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## THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

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

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### Red Star Macalline Group Corporation Ltd.

### 紅星美凱龍家居集團股份有限公司

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

(Stock Code: 1528)

- (1) WORK REPORT OF THE BOARD OF THE COMPANY FOR 2020
- (2) WORK REPORT OF THE SUPERVISORY COMMITTEE OF THE COMPANY FOR 2020
- (3) FINAL ACCOUNT REPORT OF THE COMPANY FOR 2020
- (4) FINANCIAL BUDGET REPORT OF THE COMPANY FOR 2021
- (5) ANNUAL REPORT AND ANNUAL RESULTS OF THE COMPANY FOR THE YEAR ENDED 31 DECEMBER 2020
- (6) PROFIT DISTRIBUTION PLAN OF THE COMPANY FOR 2020
- (7) RESOLUTION CONCERNING THE REMUNERATION OF DIRECTORS OF THE COMPANY FOR 2020
- (8) RESOLUTION CONCERNING THE REMUNERATION OF SUPERVISORS OF THE COMPANY FOR 2020
- (9) RESOLUTION CONCERNING THE RE-APPOINTMENT OF THE AUDITOR FOR THE FINANCIAL REPORT AND THE INTERNAL CONTROL AUDITOR FOR THE YEAR 2021
- (10) RESOLUTION IN RELATION TO THE EXTENSION OF THE VALIDITY PERIOD OF THE RESOLUTION ON THE NON-PUBLIC ISSUANCE OF A SHARES OF THE COMPANY AND
- (11) RESOLUTION ON THE EXTENSION OF THE VALIDITY PERIOD OF THE AUTHORIZATION GRANTED BY THE GENERAL MEETING TO THE BOARD TO HANDLE MATTERS IN RELATION TO THE NON-PUBLIC ISSUANCE OF SHARES OF THE COMPANY

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A letter from the Board is set out on pages 3 to 6 of this circular.

The AGM will be held as originally scheduled at 2:00 p.m. on Tuesday, 18 May 2021, at Conference Center, 3/F, South Building, Block B, Red Star Macalline Headquarters, Lane 1466, Shenchang Road, Minhang District, Shanghai, the PRC. For details, please refer to the notice of the AGM dated 19 April 2021 published on the websites of the Hong Kong Stock Exchange and the Company. Proxy form for the AGM were despatched to the Shareholders in conjunction with the notice of the AGM.

The H Shareholders' Class Meeting will be held as originally scheduled at 4:00 p.m. (or immediately after the conclusion of the A Shareholders' Class Meeting) on Tuesday, 18 May 2021, at Conference Center, 3/F, South Building, Block B, Red Star Macalline Headquarters, Lane 1466, Shenchang Road, Minhang District, Shanghai, the PRC. For details, please refer to the notice of the H Shareholders' Class Meeting dated 19 April 2021 published on the websites of the Hong Kong Stock Exchange and the Company. Proxy form for the H Shareholders' Class Meeting were despatched to the Shareholders in conjunction with the notice of the H Shareholders' Class Meeting.

Shareholders who intend to appoint a proxy to attend the AGM/or H Shareholders' Class Meeting shall complete and return the proxy form in accordance with the instructions printed thereon. The proxy form must be signed by you or your attorney duly 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 documents 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 AGM/or H Shareholders' Class Meeting, either in person or by proxy in respect of such Shares.

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

26 April 2021

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

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## DEFINITIONS

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

“2020 Meetings”	2019 annual general meeting, the A shareholders’ class meeting and the H shareholders’ class meeting held on 18 June 2020
“A Share(s)”	the ordinary share(s) issued by the Company, with a nominal value of RMB1.0 each, listed on the Shanghai Stock Exchange and traded in RMB
“A Share Shareholder(s)”	the holder(s) of the A Share(s)
“A Shareholders’ Class Meeting”	the A shareholders’ class meeting to be convened and held on 18 May 2021
“AGM” or “Annual General Meeting”	the 2020 annual general meeting to be convened and held on 18 May 2021
“Articles of Association”	the articles of association of the Company
“Board”	the board of directors of the Company
“Class Meetings”	the A Shareholders’ Class Meeting and the H Shareholders’ Class Meeting
“Company”	Red Star Macalline Group Corporation Ltd. (紅星美凱龍家居集團股份有限公司), a sino-foreign joint stock limited company incorporated in the PRC, the H Shares of which are listed and traded on the main board of the Hong Kong Stock Exchange (stock code: 1528)
“Company Law”	the Company Law of the People’s Republic of China
“CSRC”	the China Securities Regulatory Commission
“Director(s)”	the director(s) of the Company
“Group” or “We”	the Company and its subsidiaries
“H Share(s)”	overseas-listed foreign invested ordinary share(s) with a nominal value of RMB1.0 each in the share capital of the Company, which is/are listed and traded on the Hong Kong Stock Exchange and traded in Hong Kong dollars

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## DEFINITIONS

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“H Share Shareholder(s)”	the holder(s) of the H Share(s)
“H Shareholders’ Class Meeting”	the H shareholders’ class meeting to be convened and held on 18 May 2021
“HK\$” or “HK dollars”	Hong Kong dollars, the lawful currency of Hong Kong
“HKSCC”	Hong Kong Securities Clearing Company Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“PRC”	the People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	A Share(s) and H Share(s)
“Shareholder(s)”	the A Share Shareholder(s) and the H Share Shareholder(s)
“SSE”	the Shanghai Stock Exchange
“Subsidiary(ies)”	has the meanings ascribed to it under the Listing Rules
“Supervisor(s)”	supervisor(s) of the Supervisory Committee
“Supervisory Committee”	the supervisory committee of the Company

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## LETTER FROM THE BOARD

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### Red Star Macalline Group Corporation Ltd. 紅星美凱龍家居集團股份有限公司

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

(Stock Code: 1528)

*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  
Mr. CHEN Zhaohui

*Independent Non-executive Directors:*

Mr. QIAN Shizheng  
Mr. LEE Kwan Hung, Eddie  
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  
PRC

*Principal place of business  
in Hong Kong:*

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

26 April 2021

*To the Shareholders*

Dear Sir or Madam,

- (1) WORK REPORT OF THE BOARD OF THE COMPANY FOR 2020
- (2) WORK REPORT OF THE SUPERVISORY COMMITTEE OF THE COMPANY FOR 2020
- (3) FINAL ACCOUNT REPORT OF THE COMPANY FOR 2020
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- (9) RESOLUTION CONCERNING THE RE-APPOINTMENT OF THE AUDITOR FOR THE FINANCIAL REPORT AND THE INTERNAL CONTROL AUDITOR FOR THE YEAR 2021
- (10) RESOLUTION IN RELATION TO THE EXTENSION OF THE VALIDITY PERIOD OF THE RESOLUTION ON THE NON-PUBLIC ISSUANCE OF A SHARES OF THE COMPANY  
AND
- (11) RESOLUTION ON THE EXTENSION OF THE VALIDITY PERIOD OF THE AUTHORIZATION GRANTED BY THE GENERAL MEETING TO THE BOARD TO HANDLE MATTERS IN RELATION TO THE NON-PUBLIC ISSUANCE OF SHARES OF THE COMPANY

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## LETTER FROM THE BOARD

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### 1. INTRODUCTION

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

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

Ordinary resolutions to be proposed at the AGM for the Shareholders to consider and approve include: (a) the work report of the Board of the Company for 2020; (b) the work report of the Supervisory Committee of the Company for 2020; (c) the final account report of the Company for 2020; (d) the financial budget report of the Company for 2021; (e) the annual report and annual results of the Company for the year ended 31 December 2020; (f) the profit distribution plan of the Company for 2020; (g) the resolution concerning the remuneration of Directors of the Company for 2020; (h) the resolution concerning the remuneration of Supervisors of the Company for 2020; and (i) the resolution concerning the re-appointment of the auditor for the financial report and the internal control auditor for the year 2021.

Special resolutions to be proposed at the AGM for consideration and approval includes: (a) the resolution in relation to the extension of the validity period of the resolution on the non-public issuance of A Shares of the Company; and (b) the resolution on the extension of the validity period of the authorization granted by the general meeting to the Board to handle matters in relation to the non-public issuance of shares of the Company.

Special resolutions to be proposed at the Class Meetings for consideration and approval includes: (a) the resolution in relation to the extension of the validity period of the resolution on the non-public issuance of A Shares of the Company; and (b) the resolution on the extension of the validity period of the authorization granted by the general meeting to the board to handle matters in relation to the non-public issuance of shares of the Company.

Details of the matters to be considered at the AGM and the Class Meetings are set out on pages 7 to 15 in this circular. In order to enable you to have a better understanding of the resolutions to be proposed at the AGM and the Class Meetings and to make well-informed decisions, the Company has provided detailed information in this circular, including matters to be considered at the 2020 AGM and the Class Meetings (see Appendix I), the work report of the Board for 2020 (see Appendix II), the work report of the Supervisory Committee for 2020 (see Appendix III), the final account report of the Company for 2020 (see Appendix IV), the financial budget report of the Company for 2021 (see Appendix V), the resolution on the proposed non-public issuance of A Shares passed on 18 June 2020 (see Appendix VI); and the resolution on the authorization to the Board to deal with the non-public issuance of A Shares with full discretion passed on 18 June 2020 (see Appendix VII).

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## LETTER FROM THE BOARD

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### 3. THE AGM AND THE CLASS MEETINGS

The AGM will be held as originally scheduled at 2:00 p.m. on Tuesday, 18 May 2021, at Conference Center, 3/F, South Building, Block B, Red Star Macalline Headquarters, Lane 1466, Shenchang Road, Minhang District, Shanghai, the PRC. For details, please refer to the notice of the AGM dated 19 April 2021 published on the websites of the Hong Kong Stock Exchange and the Company. Relevant proxy form for the AGM were despatched to the Shareholders in conjunction with the notice of the AGM.

The H Shareholders' Class Meeting will be held as originally scheduled at 4:00 p.m.(or immediately after the conclusion of the A Shareholders' Class Meeting) on Tuesday, 18 May 2021, at Conference Center, 3/F, South Building, Block B, Red Star Macalline Headquarters, Lane 1466, Shenchang Road, Minhang District, Shanghai, the PRC. For details, please refer to the notice of the H Shareholders' Class Meeting dated 19 April 2021 published on the websites of the Hong Kong Stock Exchange and the Company. Relevant proxy form for the H Shareholders' Class Meeting were despatched to the Shareholders in conjunction with the notice of the H Shareholders' Class Meeting.

