
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

If you have sold or transferred all your Shares in Red Star Macalline Group Corporation Ltd., you should at once hand this circular together with the proxy form 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)

PROPOSED AMENDMENTS TO THE A SHARE OPTION INCENTIVE SCHEME PROPOSED APPOINTMENT OF A NON-EXECUTIVE DIRECTOR NOTICE OF THE 2021 SECOND EXTRAORDINARY GENERAL MEETING AND NOTICE OF THE H SHAREHOLDERS' CLASS MEETING

A letter from the Board is set out on pages 3 to 10 of this circular. A notice of the EGM of the Company to be held at 10:00 a.m. on Tuesday, 28 September 2021 at Conference Center, 3/F, South Building, Block B, Red Star Macalline Headquarters, Lane 1466, Shenchang Road, Minhang District, Shanghai, the PRC, is being despatched to the Shareholders together with this circular. A notice of the H Shareholders' Class Meeting of the Company to be held immediately after the conclusion of the A Shareholders' Class Meeting on Tuesday, 28 September 2021 at Conference Center, 3/F, South Building, Block B, Red Star Macalline Headquarters, Lane 1466, Shenchang Road, Minhang District, Shanghai, the PRC is being despatched to the Shareholders together with this circular.

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

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

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

8 September 2021

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DEFINITIONS

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

“A Share(s)”	the ordinary share(s) issued by the Company, with a nominal value of RMB1.0 each, listed on the Shanghai Stock Exchange and traded in RMB
“A Share Shareholder(s)”	the holder(s) of the A Share(s)
“A Share Option Incentive Scheme” or “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 on 28 September 2021
“Articles of Association”	the articles of association of the Company
“associate(s)”	has the same meaning ascribed thereto under the Listing Rules
“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)
“connected person(s)”	has the same meaning ascribed thereto under the Listing Rules
“Director(s)”	the director(s) of the Company
“EGM”	the 2021 second extraordinary general meeting to be convened and held on 28 September 2021
“Group”	the Company and its subsidiaries

DEFINITIONS

“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 on 28 September 2021
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Director(s)”	the independent non-executive director(s) of the Company
“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 circular, excludes Hong Kong, the Macau Special Administrative Region and Taiwan
“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) 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

LETTER FROM THE BOARD



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

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

(Stock Code: 1528)

Executive Directors:

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

Non-executive Directors:

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

8 September 2021

To the Shareholders

Dear Sir or Madam,

**PROPOSED AMENDMENTS TO THE
A SHARE OPTION INCENTIVE SCHEME
PROPOSED APPOINTMENT OF A NON-EXECUTIVE DIRECTOR
NOTICE OF THE 2021 SECOND EXTRAORDINARY
GENERAL MEETING
AND
NOTICE OF THE H SHAREHOLDERS' CLASS MEETING**

I. INTRODUCTION

Reference is made to the announcement of the Company dated 11 August 2021 in relation to the proposed amendments to the A Share Option Incentive Scheme and relevant documents. A summary of the principal terms of the A Share Option Incentive Scheme is set out in Appendix I to this circular.

The above resolution is subject to the approval of the Shareholders at the EGM and the H Shareholders at the H Shareholders' Class Meeting by way of a special resolution.

LETTER FROM THE BOARD

Reference is also made to the announcement of the Company dated 11 August 2021 in relation to the proposed appointment of a non-executive Director. As recommended by AEON Life Insurance Co., Ltd. (a Shareholder holding more than 1% of the Shares) and reviewed and nominated by the nomination committee of the Company, the relevant resolution has been passed by the Board to propose the appointment of Mr. JIANG Xiangyu (“**Mr. Jiang**”) as a non-executive Director.

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

The purpose of this circular is to provide you with, among other things, the notices of the EGM and H Shareholders’ Class Meeting and the information of certain resolutions to be proposed for consideration at the EGM and the H Shareholders’ Class Meeting, in order to enable you to make informed decision on whether to vote for or against the resolutions at the EGM and the H Shareholders’ Class Meeting.

