
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

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

WORK REPORT OF THE BOARD OF THE COMPANY FOR 2021
WORK REPORT OF THE SUPERVISORY COMMITTEE OF THE COMPANY FOR 2021
FINAL ACCOUNT REPORT OF THE COMPANY FOR 2021
FINANCIAL BUDGET REPORT OF THE COMPANY FOR 2022
ANNUAL REPORT AND ANNUAL RESULTS OF THE COMPANY FOR THE YEAR ENDED 31 DECEMBER 2021
PROFIT DISTRIBUTION PLAN OF THE COMPANY FOR 2021
RESOLUTION CONCERNING THE REMUNERATION OF DIRECTORS OF THE COMPANY FOR 2021
RESOLUTION CONCERNING THE REMUNERATION OF SUPERVISORS OF THE COMPANY FOR 2021
RESOLUTION CONCERNING THE RE-APPOINTMENT OF THE AUDITOR FOR THE FINANCIAL REPORT OF
THE COMPANY FOR THE YEAR 2022
RESOLUTION CONCERNING THE COMPANY'S ESTIMATION ON PROVIDING FINANCIAL ASSISTANCE
TO THIRD PARTIES
RESOLUTION CONCERNING THE CHANGE OF THE INTERNAL CONTROL AUDITOR OF THE COMPANY
FOR THE YEAR 2022
AND
NOTICE OF THE 2021 AGM

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

A notice convening the AGM of the Company to be held at 10:00 a.m. on Friday, 20 May 2022 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 AGM 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, 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. Completion and return of the proxy form will not preclude you from attending and voting in person at the AGM or any adjournment thereof should you so wish.

20 April 2022

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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.

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 SSE and traded in RMB
“A Share Shareholder(s)”	the holder(s) of the A Share(s)
“AGM” or “Annual General Meeting”	the 2021 annual general meeting to be convened and held on 20 May 2022
“Articles of Association”	the articles of association of the Company
“Board”	the board of directors of the Company
“Company”	Red Star Macalline Group Corporation Ltd. (紅星美凱龍家居集團股份有限公司), a sino-foreign joint stock limited company incorporated in the PRC, the H Shares of which are listed 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”	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
“H Share Shareholder(s)”	the holder(s) of the H Share(s)
“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

DEFINITIONS

“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

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. CHEN Zhaohui
Mr. JIANG Xiangyu
Ms. HU Xiao
Mr. YANG Guang

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

20 April 2022

To the Shareholders

Dear Sir or Madam,

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FOR THE YEAR 2022
AND
NOTICE OF THE 2021 AGM**

1. INTRODUCTION

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

LETTER FROM THE BOARD

2. MATTERS TO BE CONSIDERED AT THE AGM

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 2021; (b) the work report of the Supervisory Committee of the Company for 2021; (c) the final account report of the Company for 2021; (d) the financial budget report of the Company for 2022; (e) the annual report and annual results of the Company for the year ended 31 December 2021; (f) the profit distribution plan of the Company for 2021; (g) the resolution concerning the remuneration of Directors of the Company for 2021; (h) the resolution concerning the remuneration of Supervisors of the Company for 2021; (i) the resolution concerning the re-appointment of the auditor for the financial report of the Company for the year 2022; (j) the resolution concerning the Company's estimation on providing financial assistance to third parties; and (k) the resolution concerning the change of the internal control auditor of the Company for the year 2022.

Details of the matters to be considered at the AGM are set out on pages 7 to 17 in this circular. In order to enable you to have a better understanding of the resolutions to be proposed at the AGM and to make well-informed decisions, the Company has provided detailed information in this circular, including matters to be considered at the 2021 AGM (see Appendix I), the work report of the Board for 2021 (see Appendix II), the work report of the Supervisory Committee for 2021 (see Appendix III), the final account report of the Company for 2021 (see Appendix IV) and the financial budget report of the Company for 2022 (see Appendix V).

3. THE AGM

A notice convening the AGM of the Company to be held at 10:00 a.m. on Friday, 20 May 2022 at Conference Center, 3/F, South Building, Block B, Red Star Macalline Headquarters, Lane 1466, Shenchang Road, Minhang District, Shanghai, PRC, is set out on pages 40 to 42 in this circular.

The proxy form for the AGM is also enclosed herein and published on the website of the Hong Kong Stock Exchange (www.hkexnews.com.hk). The Shareholders who intend to appoint a proxy to attend the AGM shall complete, sign and return the proxy form in accordance with the instructions printed thereon.

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

LETTER FROM THE BOARD

Pursuant to the Articles of Association, for the purpose of holding the AGM, the register of members of H Shares will be closed from Tuesday, 17 May 2022 to Friday, 20 May 2022 (both dates inclusive), during which period no transfer of H Shares will be registered. H Share Shareholders whose names appear on the register of members of the Company on Monday, 16 May 2022 after close of business are entitled to attend and vote at the AGM. For information about A Share Shareholders' attendance at the AGM, please see the A Share announcement published by the Company on the website of the SSE.

In order to attend and vote at the AGM, H Share Shareholders shall lodge all transfer documents together with the relevant share certificates to Computershare Hong Kong Investor Services Limited, the Company's H Share registrar, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on Monday, 16 May 2022.

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 will be voted by poll.

Considering the current situation of the pandemic prevention and control and its corresponding requirement, in order to cooperate with the prevention and control of the Covid-19 pandemic, the Company recommends the A Share Shareholders to vote online, and the H Share Shareholders to exercise voting rights by appointing the chairman of the meeting as a proxy at the AGM. Shareholders who intend to attend the AGM on-site or by means of communication are required to send the shareholding certificate to the Company's email address (i.e. ir@chinaredstar.com) before 17:30 on Wednesday, 18 May 2022 to register and confirm the information on attending the meeting. Shareholders or their proxies who intend to attend the AGM on site shall pay attention to and abide by the requirement in relation to the prevention and control of the pandemic in Shanghai. On the day of the AGM, the Company will take measures for prevention and control of the pandemic, such as filling out the Visitor Application Form in advance, monitoring body temperature, and checking the health declaration system for Shareholders who will attend the meeting in accordance with the latest pandemic prevention and control requirements. Any Shareholder or Shareholder proxy who does not follow the relevant preventive measures, has fever, has a body temperature higher than the relevant standard required by Shanghai Municipal Government, or is required to be quarantined, will not be able to enter the site of the AGM. The Company will also take necessary temporary on-site protective measures to protect the rights and interests of the Shareholders and their personal safety in accordance with the requirements of relevant laws and regulations and relevant government regulations, depending on the on-site situation of the meeting.

LETTER FROM THE BOARD

4. RECOMMENDATION

The Directors consider that all resolutions set out in the notice of the Annual General Meeting 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.

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.

Yours faithfully,

By order of the Board

Red Star Macalline Group Corporation Ltd.

QIU Zhe

Secretary of the Board and Joint Company Secretary

APPENDIX I MATTERS TO BE CONSIDERED AT THE 2021 AGM

A. TO CONSIDER AND APPROVE THE WORK REPORT OF THE BOARD OF THE COMPANY FOR 2021

The work report of the Board of the Company 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 II to this circular.