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

Pursuant to the Articles of Association, for the purpose of holding the AGM/H Shareholders' Class Meeting, the register of members of H Shares will be closed from Thursday, 13 May 2021 to Tuesday, 18 May 2021 (both dates inclusive), during this period no transfer of H Shares will be registered. H Share Shareholders whose names appear on the register of members of the Company on Wednesday, 12 May 2021 after close of business are entitled to attend and vote at the AGM/H Shareholders' Class Meeting. For information about A Share Shareholders' attendance at the AGM/A Shareholders' Class Meeting, please see the A Share announcement published by the Company on the website of the SSE.

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## LETTER FROM THE BOARD

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In order to attend and vote at the AGM/H Shareholders' Class Meeting, H Share Shareholders shall lodge all transfer documents together with the relevant share certificates to Computershare Hong Kong Investor Services Limited, the Company's H Share registrar, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on Wednesday, 12 May 2021.

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

#### **4. RECOMMENDATION**

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

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

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

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

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**APPENDIX I      MATTERS TO BE CONSIDERED AT THE 2020 AGM**

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**A. TO CONSIDER AND APPROVE THE WORK REPORT OF THE BOARD OF THE COMPANY FOR 2020**

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

**B. TO CONSIDER AND APPROVE THE WORK REPORT OF THE SUPERVISORY COMMITTEE OF THE COMPANY FOR 2020**

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

**C. TO CONSIDER AND APPROVE THE FINAL ACCOUNT REPORT OF THE COMPANY FOR 2020**

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

**D. TO CONSIDER AND APPROVE THE FINANCIAL BUDGET REPORT OF THE COMPANY FOR 2021**

The financial budget report for 2021 has been considered and approved by the Board and is hereby proposed at the AGM for Shareholders' consideration and approval, details of which are set out in Appendix V to this circular.

**E. TO CONSIDER AND APPROVE THE ANNUAL REPORT AND ANNUAL RESULTS OF THE COMPANY FOR THE YEAR ENDED 31 DECEMBER 2020**

The Board will submit the 2020 Annual Report and Summary of the Company (A Shares), the Annual Results for the year ended 31 December 2020 of the Company and the Annual Report for the year ended 31 December 2020 of the Company (H Shares) to the Shareholders' general meeting for consideration, which complies with the procedural requirements of the Articles of Association for the proposal of resolutions at and convening of the Shareholders' general meeting.

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

**F. TO CONSIDER AND APPROVE THE PROFIT DISTRIBUTION PLAN OF THE COMPANY FOR 2020**

The profit distribution plan of the Company for 2020 is as follows:

Article 18 of the Measures for the Administration of Securities Issuance and Underwriting (《證券發行與承銷管理辦法》), specifies that “if a listed company has a profit distribution plan or a plan for conversion of capital reserve into share capital which is not submitted at its general meeting for voting or is passed by voting at the general meeting but not implemented, the listed company shall not issue its securities until the plan is implemented. Before the implementation of such plan, the lead underwriter shall not underwrite the issuance of the securities of the listed company.” Considering the orderly progress in the non-public issuance of shares of the Company, there may be a time conflict between the profit distribution and the non-public issuance of shares. In accordance with relevant requirements of the Regulatory Guidelines for Listed Companies No. 3 – Cash Dividend Distribution of Listed Companies and the Articles of Association, and in comprehensive consideration of the long-term development strategy and short-term operating conditions of the Company, the Company intends not to carry out the distribution of cash dividends or conversion of capital reserve into share capital or other forms of profit distribution in 2020, in order to ensure the successful implementation of the non-public issuance of shares of the Company and meet its existing and future investment capital needs, operating working capital turnover and other material capital arrangements, as well as its liquid capital needs during the COVID-19 outbreak.

## APPENDIX I      MATTERS TO BE CONSIDERED AT THE 2020 AGM

### G. TO CONSIDER AND APPROVE THE RESOLUTION CONCERNING THE REMUNERATION OF DIRECTORS OF THE COMPANY FOR 2020

In accordance with the relevant provisions of the Company Law, the Articles of Association and other regulations, based on the remuneration level of the Company's industry, the annual operating performance and performance appraisal results of the Company, and combined with the actual situation of the Company and the service terms and workload of independent Directors, the remuneration of Directors of the Company for 2020 is as follows:

Name	Position	Remuneration received from the Company for 2020 <i>(RMB'0,000, before tax)</i>
CHE Jianxing	Chairman, Executive Director, General Manager	490.19
GUO Binghe	Vice chairman, Executive Director, Deputy General Manager	164.59
CHE Jianfang	Executive Director, Deputy General Manager	218.98
JIANG Xiaozhong	Executive Director, Deputy General Manager	225.26
XU Guofeng <sup>(1)</sup>	Former Non-executive Director	–
CHEN Shuhong	Non-executive Director	131.19
XU Hong	Non-executive Director	–
JING Jie	Non-executive Director	–
LEE Kwan Hung, Eddie	Independent Non-executive Director	60.00
QIAN Shizheng	Independent Non-executive Director	60.00
WANG Xiao	Independent Non-executive Director	60.00
ZHAO Chongyi	Independent Non-executive Director	60.00
LIU Jin (newly appointed)	Non-executive Director	–
QIN Hong (newly appointed)	Independent Non-executive Director	7.62

*Note*<sup>(1)</sup>: Mr. XU Guofeng resigned as a Director of the Company on 8 February 2021 due to personal work commitment and time arrangement.

The Board has considered and approved the abovementioned resolution and the related Directors have abstained from voting on the relevant resolution concerning their respective remunerations. The abovementioned resolution is hereby proposed at the AGM for Shareholders' consideration and approval, while the related Shareholders, Red Star Macalline Holding Group Company Limited, Mr. Che Jianxing, Mr. Guo Binghe, Ms. Che Jianfang, Mr. Jiang Xiaozhong and Ms. Chen Shuhong, will be required to abstain from voting.

**H. TO CONSIDER AND APPROVE THE RESOLUTION CONCERNING THE REMUNERATION OF SUPERVISORS OF THE COMPANY FOR 2020**

In accordance with the relevant provisions of the Company Law, the Articles of Association and other relevant regulations, based on the remuneration level in the industry in which the Company operates, the annual operating performance and performance appraisal results of the Company, and combined with the actual situation of the Company and the service terms and workload of independent Supervisors, the remuneration of Supervisors of the Company for 2020 is as follows:

<b>Name</b>	<b>Position</b>	<b>Remuneration received from the Company for 2020 (RMB'0,000, before tax)</b>
PAN Ning	Chairman of the Supervisory Committee, employee representative Supervisor	137.99
CHAO Yanping	Employee representative Supervisor	68.75
CHEN Gang	Independent Supervisor	18.00
ZHENG Hongtao	Independent Supervisor	18.00

The Supervisory Committee has considered and approved the abovementioned resolution and the related Supervisors have abstained from voting on the relevant resolution concerning their respective remuneration. The abovementioned resolution is hereby proposed at the AGM for Shareholder's consideration and approval, while the related Shareholder, Mr. Pan Ning will be required to abstain from voting.

**I. TO CONSIDER AND APPROVE THE RE-APPOINTMENT OF THE AUDITOR FOR THE FINANCIAL REPORT AND THE INTERNAL CONTROL AUDITOR FOR THE YEAR 2021**

The Company proposes to re-appoint Ernst & Young Hua Ming LLP as the external auditor of the Company for the year 2021 until conclusion of the next annual general meeting and determine its audit fees according to industry standards and the actual situation of the Company's audit work.

The Company proposes to re-appoint BDO China Shu Lun Pan Certified Public Accountants LLP (立信會計師事務所(特殊普通合夥)) as the internal control consultant of the Company for the year 2021 until conclusion of the next annual general meeting and determine its service fees according to industry standards and the actual situation of the Company's internal control work.

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

**J.    RESOLUTION IN RELATION TO THE EXTENSION OF THE VALIDITY PERIOD OF THE RESOLUTION ON THE NON-PUBLIC ISSUANCE OF A SHARES OF THE COMPANY**

Reference is made to (i) the announcements of the Company dated 3 May 2020, 3 June 2020 and 23 June 2020 in relation to the non-public issuance of A shares; (ii) the circular of the Company dated 3 June 2020 in relation to the proposed non-public issuance of A shares; (iii) the announcement of the Company dated 19 April 2021 in relation to the proposed extension, including resolutions related to the following adjustments; and (iv) the overseas regulatory announcements of the Company dated 27 September 2020 in relation to adjustment to the non-public issuance of A shares, which contain the information for the following adjustments to the non-public issuance of A shares:

**(a)    The adjustment of maximum number of A share to be non-public issued**

Pursuant to the Company's Announcement on Adjustment of the Maximum Number of A Shares Issued in Non-public Offering in 2020 after the Implementation of the Capitalization of Capital Reserve for the Year 2019 and the Announcement of the Sixteenth Extraordinary Resolution of the Fourth Session of the Board dated 27 September 2020, the Company held the Board Meeting on 17 April 2020, the 2019 Annual General Meeting, the Class A Shareholders' Meeting and the Class H Shareholders' Meeting on 18 June 2020, on which the Profit Distribution Plan of the Company for 2019 was considered and approved, whereby the Company transferred 0.1 share per share to all shareholders from the capital reserve based on the total share capital of 3,550,000,000 shares before the implementation of the Profit Distribution Plan of the Company for 2019, with a total of 355,000,000 shares transferred. Upon the profit distribution, the total share capital of the Company increased to 3,905,000,000 shares, of which 3,163,714,366 shares shall be A shares. According to the Announcement on the Implementation of the 2019 Annual Equity Distribution of Red Star Macalline Group Corporation Ltd. (Ann No. 2020-060) disclosed by the Company on 30 June 2020, the registration date for the conversion of the Company's 2019 capital reserve into A shares shall be 3 July 2020, the ex-rights (dividend) date shall be 6 July 2020, and the listing date of the new shares with unlimited sale conditions shall be 7 July 2020. After the implementation of the aforesaid equity distribution plan, the maximum number of shares to be issued in the non-public offering of A shares of the Company shall be adjusted to not more than 1,004,176,384 shares. Specific calculation is as follows: Adjusted maximum number of shares to be issued = (maximum number of shares to be issued before adjustment) x (1 + number of shares transferred per share) = (912,887,622 shares) x (1 + 0.1) = 1,004,176,384 shares.