II. PROPOSED AMENDMENTS TO THE A SHARE OPTION INCENTIVE SCHEME

A. Introduction

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, and convened the twenty-ninth extraordinary meeting of the fourth session of the Board on 11 August 2021 to adjust the number and exercise price of the Share Options granted and cancel part of the Share Options. For details, please refer to the relevant announcements of the Company dated 23 February 2020, 21 April 2020, 14 May 2020 and 11 August 2021, and the relevant circular dated 27 March 2020.

B. 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. 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. The revised indicators are a dynamic adjustment made by the Company based on the external business environment, and the Company still aims at achieving higher performance growth. 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.

LETTER FROM THE BOARD

C. Details of the 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

LETTER FROM THE BOARD

Exercise Period	Performance assessment targets
Second Exercise Period	The growth rate on the audited consolidated operating revenue for the year of 2021 shall not be lower than <u>27.3%</u> , as compared to the audited consolidated operating revenue for the year of <u>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)</u>
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 <u>27.3%</u> , as compared to the audited consolidated operating revenue for the year of <u>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)</u>

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

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. Thus, amendments have been proposed to adjust the performance assessment targets to a more realistic level, which aims to motivate the Participants to make further contributions to the Group. The revised growth rate was determined by the Board with reference to industry statistics and such amendments are expected to be in line with the expected financial performance of companies operating in the same industry.

LETTER FROM THE BOARD

If the Participants are unable to exercise their rights in respect of the granted Share Options due to the impact of COVID-19, 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.

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 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.

D. 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.

III. PROPOSED APPOINTMENT OF A NON-EXECUTIVE DIRECTOR

Reference is made to the announcement of the Company dated 11 August 2021 in relation to the proposed appointment of a non-executive Director. As recommended by AEON Life Insurance Co., Ltd. (a Shareholder holding more than 1% of the Shares) and reviewed and nominated by the nomination committee of the Company, the relevant resolution has been passed by the Board to propose the appointment of Mr. Jiang as a non-executive Director.

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

Mr. JIANG Xiangyu(蔣翔宇), aged 35, has been a deputy general manager in equity investment department of AEON Insurance Asset Management Co., Ltd. since January 2017. Prior to that, he held the positions as a senior investment manager in asset management center of AEON Life Insurance Co., Ltd. from June 2014 to September 2016 and a general manager assistant in equity investment department of AEON Insurance Asset Management Co., Ltd. from September 2016 to December 2016. Mr. Jiang served as an investment manager in SINALIS from September 2011 to December 2013 and was a consultant in Deloitte Touche Tohmatsu Certified Public Accountants from August 2008 to August 2010. Currently, he is serving as a director of Beijing Capital Development Co., Ltd. (北京首都開發股份有限公司), a company listed on the Shanghai Stock Exchange (Stock Code: 600376). Mr. Jiang graduated from The Chinese University of Hong Kong with a master's degree in business administration.

LETTER FROM THE BOARD

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

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

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

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

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

IV. THE EGM AND THE H SHAREHOLDERS' CLASS MEETING

The notice of the EGM to be held at 10:00 a.m. on Tuesday, 28 September 2021 at Conference Center, 3/F, South Building, Block B, Red Star Macalline Headquarters, Lane 1466, Shenchang Road, Minhang District, Shanghai, the PRC, is set out on pages 20 to 21 of this circular. The notice of the H Shareholders' Class Meeting to be held immediately after the conclusion of the A Shareholders' Class Meeting on Tuesday, 28 September 2021 at Conference Center, 3/F, South Building, Block B, Red Star Macalline Headquarters, Lane 1466, Shenchang Road, Minhang District, Shanghai, the PRC, is set out on pages 22 to 23 of this circular.

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

LETTER FROM THE BOARD

For H Share Shareholders, the proxy form, and if the proxy form is signed by a person under a power of attorney or other authority on behalf of the appointor, a notarially certified copy of that power of attorney or other authority, must be delivered to the Company's H Share Registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not less than 24 hours before the time for holding the EGM/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 EGM/A Shareholders' Class Meeting in order for such documents to be valid.

Pursuant to the Articles of Association, for the purpose of holding the EGM/H Shareholders' Class Meeting, the register of members of H Shares will be closed from Thursday, 23 September 2021 to Tuesday, 28 September 2021 (both days 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 Thursday, 23 September 2021 are entitled to attend and vote at the EGM/H Shareholders Class Meeting. For information about A Share Shareholders' attendance at the EGM/A Shareholders' Class Meeting, please see the A Share announcement published by the Company on the website of the Shanghai Stock Exchange.

