Company: The current Employee Stock Ownership Plan is entitled to the corresponding interests of the Shares of the Company held by the Directional Plan by subscribing for the entitlements in the Directional Plan in full;
2. Cash deposits and bank interest;
3. Assets arising from other investments with the Stock Ownership Plan.

The assets under the Employee Stock Ownership Plan are fixed assets independent of the assets owned by the Company. The Company shall not include the assets of the Employee Stock Ownership Plan into its own assets. The properties and profits acquired from the management, utilization, etc. of the Employee Stock Ownership Plan shall be included into the assets of the Employee Stock Ownership Plan.

**Article 13** Distribution of Rights and Interests of the Employee Stock Ownership Plan

1. Within the term of the Employee Stock Ownership Plan, unless otherwise stipulated in laws, administrative regulations and departmental rules or upon consent of the Management Committee, the units of the Employee Stock Ownership Plan held by the Holders shall not be transferred, used for guarantee or subject to other similar disposals.
2. Within the term, the Holders shall not request the distribution of rights and interests of the Employee Stock Ownership Plan.
3. When the term of the Employee Stock Ownership Plan expires or it is terminated in advance, the Management Committee shall, according to the authorization by the Holders' Meeting, wind up the Plan after deduction of relevant taxes and fees pursuant to laws, and arrange for distribution according to the units held by the Holders within 30 working days beginning from the expiry date or termination date.

**CHAPTER V AMENDMENT AND TERMINATION OF THE EMPLOYEE STOCK OWNERSHIP PLAN AND DISPOSAL OF RIGHTS AND INTERESTS OF HOLDERS****Article 14** Change of Actual Control, Consolidation and Division of the Company

In case of any changes in the controlling Shareholder or the de facto controller of the Company for any reasons, no amendment shall be made to the Employee Stock Ownership Plan.

**Article 15** Amendment to the Employee Stock Ownership Plan

Within the term, any amendment to the Employee Stock Ownership Plan shall be passed by the Holders holding more than two-thirds (inclusive) of the total units and attending the Holders' Meeting and be submitted to the Board of the Company for consideration and approval.

**Article 16** Termination of the Employee Stock Ownership Plan

1. The Employee Stock Ownership Plan will be terminated automatically after the expiry of the term;
2. After the lock-up period of the Employee Stock Ownership Plan expires, if the assets held under the Employee Stock Ownership Plan are all monetary funds and have been liquidated and distributed, the Employee Stock Ownership Plan can be terminated in advance;

3. If the Shares of the Company held are still not fully sold or transferred to the Holders of the Employee Stock Ownership Plan, the term of the Employee Stock Ownership Plan may be extended within two months before the expiry of the term of the Employee Stock Ownership Plan, as agreed by the Holders holding more than two-thirds (inclusive) of the total units and attending the Holders' Meeting, and as considered and approved by the Board of the Company;
4. Where the Company's Shares held under the Employee Stock Ownership Plan cannot be fully realized prior to the expiry of the maximum term due to suspension of trading of the Shares of the Company or short trading window, the term of the Employee Stock Ownership Plan may be extended as agreed by the Holders holding more than two-thirds (inclusive) of the total units and attending the Holders' Meeting and considered and approved by the Board of the Company.

**Article 17** Disposal of Rights and Interests of the Holders

1. Within the term, the rights and interests of the Holders held under the Employee Stock Ownership Plan shall neither be withdrawn nor be mortgaged, pledged, guaranteed or used for debts repayment.
2. Within the term, the rights and interests of the Holders held under the Employee Stock Ownership Plan shall not be transferred without the consent of the Management Committee. Any transfer without consent shall be void and null.
3. Upon occurrence of (a) – (g) below, the rights and interests shall be disposed of in accordance with clause (i) or clause (ii) depending on the time of occurrence:
  - a. both parties agree not to renew the labor contract or employment contract upon its expiry;
  - b. early termination of the labor contract or employment contract by a Holder upon mutual agreement with the Company;
  - c. the Company's unilateral termination or cancellation of a Holder's labor contract or employment contract due to operational considerations;
  - d. change of position of the Holders or failure to meet the conditions of relevant position or eligibility requirements for participating in the Employee Stock Ownership Plan due to internal decision of the Company;
  - e. unilateral termination or cancellation of labor contract or employment contract by a Holder without mutual agreement with the Company;