**(b)    The adjustments to the total proceeds to be raised from the non-public issuance of A shares**

According to the Announcement of the Sixteenth Extraordinary Resolution of the Fourth Session of the Board dated 27 September 2020, the amount of financial investments implemented or proposed to be implemented from the six months prior to the Eleventh Extraordinary Meeting of the Fourth Session of the Board to the date of the aforesaid announcement shall be deducted from the total amount of proceeds from the non-public

## APPENDIX I MATTERS TO BE CONSIDERED AT THE 2020 AGM

offering of A shares, with a deduction amount of RMB298,700,100, and the total amount of proceeds after the deduction shall not exceed RMB3,701,299,900. The deduction shall mainly involve the adjustment of the amount of the proposed use of proceeds for the following two projects:

*Unit: RMB ten thousand*

<b>Project Name</b>	<b>Proceeds Proposed to be Used (before adjustment)</b>	<b>Proceeds Proposed to be Used (after adjustment)</b>
Home Furnishing Mall Construction Project (Nanchang Chaoyang Xincheng Shopping Mall Project)	40,000.00	16,091.00
Repayment of Interest-bearing Debts of the Company	117,000.00	111,038.99

At the 2020 Meetings, the resolution on the proposed non-public issuance of A Shares was approved by the Shareholders. The resolution is valid for 12 months from 18 June 2020 (i.e. the date of the 2020 Meetings). The details of the resolution are set out in Appendix VI to this circular.

As disclosed in the announcement of the Company dated 1 March 2021, the Issuance Examination Committee of CSRC has reviewed and approved the application for the non-public issuance of A Shares. However, the non-public issuance of A Shares is pending approval by CSRC. A series of subsequent procedures are required to be completed by the Company, and various precedents show that serious delay may occur in the process. Considering that the existing resolution in relation to the proposed non-public issuance of A Shares will expire on 17 June 2021 and the failure to proceed with the non-public issuance prior to the expiry date of the resolution may significantly hinder the financing of the Company through the issuance of A Shares and affect the interests of the Shareholders, the Board believes that the extension of the validity period of the resolution is necessary and beneficial.

The plan for non-public issuance of A Shares is pending approval by CSRC and shall be as approved by CSRC. Further announcements will be made by the Company in relation to the specific terms of the issuance (including the issue price and size) after final determination.

Considering that the validity period of the plan for non-public issuance of A Shares will expire on 17 June 2021 while the non-public issuance of A Shares has not been completed, the Board convened a meeting on 19 April 2021, at which the resolution in relation to the proposed extension of the validity period of the plan for the non-public issuance of A Shares was considered and approved, in order to ensure completion of relevant work. The Board proposes that the extension of the validity period of the plan for the non-public issuance of A Shares by twelve months from the date of approval of the extension resolution at the 2020 AGM, the A Shareholders' Class Meeting and the H Shareholders' Class Meeting be considered, and if thought fit, approved at the 2020 AGM, the A Shareholders' Class Meeting and the H Shareholders' Class Meeting.

## APPENDIX I MATTERS TO BE CONSIDERED AT THE 2020 AGM

### Impact Of The Issuance On The Shareholding Structure Of The Company

For reference and illustration purposes only, assuming that there are no changes to the total issued share capital of the Company prior to the completion of the Issuance and that subject to the regulatory requirements of the places where the shares of the Company are listed, a maximum of 1,004,176,384 A Shares are issued under the issuance (which represents approximately 25.72% of the total issued share capital of the Company as at the Latest Practicable Date and approximately 20.46% of the total issued share capital of the Company as enlarged by the issuance of the A Shares under the issuance), the shareholding structure of the Company immediately before and after completion of the Issuance is set out as follows:

	Immediately Before Completion of the Issuance		Immediately After Completion of the Issuance	
	Number of Shares	Approximate Percentage of the Company's Total Issued Share Capital	Number of Shares	Approximate Percentage of the Company's Total Issued Share Capital
<b>A Shares</b>				
Red Star Macalline Holding Group Company Limited	2,728,347,349	69.87%	2,728,347,349	55.58%
Changzhou Meikai Information Technology Co., Ltd.	19,880,077	0.51%	19,880,077	0.40%
CHE Jianxing	435,600	0.01%	435,600	0.01%
GUO Binghe	288,420	0.01%	288,420	0.01%
CHE Jianfang	123,420	0.00%	123,420	0.00%
JIANG Xiaozhong	1,607,880	0.04%	1,607,880	0.03%
CHEN Shuhong	48,620	0.00%	48,620	0.00%
PAN Ning	1,187,967	0.03%	1,187,967	0.02%
Other A Shareholders	411,795,033	10.55%	411,795,033	8.39%
New A Shares to be issued under the issuance <sup>(Note 1)</sup>	–	–	1,004,176,384	20.46%
<b>Sub-total of A Shares</b>	<u>3,163,714,366</u>	<u>81.02%</u>	<u>4,167,890,750<sup>(Note 2)</sup></u>	<u>84.90%</u>
<b>H Shares</b>	<u>741,285,634</u>	<u>18.98%</u>	<u>741,285,634</u>	<u>15.10%</u>
<b>Total</b>	<u>3,905,000,000</u>	<u>100%</u>	<u>4,909,176,384</u>	<u>100%</u>

Note: (1) It is assumed that the A Shares issued under the issuance will be held by independent third parties and included in the public float;

(2) As disclosed in the overseas regulatory announcements of the Company dated 27 September 2020, the maximum number of A share to be non-public issued has been adjusted from 912,887,622 shares to 1,004,176,384 shares.

## APPENDIX I MATTERS TO BE CONSIDERED AT THE 2020 AGM

Upon the listing of H Shares on the Hong Kong Stock Exchange, the Hong Kong Stock Exchange has granted the Company, a waiver from strict compliance with Rule 8.08(1)(a) of the Listing Rules, pursuant to which the Company shall maintain a minimum public float (as defined in the Listing Rules) of 15.10%. Based on the information publicly available to the Company and to the Directors' knowledge, as at the Latest Practicable Date, 29.53% of its total issued share capital were in public hands.

Due to the Issuance (assuming that up to 1,004,176,384 A Shares are issued, which are expected to be held by independent third parties and included in the public float), the public float of H Share of the Company will be approximately 15.10%, and the public float of the Company (including H Shares and A Shares) will be approximately 43.94%. The Company would still be able to meet the minimum requirement on public float percentage specified by the Hong Kong Stock Exchange upon the listing of H Shares of the Company. The Company will closely monitor its public float percentage to ensure that it, at all times, complies with the relevant requirements regarding public float under the Listing Rules and will promptly notify the Hong Kong Stock Exchange of any changes in its public float.

### Amount and Use of Proceeds

As adjusted and disclosed in the overseas regulatory announcement of the Company dated 27 September 2020, the total proceeds from the non-public issuance of A shares will be up to RMB3,701.2999 million (inclusive). The proceeds from the non-public issuance after deduction of issue expenses will be used for the following projects:

*Unit: RMB ten thousand*

S/N Project Name	Investment in Project	Proceeds
		Proposed to be Used
1. Tmall "Home Decoration Tongcheng Station" Project	89,054.00	22,000.00
2. 3D Shejiyun Platform Construction Project	62,318.00	30,000.00
3. Construction Project for New Generation Home Improvement Platform System	62,898.00	35,000.00
4. Home Furnishing Mall Construction Project		
4.1 Foshan Lecong Shopping Mall Project	126,781.96	100,000.00
4.2 Nanning Dingqiu Shopping Mall Project	60,668.75	56,000.00
4.3 Nanchang Chaoyang Xincheng Shopping Mall Project	58,988.02	16,091.00
5. Repayment of Interest-bearing Debts of the Company	117,000.00	111,038.99
<b>Total</b>	<b>577,708.73</b>	<b>370,129.99</b>

Before obtaining the proceeds from the issuance, the Company will use its self-raised funds to invest based on the progress of the projects, and will replace the funds with the proceeds obtained, according to procedures specified in relevant regulations.

If the actual net proceeds from the issuance are less than the proceeds proposed to be invested, the Company will adjust and determine final amount of proceeds funded to each project, the priority, and the specific investment amount for each project, according to the actual proceeds and the project implementation, and any difference will be made up by the Company using the self-raised funds.

Within the scope of the above funded projects, the Board may appropriately adjust the amount of proceeds to be invested in the above projects, according to the actual needs of the projects and procedures specified in relevant regulations.

### **Financing Activities**

No financing activities were carried out by the Company for the issuance of equity securities within 12 months immediately before the date of this circular.

Save as those disclosed above, there are no other changes to the terms and structure of the non-public issuance of A share from the resolution passed on 18 June 2020 as disclosed in Appendix VI of this circular.

### **K. RESOLUTION ON THE EXTENSION OF THE VALIDITY PERIOD OF THE AUTHORIZATION GRANTED BY THE GENERAL MEETING TO THE BOARD TO HANDLE MATTERS IN RELATION TO THE NON-PUBLIC ISSUANCE OF SHARES OF THE COMPANY**

At the 2020 Meetings, the authorization to the Board to handle all matters in relation to the proposed non-public issuance of A Shares was approved by the Shareholders. The resolution is valid for 12 months from 18 June 2020 (i.e. the date of the 2020 Meetings). The details of the resolution are set out in Appendix VII to this circular.

Considering that the validity periods of the plan for non-public issuance of A Shares and relevant authorization will expire on 17 June 2021 while the non-public issuance of A Shares has not been completed, the Board convened a meeting on 19 April 2021, at which the resolutions in relation to the proposed extension of the validity periods of the plan for the non-public issuance of A Shares and relevant authorization were considered and approved, in order to ensure completion of relevant work.

The Board proposes that the extension of the validity periods of the plan for the non-public issuance of A Shares and relevant authorization by twelve months from the date of approval of the extension resolutions at the 2020 AGM, the A Shareholders' Class Meeting and the H Shareholders' Class Meeting be considered, and if thought fit, approved at the 2020 AGM, the A Shareholders' Class Meeting and the H Shareholders' Class Meeting.

Save as those disclosed above, there are no other changes to the details and scope of authorization to the Board from the resolution passed on 18 June 2020 as disclosed in Appendix VII of this circular.