Pursuant to the Listing Rules, no Shareholder has a material interest in the resolutions relating to the proposed amendments to the A Share Option Incentive Scheme and shall abstain from voting on the resolution proposed at the EGM and the H Shareholders' Class Meeting.

V. RECOMMENDATION

The Directors consider that all the resolutions as set out in the notices of the EGM and H Shareholders' Class Meeting for the Shareholders and H Shareholders to consider and approve are in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Shareholders to vote in favor of all the resolutions to be proposed at the EGM and the H Shareholders' Class Meeting.

VI. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of (i) the 2020 Share Option Incentive Scheme of Red Star Macalline Group Corporation Ltd.; (ii) the 2020 Share Option Incentive Scheme of Red Star Macalline Group Corporation Ltd. (Revised) reflecting the proposed amendments; and (iii) this circular are available for inspection at the office of Davis Polk & Wardwell at 18/F, The Hong Kong Club Building, 3A Chater Road, Central, Hong Kong during normal business hours from the date of this circular up to and including 28 September 2021, being the date of the general meeting.

LETTER FROM THE BOARD

VII. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. 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 matters the omission of which would make this circular or any statement herein misleading.

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

INTRODUCTION

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 Scheme at the 2020 first extraordinary general meeting, A Shareholders' Class Meeting and H Shareholders' Class Meeting on 21 April 2020, and 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, and convened the twenty-ninth extraordinary meeting of the fourth session of the Board on 11 August 2021 to adjust the number and Exercise Price of the A Shares Options granted and cancel part of the share options. Unless otherwise defined in this Appendix I, capitalized terms used in this circular shall have the same meaning as those defined in the circular of the Company dated 27 March 2020, in relation to the proposed adoption of the A Share Option Incentive Scheme.

The following is a summary of the principal terms of the A Share Option Incentive Scheme, and for the relevant details of the Scheme, please refer to the announcements and circular dated 23 February 2020, 27 March 2020, 14 May 2020 and 11 August 2021 of the Company:

PURPOSE OF THE A SHARE OPTION INCENTIVE SCHEME

For the purpose of further improving the corporate governance structure of the Company, establishing and enhancing the long-term incentive and constraint mechanism of the Company, attracting and retaining talents, fully mobilizing the proactiveness and creativities of the core cadres of the Company, effectively promoting the cohesiveness of the core team and the core competitiveness of the enterprise, effectively aligning the interests of Shareholders, the Company and the core team, enabling all parties to focus on the long-term development of the Company, and ensuring the achievements of the development strategies and operation objectives of the Company, the Scheme is made on the premise of fully protecting the interests of Shareholders and on the principle of income equivalent to contribution, and in accordance with the requirements under the relevant laws, regulations and normative documents including the Company Law of the People's Republic of China (the "**Company Law**"), the Securities Law of the People's Republic of China (the "**Securities Law**") and the Administrative Measures on Share Incentives of Listed Companies (the "**Administrative Measures**"), as well as the requirements under the Articles of Association.

NUMBER AND SCOPE OF PARTICIPANTS

As disclosed in the announcement of the Company dated 14 May 2020 in relation to, among others, the first grant of the Share Option, given that 41 Participants determined by the Scheme voluntarily waived the Share Options proposed to be granted by the Company, the Company convened the ninth extraordinary meeting of the fourth session of the Board, at

which the adjustments to the list of Participants of the first grant of Share Options were made, in accordance with relevant authorizations delegated. After such adjustments, the number of Participants of the Scheme was adjusted from 1,023 to 982.

The Participants included core cadres of the Company (including subsidiaries). Pursuant to the Administrative Measures, the Participants mentioned above did not include the Independent Directors, the Supervisors of the Company and any Shareholder or actual controller individually or jointly holding more than 5% of the Shares of the Company and their spouse, parents and children, and the Company also confirms that Participants mentioned above did not include connected person at the Company level as defined in the Listing Rules.