- f. termination or cancellation of labor contract or employment contract by the Company due to personal reasons of a Holder (including being dismissed or removed by the Company);
  - g. other circumstances where the Management Committee determines that a Holder is not eligible to participate in the Plan.
    - (i) If any of the above happens during the term and prior to the liquidation of the Plan, the Shares that are purchased with the incentive payments withdrawn by the Company in the funds shall be acquired by the Management Committee without compensation, and the amount received from the disposal at an appropriate time shall be distributed among the remaining Holders in proportion to their respective units held upon expiry of the term or early liquidation (whichever is earlier). Shares that are purchased with the self-raised funds shall be disposed of by the Management Committee at an appropriate time, and the amount received from the disposal shall be returned to the individuals upon expiry of the term or early liquidation (whichever is earlier) according to the units they hold at that time;
    - (ii) If any of the above happens during the period when the Plan is extended, the Shares that are purchased with the incentive payments withdrawn by the Company or the self-raised funds will be retained and be disposed of by the Management Committee at an appropriate time, and the amount received will be returned to the individuals within 3 months from the date of occurrence of such circumstance according to the units the individuals hold at that date of occurrence.
4. Upon occurrence of any one of the following circumstances, the Management Committee may decide that the interests held by the Holders shall remain unchanged:
- a. loss of working capacity;
  - b. resignation from his office in the Company due to organizational restructuring;
  - c. retirement;
  - d. death, and the rights and interests shall be obtained by his designated estate successor or legal successor;
  - e. other reasons which the Management Committee considers appropriate that cause the Holder to cease to hold any position in the Company.

In the event of any matters not covered, the disposal of the units in the Employee Stock Ownership Plan held by the Holders shall be determined through negotiation between the Company and the Management Committee.

**Article 18** Measures for Disposal of Shares upon Expiry of the Term of the Employee Stock Ownership Plan

1. If all Shares of the Company held under the Directional Plan are sold or transferred to the Holders of the units in the Employee Stock Ownership Plan and the liquidation and distribution of the assets under the Employee Stock Ownership Plan have been completed according to the requirements of the Employee Stock Ownership Plan, the Employee Stock Ownership Plan shall be terminated.
2. If the Shares of the Company held under the Employee Stock Ownership Plan are not all sold or transferred to the Holders of the units in the Employee Stock Ownership Plan within two months prior to the expiry of the term of the Employee Stock Ownership Plan, the term of the Employee Stock Ownership Plan may be extended as agreed by the Holders holding more than two-thirds (inclusive) of the total units and attending the Holders' Meeting, and as considered and approved by the Board of the Company.
3. In case of early termination or upon expiry of the term of the Employee Stock Ownership Plan, the Management Committee shall, according to the authorization of the Holders' Meeting, liquidate the assets under the Employee Stock Ownership Plan, complete the liquidation within 30 working days after the termination or expiry of the term and arrange distribution based on the units held by the Holders after deducting relevant taxes and fees according to laws.

**CHAPTER VI SUPPLEMENTARY PROVISIONS**

**Article 19** The Measures for Management shall be implemented upon the consideration and approval by the shareholders' general meeting of the Company.

**Article 20** The matters not covered in the Measures for Management will be further negotiated by the Board, the Management Committee and the Holders.

**Article 21** The right of interpretation of the Measures for Management shall belong to the Board.

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

6 February 2021

**ILLUSTRATION ON THE ADOPTION OF CUMULATIVE VOTING SYSTEM IN THE  
ELECTION OF DIRECTORS, INDEPENDENT DIRECTORS AND SUPERVISORS**