**WORK REPORT OF THE BOARD FOR 2020**

In 2020, the Board led the management in achieving good operational and financial results by actively coping with challenges and taking the initiative to introduce reforms and innovation. In respect of corporate governance, the Board was in strict compliance with the relevant requirements of the Company Law, listing regulations and corporate rules and systems in performing their responsibilities and safeguarding the overall interests of the Shareholders and the Company. The major work of the Board in 2020 are presented as follows, the capitalized terms used herein shall have the same meanings as those defined in the 2020 annual report of the Company:

**I. MAJOR WORK OF THE BOARD IN 2020**

As of 31 December 2020, the Board convened 9 Shareholders' meetings for the year, in which 56 resolutions were considered and passed, and held 22 meetings of the Board, in which 87 resolutions were considered and passed. For the four special committees under the Board, the Strategy and Investment Committee held 1 meeting; the Audit Committee held 6 meetings; the Remuneration and Evaluation Committee held 3 meetings; and the Nomination Committee held 3 meetings. For further details in relation to matters reviewed and discussed, please refer to the 2020 annual report of the Company.

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

**II. 2020 PERFORMANCE****1. Financial Results**

In 2020, in order to actively cooperate with the pandemic prevention and control and support the development of commercial tenants affected by the COVID-19 pandemic, the Company took the initiative to exempt relevant eligible tenants of Portfolio Shopping Malls from the rent and management fees for one month, and offered preferential support to some Managed Shopping Malls which were seriously affected by the pandemic. Apart from exempting the one-month rent and management fees, further rent preference has been given to tenants of specific Portfolio Shopping Malls most seriously affected by the pandemic, which led to the decline of related business income. The Company's revenue amounted to RMB14.236 billion in 2020, representing a decrease of 13.6% from RMB16.469 billion in 2019; the net profit attributable to the owners of the Company amounted to RMB1.731 billion in 2020, representing a decrease of 61.4% from 2019.

## 2. Business Review

During the Reporting Period, the Group continued to focus on the strategic positioning of growing into an “omni-channel platform service provider for the pan-home improvement and furnishings industry”, actively seized market development opportunities, and formulated the strategy of “enhancing competitiveness of core business through new retail revolution and developing second growth curve through home improvement business”, focusing on the development of new business formats such as Tongcheng retail, home decoration, etc., aiming to enhance the delivery capabilities of home decoration design and conversion capabilities of online and offline traffic, thereby providing customers with more personalized and high-quality home decoration services and a shopping experience closer to the needs of end consumers by using the original home furnishing shopping malls channel capabilities, strong supply chain integration capabilities and home furnishing industry operating experience accumulated over the years and leveraging its own home decoration business management platform and IMP intelligent marketing platform and Tmall “Home Decoration Tongcheng Station”.

Meanwhile, in terms of business model, the Company transformed from the “two-pronged business model of Portfolio Shopping Malls and Managed Shopping Malls” to the “asset-light and operation-heavy” business model, which means to rapidly develop the businesses such as Managed Shopping Malls, shopping malls operated through strategic cooperation and franchised shopping malls to reduce the proportion of Portfolio Shopping Malls, thereby greatly reducing the Company’s capital expenditure, improving the efficiency of opening shopping malls and the market share. At the same time, the Company strengthened the construction of Tmall “Home Decoration Tongcheng Station” and the new-generation home decoration platform system project, which has further enhanced the Company’s ability to provide one-stop pan-home consumption industry chain services for consumers, and thereby strengthening the Company’s market leadership in China’s home improvement and furnishings industry.

In terms of business operation, during the Reporting Period, in order to integrate the Company’s resources from all business lines in a more effective manner, the Group has merged the original tenant sourcing management center, the planning and management center and the operation management and promotion center into a large group operation center which aims to promote system integration and synergy and enhance efficiency. At the same time, the Group has achieved results in the aspects of smart shopping malls, business financial integration, information security and intelligent big data analysis through promoting the comprehensive digital and intelligent works in the information construction. In the future, we will continue to pursue our development goal of becoming the most advanced and professional “omni-channel platform service provider for the pan-home improvement and furnishings industry” in China.

In addition, during the Reporting Period, in order to actively cooperate with the pandemic prevention and control and support the development of commercial tenants affected by the COVID-19 pandemic, the Company took the initiative to exempt relevant eligible tenants of Portfolio Shopping Malls from the rent and management fees for one month, and offered preferential support to some Managed Shopping Malls which were seriously affected by the

pandemic. Apart from exempting the one-month rent and management fees, further rent preference has been given to specific Portfolio Shopping Malls most seriously affected by the pandemic. In the meantime, the pandemic also delayed the progress of the Company's brand consulting agency management service and construction business in the early stage of the project. The revenue (total amount of rents and management fees) involved in this rent-free policy was RMB600 million, accounting for about 4.2% of the Company's total audited revenue in 2020; approximately RMB410 million of the net profit attributable to the parent company in 2020 was affected by the total amount of rents and management fees involved in this rent-free policy, accounting for about 23.7% of the audited net profit attributable to the parent company in 2020.

### **3. Business Development and Deployment: Steady Development of Shopping Malls and Strategic Deployment with a Nationwide Coverage**

As at the end of the Reporting Period, the Group operated 92 Portfolio Shopping Malls, 273 Managed Shopping Malls and 11 home furnishing shopping malls through strategic cooperation. In addition, the Group opened 66 franchised home improvement material projects by way of franchising, including a total of 476 home improvement material stores/industry streets. Our Portfolio Shopping Malls and Managed Shopping Malls spread over 223 cities in 30 provinces, municipalities and autonomous regions in China, with a total operating area of 22,055,668 sq.m. Through the two-pronged business model of Portfolio Shopping Malls and Managed Shopping Malls, the Group occupied properties in prime locations of Tier I and Tier II Cities, rapidly increased the proportion of shopping malls operated through strategic cooperation and franchising, accelerated the penetration into the Tier III and Tier IV Cities, accumulated extensive experience in operating shopping malls, constantly strengthened the brand value, and set a relatively high entry barrier for other companies. As at the end of the Reporting Period, the Group operated 92 Portfolio Shopping Malls covering a total operating area of 8,034,277 sq.m., with an average occupancy rate of 92.1%. Among them, 21 Portfolio Shopping Malls, representing 22.8% of the total number of Portfolio Shopping Malls, were located in the four municipalities of Beijing, Shanghai, Tianjin and Chongqing. The operating area of the aforesaid Portfolio Shopping Malls was 2,156,254 sq.m., representing 26.8% of the total operating area of the Portfolio Shopping Malls. The same mall growth of mature shopping malls during the Reporting Period was -14.9%. Such growth was mainly due to the impact of the pandemic on the Company's Portfolio Shopping Malls and the Company's rent-free policy against the pandemic.

During the Reporting Period, we opened six new Portfolio Shopping Malls. In addition, two Portfolio Shopping Malls were closed and one Managed Shopping Mall was converted into Portfolio Shopping Malls. As at the end of the Reporting Period, we had 24 pipeline Portfolio Shopping Malls. As at the end of the Reporting Period, we had 273 Managed Shopping Malls in operation covering a total operating area of 14,021,390 sq.m., with an average occupancy rate of 90.7%. Among them, 147 Managed Shopping Malls, representing 53.9% of the total number of Managed Shopping Malls, were located in eastern China and northern China (excluding Shanghai, Beijing and Tianjin). The operating area of the aforesaid Managed Shopping Malls was 8,023,400 sq.m., representing 57.2% of the total operating area of Managed Shopping Malls. During the Reporting Period, the Group opened 31 new Managed Shopping Malls and closed 7 Managed Shopping Malls. In addition, one Managed Shopping Mall was converted into Portfolio Shopping Malls.

As at the end of the Reporting Period, among the pipeline Managed Shopping Malls, the Group has obtained land use rights/land parcels for 348 contractual projects. Along with steady social and economic development of the country, further progress on urbanization strategy, and stable growth in disposable income per capita, the Group will focus on increasing the rate of expansion of our Managed Shopping Malls business throughout China.

#### **4. Robust Development in Expansionary Business: Enhancing the Competitiveness of the Main Business by New Retail Reform and Creating the Second Growth Curve of the Home Decoration Business**

##### ***4.1 Tongcheng Retail***

During the Reporting Period, the Company continued to deepen its strategic cooperation with Alibaba in line with the mission of “focusing on user needs”, and established an integrated online and offline operation system based on “Tmall Tongcheng Station”, with a view to empowering offline operations and promoting the transformation of new home furnishings retail. As of the end of the Reporting Period, Tmall Tongcheng Station launched 56 online shopping malls in 22 cities, and initiated the digital upgrade of 241 shopping malls in 176 cities. With in-depth efforts in data analysis and focusing on product operations, the Company continued to promote the online operation of tenants’ products, services and activities following numerous promotion campaigns including the 618 Ideal Life carnival, the global home furnishing carnival, and the Tmall Double Eleven global shopping carnival. Tmall Tongcheng Station covered a total of 16,000 brand tenants and nearly 500,000 online products, achieving 54.75 million traffic within Tongcheng Station throughout the year and taking lead in various business indicators of the industry.

## ***4.2 Home Decoration Business***

### *4.2.1 Diversified channel layout promotes the business growth*

The Company has opened up diversified channels including cooperation with real estate developers, opening of direct-operated stores in home decoration shopping malls, implementation of partner systems to expand franchise stores, etc., so as to bring in customers for the shopping malls and merchants, and meanwhile effectively reduce customer-acquiring costs of the home decoration stores and shopping malls, thus creating a synergistic effect. As of the end of the Reporting Period, we had 214 home decoration stores nationwide including 106 franchise stores and platform cooperation home decoration enterprises, which were located in our shopping malls in cities including Beijing, Tianjin, Shanghai, Chongqing, Nanjing, Suzhou, Shenyang, Chengdu, Zhengzhou, Hefei and Shijiazhuang. During the Reporting Period, the home decoration business achieved bucking growth despite of the impact of global COVID-19 outbreak, with annual contract value exceeding RMB4.5 billion, including more than 131 orders with value above RMB1 million.

### *4.2.2 Solve customers' pain points*

As of the end of the Reporting Period, the M+ high-end interior design competition has attracted a total of over 20,000 designers from 150 cities of China. The Company has developed and registered 30 national patents, 305 characteristic construction technology and two national software copyrights and other professional technologies and devoted ourselves to the research and improvement of process methods.

