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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)

**PROPOSED AMENDMENTS TO THE
A SHARE OPTION INCENTIVE SCHEME**

The Board passed a resolution on 22 February 2020, which proposed the adoption of the A Share Option Incentive Scheme by the Company, and reviewed and approved the A Share Option Incentive Scheme at the 2020 first extraordinary general meeting, A Shareholders' Class Meeting and H Shareholders' Class Meeting on 21 April 2020. In accordance with the relevant authorization, the Company convened the ninth extraordinary meeting of the fourth session of the Board on 13 May 2020 to adjust the list of Participants and the number of Share Options granted under the first grant of the A Share Option Incentive Scheme. For details, please refer to the relevant announcements of the Company dated 23 February 2020, 21 April 2020 and 14 May 2020, and the relevant circular dated 27 March 2020.

BACKGROUND

After the adoption of the A Share Option Incentive Scheme, due to the rapid spread of the COVID-19 pandemic across the globe, numerous enterprises including the Company have suffered various degrees of impacts. The outbreak of the COVID-19 pandemic had posed continuous adverse impact on the Group's operating and financial results for the year of 2020. In view of the uncertain economic environment and business prospect of the commercial retail industry in the PRC, the Board considers that it is not reasonably practicable for the Participants to achieve the existing performance assessment targets under the A Share Option Incentive Scheme. In response to the above situation, after in-depth researches and discussion, in order to safeguard the long-term interests of the Company and Shareholders and continuously motivate the core cadres of the Company to maintain the hardworking spirit of overcoming difficulties, the Company proposed to revise the A Share Option Incentive Scheme and the corporate performance assessment indicators set out in its summary and other documents to a more realistic level, which aims to motivate the Participants to make further contributions to the Group.

DETAILS OF THE PROPOSED AMENDMENTS

Prior to the amendments, the performance assessment targets of the A Share Option Incentive Scheme are shown in the following table:

Exercise Period	Performance assessment targets
First Grant of Share Options	First Exercise Period The growth rate on the audited consolidated operating revenue for the year of 2020 (after excluding the impact of the COVID-19 pandemic) shall not be lower than 15%, as compared to the audited consolidated operating revenue for the year of 2019
	Second Exercise Period The growth rate on the audited consolidated operating revenue for the year of 2021 shall not be lower than 40%, as compared to the audited consolidated operating revenue for the year of 2019
Reserved Grant of Share Options	First Exercise Period The growth rate on the audited consolidated operating revenue for the year of 2020 (after excluding the impact of the COVID-19 pandemic) shall not be lower than 15%, as compared to the audited consolidated operating revenue for the year of 2019
	Second Exercise Period The growth rate on the audited consolidated operating revenue for the year of 2021 shall not be lower than 40%, as compared to the audited consolidated operating revenue for the year of 2019

Note: The audited consolidated operating revenue for the year of 2020 (after excluding the impact of the COVID-19 pandemic) = the audited consolidated operating revenue for the year of 2020 + the reduced audited consolidated operating revenue for the year of 2020 due to the impact of the COVID-19 pandemic

Upon the amendments, the performance assessment targets of the A Share Option Incentive Scheme are shown in the following table:

Exercise Period	Performance assessment targets
First Grant of Share Options	
First Exercise Period	The growth rate on the audited consolidated operating revenue for the year of 2020 (after excluding the impact of the COVID-19 pandemic) shall not be lower than 15%, as compared to the audited consolidated operating revenue for the year of 2019
Second Exercise Period	The growth rate on the audited consolidated operating revenue for the year of 2021 shall not be lower than 27.3% , as compared to the audited consolidated operating revenue for the year of 2020 (i.e. the growth rate on the audited consolidated operating revenue for the year of 2021 shall not be lower than 10%, as compared to the audited consolidated operating revenue for the year of 2019)
Reserved Grant of Share Options	
First Exercise Period	The growth rate on the audited consolidated operating revenue for the year of 2020 (after excluding the impact of the COVID-19 pandemic) shall not be lower than 15%, as compared to the audited consolidated operating revenue for the year of 2019
Second Exercise Period	The growth rate on the audited consolidated operating revenue for the year of 2021 shall not be lower than 27.3% , as compared to the audited consolidated operating revenue for the year of 2020 (i.e. the growth rate on the audited consolidated operating revenue for the year of 2021 shall not be lower than 10%, as compared to the audited consolidated operating revenue for the year of 2019)