1. The election of directors, the election of independent directors and the election of supervisors from respective candidates at the general meeting will be respectively numbered as separate groups of resolutions. Investors shall vote on each candidate under each group of resolutions.
2. The number of shares declared shall represent the votes to be cast for the elections. For each group of resolutions, the total number of votes to which a shareholder is entitled for each share held by himself/herself shall be equal to the number of directors or supervisors to be elected under that particular group of resolutions. If a shareholder holds 100 shares of a listed company, and there are 10 directors to be elected at the general meeting with 12 candidates taking part in the election of directors, such shareholder shall be entitled to a total number of 1,000 votes in respect of that particular group of resolutions on the election of the members of the Board.
3. Voting of shareholders shall be confined to the number of votes to which he/she/it is entitled in respect of each group of resolutions. Shareholders may cast their votes at their own discretion by casting his/her/its votes on one candidate or on different candidates in any combination. Upon completion of the voting, the votes will be counted cumulatively in respect of each of the resolutions.

## 4. Illustration:

A listed company convenes a general meeting for the election of members of the Board and Supervisory Committee by way of cumulative voting system, and there are six candidates to be elected for five positions as directors, three candidates for two positions as independent directors, and three candidates for two positions as supervisors. The matters required to be voted by poll are as follows:

<b>Resolutions effected by cumulative voting</b>		
4.00	Resolution on the election of directors	Number of votes
4.01	e.g. CHEN xx	
4.02	e.g. ZHAO xx	
4.03	e.g. JIANG xx	
.....	.....	
4.06	e.g. SONG xx	
5.00	Resolution on the election of independent directors	Number of votes
5.01	e.g. ZHANG xx	
5.02	e.g. WANG xx	
5.03	e.g. YANG xx	
6.00	Resolution on the election of supervisors	Number of votes
6.01	e.g. LI xx	
6.02	e.g. CHEN xx	
6.03	e.g. HUANG xx	

If an investor holds 100 shares in the company upon close of trading on the equity registration date, under cumulative voting system, such investor will be entitled to 500 votes for resolution 4.00 titled “Resolution on the election of directors”, 200 votes for resolution 5.00 titled “Resolution on the election of independent directors” and 200 votes for resolution 6.00 titled “Resolution on the election of supervisors”.

Such investor may vote on the resolution 4.00 at his/her/its own discretion within the limit of 500 votes. Such investor may concentrate those 500 votes on one candidate, or vote for different candidates dispersedly with any combination of the votes.

As shown in the table below:

No.	Name of Resolution	Number of votes			
		Method 1	Method 2	Method 3	Method..
4.00	Resolution on the election of directors	–	–	–	–
4.01	e.g. CHEN xx	500	100	100	
4.02	e.g. ZHAO xx	0	100	50	
4.03	e.g. JIANG xx	0	100	200	
.....	.....	.....	.....	.....	
4.06	e.g. SONG xx	0	100	50	

5. Under the cumulative voting system, “Against” and “Abstain” votes will be considered invalid.

---

## NOTICE OF THE 2021 FIRST EXTRAORDINARY GENERAL 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 2021 FIRST EXTRAORDINARY GENERAL MEETING**

**NOTICE IS HEREBY GIVEN** that the 2021 first extraordinary general meeting (the “**EGM**”) of Red Star Macalline Group Corporation Ltd. (the “**Company**”) will be held at 2:00 p.m. on Friday, 19 March 2021 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**”) for the purpose of considering, and if thought fit, passing the following resolutions:

### **ORDINARY RESOLUTIONS**

1. The resolution in respect of the third phase of the Employee Stock Ownership Plan (draft) of Red Star Macalline Group Corporation Ltd. and its extracts.
2. The resolution in respect of measures for management of the third phase of the Employee Stock Ownership Plan of Red Star Macalline Group Corporation Ltd.
3. The resolution in respect of authorization to the Board to handle matters in connection with the third phase of the Employee Stock Ownership Plan of the Company by the general meeting.

By order of the Board

**Red Star Macalline Group Corporation Ltd.**

**GUO Binghe**

*Vice Chairman*

Hong Kong

9 February 2021

---

## NOTICE OF THE 2021 FIRST EXTRAORDINARY GENERAL MEETING

---

*Notes:*

1. For the purpose of holding the EGM, the register of members of the Company will be closed from Tuesday, 16 March 2021 to Friday, 19 March 2021 (both days 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 EGM, 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, no later than 4:30 p.m. on Monday, 15 March 2021 for registration.