## ***4.3 Shejiyun***

The use of Shejiyun platform software to open up a complete service chain from design to goods purchase has been promoted in many cities. As of the end of the Reporting Period, the Company already established partnership with many famous medium and large-sized decoration enterprises in Shanghai, with the sales amount of goods driven by the platform in excess of several millions of RMB.

## 5. Business Management: System Integration, Synergy and Efficiency and Continuous Upgrade of Operation and Management

### *5.1 Establishing the large operation center to promote system integration and synergy and enhance efficiency.*

In order to integrate the Company's resources from all business lines in a more effective manner and accelerate the improvement of operations of the marketing and development centers and shopping malls in various provinces, the Company has merged the original tenant sourcing management center, the planning and management center and the operation management and promotion center into a large group operation center which aims to promote system integration and synergy and enhance efficiency. In 2020, the large operation center carried out work by relying on the theme of "focusing on operation practically and being product-centered and traffic-centered". It promoted joint marketing and integration of planning teams, and advanced deep innovation and application of home digital marketing technology through IMP (Intelligent Marketing Platform); set up effective reward and punishment policies and assessment system to ensure the effective implementation of the core businesses of each production line; synergically penetrated in the home decoration business and comprehensively promoted the integration of home furnishings; collaborated on the Tongcheng Station project, a new retail center, to promote online operation of shopping malls and integration of online and offline operations; and fully integrated the Company's global traffic operation capabilities, remote customer service communication capabilities, the offline channels and supply chain management capabilities, which has achieved remarkable results.

#### *5.1.1 Tenant Sourcing Management*

During the Reporting Period, the Group continues to optimize the layout of brands and categories to boost the experience consumption, and continues to improve the standards of our refined rental management and leverage the Intelligent Marketing Platform to increase the sales volume of tenants, thereby achieving sustainable growth of rental income. The Group constantly strengthens factories of brands and service systems of dealers to establish a business middle-office for tenant sourcing, so as to improve the ability to serve brands and dealers. The Group has brought in excellent global brands, reserves tenant sourcing and business integration resources through trade shows.

#### *5.1.2 Operational Management*

During the Reporting Period, the Company comprehensively carried out an in-depth operation and management improvement project with focus on "reputation" through upgrading service commitments and smart customer services, thus improving the ability to serve customers. Meantime, we protect customers' satisfaction with household related consumption by improving the special operation risk control system for the pandemic and continuing to operate the product quality control system and tenant credit system.

### *5.1.3 Marketing Management*

In terms of traffic operation, the Company continued to iterate the IMP (Intelligent Marketing Platform, a global furniture intelligent marketing platform), and upgraded Red Star Macalline from a one-stop home furnishing shopping mall to an online and offline all-fields super-traffic shopping mall in home furnishing industry, and from relying on natural traffic from shopping malls to generating traffic by merchants. In terms of brand management, the Company continued to focus on promoting the brand positioning of “Selecting Global Top-notch Design Products”. Through continuous innovation and deep cultivation in visual communication, content marketing, IP cooperation, cross-sector marketing, etc., we shaped a high-end brand image of a global household trendsetter.

### *5.1.4 Property Management*

After the outbreak of the COVID-19 pandemic, the Company promptly carried out pandemic prevention work in shopping malls across the country to ensure normal operation. Meanwhile, the Company strictly managed and controlled the safety risks in our shopping malls with preventive control at the forefront, complemented by emergency plans through our staff and technology. In addition, the Company constantly improved the environment of our shopping malls to enhance the experience of our tenants and customers.

## **6. Upgrade and Restructure the Information Technology Infrastructure to Support the Development of the Integration of Online and Offline Businesses**

During the Reporting Period, the Information Technology Center centered on the Group’s “continuous consolidation of the results of informatization construction in gradually pushing towards the goals of digitalization and intelligentization”. Bearing in mind our original intention and mission, we vigorously promoted the information construction of the Group’s headquarters and its shopping malls nationwide. We continuously empowered business development through financial intelligence and data intelligence work to ensure the Group’s achievement of goals and rapid development.

## **7. Highly Efficient Human Resources Management Policies to Support Business Growth**

During the Reporting Period, with the human resources policies of the Company oriented by Red Star Macalline’s “Thirteen-Word Corporate Values” and closely in line with the work theme of “focusing on operation practically and being product-centered and traffic-centered” in 2020, we actively carried out human resources managerial tasks to support the healthy development of home furnishing business.

## 8. The Establishment of Home Furnishings Shopping Malls Brand Portfolio

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

## III. DEVELOPMENT PLAN FOR 2021 AND THE FUTURE

The Company has persistently adhered to the mission of “building a warm and harmonious homeland and enhancing consumption and lifestyle”. In 2021 and thereafter, the Company will continue to follow the operation and management model of “market-oriented management and shopping mall management”, including further enhancing user mentality, focusing on operations, fighting corruption and upholding integrity, broadening sources of income and reducing expenditure, to provide better and more professional services for consumers, consolidate our market leadership and strengthen the brand image of Home Furnishing Expert of “Red Star Macalline” in the consumers’ mind to build the most pioneering and professional “omni-channel platform provider in the home improvement and furnishing industry”.

The Company’s future development plans are as follows:

### 1. To Continue to Transform into “Asset-Light and Operation Heavy” Business Model, Accelerate the Penetration of Management and Franchise Mode in the Sinking Market, and Further Strengthen the Market Leadership through the Combination of Full-Brand and Omni-Channel Network

In terms of shopping mall network construction, the Company will fully ride the tide of the thriving trend shown in the industry arising from the acceleration of urbanization, improvement in living standards and the increased population mobility, and continue to selectively expand our network of home furnishing malls in cities with attractiveness. We will further strengthen the market leading position in Tier I and II Cities through self-operation mode, and continue to selectively open new home shopping malls in the core cities; at the same time, by relying on the sound brand reputation, mature shopping mall development, tenant sourcing and operation and management capabilities in the home improvement and furnishing industry, the Company will quickly penetrate into the Tier III Cities and other cities through the asset-light management and franchise business model, so as to further expand the operation coverage of companies in the country, and thus accelerate market penetration. At the same time, the Company will continue to improve the digitalization process of shopping malls, accelerate the implementation of the new retail model of online and offline integration, and further the integration of home improvement and home furnishing marketing. In terms of brand portfolio construction, the Company has adopted a diversified brand strategy to cover a wider range of consumer groups and market segments and serve our merchants, to further increase its market share.

**2. To Deeply Focus on Home Decoration Business, Make a Breakthrough in Full-Cycle Services of Home Furnishings Consumption and Strengthen the User Mentality of “Selecting and Buying Home Furnishings All in Red Star Macalline”**

In 2021, the Company will intensify the integration of home improvement and home furnishing marketing, strengthen the user mentality of “selecting and buying home furnishings all in Red Star Macalline”, further enhance the mid-to-high-end brand image, to realize brand rejuvenation. The Company will expand business lines to design, home decoration and other links in addition to home furnishing consumption based on the needs of consumers throughout the life cycle. As regards home furnishing business and home design, to meet the personalized needs of mid- and high-end customers, we will expand our business to front-end design and end-user services based on the existing Internet retail and Internet home furnishing business, and with the strategic goal of “one-stop service for high-end home improvement” in practice, provide consumers with one-stop solutions for design, home improvement, goods and services. In addition, we will continue to promote brand upgrading, create a social media matrix, realize brand rejuvenation, and build and strengthen the brand image of “omni-channel service provider for the pan-home improvement and furnishing industry” by, on the one hand, opening up the new traffic entrance to empower distributors comprehensively, and on the other hand, meticulously well operating the existing customer resources with active transformation.

**3. To Implement the Digital Reform, Deeply Penetrate in New Retail, Striving to Become a New Retail Benchmark in the Home Improvement and Furnishing Industry**

In 2021, we will comprehensively promote the digital reform of shopping malls, actively embrace digital technologies, and deeply conduct online and offline integrated operations. As consumer groups become younger and their behaviors of favoring consumption on the mobile terminal, by accelerating the construction of online Tongcheng Station, we deepen consumers’ user mentality of “online pre-selection, offline transaction”, and complete the full-link service chain of precise online traffic directing and offline conversion and transaction through in-depth operation of new retail online, further empowers dealers on the operation and marketing side.

**4. To Further Strengthen Performance Appraisal and Deepen Talent Reserve**

The Company will continue to optimize the human resources system, enhance corporate integrity, strengthen the awareness of performance management, improve the quality of performance promotion, and continue to do a good job in the survival of the fittest. We will build a three-dimensional youth Luban project, and through deep cultivation to actively build a youth Luban reserve echelon. We will conduct R&D and revision of the responsibilities of part-time employees at the regional management center under the provincial business development center, continue to assist the construction of

new business unit teams, and complete the upgrade of the recruitment system and the optimization of recruitment channels. We will continue to promote Red Star Macalline's high-quality employer brand image.

**5. To Continuously Improve Corporate Governance of the Company, Standardized Operation, and Fulfill our Social Responsibility**

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

**IV. THE DISTRIBUTION PLAN OF FINAL DIVIDEND FOR 2020**

As prescribed in the Article 18 of Measures for the Administration of Securities Issuance and Underwriting (《證券發行與承銷管理辦法》), “if a listed company with a plan for issuance of securities has any profit distribution plan or plan for conversion of capital reserve into share capital which has not yet been submitted to the general meeting for voting, or when such plan has been approved by the general meeting but has not been implemented yet, the issuance of securities should be proceeded after such plan has been implemented. Before relevant plan is implemented, the lead underwriter shall not underwrite the securities issued by the listed company.” In view of the orderly progress of the Company's non-public issuance of A Shares, the implementation of profit distribution may conflict with the time window of this non-public issuance of Shares. As prescribed in the Regulatory Guidelines for Listed Companies No. 3 – Cash Dividend Distribution of Listed Companies and the Articles of Association, taking into account the long-term development strategy and short-term operation of the Company, in order to ensure the smooth implementation of the Company's non-public issuance of Shares and take account of the existing and future investment fund requirements, operating capital turnover and other major capital arrangements, and meet the Company's liquidity demand under the COVID-19 pandemic, the Company proposes not to make cash bonus distribution for 2020, nor will it convert its capital reserve funds into share capital and other forms of profit distribution. Upon the completion of the non-public issuance of Shares, the Company will consider the possibility of profit distribution.