B. TO CONSIDER AND APPROVE THE WORK REPORT OF THE SUPERVISORY COMMITTEE OF THE COMPANY FOR 2021

The work report of the Supervisory Committee of the Company for 2021 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 2021

The final account 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 IV to this circular.

D. TO CONSIDER AND APPROVE THE FINANCIAL BUDGET REPORT OF THE COMPANY FOR 2022

The financial budget report for 2022 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 2021

The Board will submit the 2021 Annual Report and Summary of the Company (A Shares), the Annual Results for the year ended 31 December 2021 of the Company and the Annual Report for the year ended 31 December 2021 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 resolutions have been considered and approved by the Board and are hereby proposed at the AGM for Shareholders' consideration and approval.

F. TO CONSIDER AND APPROVE THE PROFIT DISTRIBUTION PLAN OF THE COMPANY FOR 2021

The profit distribution plan of the Company for 2021 is as follows:

1. The accumulated undistributed earnings of the parent company amounted to RMB6,220,580,617.93 at the beginning of 2021, plus net profit of RMB1,299,428,758.12 realized by the parent company in 2021 and an increase in undistributed earnings of RMB270,473,662.20 upon the disposal of other equity instrument investments. As prescribed in the Measures for the Administration of Securities Issuance and Underwriting (《證券發行與承銷管理辦法》) issued by the CSRC, the listed company shall only issue securities after submitting the profit distribution plan and plan for conversion of the capital reserve into share capital to the general meeting for approval and putting such plans approved at the general meeting into implementation. The Company's application for non-public issuance of A shares was reviewed and approved by the Issuance Review Committee of the CSRC on 1 March 2021. In order to ensure the successful implementation of the non-public issuance of shares of the Company, it had been considered and reviewed by the fifth meeting of the fourth session of the Board as well as been approved by the 2020 annual general meeting of the Company that the Company did not carry out the profit distribution for 2020 or conversion of capital reserve into share capital or other forms of profit distribution. According to relevant regulations of the Company Law and the Articles of Association, as of 31 December 2021, upon the withdraw of the statutory surplus reserve of RMB129,942,875.81, the profit of the parent company available for distribution amounted to RMB7,660,540,162.44.
2. Given that the net profit attributable to shareholders of the listed company in the consolidated statements in 2021 of the Company was RMB2,047,401,906.98, in consideration of the factors including the industry features, operating model, profitability and fund demand, long term development of the Company and the interests of the investors, based on the total share capital of 4,354,732,673 shares at the end of 2021, the Company proposed to distribute cash dividend of RMB1.00 (tax inclusive and the actual amount to be distributed may be different due to rounding) per 10 shares. The Company proposes to distribute a cash dividend of RMB435,473,267.30 (tax inclusive), accounting for 21.27% of the profit available for distribution realized in 2021. Based on the net profit attributable to shareholders of the listed company after deducting non-recurring profit or loss of RMB1,657,757,700.57, the abovementioned cash dividend proposed to be distributed represented 26.27% of net profit attributable to the shareholders of listed company in the consolidated statements after deducting non-recurring profit or loss in 2021. Upon the completion of profit distribution of the Company for 2021, the outstanding balance of the retained profit of RMB7,225,066,895.14 available for distribution for 2021 will be carried forward to the next year.

APPENDIX I MATTERS TO BE CONSIDERED AT THE 2021 AGM

3. If the total share capital of the Company changes due to placing, repurchase of shares, etc. at the record date, the proportion of distribution and conversion of capital reserve into share capital per share will be adjusted accordingly while remaining total amount of the distribution or the conversion of capital reserve into share capital.

Schedule: Details on Distribution of Cash Dividends (based on the statistic held by the Company on the date when the resolution was presented)

No.	Name of Shareholders	Number of Shares (Share)	Cash Dividends Distributed (RMB, tax inclusive)
1	A Share	3,613,447,039	361,344,703.90
2	H Share	<u>741,285,634</u>	<u>74,128,563.40</u>
	Total	<u><u>4,354,732,673</u></u>	<u><u>435,473,267.30</u></u>

The above-mentioned resolutions have been considered and approved by the Board and are hereby proposed at the AGM for Shareholders' consideration and approval.

For the purpose of determining the list of H Share Shareholders who are entitled to the final dividends for 2021, the Share register of members of the Company will be closed from Wednesday, 29 June 2022 to Monday, 4 July 2022 (both days inclusive), during which period no transfer of Shares will be registered. H Share Shareholders whose names appear on the H Share register of members of the Company on Monday, 4 July 2022 are entitled to the final dividends for 2021. In order to be entitled to receive the final dividends for 2021, all share certificates, together with the instruments of transfers, must be lodged for registration with the Company's H Share registrar, Computershare Hong Kong Investor Services Limited (for H Share Shareholders) at Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on Tuesday, 28 June 2022.

The final dividends for 2021, if approved by the Shareholders at the AGM, are expected to be paid (i) on Tuesday, 5 July 2022 to A Share Shareholders whose names appear on the Share register of members of the Company on Monday, 4 July 2022; and (ii) on or about Wednesday, 20 July 2022 to H Share Shareholders whose names appear on the Share register of members of the Company on Monday, 4 July 2022.

APPENDIX I MATTERS TO BE CONSIDERED AT THE 2021 AGM

G. TO CONSIDER AND APPROVE THE RESOLUTION CONCERNING THE REMUNERATION OF DIRECTORS OF THE COMPANY FOR 2021

In accordance with the relevant provisions of the Company Law, the Articles of Association and other 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 Directors, the remuneration of Directors of the Company for 2021 is as follows:

Name	Position	Remuneration received from the Company for 2021 (RMB'0,000, before tax)
Directors:		
CHE Jianxing	Chairman, Executive Director, General Manager	315.73
GUO Binghe	Vice chairman, Executive Director	227.12
CHE Jianfang	Executive Director, Deputy General Manager	280.90
JIANG Xiaozhong	Executive Director, Deputy General Manager	336.03
CHEN Shuhong	Non-executive Director	157.40
CHEN Zhaohui	Non-executive Director	0
JIANG Xiangyu	Non-executive Director	0
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
QIN Hong	Independent Non-executive Director	60.00
XU Guofeng (resigned) ⁽¹⁾	Former Non-executive Director	0
LIU Jin (resigned) ⁽²⁾	Former Non-executive Director	0
XU Hong (resigned after Reporting Period) ⁽³⁾	Former Non-executive Director	0
JING Jie (resigned after Reporting Period) ⁽⁴⁾	Former Non-executive Director	0

APPENDIX I MATTERS TO BE CONSIDERED AT THE 2021 AGM

Note⁽¹⁾: Mr. XU Guofeng resigned as a non-executive Director of the Company on 8 February 2021 due to personal work commitment and time arrangement.

Note⁽²⁾: Mr. LIU Jin resigned as a non-executive Director of the Company on 5 August 2021 due to personal work arrangement.

Note⁽³⁾: Mr. XU Hong resigned as a non-executive Director of the Company on 19 January 2022 due to personal work arrangement.

