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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)

**ADJUSTMENTS TO THE NUMBER AND EXERCISE PRICE OF
THE A SHARE OPTION INCENTIVE SCHEME**

References are made to (i) the announcement dated 23 February 2020 of Red Star Macalline Group Corporation Ltd. (the “**Company**”); (ii) the circular dated 27 March 2020 of the Company (the “**Circular**”); (iii) the announcement dated 21 April 2020 of the Company; and (iv) the announcement dated 14 May 2020 of the Company, in relation to the A Share Option Incentive Scheme. Unless otherwise defined herein, capitalised terms used in this announcement shall have the same meanings as those defined in the Circular.

INTRODUCTION

The profit distribution plan of the Company for 2019 was approved by the Shareholders at the 2019 annual general meeting, the A shareholders' class meeting and the H shareholders' class meeting of the Company held on 18 June 2020. The Company has completed the implementation of the profit distribution plan of the Company for 2019 and distributed a cash dividend of RMB0.253 (tax inclusive) per share based on the total share capital of 3,550,000,000 shares of the Company, and issued 0.1 bonus share per share by way of conversion of capital reserve to all of its shareholders. On 11 August 2021, the Board considered and approved the Resolution in Relation to the Adjustments to the Number and Exercise Price of the A Share Option Incentive Scheme of the Company for 2020.

**ADJUSTMENTS TO THE NUMBER AND EXERCISE PRICE OF THE A SHARE OPTION
INCENTIVE SCHEME FOR 2020**

Pursuant to the relevant provisions under the A Share Option Incentive Scheme, in the event of capitalization of capital reserves, bonus issue, share subdivision, rights issue, share consolidation of the Company during the period from the date of announcement of the Scheme to the completion of share registration of Share Options by the Participants, the number and exercise price of the Share Options shall be adjusted accordingly.

Adjustment to the Number of Share Options

Pursuant to the relevant provisions under the A Share Option Incentive Scheme, the Company shall adjust the number of Share Options in accordance with the following formula:

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

Where: Q_0 represents the number of the Share Options prior to the adjustment; n represents the ratio of increase per share resulting from capitalization of capital reserves, bonus issue or share subdivision (i.e. the number of increased share(s) per share upon capitalization of capital reserves, bonus issue or share subdivision); and Q represents the number of the Share Options after the adjustment.

Number of Share Options under the first grant of the Share Options after adjustment:
 $Q = 25,236,000 * (1+0.1) = 27,759,600$ Share Options

Adjustment to the Exercise Price

Pursuant to the relevant provisions under the A Share Option Incentive Scheme, the Company shall adjust the exercise price in accordance with the following formula:

$$P = (P_0 - V) / (1 + n)$$

Where: P_0 represents the exercise price prior to the adjustment; V represents the dividend per share; n represents the ratio of increase per share resulting from capitalization of capital reserves, bonus issue or share subdivision; and P represents the exercise price after the adjustment.

Exercise price under the first grant of the Share Options after adjustment:

$$P = (11.02 - 0.253) / (1 + 0.1) = \text{RMB}9.79/\text{share}$$

IMPACT OF THE ADJUSTMENTS ON THE COMPANY

The adjustments to the number and exercise price of the A Share Option Incentive Scheme will not have any substantial impact on the financial position and operating results of the Company.

OPINION OF THE INDEPENDENT DIRECTORS

The independent directors of the Company are of the opinions that the adjustments are in compliance with the relevant requirements under the Administrative Measures on Share Incentives of Listed Companies (the “**Administrative Measures**”) and the relevant provisions under the A Share Option Incentive Scheme, have been authorized by the general meeting and no need to be further submitted to the general meeting for approval, and necessary procedures have been performed, without prejudice to the interests of the Company and all Shareholders, especially minority Shareholders. Therefore, we unanimously agreed with the Resolution in Relation to the Adjustments to the Number and Exercise Price of the A Share Option Incentive Scheme of the Company for 2020.

OPINION OF THE SUPERVISORY COMMITTEE

The Supervisory Committee of the Company has reviewed the adjustments to the Share Option Incentive Scheme of the Company. The Supervisory Committee is of the opinion that, the adjustments are in compliance with the relevant requirements under the Administrative Measures and the relevant provisions under the A Share Option Incentive Scheme, and necessary procedures have been performed, without prejudice to the interests of the Company and all Shareholders, especially minority Shareholders..

LEGAL OPINION FROM THE COMPANY'S PRC LEGAL ADVISER

The PRC legal adviser of the Company, Beijing AnJie (Shanghai) Law Firm (北京安傑(上海)律師事務所), is of the opinion that, according to the authorization granted to the Board at the 2020 first extraordinary general meeting, the A shareholders' class meeting and the H shareholders' class meeting of the Company, necessary approvals and authorizations at the current stage have been obtained for the adjustments and corresponding procedures have been performed. The reasons for the adjustments, the adjustments to the number and the exercise price of Share Options granted, and the adjustment to certain performance appraisal targets are in compliance with the relevant requirements under the Administrative Measures and other laws, regulations, regulatory documents and the provisions under the A Share Option Incentive Scheme. The adjustments will not have any substantial impact on the financial position and operating results of the Company, without any significant prejudice to the interests of the Company and all Shareholders, and are beneficial to the sustainable development of the Company.

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

Shanghai, the PRC
11 August 2021

As at the date of this announcement, the executive Directors of the Company are CHE Jianxing, GUO Binghe, CHE Jianfang and JIANG Xiaozhong; the non-executive Directors are CHEN Shuhong, JING Jie, XU Hong and CHEN Zhaohui; and the independent non-executive Directors are QIAN Shizheng, LEE Kwan Hung, Eddie, WANG Xiao, ZHAO Chongyi and QIN Hong.