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

Shanghai, the PRC  
30 March 2021

## WORK REPORT OF THE SUPERVISORY COMMITTEE FOR 2020

**1. Meetings of the Supervisory Committee and Relevant Resolutions**

The Supervisory Committee of Red Star Macalline Group Corporation Ltd. (the “**Company**”) convened a total of 8 meetings in 2020, and details of the relevant meetings and the resolutions are as follows:

- (1) On 22 February 2020, the second extraordinary meeting of the fourth session of the Supervisory Committee was convened, at which the Resolution on the Share Option Incentive Scheme 2020 of Red Star Macalline Group Corporation Ltd. (Draft) and Its Summary, and the Resolution on the Assessment Measures in Respect of the implementation of the 2020 Share Option Incentive Scheme of Red Star Macalline Group Corporation Ltd. were considered and approved.
- (2) On 6 March 2020, the third extraordinary meeting of the fourth session of the Supervisory Committee was convened, at which the Resolution on the Use of Certain Idle Proceeds for Temporary Replenishment of Working Capital was considered and approved.
- (3) On 17 April 2020, the first meeting of the fourth session of the Supervisory Committee was convened, at which the Work Report of the Supervisory Committee of the Company for 2019, the Final Account Report of the Company for 2019, the Financial Budget Report of the Company for 2020, the Financial Statements of the Company for the Year Ended 31 December 2019, the Annual Report and Annual Results of the Company for the Year Ended 31 December 2019, the Profit Distribution Plan of the Company for 2019, the Corporate Environment and Social Responsibility Report of the Company for 2019, the Exclusive Report on the Depository and Actual Use of Funds Raised by the Company in 2019, the Resolution on the Remuneration of Supervisors of the Company for 2019, the Resolution in Respect of Re-appointment of Auditor for the Financial Report and the Internal Control Auditor of the Company for 2020 and the Resolution in Respect of the Provision of Asset Impairment Allowances for 2019 were considered and approved.
- (4) On 29 April 2020, the second meeting of the fourth session of the Supervisory Committee was convened, at which the First Quarterly Report of the Company for 2020 was considered and approved.
- (5) On 13 May 2020, the fourth extraordinary meeting of the fourth session of the Supervisory Committee was convened, at which the Resolution on the Adjustments to the List of Participants and Number of Share Options Granted under the First Grant of the 2020 Share Option Incentive Scheme and the Resolution on the First Grant of Share Options to the Participants were considered and approved.

- (6) On 3 June 2020, the fifth extraordinary meeting of the fourth session of the Supervisory Committee was convened, at which the Resolution on the Fulfilment of Conditions for the Non-public Issuance of A Shares by the Company, the Resolution on the 2020 Non-public Issuance of A Shares of the Company, the Resolution on the 2020 Plan for the Non-public Issuance of A Shares of the Company, the Resolution on the Feasibility Analysis Report on the Use of Proceeds from the Non-public Issuance of A Shares of the Company, the Resolution on the Report on the Use of Proceeds Previously Raised, the Resolution on the Remedial Measures for the Dilution of Current Returns by the Non-public Issuance of A Shares of the Company and the Resolution on the Shareholder's Return Plan of the Company for the Next Three Years (from 2020 to 2022) were considered and approved.
- (7) On 27 August 2020, the third meeting of the fourth session of the Supervisory Committee was convened, at which the Interim Financial Statements of the Company as of 30 June 2020, the Interim Report and Interim Results as of 30 June 2020 and the Exclusive Report on the Depository and Actual Use of Funds Raised by the Company in the First Half of 2020 were considered and approved.
- (8) On 30 October 2020, the fourth meeting of the fourth session of the Supervisory Committee was convened, at which the Third Quarterly Report of the Company for 2020 was considered and approved.

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

- (1) Legal operations: during the year of 2020, members of the Supervisory Committee continued to supervise the Company's operations through attending Board meetings, reviewing exclusive reports, conducting onsite inspections and meetings with staff, conducting audit and specific survey. With reference to various regulations, the Supervisory Committee was of the opinion that the decision-making process of the Company was lawful, the internal control was effective, and the Directors and the senior management of the Company had diligently carried out their duties, and there was no behavior of violation of the laws, regulations, the Articles of Association, nor had they prejudiced the Company's and Shareholders' interests. The Supervisory Committee had reviewed the Company's internal control audit report from BDO China Shu Lun Pan Certified Public Accountants LLP for the year 2020, and was of the view that the report reflected the actual situation of the Company's corporate governance and internal control, that the audit opinions were objective, and agreed to publish the relevant report.
- (2) Monitoring the Company's financial situation: during the Reporting Period, the Supervisory Committee diligently performed its duty of monitoring the Company's financial conditions, including monitoring the Company's operations and its risks and providing review opinions to each periodic report. The Supervisory Committee was of the opinion that the Company's financial report reflected a true and fair view on the Company's financial conditions and operating results.

## (3) Use of Proceeds

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

The net proceeds from the Global Offering amounted to RMB5,573.30 million, used for the development of 9 Portfolio Shopping Malls, investment in or acquisition of other home improvement and furnishings retailers and other market participants, refinancing of our existing indebtedness, development of our e-commerce business and information technology systems, working capital and other general corporate purposes. The Board resolved on 31 July 2015 and 16 January 2018 to change the intended use of part of the net proceeds from the global offering. For details, please refer to the announcements of the Company dated 31 July 2015 and 16 January 2018. As of the end of the Reporting Period, the Company cumulatively used 99.96% of the net proceeds in the abovementioned fund-raising investment projects.

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

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

As of the end of the Reporting Period, the Company cumulatively used 88.12% of the A Share Offering Proceeds in the abovementioned fund-raising investment projects.

- (4) Stock incentive plan: During the Reporting Period, the Supervisory Committee reviewed relevant resolutions including the resolution on the share option incentive scheme 2020 of the Company (draft) and its summary, the resolution on the assessment measures, and the resolution on the adjustments to the list of participants and number of share options granted under the scheme of the first grant of share options for 2020, the resolution on the first grant of share options to the participants. The Supervisory Committee believes that the above scheme of the first grant of share options was implemented by the Company in accordance with due procedures, the Measures for the Administration of Equity Incentives of Listed Companies and other laws and regulations, which will not have a substantial impact on the financial position and results of operations of the Company or damage the interests of the Company and all Shareholders.

- (5) Major asset acquisitions and disposals: during the Reporting Period, the Company did not conduct any major asset acquisitions and disposals.
- (6) Connected and continuing connected transactions: during the Reporting Period, the Supervisory Committee paid attention to the connected and continuing connected transactions of the Company for the year.

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

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

30 March 2021

**RED STAR MACALLINE GROUP CORPORATION LTD.  
FINAL ACCOUNT REPORT OF THE COMPANY FOR 2020**

Dear Directors,

During the Reporting Period, Red Star Macalline Group Corporation Ltd. (the “**Company**”) took the “building warm and harmonious homes and enhancing taste for consumption and home life” as its duty, followed the operation and management mode of “market-oriented and shopping-mall-based management”, provided consumers with better and more professional service, and strengthened the “Red Star Macalline” brand as the expert of home living in the minds of consumers. During the Reporting Period, although affected by the outbreak of “COVID-19”, the Company’s operation as a whole still achieved healthy and stable development, its main businesses was in sound trend and the overall financial status was healthy. The final account report for 2020 was prepared especially for its main business-Portfolio Shopping Malls.

As at the end of the Reporting Period, we operated 92 Portfolio Shopping Malls covering a total operating area of 8,034,277 sq.m. with an average occupancy rate of 92.1%. During the Reporting Period, we opened 6 new Portfolio Shopping Malls, of which, 1 Managed Shopping Malls were converted into Portfolio Shopping Malls.

The Company’s Portfolio Shopping Malls in 2020 achieved a revenue of RMB6,664.29 million, representing a decrease of RMB1,124.77 million or 14.4% as compared with that in 2019; and a gross profit of RMB5,142.29 million, representing a decrease of RMB1,022.11 million or 16.6% as compared with that in 2019.

				<i>Unit: RMB’0,000</i>
<b>Portfolio Shopping Malls</b>	<b>2020</b>	<b>2019</b>	<b>Difference</b>	<b>Change percentage (%)</b>
Revenue	666,429	778,906	-112,477	-14.4%
Cost of sales	152,200	162,466	-10,266	-6.3%
<b>Gross profit</b>	<b>514,229</b>	<b>616,440</b>	<b>-102,211</b>	<b>-16.6%</b>

In terms of type of business of Portfolio Shopping Malls, the owned Portfolio Shopping Malls achieved a revenue of RMB5,608.57 million, accounting for 84.2% of the revenue of Portfolio Shopping Malls, representing a decrease of RMB1,124.77 million or 14.4% as compared to that in 2019. The leased Portfolio Shopping Malls achieved a revenue of RMB1,522.00 million, accounting for 15.8% of the revenue of Portfolio Shopping Malls, representing a decrease of RMB102.66 million or 6.3% as compared to that in 2019.

**APPENDIX IV FINAL ACCOUNT REPORT OF THE COMPANY FOR 2020**

*Unit: RMB'0,000*

<b>Portfolio Shopping Malls</b>	<b>2020</b>	<b>2019</b>	<b>Difference</b>	<b>Change percentage (%)</b>
Owned Portfolio Shopping Malls	560,857	655,074	-94,217	-14.4%
Leased Portfolio Shopping Malls	105,572	123,832	-18,260	-14.7%
<b>Total</b>	<b>666,429</b>	<b>778,906</b>	<b>-112,477</b>	<b>-14.4%</b>

In terms of the regions of Portfolio Shopping Malls, in 2020, the revenue from Beijing was RMB664.01 million, representing a decrease of RMB262.39 million or 28.3% compared with 2019; the revenue from Shanghai was RMB1,508.10 million, representing a decrease of RMB232.02 million or 13.3% compared with 2019; the revenue from Tianjin was RMB167.75 million, representing a decrease of RMB44.92 million or 21.1% compared with 2019; the revenue from Chongqing was RMB454.41 million, representing a decrease of RMB82.65 million or 15.4% compared with 2019; the revenue from Northeast China (Heilongjiang, Jilin and Liaoning) was RMB653.35 million, representing a decrease of RMB190.34 million or 22.6% compared with 2019; the revenue from North China (Hebei, Inner Mongolia, Shanxi, excluding Beijing and Tianjin) was RMB294.97 million, representing a decrease of RMB6.84 million or 2.3% compared with 2019; the revenue from East China (Anhui, Jiangsu, Shandong, Zhejiang, excluding Shanghai) was RMB1,767.27 million, representing a decrease of RMB127.69 million or 6.7% compared with 2019; the revenue from Central China (Henan, Hubei and Hunan) was RMB616.96 million, representing a decrease of RMB157.98 million or 20.4% compared with 2019; the revenue from South China (Guangdong) was RMB139.15 million, representing an increase of RMB18.03 million or 14.9% compared with 2019, mainly due to the commencement of operation of Ogloria in Liuzhou at the end of September 2019; the revenue from Western China (Gansu, Sichuan and Yunnan, excluding Chongqing) was RMB398.32 million, representing a decrease of RMB37.97 million or 8.7% compared with 2019.