Note⁽⁴⁾: Mr. JING Jie resigned as a non-executive Director of the Company on 9 March 2022 due to personal work 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 2021

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 2021 is as follows:

Name	Position	Remuneration received from the Company for 2021 (RMB'0,000, before tax)
PAN Ning	Chairman of the Supervisory Committee, employee representative Supervisor	166.93
CHAO Yanping	Employee representative Supervisor	75.99
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 FOR THE YEAR 2022

The Company proposes to re-appoint Ernst & Young Hua Ming LLP as the auditor of the Company for the financial report for the year 2022 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 abovementioned resolution has been considered and approved by the Board and is hereby proposed at the AGM for Shareholders' consideration and approval.

J. THE RESOLUTION CONCERNING THE COMPANY’S ESTIMATION ON PROVIDING FINANCIAL ASSISTANCE TO THIRD PARTIES

To support the Company’s business operations, the operational needs of joint ventures and associates of home shopping malls and managed shopping malls, the Company and its controlled subsidiaries (branches) will provide financial assistance or current funds to the partners of portfolio shopping mall cooperation projects, joint ventures and associates of home shopping mall projects and the partners of the managed shopping mall projects. The total funding amount planned to be provided in 2022 shall not exceed RMB700 million, and the interest rate shall not exceed four times the quoted market interest rate of the one-year loan at the time of the establishment of the contract, and the specific terms are subject to the relevant contracts signed between the Company and the targets of the financial assistance.

Details are as follows:

I. Overview of the Financial Assistance

Entity providing the financial assistance	Targets of the financial assistance	Planned funding amount <i>(RMB100 million)</i>	Fund usage fees	Term of the financial assistance
The Company or its controlled subsidiaries (branches)	Partners of portfolio shopping mall cooperation projects Joint ventures and associates of home shopping mall projects Partners of the managed shopping mall projects	7	The interest rate shall not exceed four times the quoted market interest rate of the one-year loan at the time of the establishment of the contract	Subject to the relevant contracts signed

1. Loans provided to partners of portfolio shopping mall cooperation projects

The debtors of this type of loan are the partners of the Company’s portfolio shopping mall cooperation projects. Details are as follows:

- (1) Construction investment in the form of loans before the opening: according to the relevant stipulations of these project cooperation agreements, there are situations in which the project partner is responsible for providing land and the Company

provides relevant funds for project construction. In such cases, the Company provides the partners with funds related to the preliminary development and construction of the project in the form of loans, and when the project reaches the transfer conditions, the shopping malls under construction or the completed shopping mall properties will be transferred to new project companies established and held by the Company.

- (2) Both parties' pro rata borrowings from portfolio shopping mall project companies after the opening: after the portfolio shopping mall opens, the portfolio shopping mall project companies, as the controlled subsidiaries of the Company, on the premise of having sufficient capital, will provide funds simultaneously to the Company and portfolio shopping mall partners (as shareholders) in proportion to their shareholdings to meet their respective capital needs.

The Company will determine the interest on the above loans based on the results of commercial negotiations with the partners.

2. Loans provided to joint ventures and associates of home shopping mall projects

The debtors of this type of loan are the joint ventures and associates of the Company's home shopping mall projects, and the loans are made by respective shareholders of the shopping mall project companies according to relevant agreements for the construction and operation of such project companies. The shareholders invest funds into the shopping mall project companies according to the shareholder cooperation agreements, and the shopping mall project companies will repay the shareholders in the future through operating cash inflows, obtaining operating property loans or other methods. The interest on the above loans is usually determined based on the negotiations among the shareholders.

3. Loans provided to partners of the managed shopping mall projects

The debtors of this type of loan are the project partners of the Company's already opened managed shopping malls. According to the contract management agreements, all operating expenses related to the operation of the managed shopping malls shall be borne by the contract management partners; when the contract management partners cannot meet the capital needs for the operation of the managed shopping malls due to its capital turnover and other reasons, the Company will provide certain funds to the contract management partners to support the operation needs of the managed shopping malls based on the applications from the contract management partners and comprehensive consideration, and taking into account factors such as the operation of the managed shopping malls, funds in bank account, the credit status of the contract management partners, the projects' cooperation progress and future cooperation expectations. Such loans are usually of a small amount and the term does not exceed one year, and the interest will be determined based on the negotiations between both parties.

II. Requirements on the Targets of the Financial Assistance

The targets of financial assistance are the partners of the Company's portfolio shopping mall cooperation projects, joint ventures and associates of home shopping mall projects or partners of the managed shopping mall projects, all of which are not related to the Company under the Listing Rules. To qualify as the targets of the Company's financial assistance, after strict qualification reviews and internal assessments conducted by the Company, they must have an excellent business integrity status, are not in the list of dishonest persons subject to enforcement, are solvent and of a certain scale. The amount of financial assistance will be determined with reference to factors including the scale of the cooperation projects, the overall operation and capital status of the shopping malls, the credit status of the targets of the financial assistance, and the cooperative relationship with the Company. It is hereby proposed at the Shareholders' general meeting to authorize the Board and approve the Board to delegate the management of the Company to determine the corresponding amount of financial assistance within the approved amount.

III. Risk Control

1. The Company's financial department has formulated the Fund Management System to improve the internal control of the financial assistance by clarifying the approval authority, approval procedures, handling departments and their responsibilities for the financial assistance.
2. The Company's financial department shall make prudent judgments on the performance of the targets of the financial assistance based on a comprehensive analysis of their asset quality, operating conditions, solvency, and credit status.
3. The Company will take effective measures to ensure the safety of funds, including, but not limited to, guarantees provided by the legal representative of the targets of the financial assistance or those provided by other third parties for the financial assistance.
4. If the financial assistance funds provided to a target become overdue, the Company shall not provide additional financial assistance to such target.
5. For the overdue amount, the Company will take the following measures:
 - (1) In accordance with the relevant loan agreements, the Company will arrange for special personnel to follow up in a timely manner, work harder to supervise and urge the funded targets on the repayment, take legal measures to collect the funds according to the situation, and complete the repayment plan to the maximum extent to safeguard the Company's interests.
 - (2) If necessary, the Company will initiate legal proceedings for the amount cannot be recovered in time despite repeated repayment demands.

IV. Impact on the Listed Company

The above financial assistance is mainly for partners of the Company's portfolio shopping mall cooperation projects, joint ventures and associates of home shopping mall projects or is related to partners of the managed shopping malls. Such financial assistance will meet the capital demands of the Company and/or the corresponding shopping mall projects, deepen the business cooperation between the Company and related parties, and facilitate the business operation and expansion of the Company, in line with the Company's main business and strategic development direction. The relevant financial assistance will be provided on the premise of ensuring the Company's daily working capital requirements and without affecting its normal turnover of daily capital or harming the interests of the Company or the Shareholders, especially the interests of small and medium Shareholders.

Given that the asset-liability ratio of the most recent financial statements may exceed 70% among the targets expected to receive the financial assistance, based on the principle of prudence, the financial assistance still needs to be submitted to the Shareholders' general meeting of the Company for deliberation.