NUMBER OF SHARES AND UPPER LIMIT OF THE SHARE OPTIONS GRANTED TO THE EACH PARTICIPANTS UNDER THE SCHEME

As disclosed in the announcement of the Company dated 14 May 2020 in relation to, among others, the first grant of the share option, given that 41 Participants determined by the Scheme voluntarily waived the Share Options proposed to be granted by the Company, the Company convened the ninth extraordinary meeting of the fourth session of the Board, at which the adjustments to the number of Shares Options granted under the Scheme were made, in accordance with relevant authorizations. After such adjustments, the number of Share Options granted of 30.8500 million, representing approximately 0.79% of the total issued share capital of the Company as at the date of this circular, remains unchanged, of which the number of the first grant of Share Options is adjusted from 27.7650 million to 25.2360 million, representing approximately 0.65% of the total issued share capital of the Company as at the date of this circular, while the number of the reserved Share Options is adjusted from 3.0850 million to 5.6140 million, representing approximately 0.14% of the total issued share capital of the Company as at the date of this circular.

The aggregate number of Shares to be granted to any Participant under the A Share Option Incentive Scheme during the Validity Period shall not exceed 1.00% of the total share capital of the Company. Each share option granted under the Scheme is entitled to purchase one A Share of the Company at the Exercise Price during the Exercise Period upon the fulfillment of vesting conditions and arrangement. The Share Options granted to the Participants shall not be transferred, used for guarantee or repayment of debts during the Vesting Period. Share Options shall not be entitled to voting rights before being exercised, and do not involve in the distribution of stock bonus and dividends. Unless otherwise provided by the lock-up provisions under the Scheme, the Participants shall be entitled to all the rights of ordinary shareholders and perform related obligations in respect of the A shares acquired by them in accordance with the law.

VALIDITY PERIOD, DATE OF GRANT, VESTING PERIOD, EXERCISE ARRANGEMENT AND THE LOCK-UP PERIOD OF THE SCHEME**(i) Validity Period**

The Validity Period of the Scheme shall commence from the Date of Grant of the Share Options, and end on the date on which all the Share Options granted to the Participants under the Scheme have been exercised or cancelled, and shall not be longer than 36 months.

(ii) Date of Grant

In accordance with the relevant requirements of the Administrative Measures, the Date of Grant of the First Grant of Share Options under the Scheme is 13 May 2020. The Date of Grant of Reserved Share Options shall be confirmed by the Board within 12 months after the consideration and approval at the Shareholders' general meeting. The Date of Grant of Share Options must be a trading day under SSE Listing Rules. If the date determined in accordance with the above principles is not a trading day, the Date of Grant shall be postponed to the first trading day thereafter.

(iii) Vesting Period

All Share Options granted to the Participants are subject to different Vesting Periods, and each of such periods shall begin on the date in which the registration of the granted Share Options is completed. The interval between the Date of Grant and the first Exercise Date of the Share Options shall not be less than 12 months.

(iv) Exercise Arrangement

The Participants of the Scheme may begin to exercise Share Options upon the expiration of the Vesting Period. The Exercise Date must be the trading day within the Validity Period of the Scheme, but the Share Options cannot be exercised in the following periods:

- (a) 60 days prior to the announcement of the Company's annual reports, including the date of the announcement of the Company's annual report, or the period from the last day of the relevant financial year up to the date of the announcement of the Company's annual report (the shorter one prevails);
- (b) 30 days prior to the review of the announcement of the interim report or the quarterly report, including the date of announcement of the interim report or the quarterly report, or the period from the last day of the relevant quarter or half-year up to the date of the announcement of the Company's periodical report (the shorter one prevails);
- (c) 10 days prior to the release of the Company's results preview or preliminary report;

- (d) the period starting from the date when a material event, which may significantly affect the trading price of the Company's stock and its derivatives, occurs or is in the process of decision-making, up to two trading days after the event being disclosed in accordance with laws;
- (e) other periods as stipulated by the China Securities Regulatory Commission and the stock exchanges.