*Unit: RMB'0,000*

<b>Portfolio Shopping Malls</b>	<b>2020</b>	<b>2019</b>	<b>Difference</b>	<b>Change percentage (%)</b>
Beijing	66,401	92,640	-26,239	-28.3%
Shanghai	150,810	174,012	-23,202	-13.3%
Tianjin	16,775	21,267	-4,492	-21.1%
Chongqing	45,441	53,706	-8,265	-15.4%
Northeast China	65,335	84,369	-19,034	-22.6%
North China (excluding Beijing, Tianjin)	29,497	30,181	-684	-2.3%
East China (excluding Shanghai)	176,727	189,496	-12,769	-6.7%
Central China	61,696	77,494	-15,798	-20.4%
South China	13,915	12,112	1,803	14.9%
Western China (excluding Chongqing)	39,832	43,629	-3,797	-8.7%
<b>Total</b>	<b>666,429</b>	<b>778,906</b>	<b>-112,477</b>	<b>-14.4%</b>

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

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

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

30 March 2021

**RED STAR MACALLINE GROUP CORPORATION LTD.****FINANCIAL BUDGET REPORT OF THE COMPANY FOR 2021**

Dear Directors,

Based on the operating results for 2020, combined with the national and regional macroeconomic policies, the Company will continue to strengthen its internal refined management and set the goal of maximizing the wealth of Shareholders in 2020. We prepared the financial budget for 2021 especially for the main business of the Company-Portfolio Shopping Malls to ensure that the Company can achieve its strategies and operating development goals.

**I. BASIC ASSUMPTIONS OF BUDGET PREPARATION**

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

## APPENDIX V FINANCIAL BUDGET REPORT OF THE COMPANY FOR 2021

### II. FINANCIAL BUDGET DETAILS

The Company's Portfolio Shopping Malls in 2021 is expected to achieve a revenue of RMB8,202.95 million, representing an increase of RMB1,538.66 million or 23.1% as compared with that in 2020, and a gross profit of RMB6,488.53 million, representing an increase of RMB1,346.24 million or 26.2% from 2020.

*Unit: RMB'0,000*

	<b>Budget amount for 2021</b>	<b>Final account amount for 2020</b>	<b>Difference</b>	<b>Change percentage (%)</b>
<b>Portfolio Shopping Malls</b>				
Revenue	820,295	666,429	153,866	23.1%
Cost of sales	171,442	152,200	19,242	12.6%
<b>Gross profit</b>	<b>648,853</b>	<b>514,229</b>	<b>134,624</b>	<b>26.2%</b>

In terms of type of business of Portfolio Shopping Malls, the owned Portfolio Shopping Malls is expected to achieve a revenue of RMB6,931.37 million, accounting for 84.5% of the revenue of Portfolio Shopping Malls. The leased Portfolio Shopping Malls is expected to achieve a revenue of RMB1,271.58 million, accounting for 15.5% of the revenue of Portfolio Shopping Malls.

*Unit: RMB'0,000*

	<b>Budget amount for 2021</b>	<b>Final account amount for 2020</b>	<b>Difference</b>	<b>Change percentage (%)</b>
<b>Portfolio Shopping Malls</b>				
Owned Portfolio Shopping Malls	693,137	560,857	132,280	23.6%
Leased Portfolio Shopping Malls	127,158	105,572	21,586	20.4%
<b>Total</b>	<b>820,295</b>	<b>666,429</b>	<b>153,866</b>	<b>23.1%</b>

In terms of the regions of Portfolio Shopping Malls, in 2021, the budget revenue from Beijing is expected to reach RMB851.46 million, accounting for 10.4% of the revenue of Portfolio Shopping Malls; the budget revenue from Shanghai is expected to reach RMB1,823.86 million, accounting for 22.2%; the budget revenue from Tianjin is expected to reach RMB208.38 million, accounting for 2.5%; the budget revenue from Chongqing is expected to reach RMB551.09 million, accounting for 6.7%; the budget revenue from Northeast China (Heilongjiang, Jilin and Liaoning) is expected to reach RMB772.01 million, accounting for 9.4%; the revenue from North China (Hebei, Inner Mongolia, Shanxi, excluding Beijing and Tianjin) is expected to reach RMB367.09 million, accounting for 4.5%; the revenue from East China (Anhui, Jiangsu, Jiangxi, Shandong and Zhejiang, excluding

## APPENDIX V FINANCIAL BUDGET REPORT OF THE COMPANY FOR 2021

Shanghai) is expected to reach RMB2,067.06 million, accounting for 25.2%; the revenue from Central China (Henan, Hubei and Hunan) is expected to reach RMB800.52 million, accounting for 9.8%; the revenue from South China (Guangdong) is expected to reach RMB158.87 million, accounting for 1.9%; the revenue from Western China (Xinjiang, Gansu, Sichuan, Yunnan and Qinghai, excluding Chongqing) is expected to reach RMB602.61 million, accounting for 7.4%.

*Unit: RMB'0,000*

<b>Regions</b>	<b>Budget Revenue</b>	<b>Proportion</b>
Beijing	85,146	10.4%
Shanghai	182,386	22.2%
Tianjin	20,838	2.5%
Chongqing	55,109	6.7%
Northeast China	77,201	9.4%
North China (excluding Beijing, Tianjin)	36,709	4.5%
East China (excluding Shanghai)	206,706	25.2%
Central China	80,052	9.8%
South China	15,887	1.9%
Western China (excluding Chongqing)	60,261	7.4%
<b>Total</b>	<b>820,295</b>	<b>100.0%</b>

### III. RISK WARNING

The above forward-looking statements and indicators relating to the 2021 annual financial budget do not constitute substantial corporate commitments to investors and do not represent the Company's profit forecast for 2021. As the various factors affecting the operating efficiency of the Company are constantly changing, the final financial account results may differ from this financial budget.

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

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

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

30 March 2021

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**APPENDIX VI                      RESOLUTION ON THE PROPOSED NON-PUBLIC  
ISSUANCE OF A SHARES PASSED ON 18 JUNE 2020**

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The following special resolution was approved at the 2020 Meetings, and unless otherwise stated, capitalized terms used in this appendix shall have the same meaning as those defined in the supplemental circular of the Company dated 4 June 2020:

**PROPOSED NON-PUBLIC ISSUANCE OF A SHARES**

In order to further expand the business deployment of the Company, optimize the financial structure and provide capital support for sustainable development of the Company, the Board has resolved to approve the proposed Non-public Issuance of the A Shares of the Company on 3 June 2020. Pursuant to the provisions under the Company Law, Securities Law, Administrative Measures for Issuance, Implementation Rules, the Regulatory Questions and Answers and other relevant laws, regulations and normative documents, the detailed plan of the Non-public Issuance of A Shares is as follows:

**(1) Class and Nominal Value of Shares to be Issued**

The shares to be issued are RMB ordinary shares (A shares), with the nominal value of RMB1.00 each.

**(2) Method and Time of Issuance**

All A shares for the Issuance will be issued through private placement to specific subscribers at an appropriate time during the validity period of the CSRC approval.

**(3) Target Subscribers and Subscription Method**

The number of target subscribers for the Non-public Issuance of shares shall not exceed 35 persons. The target subscribers shall be legal persons, natural persons or other legal investment organizations fulfilling the conditions specified by CSRC. A securities investment fund management company, securities company, qualified foreign institutional investor or RMB qualified foreign institutional investor subscribing through more than two products managed by it will be deemed to be a target subscriber. A trust company which is a target subscriber shall only use its self-owned funds for subscription.

After an approval is granted by CSRC for the application for the Issuance, the final target subscribers will be selected through negotiation between the Board and the sponsor (i.e., the lead underwriter) based on the prices quoted by the target subscribers for the subscription. The number of target subscribers shall comply with relevant laws and regulations.

The target subscribers for the Issuance shall subscribe for the shares under the Non-public Issuance in cash.

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**APPENDIX VI                      RESOLUTION ON THE PROPOSED NON-PUBLIC  
ISSUANCE OF A SHARES PASSED ON 18 JUNE 2020**

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Since no target subscribers have been selected for the Issuance, the relationships between target subscribers and the Company cannot be confirmed. The relationships between target subscribers and the Company will be disclosed by the Company in the issuance report published after the completion of the Issuance. If any of the subscribers is the connected person of the Company, the Company will follow the relevant requirements under Chapter 14A of the Listing Rules.

**(4) Pricing Reference Date, Issue Price and Pricing Principles**

The pricing reference date for the Issuance will be the first day of the issue period of the Non-public Issuance of shares. The price of the Issuance will be not less than 80% of the average trading price of A Shares over the 20 trading days prior to the pricing reference date.

The average trading price of A Shares over the 20 trading days prior to the pricing reference date = the total value of A Shares traded over the 20 trading days prior to the pricing reference date/the total volume of A Shares traded over the 20 trading days prior to the pricing reference date. In the event of dividend distribution, bonus issue, conversion of capital reserve into share capital and other ex-right and ex-dividend matters in relation to the shares of the Company between the pricing reference date and the issue date, the minimum issue price will be adjusted as follows:

Dividend distribution:  $P_1 = P_0 - D$

Bonus issue or conversion of capital reserve into share capital:  $P_1 = P_0 \div (1 + N)$

Dividend distribution and bonus issue or conversion of capital reserve into share capital:  
 $P_1 = (P_0 - D) \div (1 + N)$

where: the minimum issue price prior to the adjustment is  $P_0$ , the number of bonus shares per share or the number of shares converted from capital reserve is  $N$ , the dividend paid per share is  $D$ , and the minimum issue price upon the adjustment is  $P_1$ .

After an approval of CSRC in relation to the Issuance is obtained by the Company, the final issue price of the Non-public Issuance will be confirmed in accordance with relevant laws and regulations and requirements of regulatory authorities, through negotiation between the Board (according to the authorization of the AGM and the Class Meetings) and the sponsor (the lead underwriter) of the Issuance according to enquiries in the market.