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

K. THE RESOLUTION CONCERNING THE CHANGE OF THE INTERNAL CONTROL AUDITOR OF THE COMPANY FOR THE YEAR 2022

In order to ensure the continuity of the audit of internal control, the Company proposes to appoint Baker Tilly China Certified Public Accountants (Special General Partnership) ("**Baker Tilly China**") as the internal control auditor of the Company for the year 2022 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 predecessor internal control auditor of the Company, BDO China Shu Lun Pan Certified Public Accountants LLP ("**BDO China**") had provided internal control audit service for three years, during which, BDO China adhered to the principle of independent audit, exercised due diligence, issued audit opinions in a fair and independent manner reflected the internal controls of the Company objectively, fairly and accurately, effectively performed its responsibilities as an internal control auditor and safeguarded the legitimate interests of the Company and its shareholders from a professional perspective. In 2021, BDO China has issued internal control audit report with unqualified opinions to the Company. There is no circumstance where BDO China was dismissed by the Company after being appointed to carry out part of the internal control audit.

APPENDIX I MATTERS TO BE CONSIDERED AT THE 2021 AGM

Considering the business development and necessity of the successor internal control audit, the Company has comprehensively communicated with the predecessor auditor, BDO China and the successor auditor, Baker Tilly China. The Company proposes to appoint Baker Tilly China as the internal control auditor for the year 2022.

The Company has conducted fully communication with predecessor and successor auditor on the change of internal control auditor, both of which have confirmed that they have been aware of such matter and have no objection. The predecessor and successor internal control auditor will communicate and cooperate with each other under the requirement of China Standard on Auditing 1153 Communication between Predecessor Auditor and Successor Auditor (《中國註冊會計師審計準則第1153號-前任註冊會計師和後任會計師的溝通》).

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

WORK REPORT OF THE BOARD FOR 2021

In 2021, 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 its responsibilities and safeguarding the overall interests of all Shareholders and the Company. The major work of the Board in 2021 are presented as follows, the capitalized terms used herein shall have the same meanings as those defined in the 2021 annual report of the Company:

I. MAJOR WORK OF THE BOARD IN 2021

As of 31 December 2021, the Board convened eight general meetings for the year, in which 24 resolutions were considered and passed, and held 22 meetings of the Board, in which 70 resolutions were considered and passed. For the four special committees under the Board, the Strategy and Investment Committee held one meeting; the Audit Committee held four meetings; the Remuneration and Evaluation Committee held two meetings; and the Nomination Committee held three meetings. For the matters reviewed and discussed, please refer to the 2021 annual report of the Company.

During the year, the Board was responsible for the holding of the 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. 2021 PERFORMANCE**1. Financial Results**

In 2021, facing the impact of the real estate macro-control policy on the home furnishing industry and centered on the business decision by the Board, the Company made concerted efforts from top to bottom, put forward the strategy of "attaching importance to operations" in a forward-looking way, and successively landed the Super 100 MALL and nine category pavilions nationwide by starting from the finer granularity of regional positioning, customer segmentation, category optimization, etc., thus building up a high-end traffic ecology across building materials, furniture and home appliances and constantly consolidating its online and offline refined operation capabilities. The Company's revenue in 2021 was up to RMB15,513 million, an increase of 9.0% over the Company's revenue of RMB14,236 million in 2020, and the Company's net profit attributable to owners of the parent company was RMB2,047 million in 2021, an increase of 18.3% over 2020.

2. Business Review

During the Reporting Period, the Company 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, aiming to enhance the delivery capabilities of home decoration design and offline traffic conversion capabilities through online consumer reach, thereby providing customers with more personalized and high-quality home decoration services throughout the whole decoration period and a shopping experience closer to the needs of end consumers by using the original home furnishing shopping malls’ efficient channel network, strong supply chain integration capabilities and home furnishing industry operational management experience accumulated over the years and leveraging its own home decoration business management platform and IMP intelligent marketing platform.

2.1 Business Development and Arrangements: Continuous Expansion of Presence in Third and Lower-Tier Cities, and Establishment of a Nationwide Omni-Channel Commercial Network

While maintaining the healthy growth of its Portfolio Shopping Malls, the Company continuously consolidates its core advantages, and improves its operation and management capabilities for platform refinement and makes a shift from capital leveraging to management enablement. The Company continuously implements the business decision of “shift of focus from assets to operation”. By increasing the number of Managed Shopping Malls and franchised shopping malls, the Company steadily increases its market share while controlling the capital investment in the Company’s self-built shopping malls.

During the Reporting Period, the Company formulated a multi-store parallel plan, and selected 100 Malls that represent the strategic arrangements of the Group for hierarchical and targeted management of merchandise and consumers: 32 No. 1 Stores, 9 Grand Malls and 59 Benchmarking Shopping Malls. Meanwhile, the Company continuously implemented the strategy of “expansion of categories and focus on operation”, optimized the brand structure, and accelerated the construction of category theme pavilions, so as to quickly gain traction with consumers in the mid-and high-end markets. The Company has completed the construction of more than 300 theme pavilions.

As of the end of the Reporting Period, the Company operated 95 Portfolio Shopping Malls, 278 Managed Shopping Malls, and 10 shopping malls through strategic cooperation, and 69 franchised home improvement material projects, including a total of 485 home improvement material stores/industry streets, covering 224 cities in 30 provinces, municipalities and autonomous regions in China, with a total operating area of 22,303,547.50 sq.m.

As of the end of the Reporting Period, our Portfolio Shopping Malls covered a total operating area of 8,455,485.57 sq.m., with an average occupancy rate of 94.1%. Among them, the operating area of Portfolio Shopping Malls in first – and second – tier cities accounted for more than 80%, thus building a strong moat, with the advantages of first-mover and site selection. During the Reporting Period, the same mall growth of mature shopping malls was 16.8%. The steady increase in the occupancy rate and rental income of the Portfolio Shopping Malls fully reflects the professional level and management capability of the Company as the leading home improvement and furnishings shopping mall operator, and plays a positive exemplary role in continuously attracting potential high-quality brand merchants, expanding and strengthening the cooperative relationship with partners of Managed Shopping Malls. During the Reporting Period, we opened three new Portfolio Shopping Malls. In addition, one Portfolio Shopping Mall were closed and one Managed Shopping Mall was converted into Portfolio Shopping Mall. As of the end of the Reporting Period, the Company had 19 pipeline Portfolio Shopping Malls.

As of the end of the Reporting Period, our Managed Shopping Malls covered a total operating area of 13,848,061.93 sq.m., with an average occupancy rate of 91.4%. Among them, the operating area of Managed Shopping Malls in third- and lower-tier cities accounted for approximately 70%. Managed Shopping Malls help the Company realize the regional coverage and rapid penetration of the third- and lower-tier cities under the asset-light model. During the Reporting Period, the Company opened 20 new Managed Shopping Malls and closed 14 ones. In addition, one Managed Shopping Mall was converted into Portfolio Shopping Mall. As of the end of the Reporting Period, among the pipeline Managed Shopping Malls, the Company has obtained land use rights/land parcels for 327 contractual projects. Among them, the number of pipeline Managed Shopping Malls in third- and lower-tier cities accounted for over 70%. Along with steady social and economic development of the country, further progress on urbanization strategy and stable growth in disposable income per capita, the Company will focus on increasing the rate of expansion of our Managed Shopping Malls business throughout China.