Upon the fulfillment of conditions of the exercise of the Share Options, the Share Options are exercisable in two tranches upon expiry of 12 months from the Date of Grant. The exercise arrangement for the First Grant of Share Options and the Reserved Share Options are as follows respectively:

The exercise arrangement for the first grant of Share Options:

Exercise Arrangement	Exercise Period	Proportion of exercisable Share Options to the total number of Share Options granted
First Exercise Period	Commencing from the first trading day after the expiry of the 12th month from the Date of Grant of the First Grant of Share Options, and ending on the last trading day of the 24th month from the Date of Grant	50%
Second Exercise Period	Commencing from the first trading day after the expiry of the 24th month from the Date of Grant of the First Grant of Share Options, and ending on the last trading day of the 36th month from the Date of Grant	50%

The exercise arrangement for the reserved Share Options:

Exercise Arrangement	Exercise Period	Proportion of exercisable Share Options to the total number of Share Options granted
First Exercise Period	Commencing from the first trading day after the expiry of the 12th month from the Date of Grant of the Reserved Share Options, and ending on the last trading day of the 24th month from the Date of Grant	50%
Second Exercise Period	Commencing from the first trading day after the expiry of the 24th month from the Date of Grant of the Reserved Share Options, and ending on the last trading day of the 36th month from the Date of Grant	50%

Share Options for which the Exercise Conditions are not fulfilled during the above agreed period shall not be exercised or deferred to the next exercise period, and the relevant Share Options of such Participants shall be cancelled by the Company in accordance with the principles stipulated in the Scheme. After the end of each Exercise Period of the Share Options, the Share Options exercisable by the Participants for the current period that have not been exercised shall be terminated and cancelled by the Company.

(v) Lock-up Period

The lock-up requirements for Shares of the Company granted to the Participants under the Scheme shall be implemented in accordance with the relevant laws, administrative regulations and normative documents including the Company Law and the Securities Law, as well as the Articles of Association. Details are as follows:

- (a) where a Participant is a Director or a member of the senior management of the Company, the number of Shares of the Company that may be transferred each year during his or her term of office shall not exceed 25% of the total number of Shares of the Company held by him or her. No Shares of the Company held by him or her shall be transferred within half a year after his or her termination of office;
- (b) where a Participant is a Director or a member of the senior management of the Company and he or she disposes of any Shares of the Company within six months after acquisition or buys back such shares within six months after disposal, all gains arising therefrom shall be accounted to the Company and the Board will collect all such gains;

- (c) if there is any amendment to the requirements regarding the transfer of Shares by Directors and senior management of the Company under relevant laws, administrative regulations and normative documents including the Company Law and the Securities Law, as well as the Articles of Association during the Validity Period of the Scheme, such amended requirements thereunder shall apply to the Shares transferred by such Participants during the relevant times.

EXERCISE PRICE AND BASIS OF DETERMINATION

(i) Exercise Price under the First Grant of Share Options

The Exercise Price under the First Grant of Share Options under the Scheme shall be RMB11.02 per Share. Upon fulfillment of Exercise Conditions, each Share Option granted to the Participants can purchase one Share of the Company at the price of RMB11.02.

(ii) Basis of determination of the Exercise Price under the First Grant of Share Options

The Exercise Price under the First Grant of Share Options shall not be less than the nominal value of the Shares and in principle the higher of:

- (a) the average trading price of the A Shares of the Company on the trading day immediately preceding the date of announcement of the Scheme (draft), being RMB11.02 per share;
- (b) the average trading price of the A Shares of the Company for the 20 trading days immediately preceding the date of announcement of the Scheme (draft), being RMB11.02 per share.

(iii) Basis of determination of the Exercise Price of the Reserved Share Options

The Exercise Price of the Reserved Share Options shall be consistent with the Exercise Price under the First Grant of Share Options.

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 of the Share Options shall be adjusted accordingly.

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

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

4. Illustration:

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

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

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

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

As shown in the table below:

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

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

NOTICE OF THE 2021 SECOND EXTRAORDINARY GENERAL MEETING



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

(A sino-foreign joint stock company incorporated in the People's Republic of China with limited liability)
(Stock Code: 1528)

NOTICE OF THE 2021 SECOND EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that the 2021 second extraordinary general meeting (the “**EGM**”) of Red Star Macalline Group Corporation Ltd. (the “**Company**”) will be held at 10:00 a.m. on Tuesday, 28 September 2021 at Conference Center, 3/F, South Building, Block B, Red Star Macalline Headquarters, Lane 1466, Shenchang Road, Minhang District, Shanghai, the PRC for the purpose of considering, and if thought fit, passing the following resolution:

SPECIAL RESOLUTION

1. To consider and approve the resolution in relation to the proposed amendments to the 2020 Share Option Incentive Scheme of Red Star Macalline Group Corporation Ltd..