The shareholders of the Company (the "**Shareholders**") whose names appear on the register of members of the Company on Tuesday, 16 March 2021 are entitled to attend and vote at the EGM.

2. The Shareholders who are entitled to attend and vote at the EGM may appoint one or more proxies to attend and vote on their behalves. A proxy need not to be a Shareholder of the Company.
3. The instrument appointing a proxy must be in writing under the hand of a Shareholder or his/her attorney duly authorized 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 authorized to sign the same on its behalf.
4. 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 EGM. If the proxy form is signed by a person under the power of attorney or other authority, a notarized 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 EGM or any adjourned meetings should they so wish.
5. Shareholders shall produce their identification documents and supporting documents in respect of the shares of the Company held when attending the EGM. If corporate Shareholders appoint authorized representatives to attend the EGM, the authorized representatives shall produce their identification documents and a notarized copy of the relevant authorization instrument signed by the board of directors or other authorized parties of the corporate Shareholders or other notarized documents allowed by the Company. Proxies shall produce their identification documents and the proxy form signed by the Shareholders or their attorney when attending the EGM.
6. The EGM is expected to last for less than half a day. Shareholders attending the EGM shall be responsible for their own travel and accommodation expenses.
7. All voting at the EGM will be conducted by poll.

---

**SUPPLEMENTAL NOTICE OF THE 2021 FIRST  
EXTRAORDINARY GENERAL 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)**

**SUPPLEMENTAL NOTICE OF THE 2021 FIRST  
EXTRAORDINARY GENERAL MEETING**

**NOTICE IS HEREBY GIVEN** that a notice has been issued on 9 February 2021 in relation to the 2021 First Extraordinary General Meeting (the “EGM” or the “**2021 First EGM**”) of Red Star Macalline Group Corporation Ltd. (the “**Company**”), which will be held at 2:00 p.m. on Friday, 19 March 2021 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**”) for resolutions set out in the notice. Unless indicated otherwise, capitalized terms used in this supplemental notice shall have the same meanings as those defined in the circular of the Company dated 25 February 2021.

**SUPPLEMENTAL NOTICE IS HEREBY GIVEN** that the EGM will be held as originally scheduled, for the purposes of considering and, if thought fit, approving the following resolution in addition to the resolutions set out in the notice of the EGM of the Company dated 9 February 2021:

**ORDINARY RESOLUTION EFFECTED BY CUMULATIVE VOTING SYSTEM**

4. Resolution on the addition of Mr. CHEN Chaohui as a non-executive Director of the fourth session of the Board of the Company.

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

Hong Kong  
25 February 2021

---

## SUPPLEMENTAL NOTICE OF THE 2021 FIRST EXTRAORDINARY GENERAL MEETING

---

*Notes:*

1. Save for the inclusion of the newly proposed resolution, there are no other changes to the resolutions set out in the notice of the 2021 First EGM dated 9 February 2021. Please refer to the notice of the 2021 First EGM of the Company dated 9 February 2021 and the circular of the 2021 First EGM of the Company dated 25 February 2021 for details of the other resolutions to be considered and approved at the 2021 First EGM and other relevant matters.
2. Since the proxy form sent by the Company on 9 February 2021 together with the notice (the “**First Proxy Form**”) does not contain the additional resolution as set out in this supplemental notice, a supplemental proxy form (the “**Supplemental Proxy Form**”) (with the aforesaid additional resolution) has been prepared and is enclosed with this supplemental notice. This Supplemental Proxy Form is for the purpose of the additional resolution set out in the supplemental notice and only serves as a supplement to the First Proxy Form. This Supplemental Proxy Form will not affect the validity of the First Proxy Form duly completed and sent to the H Share registrar of the Company.
3. If a Shareholder has properly completed and submitted only the First Proxy Form in accordance with the instructions set out therein, the appointed proxy will vote on the resolutions set out in the First Proxy Form per the Shareholder’s direction and he is entitled to vote or abstain at his/her discretion on the resolution set out in the Supplemental Proxy Form. Similarly, if a Shareholder has properly completed and submitted only the Supplemental Proxy Form in accordance with the instructions set out therein, the appointed proxy will vote on the resolution set out in the Supplemental Proxy Form per the Shareholder’s direction and he is entitled to vote or abstain at his/her discretion on the resolutions set out in the First Proxy Form. If a Shareholder wishes to provide specific direction to his/her proxy regarding the voting of all resolutions set out in the First Proxy Form and the Supplemental Proxy Form, he/she should duly complete and submit both proxy forms in accordance with the instructions set out therein.
4. Pursuant to the notice of the 2021 First EGM published by the Company on 9 February 2021, the register of members of the Company will be closed from Tuesday, 16 March 2021 to Friday, 19 March 2021 (both days inclusive). In order for H Share Shareholders to be qualified to attend and vote at the EGM, 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, no later than 4:30 p.m. on Monday, 15 March 2021 for registration.  
  