2.2 Home improvement and home furnishings integration

As of the end of the Reporting Period, there were a total of 253 home decoration stores covering more than 200 cities in 25 provinces, municipalities directly under the central government and autonomous regions in China, with the network of offline shopping malls of Red Star Macalline.

The Company has enhanced the construction of a new-generation home decoration platform system project. It has completed the development and construction of a traffic management platform (placement and aggregation, marketing website, CRM, and distribution), a business operation management platform (home decoration and public decoration), and a supply chain management platform (purchase management, bidding and tendering platform, etc.), and has established a professional digital marketing capability covering placement, acquisition and redistribution of traffic.

2.3 Online and offline integration

The Company has actively explored a city-wide new retail model, which has begun to show results. The effective arrangements for digital upgrading and online sources of traffic based on shopping malls start to bear fruit. During the Reporting Period, the Company's core shopping malls were digitally upgraded. In addition to the digital upgrading of shopping malls, the Company successively upgraded and innovated online product selection, content supply, digital operation, traffic acceptance and marketing models. The Company will continuously promote the development of its digital infrastructure capability and realize the digital upgrade of merchandise and consumers, thus creating an internet operation platform integrating consumers, goods and markets.

3. Continuous Upgrading of Operation Management, and Implementation of the Strategy of “Shift of focus from assets to Operation”, with a focus on User Mentality

3.1 Tenant sourcing management

In the face of changes of the market consumption trend and market competition trend, based on regional positioning, customer group classification, quality category selection and other more specific factors, the Company has successively constructed a high-end traffic ecosystem covering building materials, furniture and home appliances, in the 100 super Malls and nine major category theme shopping malls in China. In terms of upgrading of the store form in shopping malls, in 2021, the Company promoted the implementation of the strategy of the one model shopping mall in one province. The Company developed the city-wide differentiated positioning plan for multi-store shopping malls, and selected 100 malls that represent the strategic arrangements of the Group: 32 No. 1 Stores, 9 Grand Malls and 59 Benchmarking Shopping Malls. The Company accelerated the construction.

The Company continuously select mainstream categories and brands that meet the needs of consumers, optimize arrangements for categories in shopping malls and promote experiential and immersive consumption by creating shopping malls of home life experience. In 2021, the Company upgraded the strategy of nine major theme pavilions, covering 9 major categories, namely smart electrical appliances, international imports, living room design, high-end customization, soft decoration and furnishings, system doors and windows, boutique bathroom accessories, sleep and life, trend furniture. More and more categories were sold on the platform of Red Star Macalline, which enriched the shopping mall ecosystem and helped more home furnishing brands expand their presence in cross-regional markets. The three major store forms and nine major theme pavilions gather platform-wide traffic. Based on the digital and comprehensive analysis of merchandise and consumers, the Company subdivides categories and brands, and redistributes consumer traffic to stores of brand merchants precisely, thus realizing the connection and linkage between public and private traffic, achieving the acceptance, repeated use and deep operation of traffic in the shopping malls.

In terms of specific category placement, the theme pavilions in shopping malls are located on high floors to encourage the sales of trend categories or categories with high gross margin, thus unlocking the rent value of high floors, further reducing the differential rent; through standardized sorting of categories and placement of secondary categories in the same floor and other specific measures, the Company carries out targeted operation of store traffic so as to support the continuous increase in the rental income, while increasing the area-effectiveness.

3.2 Marketing Management

As the home furnishing industry gradually enters the era of refined operations, the “Super Category Carnival” came into being with the initial establishment of theme pavilions. It has become an extremely influential category marketing activity both inside and outside the industry. Based on the orderly completion of the nine category pavilions in China, the “Super Category Carnival” activity normalized category marketing. Intensive and deep engagement in various vertical categories contributed to supplementing daily traffic operation other than promotion activities of shopping malls, and further enhanced consumers’ stickiness to the brand of Red Star Macalline. Meanwhile, the Company integrates and strengthens industry resources, further focuses on precision marketing of categories, and expands marketing differentiation. A total of five nation-wide promotion activities, namely Super Home Decoration Festival, 51HOME Party Festival, 618 Ideal Life Carnival Season, October Global Home Decoration Carnival Season and Tmall double 11 Global Carnival Season were created during the year, to gain attention, with a total of 3 billion impressions for marketing activities during the year.

During the Reporting Period, by focusing on eight traffic operation channels, including community-based marketing, digital precision marketing, live streaming, membership marketing and property marketing, we explored traffic operation SOP, so as to enable planning and marketing personnel of shopping malls and create private traffic pools of shopping malls. Meanwhile, with online operation capabilities, Red Star Macalline built an online and offline integrated service close-loop with the shortest chain to accelerate and promote the marketing efficiency of brand merchants in the process covering online marketing, offline acceptance and conversion.

The joint marketing model is a new attempt of the Company for joint construction of a win-win ecosystem in the industry, based on the targeted placement platform self-built by the Company, with the aim of cooperating with stakeholders in the household industry chain to create value for the ecosystem partners, with an open and inclusive attitude. Based on enablement by the IMP platform, the Company is continuously deepening the new joint marketing model of working with brand factories and distributors in online interactive traffic driving and offline experience and transaction in the home furnishing industry, so as to enable the fast construction of digital, full-domain, scenario, chain and cycle user management consortium in the industry, thus gradually and fundamentally addressing pain points in marketing, including difficulties in gaining targeted traffic, high traffic costs, and low utilization rate of traffic. During the Reporting Period, the Company fully integrated the marketing resources of brand factories and merchants. Based on the city-wide marketing

scenario for brands with the nationwide promotion, the “Super Category Festival”, “Super Elected Ace” and “Super City-wide Shopping” as the core, the Company further improved the traffic operation ability, realized the cross-category and cross-brand combined and repeated purchase, and efficiently and quickly integrated the resources of the home furnishing industry, thus achieving resource sharing and reducing marketing costs.

3.3 Operational management

During the Reporting Period, the Company promoted the upgrading of operational management with a focus on on-site management, environmental publicity, service optimization, talent development. By means of upgrading intelligent customer service and operating risk control system, we updated and optimized the operational management standards, merchandise quality management system and merchant credit management system, to achieve all-round improvement of customer home furnishing consumption experience and satisfaction.

In terms of environmental protection, the Company cooperates with China Quality Certification Center to conducted production inspections and product sampling inspections of factories. Meanwhile, completion of green exhibition upgrading of terminal booths for nation-wide core shopping malls helps promote brands and educate consumers about how to select greener and environmentally friendly household products.