The Company will make further announcement(s) in respect of the issue price and the underwriting/placing arrangement once they have been determined in accordance with relevant laws and regulations and requirements of regulatory authorities.

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**APPENDIX VI                      RESOLUTION ON THE PROPOSED NON-PUBLIC  
ISSUANCE OF A SHARES PASSED ON 18 JUNE 2020**

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**(5) Number of shares to be Issued**

The number of the shares for the Non-public Issuance is calculated as the total proceeds divided by the issue price, up to 30% of 3,550,000,000 Shares of the total issued share capital of the Company prior to the Issuance; meanwhile, in order to fulfil the undertakings made by the Company upon the initial public offering of H Shares as to maintaining the number of H Shares held in the public hands to be above 15.10%, the number of shares for the Non-public Issuance by the Company will be up to 912,887,622 Shares (accounting for 25.72% of the total issued share capital of the Company prior to the Issuance). The number of Shares to be issued shall be as indicated in the approval of CSRC in relation to the Issuance. The Board will be authorized by the AGM and the Class Meetings to negotiate with the sponsor (i.e., the lead underwriter) to confirm the final number to be issued, within the above limit, based on the relevant rules of CSRC and the actual subscription.

In the event of bonus issue, conversion of capital reserve into share capital and other ex-right matters of the Company between the pricing reference date and the issue date of the Non-public Issuance, the maximum number of shares for the Issuance will be adjusted as follows:

$$Q_1 = Q_0 \times (1+n)$$

where:  $Q_0$  is the maximum number of shares for the Issuance prior to the adjustment;  $n$  is the proportion of bonus shares per share or shares converted from capital reserve (namely the number of additional shares arising from bonus issue or the conversion);  $Q_1$  is the maximum number of shares for the Issuance upon the adjustment.

If the total number of shares for the Non-public Issuance is adjusted due to a change in regulatory policies or in accordance with an issuance approval, the number of shares for the Non-public Issuance will be adjusted accordingly.

**APPENDIX VI RESOLUTION ON THE PROPOSED NON-PUBLIC  
ISSUANCE OF A SHARES PASSED ON 18 JUNE 2020**

**(6) Amount and Use of Proceeds**

The total proceeds from the Non-public Issuance will be up to RMB4,000 million (inclusive). The proceeds from the Non-public Issuance after deduction of issue expenses will be used for the following projects:

*Unit: RMB ten thousand*

S/N	Project Name	Investment in Project	Proceeds Proposed to be Used
1	Home Furnishing Mall Construction Project <sup>(Note)</sup>		
1.1	Foshan Lecong Shopping Mall Project	126,781.96	100,000.00
1.2	Nanning Dingqiu Shopping Mall Project	60,668.75	56,000.00
1.3	Nanchang Chaoyang Xincheng Shopping Mall Project	<u>58,988.02</u>	<u>40,000.00</u>
	Subtotal	<u>246,438.73</u>	<u>196,000.00</u>
2	Tmall “Home Decoration Tongcheng Station” Project	89,054.00	22,000.00
3	3D Shejiyun Platform Construction Project	62,318.00	30,000.00
4	Construction Project for New Generation Home Improvement Platform System	62,898.00	35,000.00
5	Repayment of Interest-bearing Debts of the Company	<u>117,000.00</u>	<u>117,000.00</u>
	Total	<u><u>577,708.73</u></u>	<u><u>400,000.00</u></u>

*Note:* The total investment amounts of the Foshan Lecong shopping mall project, the Nanning Dingqiu shopping mall project and the Nanchang Chaoyang Xincheng shopping mall project are RMB1,800.00 million, RMB1,000.00 million and RMB1,000.00 million, respectively. In the table, the investment amounts of each project are the subsequent investment amounts required, after deducting the self-owned funds invested by the Company as of the date of the resolution being approved by the Board.

Before obtaining the proceeds from the Issuance, the Company will use its self-raised funds to invest based on the progress of the projects, and will replace the funds with the proceeds obtained, according to procedures specified in relevant regulations.

If the actual net proceeds from the Issuance are less than the proceeds proposed to be invested, the Company will adjust and determine final amount of proceeds funded to each project, the priority, and the specific investment amount for each project, according to the actual proceeds and the project implementation, and any difference will be made up by the Company using the self-raised funds.

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**APPENDIX VI                      RESOLUTION ON THE PROPOSED NON-PUBLIC  
ISSUANCE OF A SHARES PASSED ON 18 JUNE 2020**

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Within the scope of the above funded projects, the Board may appropriately adjust the amount of proceeds to be invested in the above projects, according to the actual needs of the projects and procedures specified in relevant regulations.

**(7) Lock-up Period**

The Shares subscribed for by the target subscribers for the Non-public Issuance shall not be transferred within six months from the date on which the Issuance is completed unless otherwise specified by laws, regulations and normative documents in relation to the lock-up period.

Any reduction of the subscribed Shares of the Company by the target subscribers under the Issuance after the expiry of the lock-up period shall also comply with relevant requirements under the Company Law, the Securities Law, the SSE Listing Rules and other laws, regulations, rules, normative documents, relevant rules of stock exchanges, and the Articles of Association. Additional Shares obtained from bonus issue, conversion of capital reserve into share capital and otherwise after the completion of the Non-public Issuance are subject to the above lock-up period arrangements.

**(8) Place of Listing**

The A shares for the Non-public Issuance will be listed for trading on the SSE.

**(9) Arrangements for Undistributed Accumulated Profits Prior to the Non-public Issuance**

After the completion of the Issuance, the undistributed accumulated profits prior to the Issuance will be shared among the new and existing Shareholders of the Company in proportion to their shareholdings upon completion of the Issuance, taking into account of the interests of the new and existing shareholders.

**(10) Validity Period of the Non-public Issuance Resolutions**

The validity period of the Issuance resolutions is 12 months from the date on which the Non-public Issuance is considered and approved at the AGM and the Class Meetings.

The following special resolution, among others, was approved at the 2020 Meetings, and unless otherwise stated, capitalized terms used in this appendix shall have the same meaning as those defined in the supplemental circular of the Company dated 4 June 2020:

**AUTHORIZATION TO THE BOARD TO DEAL WITH THE MATTERS IN RELATION  
TO THE NON-PUBLIC ISSUANCE WITH FULL DISCRETION**

In order to ensure the smooth implementation of the Non-public Issuance, in accordance with the Company Law, the Securities Law, the Administrative Measures for the Issuance, the Implementation Rules and other laws and regulations, and the Articles of Association of the Company, this resolution will be submitted to the Shareholders for approval by way of a special resolution at the AGM and the Class Meetings, respectively, to authorize the Board, which will in turn authorize the management of the Company, to deal with the matters in relation to the Non-public Issuance of A Shares with full discretion within the scope of authorization. The contents of authorization include but are not limited to:

- (1) Formulating and implementing specific plans for the Non-public Issuance, including determining the timing of the issuance, the number to be issued, the start and end dates of the issuance, pricing principles, pricing reference date (only for changes of pricing principles and pricing reference date resulting from amendment or promulgation of relevant new laws, regulations and normative documents), issue price, method of issuance, target subscriber, use of proceeds, specific subscription method, subscription ratio and other matters related to the issue pricing method, according to the changes in laws, regulations and policies on non-public issuance of shares and the opinions of regulatory authorities (including but not limited to CSRC, the SSE, the Hong Kong Stock Exchange and other regulatory authorities), and in consideration of the actual conditions of the Company and the market, to the extent permitted by relevant laws and regulations, normative documents (as amended from time to time and promulgated after the resolution of the Board) and the Articles of Association of the Company;
- (2) Carrying out work involved in the projects funded by the proceeds from the Non-public Issuance, and signing material contracts and other relevant legal documents in the implementation of the projects funded by the proceeds from the Non-public Issuance. Adjusting or determining the specific arrangements for the use of the proceeds, within the scope of use of proceeds considered and approved at the shareholder's general meeting, and according to the actual progress and capital needs of the projects to be funded by the proceeds; according to the actual progress and operational needs of the projects, the Company may first use its self-raised funds to implement the projects to be funded by the proceeds, before the receipt of the proceeds, and replace the funds with the proceeds obtained; according to relevant laws and regulations, requirements of regulatory authorities and market conditions, necessary adjustments are made to the projects to be funded by the proceeds;

- (3) Handling matters in relation to the application for the Non-public Issuance, and preparing, amending and submitting the application materials for the Issuance and listing, according to the requirements of regulatory authorities;
- (4) Determining to sign, supplement, amend, submit, report and perform all agreements and documents arising in the Non-public Issuance, including but not limited to underwriting agreement, sponsor agreement, agreement to engage intermediaries, share subscription agreement and other legal documents;
- (5) Opening a proceeds deposit account and signing agreements on the management and use of proceeds;
- (6) Adjusting the specific arrangements for the projects to be funded by the proceeds to the extent permitted by laws and regulations and within the scope of the approval of the shareholder's general meeting, according to the requirements of the relevant competent authorities and the actual conditions of the market;
- (7) In case of force majeure, new regulations of the securities regulatory authorities on the Non-public Issuance of shares or changes in market conditions, adjusting the specific plan for the Non-public Issuance accordingly and continue to handle matters in relation to the Non-public Issuance, including but not limited to canceling the plan for the Non-public Issuance of A shares or extending the validity period of the application for the Non-public Issuance of A shares, according to the opinions of regulatory authorities, except for matters which are subject to further voting at the shareholder's general meeting under relevant laws, regulations and the Articles of Association;
- (8) After the completion of the Non-public Issuance, handling matters including the listing of the shares for the Non-public Issuance on the SSE, and lock-up of the shares;
- (9) According to the actual results of the Non-public Issuance, handling and announcing matters including the change in the registered capital of the Company, the amendment to corresponding provisions of the Articles of Association and the industrial and commercial change registration;
- (10) Handling other matters in relation to the Non-public Issuance which are not covered, to the extent permitted by laws, regulations and the Articles of Association of the Company.

If the above authorizations involve specific implementation matters to be handled after the approval by securities regulatory authorities for the Non-public Issuance, the authorization is valid from the date of consideration and approval at the AGM and the Class Meetings to the date of completion of the implementation matters, while other authorizations are valid for 12 months from the date of from the date of consideration and approval at the AGM and the Class Meetings.