Note: The audited consolidated operating revenue for the year of 2020 (after excluding the impact of the COVID-19 pandemic) = the audited consolidated operating revenue for the year of 2020 + the reduced audited consolidated operating revenue for the year of 2020 due to the impact of the COVID-19 pandemic

Save for the aforesaid proposed amendments, all other provisions of the A Share Option Incentive Scheme and the rights and obligations of the Company and the grantees under such scheme remain unchanged.

The revised indicators are a dynamic adjustment made by the Company based on the external business environment and with reference to industry statistics. Thus, such amendments are expected to be in line with the expected financial performance of companies operating in the same industry and the Company still aims at achieving higher performance growth. Besides, the revised performance assessment indicators are more conducive to fully mobilizing the proactiveness of the Participants by the Company with reference to actual situations, thereby further enhancing the Company's competitiveness and ensuring the Company's long-term and stable development.

If the Participants are unable to exercise their rights in respect of the granted Share Options due to the impact of the COVID-19 pandemic, the Board considers that it will be unfair to the Participants and contrary to the original intention of establishing the A Share Option Incentive Scheme for recognizing the efforts and contribution made by the Participants to the Group. Given that the current amendments are favorable to the long-term development and sustainability of the Company, the Board is of the view that the proposed amendments are in the interest of the Company and the Shareholders as a whole.

The Board has considered and approved the abovementioned proposed amendments and the related Directors, Mr. CHE Jianxing, Ms. CHE Jianfang and Ms. CHEN Shuhong, have abstained from voting on the relevant resolutions.

IMPLICATIONS UNDER THE LISTING RULES

Pursuant to Notes (1) and (2) to Rule 17.03(18) of the Listing Rules, without the approval of shareholders of the listed issuer at the general meeting, no modifications of material nature shall be made to the advantage of participants in respect of the performance targets that must be achieved before the options are exercised. Since the proposed amendments to the A Share Option Incentive Scheme will modify the performance assessment targets to the advantage of the Participants, the aforesaid proposed amendments are subject to the approval by the Shareholders by way of special resolution at the EGM and the Class Meetings.

GENERAL

The Company will convene the EGM, the A Shareholders' Class Meeting and the H Shareholders' Class Meeting for the Shareholders to consider and, if thought fit, approve the abovementioned proposed amendments to the A Share Option Incentive Scheme. The Company will dispatch the notice of the general meeting, the notice of each Class Meeting, the relevant proxy form(s) and the circular containing further details of the proposed amendments to the A Share Option Incentive Scheme to the Shareholders as soon as practicable in accordance with the requirements of the Listing Rules and the Articles of Association.

DEFINITIONS

“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 Share Option Incentive Scheme”	the 2020 Share Option Incentive Scheme of Red Star Macalline Group Corporation Ltd.

“A Shareholders’ Class Meeting”	the A shareholders’ class meeting to be convened and held in due course
“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 company incorporated in the PRC with limited liability, whose H Shares are listed on the main board of The Stock Exchange of Hong Kong Limited (stock code: 1528)
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting to be convened and held in due course
“Group”	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 on The Stock Exchange of Hong Kong Limited and traded in Hong Kong dollars
“H Share Shareholder(s)”	the holder(s) of the H Share(s)
“H Shareholders’ Class Meeting”	the H shareholders’ class meeting to be convened and held in due course
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Participant(s)”	the core cadres who are granted with Share Options under the A Share Option Incentive Scheme
“PRC”	the People’s Republic of China, which, for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region and Taiwan
“Share(s)”	A Share(s) and H Share(s)

“Shareholder(s)”	the A Share Shareholder(s) and the H Share Shareholder(s) of the Company
“Share Options”	the right to be granted to a Participant by the Company to acquire certain number of shares of the Company under the pre-determined conditions in a particular period of time in the future
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	percent

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

Hong Kong
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.