With regard to the customer service system, we promote the service upgrade with home-based services as the core. While upgrading the service capability of the shopping malls and improving the service standard of the alliance member merchants, we create the theme month/season activities in full consideration of the category festival. Up to now, the segment of home-based services has incorporated nine theme pavilions including sleep and life pavilion, soft decoration and furnishings pavilion and smart electrical appliances pavilion, to provide customers with professional and high-quality home-based services, including mattress mite removal, sofa maintenance, household appliance cleaning and curtain cleaning. Taking soft decoration category as an example, we have successively cooperated with 15 major soft decoration brands in creating the “soft decoration renewal service season” activity. We achieve comprehensive traffic driving soft decoration category by providing maintenance services, soft decoration design solutions, etc. During the Reporting Period, “Home-based Services” served a total of 420,000 households for the year, with a customer satisfaction rate of 100%.

4. Steady Development of Scalable Business: Continuous Upgrading of the “Home Improvement and home Furnishings Integration, Online and Offline Integration” Strategy

4.1 Home improvement and home furnishings integration

4.1.1 Diversified channel arrangements for promoting business growth

The Company has developed models including the opening of direct-operated stores in home furnishings shopping malls, implementation of a partnership system to expand franchise stores, whole-house decoration, and cooperation with real estate developers in batch refined decoration business, which helps drive traffic and secure orders for brand factories and distributors, thus forming a synergy, and effectively reducing the overall customer acquisition cost for home decoration business and home furnishings of shopping malls.

4.1.2 Full coverage of brands for supporting arrangements for differentiated markets

With regard to the differentiated arrangements for home decoration brands, with the full-category operation capability, supply chain integration capability, and the nationwide network of physical shopping malls, we have created home decoration brands oriented towards different terminal consumer markets, including “Betterhome”, “Better Home” and “Zhenyang”. “Betterhome” is positioned as a mid-and high-end home decoration brand offering full customization. Its stores are located in core areas of shopping malls, which enables it to acquire and identify customers early, while all main and auxiliary materials specified in home decoration contracts can be purchased in the shopping malls, thus effectively driving traffic and securing orders for merchants in the shopping malls and contributing to incremental sales. “Better Home” is oriented towards the mid-end overall decoration market. Under the supply chain model, it achieves direct purchase from the source, thus reducing the intermediate processes of circulation of products and purchase costs, and benefiting consumers. “Zhenyang” serves high-end consumers including luxury property buyers, and provides one-stop high-end customized solutions.

4.1.3 Establishment of a technical middle platform to improve operation efficiency

In terms of digital construction, the Company has independently developed a full-chain ERP system of full-house decoration, digital marketing tools and a CRM system, and has developed the digital capability of the home decoration business. During the Reporting Period, the Company completed the development of a traffic management platform, a business operation management platform and a supply chain management platform, and the professional digital marketing capabilities covering advertising placement, obtaining of consumer leads and redistribution of traffic. In terms of construction of the home decoration system platform, through the core business flow management system of home decoration, the C-end customer mini program and the supplier order management system, the Company establishes online processes of the core business of home decoration, supporting mobile management of construction site, thus improving the business management efficiency.

4.2 Online and offline integration

4.2.1 City-wide retail

During the Reporting Period, the Company always attached importance to the construction of the city-wide station operation capacity, and successively upgraded and innovated the product selection, merchandise operation, traffic acceptance, content supply forms and marketing models. In terms of product selection, the Company implemented the “271” merchandise hierarchy strategy, namely, 20% for traffic driving, 70% for hot sales and 10% for image building. The Company formulated a supply strategy covering 30 core secondary categories to improve the details of merchandise operation. In terms of traffic acceptance, the Company established a mechanism for repeated use of traffic and customer resources. Through the optimization of the recommendation algorithm of the merchandise details page and the incentive mechanism for shopping guides to secure orders, the purchase of a category may result in the purchase of other categories, thus improving the traffic driving and customer resource efficiency. In terms of innovation of content supply form, the Company launched panoramic videos and completed the pilot projects in 5 cities. For each merchandise (or each explanation point for a piece of merchandise), users can enjoy a 720-degree view and make anchor points in the video. Users can not only watch the objects explained in the video at a panoramic view, but also re-enter panoramic videos to listen to the explanation of the shopping guide by clicking on the spatial anchor points, thus forming a closed-loop experience of “looking for merchandise, visiting stores, requesting an explanation by the shopping guide, making an appointment and providing contact information, and arriving at stores”, and the presentation form of the merchandise will also significantly improve the click-through rate of the merchandise. In terms of marketing model innovation, the Company created the “Tmall Group New Home (天貓團新家)” operation model. Under the model, the Company provided high-quality online and offline integrated marketing tools, and the marketing activities can reach consumers on Tmall and WeChat, in consideration of spending characteristics in the home furnishing industry, through attracting customers online from Monday to Friday and carrying out offline targeted activities at weekends. After users provide contact information in the private domain, the service account will automatically send invitations to them for joining a group purchase group. Meanwhile, the model supports the connection with WeChat groups of enterprises and enables the targeted marketing and long-term management of users in the group, thus achieving the interconnection between the public domain and private domain.

4.2.2 Online targeted traffic driving for enablement of merchants

With online operation capabilities, Red Star Macalline has built an online and offline integrated service close-loop of new retail with the shortest chain to accelerate and improve the marketing efficiency of brand merchants in the process covering online marketing, recommendation, offline acceptance and conversion.

During the Reporting Period, Red Star Macalline optimized its online traffic purchase arrangements by optimizing the placement matrix of multiple platforms including WeChat, Tik Tok and Xiaohongshu, and tracked the post-click data through a unified customer resource distribution system. Meanwhile, Red Star Macalline systematically standardized the traffic acceptance method. Red Star Macalline re-distributed the traffic to merchants for accurate matching through marketing tools such as customer information sorting and hidden number call, thus enabling merchants to carry out more standardized traffic acceptance and conversion.

In terms of the underlying marketing tools, with the underlying capabilities such as full-parameterization and physically-based real-time rendering, RTX real-time ray tracing, and growth animation built by 3D cloud design, the Company has developed the “Firefly Engine”, a content marketing solution tool for terminal merchants and shopping guides. Through the tool, users can select one or more models in the content library, which automatically generate contents in three forms, namely video/scenario pictures/white-background pictures. Meanwhile, users can quickly convert satisfactory contents into model details pages, and complete one-click distribution to mainstream short video or community platforms. Currently, the Firefly Engine supports 6 functional spaces and multi-style designs in more than 10 categories, reducing the threshold of use of the original 3D cloud design software, and saving the production cost of high-quality contents. Meanwhile, it provides value-added services of short video marketing and is connected to major mainstream platform engines, thus solving the problem of how to reach more consumers after generating high-quality contents. Subsequently, it directs product R&D, production and launch through the generation of visual data analysis, thereby supporting and optimizing ROI of video marketing.