ORDINARY RESOLUTION EFFECTED BY CUMULATIVE VOTING SYSTEM

2. To consider and approve the resolution on the addition of Mr. JIANG Xiangyu as a non-executive director of the fourth session of the board of directors (the “**Board**”) of the Company.

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

Hong Kong
8 September 2021

NOTICE OF THE 2021 SECOND EXTRAORDINARY GENERAL MEETING

Notes:

1. Unless the context otherwise stated, capitalised terms used in this notice shall have the same meanings as those defined in the circular of the Company dated 8 September 2021.
2. For the purpose of holding the EGM, the register of members of the Company will be closed from Thursday, 23 September 2021 to Tuesday, 28 September 2021 (both days inclusive), during which period no transfer of shares can be registered. In order for H Share Shareholders to be qualified to attend and vote at the EGM, all transfer documents accompanied by the relevant share certificates must be lodged with the H Share registrar of the Company, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, no later than 4:30 p.m. on Tuesday, 21 September 2021 for registration.

The Shareholders whose names appear on the register of members of the Company on Thursday, 23 September 2021 are entitled to attend and vote at the EGM.
3. The Shareholders who are entitled to attend and vote at the EGM may appoint one or more proxies to attend and vote on their behalves. A proxy need not to be a Shareholder of the Company.
4. The instrument appointing a proxy must be in writing under the hand of a Shareholder or his attorney duly authorized in writing. If the Shareholder is a legal person, that instrument must be executed either under its seal or under the hand of its director or other attorney duly authorized to sign the same on its behalf.
5. In order to be valid, the proxy form must be deposited, for H Share Shareholders of the Company, to the H Share registrar of the Company, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not less than 24 hours before the time for holding the EGM. If the proxy form is signed by a person under the power of attorney or other authority, a notarized copy of that power of attorney or other authority shall be deposited at the same time as mentioned in the proxy form. Completion and return of the proxy form will not preclude Shareholders of the Company from attending the voting in person at the EGM or any adjourned meetings should they so wish.
6. Shareholders shall produce their identification documents and supporting documents in respect of the shares of the Company held when attending the EGM. If corporate Shareholders appoint authorized representative to attend the EGM, the authorized representative shall produce his/her identification documents and a notarized copy of the relevant authorization instrument signed by the board of directors or other authorized parties of the corporate Shareholders or other notarized documents allowed by the Company. Proxies shall produce their identification documents and the proxy form signed by the Shareholders or their attorney when attending the EGM.
7. The EGM is expected to take for less than half a day. Shareholders attending the EGM shall be responsible for their own travel and accommodation expenses.
8. All voting at the EGM will be conducted by poll.
9. Regarding ordinary resolution number 2, a cumulative voting system will be adopted. "Cumulative voting system" refers to a system where each of the shares held by a shareholder shall carry the same number of voting rights as the number of director candidates; when the Board or a qualified shareholder separately proposes the director candidates, the number of voting rights carried by each share shall be calculated as per the number of non-repetitive director candidates. In casting his/her/its votes for the director candidates, a shareholder may exercise his/her/its voting rights by allocating his/her/its voting rights evenly and cast for each director candidate the same number of voting rights as the shares he/she/it holds; or he/she/it may focus on one particular director candidate and cast for that candidate all the voting rights represented by all of his/her/its shares multiplied by the number of director candidates; or he/she/it may allocate his/her/its voting rights over several director candidates and cast for each of them part of the voting rights represented by all of his/her/its shares multiplied by the number of director candidates.