Shareholders whose names appear on the share register of the Company on Tuesday, 16 March 2021 are entitled to attend and vote at the 2021 First EGM.
5. The Shareholders who are entitled to attend and vote at the 2021 First EGM may appoint one or more proxies to attend and vote on their behalves. A proxy need not to be a Shareholder.
6. The instrument appointing a proxy must be in writing under the hand of a Shareholder or his/her attorney duly authorized 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 authorized to sign the same on its behalf.
7. In order to be valid, the First Proxy Form and the Supplemental 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 2021 First EGM. If the First Proxy Form and/or the Supplemental Proxy Form is/are signed by a person under the power of attorney or other authority, a notarized copy of that power of attorney or other authority shall be deposited at the same time as mentioned in the First Proxy Form and/or the Supplemental Proxy Form. Completion and return of the First Proxy Form and the Supplemental Proxy Form will not preclude Shareholders from attending and voting in person at the 2021 First EGM or any adjourned meetings should they so wish.

---

## SUPPLEMENTAL NOTICE OF THE 2021 FIRST EXTRAORDINARY GENERAL MEETING

---

8. Shareholders shall produce their identification documents and supporting documents in respect of the shares of the Company held when attending the 2021 First EGM. If corporate shareholders appoint authorized representative to attend the 2021 First EGM, the authorized representative shall produce his/her identification documents and a notarized copy of the relevant authorization instrument signed by the board of directors or other authorized parties of the corporate shareholders or other notarized documents allowed by the Company. Proxies shall produce their identification documents and the proxy forms signed by the Shareholders or their attorney when attending the 2021 First EGM.
9. The 2021 First EGM is expected to take for less than half a day. Shareholders attending the 2021 First EGM shall be responsible for their own travel and accommodation expenses.
10. All voting at the 2021 First EGM will be conducted by poll.
11. Regarding ordinary resolution number 4, cumulative voting system will be used. The term “cumulative voting system” means that, when the shareholders’ meeting is electing directors, each share represents the voting rights equivalent to the number of the directors to be elected under that resolution. The voting rights owned by shareholders can be used in a concentrated or distributed manner, i.e. the shareholders may use all of the votes concentrating on one particular person, or may distribute the votes for electing the number of directors to be elected or several of them (whether the votes are equally or arbitrarily distributed to those directors).

When the total votes cast by a shareholder on those or some candidate directors exceed the total votes to which he/she is entitled, all the votes cast will become invalid and be regarded as abstain votes; when the total votes cast by a shareholder for those or some candidate directors are equal to or less than the total votes to which he/she is entitled, the votes are valid and the remaining outstanding votes will be regarded as abstain votes.

Where the “For” votes cast for a particular candidate for director are more than half of the total number of shares held by all shareholders attending (before cumulation) and where the “For” votes exceed the “Against” votes, the candidate in question will be considered to have been elected. Where the elected directors at the general meeting are less than directors to be elected, new rounds of voting are required to be held for election of the remaining directors until the number of directors to be elected is fulfilled. When holding a new round of voting for electing directors, the general meeting shall recount the number of cumulative votes of Shareholders based on the number of candidates to be elected in each round of election.

The director candidates whose votes represent a majority of the voting rights are elected as directors. Independent directors and other directors shall be elected separately.