III. DEVELOPMENT PLAN FOR 2022 AND THE FUTURE

In 2022, the Company will steadily push forward its primary and expansion businesses around “stressing on operations instead of assets and reducing leverage ratio”. Through the Asset-Light model, the Company will continue to expand its network in sinking market and consolidate Red Star Macalline’s position as an industry leader. In addition, the Company will accelerate expansion business, focus on new retail and deepen home improvement sector, with its specific business plans as follows:

1. To continue to promote the landing of theme pavilions, expand new categories and strongly develop the three major shop formats

The Company will continue to firmly implement its three-year business plan and continue to promote the landing of theme pavilions; adhere to the high-end category of electrical appliances, increase the proportion of in-store products, and maintain the growth of doors & windows, soft furnishings and other categories; and meanwhile refine traditional categories, explore new categories with market potentials on the basis of the nine categories, expand and extend them, as well as improve the regulation and coverage of in-store categories. The Company will address the issue of business atmosphere at the top and bottom by building strong categories from the whole floor to the top or bottom, and reduce the floor price difference by adjusting the high price across floors, so as to improve the overall revenue and drive healthy and sustainable high growth in the rental structure of the shopping malls.

In the meantime, the Company will continue to upgrade the operational capabilities, categories and brands, consumer services, reputation, marketing and other aspects of the shopping malls, vigorously develop the three major shop formats of No. 1 Store, Supreme Mall and Benchmark Mall to consolidate its position as a market leader.

2. To create home marketing IP and upgrade marketing capabilities in multiple dimensions

In terms of marketing activities, in 2022, the Company will take 315 and 818 as the core outbreak nodes of its marketing activities, and initially incubate the recognizable home marketing IP. And the Company will gradually strengthen the reputation and influence of the urban distributor side and the general-to-general manufacturer side, participate deeply together with manufacturers and distributors, and gradually form reputation and mind in the consumer side, thereby eventually building 315 and 818 into 618 and Double 11 in the home industry.

In terms of marketing tools, the “Firefly Engine” is a digital integrated solution tool for marketing and services targeted at shopping guides and distributors based on the underlying capabilities, superimposed contents and marketing functions of 3D Design Cloud. In 2022, the Company will continue to upgrade its products and make advantages and reputation in the track of multi-channel content distribution and customer acquisition through marketing. Besides, the Company will further cooperate with Volcano Engine on the official applet, enhance the digital marketing plan through the underlying interface, cooperate with the marketing plans around big promotion and category festival activities, and combine the advantages of both parties to continue to create more classic cooperation cases.

In terms of joint marketing, the Company will share marketing resources with distributors and brands, guide and promote the establishment of the home industry chain ecosystem, and ensure the continued growth of joint marketing funds. The Company will continue to promote the construction of city-wide planning and marketing teams in 8 pilot cities, continuously improve joint marketing capabilities and create a joint marketing model.

3. To continue to promote new retail, online deep operations and offline accurate drainage

The Company will continuously deepen its strategic cooperation with Alibaba, consolidate the development of “Tmall Tongcheng Station”, and carry out its work throughout the year around three core strategies: “increasing traffic/customer capital, achieving closed-loop business and accomplishing six large-scaled promotions”. Through online deep operation, the Company will realize accurate drainage offline and continuously manage deep promotion of online and offline integrated operations well. And meanwhile, the Company will continue to support traditional brand owners and distributors to build online operation positions, including commodity launch, marketing launch, service launch, management launch, etc., and continue to focus on improving such digital operation capabilities as product selection, commodity operation and traffic undertaking.

Furthermore, the Company will explore more online channels such as “Tik Tok” and “WeChat” to reach consumers so as to achieve global customer acquisition and global marketing; and the Company will unite the resources of upstream brand factories and take joint marketing as the entry point, promote the launch of a number of high-quality commodities from brand factories, and form an online exclusive supply to provide consumers with better-quality commodities at better prices.

4. To operate home improvement business by different brands and layers, and continue to promote infrastructure of the digital platform

The Company will continue to operate hierarchically for consumers, clarify differentiated business positioning, and operate hierarchically by brand, with its mansion decoration brands “Zhenyang” and “Macalline Space Design” to serve high-end customers nationwide, its personalized customization and overall decoration brand “Betterhome” to continue to evolve to the high end while the strategic positioning of differentiated urban business being promoted, and its standard overall decoration business “Better Home” to be vigorously developed so as to expand product differentiation, strengthen the ability of multi-channel customer acquisition through marketing and increase the market share.

In the meantime, the Company will continue to promote the infrastructure construction of digital platform and enhance the ability of digital R&D and key-problem tackling; constantly iterate the whole home overall decoration and public ERP business management system, promote the research, development and deployment of personalized and customized ERP business system for home improvement, and realize the full coverage of self-developed business management system; fully open up the docking between business and financial system to realize the integration of business and financial data; focus on building a traffic operation platform, develop docking interfaces with online delivery platforms such as Ocean Engine, DianPing and Zhuxiaobang according to online delivery needs, and initially form user dictionaries and transformation suggestion reports based on big data delivery to improve the success rate of dispatch and transformation; and meantime continue to deepen the research and development of digital empowerment tools such as 3D Cloud Design software and remote visualization management of construction sites, so as to create favorable conditions for comprehensive digitalization.

5. To optimize capital structure and continue to practice leverage reduction

The Company will continue to optimize its capital structure through an Asset-Light expansion model, continued capital expenditure reduction and solid operating cash flow, thereby reducing interest-bearing liabilities and asset-liability ratio and continuing to practice its leverage reduction strategy.

IV. FINAL DIVIDEND DISTRIBUTION PLAN FOR 2021

On the basis of the audited results for 2021 and in line with relevant laws and regulations as well as the Articles of Association, the proposed final dividend distribution of the Company for 2021 is that: Based on the total share capital of 4,354,732,673 shares (comprising 3,613,447,039 A shares and 741,285,634 H shares) as at 31 December 2021, it is proposed to distribute a cash dividend of RMB1.00 per 10 shares (including tax, but the actual amount as distributed may vary slightly due to rounding) to holders of A shares and H shares listed on the register of shareholders of the Company as at the record date. The proposed cash dividend for the year ending 2021 amounts to RMB435,473,267.30 (including tax), accounting for 21.27% of the net profit attributable to shareholders of the listed company in the consolidated statement for 2021.

WORK REPORT OF THE SUPERVISORY COMMITTEE FOR 2021**I. MEETINGS OF THE SUPERVISORY COMMITTEE AND RELEVANT RESOLUTIONS**

The Supervisory Committee convened a total of nine meetings in 2021, and details of the relevant meetings and the resolutions are as follows:

- (1) On 6 February 2021, the sixth extraordinary meeting of the fourth session of the Supervisory Committee was convened, at which the Resolution in respect of the third phase of the Employee Stock Ownership Plan (draft) of Red Star Macalline Group Corporation Ltd. and its extracts, and the resolution in respect of measures for management of the third phase of the Employee Stock Ownership Plan of Red Star Macalline Group Corporation Ltd. were considered and approved.
- (2) On 5 March 2021, the seventh 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 30 March 2021, the fifth meeting of the fourth session of the Supervisory Committee was convened, at which the Work Report of the Supervisory Committee of the Company for 2020, the Final Account Report of the Company for 2020, the Financial Budget Report of the Company for 2021, the Financial Statements of the Company for the Year Ended 31 December 2020, the Annual Report and Annual Results of the Company for the Year Ended 31 December 2020, the Profit Distribution Plan of the Company for 2020, the Corporate Environment and Social Responsibility Report of the Company for 2020, the Exclusive Report on the Depository and Actual Use of Funds Raised by the Company in 2020, the Resolution on the Remuneration of Supervisors of the Company for 2020, the Resolution in Respect of Re-Appointment of Auditor for the Financial Report and the Internal Control Auditor of the Company for 2021 and the Resolution in Respect of the Provision of Asset Impairment Allowances for 2020 were considered and approved.
- (4) On 19 April 2021, the eighth extraordinary meeting of the fourth session of the Supervisory Committee was convened, at which the Resolution concerning the Extension of the Validity Period of the Resolution relating to the Non-public Issuance of A Shares of the Company was considered and approved.
- (5) On 29 April 2021, the sixth meeting of the fourth session of the Supervisory Committee was convened, at which the First Quarterly Report of the Company for 2021 was considered and approved.