Upon the exercise of his/her/its voting rights by focusing all the voting rights represented by all of his/her/its shares multiplied by the number of director candidates on one or several of the director candidates, a shareholder shall not have any right to vote for any other director candidates. If the total number of voting rights centrally exercised by a shareholder on one or several of the director candidates exceeds the number of voting rights represented by all the shares held by him/her/it, the voting by such shareholder shall be invalid and the shareholder shall be deemed to have abstained from voting; if the total number of voting rights centrally exercised by a shareholder on one or several of the director candidates is less than the number of voting rights represented by all the shares held by him/her/it, the voting by such shareholder shall be valid and the remaining voting rights held by such shareholder shall be deemed to be waived. A Shareholder only needs to fill in the number of votes in the box marked "FOR", and any number of votes in the boxes marked "AGAINST" and "ABSTAIN" shall be deemed to be invalid.

The director candidates whose votes represent the most voting rights are elected as Directors.

NOTICE OF THE H SHAREHOLDERS' CLASS MEETING



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

(A sino-foreign joint stock company incorporated in the People's Republic of China with limited liability)
(Stock Code: 1528)

NOTICE OF THE H SHAREHOLDERS' CLASS MEETING

NOTICE IS HEREBY GIVEN that the H shareholders' class meeting ("**H Shareholders' Class Meeting**") of Red Star Macalline Group Corporation Ltd. (the "**Company**") will be held on Tuesday, 28 September 2021 immediately after the conclusion of the A Shareholders' Class Meeting at Conference Center, 3/F, South Building, Block B, Red Star Macalline Headquarters, Lane 1466, Shenchang Road, Minhang District, Shanghai, the PRC for the purpose of considering, and if thought fit, passing the following resolution:

SPECIAL RESOLUTION

1. To consider and approve the resolution in relation to the proposed amendments to the 2020 Share Option Incentive Scheme of Red Star Macalline Group Corporation Ltd. and related documents.

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

Hong Kong
8 September 2021

NOTICE OF THE H SHAREHOLDERS' CLASS MEETING

Notes:

1. Unless the context otherwise stated, capitalised terms used in this notice shall have the same meanings as those defined in the circular of the Company dated 8 September 2021.
2. For the purpose of holding the H Shareholders' Class Meeting, the register of members of the Company will be closed from Thursday, 23 September 2021 to Tuesday, 28 September 2021 (both days inclusive), during which period no transfer of shares can be registered. In order for H Share Shareholders to be qualified to attend and vote at the H Shareholders' Class Meeting, all transfer documents accompanied by the relevant share certificates must be lodged with the H Share registrar of the Company, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, no later than 4:30 p.m. on Tuesday, 21 September 2021 for registration.

Shareholders whose names appear on the register of members of the Company on Thursday, 23, September 2021 are entitled to attend and vote at the H Shareholders' Class Meeting.
3. The Shareholders who are entitled to attend and vote at the H Shareholders' Class Meeting may appoint one or more proxies to attend and vote on their behalves. A proxy need not to be a Shareholder of the Company.
4. The instrument appointing a proxy must be in writing under the hand of a Shareholder or his attorney duly authorized in writing. If the Shareholder is a legal person, that instrument must be executed either under its seal or under the hand of its director or other attorney duly authorized to sign the same on its behalf.
5. In order to be valid, the proxy form must be deposited at the H Share Registrar of the Company, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong (for H Share Shareholders of the Company) not less than 24 hours before the time for holding the H Shareholders' Class Meeting. If the proxy form is signed by a person under a power of attorney or other authority, a notarized copy of that power of attorney or other authority shall be deposited at the same time as mentioned in the proxy form. Completion and return of the proxy form will not preclude Shareholders of the Company from attending and voting in person at the H Shareholders' Class Meeting or any adjourned meetings should they so wish.
6. Shareholders shall produce their identity documents and supporting documents in respect of the shares of the Company held when attending the H Shareholders' Class Meeting. If corporate Shareholders appoint authorized representative to attend the H Shareholders' Class Meeting, the authorized representative shall produce his/her identity documents and a notarized copy of the relevant authorization instrument signed by the board of directors of the corporate shareholders or other authorized parties or other notarized documents allowed by the Company. Proxies shall produce their identity documents and the proxy form signed by the Shareholder or their attorney when attending the H Shareholders' Class Meeting.
7. The H Shareholders' Class Meeting is expected to take less than half a day. Shareholders attending the H Shareholders' Class Meeting shall be responsible for their own travel and accommodation expenses.
8. All voting at the H Shareholders' Class Meeting will be conducted by poll.