- (6) On 11 August 2021, the ninth extraordinary meeting of the fourth session of the Supervisory Committee was convened, at which the Resolution in relation to Adjustments to the Number and Exercise Price of the Share Option Incentive Scheme of the Company for 2020, the Resolution in relation to the Cancellation of Part of the Share Options, and the Resolution in relation to Adjustment to Certain Performance Assessment Targets under the Share Option Incentive Scheme of the Company for 2020.
- (7) On 25 August 2021, the seventh meeting of the fourth session of the Supervisory Committee was convened, at which the Interim Financial Statements of the Company as of 30 June 2021, the Interim Report and Interim Results as of 30 June 2021 and the Exclusive Report on the Depositary and Actual Use of Funds Raised by the Company in the First Half of 2021 were considered and approved.
- (8) On 22 October 2021, the 10th extraordinary meeting of the fourth session of the Supervisory Committee was convened, at which the Resolution in relation to Adjustment of the Amount of the Investment of the Proceeds Raised by Non-public Issuance of Shares, the Resolution in respect of the use of Fund Raised to Substitute Self-owned Funds Contributed to Investment Projects, the Resolution on the Use of Certain Idle Proceeds for Temporary Replenishment of Working Capital and the Resolution in respect of the Use of Proceeds to Provide Loan to Wholly Owned Subsidiary for Investment Projects were considered and passed.
- (9) On 29 October 2021, the eighth meeting of the fourth session of the Supervisory Committee was convened, at which the Third Quarterly Report of the Company for 2021 was considered and approved.

II. INDEPENDENT OPINIONS OF THE SUPERVISORY COMMITTEE REGARDING CERTAIN MATTER

- (1) Legal operations:

During the year of 2021, 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 for the year 2021, 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. As of the end of the Reporting Period, the Company has used all the net proceeds in the abovementioned fund-raising investment projects.

Use of proceeds from the listing of 2018 initial public offering

The A Shares of the Company (stock code: 601828) were listed and commenced trading on the SSE 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. 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 89% of the A Share Offering Proceeds in the abovementioned fund-raising investment projects.

Use of proceeds from the listing of 2021 non-public issuance

In September 2021, the Company issued 449,732,673 shares to specific investors in a non-public manner at an issue price of RMB8.23 per share, raising the total proceeds of RMB3,701,299,898.79. After deducting various tax-exclusive issue expenses of RMB22,936,099.50, the actual net proceeds as raised amounted to RMB3,678,363,799.29

As of the end of the Reporting Period, the Company cumulatively used 50% of the proceeds raised from the non-public issuance of shares in 2021 to invest in the abovementioned fund-raising investment projects.

- (4) Stock incentive plan: During the Reporting Period, the Company did not carry out any stock incentive.
- (5) Major asset acquisitions and disposals:

During the Reporting Period, the Supervisory Committee paid attention to the significant acquisitions and disposals of assets occurred to the Company during the year, including: (i) Red Star Macalline Home Furnishing Group (Shanghai) Logistics Co., Ltd. (the “**Macalline Logistics**”, in which the Company holds 60% equity interest and Suzhou Kinetic Home Furnishing Co., Ltd. holds 40% equity interest, and collectively, the Company and Macalline Logistics are referred to as the “**Sellers**”) transferred all of its equity interests in Tibet Red Star Macalline Enterprise Management Co., Ltd., Red Star Macalline (Shanghai) Enterprise Management Co., Ltd., Tianjin Red Star Macalline Logistics Co., Ltd., Shanghai Beibo Logistics Co., Ltd., Shanghai Beizheng Logistics Co., Ltd., Shanghai Beiyue Logistics Co., Ltd., Shanghai Beimao Logistics Co., Ltd. and all the loan claims enjoyed by the Sellers against the Target Company to Tianjin Yuanchuan Investment Co., Ltd. or its party designated under the Cooperation Framework Agreement. And the transaction price includes the equity transfer price and the debt transfer price; and (ii) Harbin Red Star Macalline Expo Home Plaza Co., Ltd. (the “**Party A1**”), Shanghai Red Star Macalline Yuejia Internet Technology Co., Ltd. (“**Party A2**”), Red Star Macalline Expo (Tianjin) Home Life Plaza Co., Ltd. (“**Party A3**”), Shanghai Red Star Macalline Home Art & Design Expo Co., Ltd. (“**Party A4**”), Panjin Red Star Macalline Global Home Life Plaza Co., Ltd. (“**Party A5**”), Shanghai Hongmei E-commerce Co., Ltd. (“**Party A6**”), Shanghai Xingkai Chengpeng Enterprise Management Co., Ltd. (“**Party A7**”, Party A1 to Party A7 collectively referred to as the “**Transferors**”), the Company (“**Party A8**”, Party A1 to Party A8 collectively referred to as “**Party A**”), Che Jianxing (“**Party A9**”) and Wuhan Red Star Macalline Expo Home Plaza Development Co., Ltd. (“**Party A10**”) entered into the “Equity Transfer Agreement” in respect of Shanghai Macalline Property Management Services Co., Ltd. (the “**Target Company**” or “**Macalline Property**”) with Sunrise Yongsheng (Hainan) Investment Co., Ltd. (“**Party B**” or the “**Transferee**”) on 15 October 2021. Subject to the

terms and conditions set out in the “Equity Transfer Agreement”, Party A agrees that the Transferor shall transfer to Party B 80% of its aggregate equity interests in the Target Company and Party B agrees to be transferred the said equity interests.

(6) Connected and continuing connected transactions:

During the Reporting Period, the Supervisory Committee paid attention to the continuing connected transactions of the Company during the year, including: (i) renewal of the entrustment agreement with Yangzhou Red Star Macalline Global Home Furnishing & Lifestyle Plaza Real Estate Co., Ltd. and Jining Hongrui Market Management Co., Ltd.; (ii) renewal of the building lease agreement, property management service contract and car parking space lease agreement with Shanghai Xingzhiyu Commercial Operation and Management Service Co., Ltd.; (iii) signing of the equity transfer agreement with Red Star Macalline Holdings Group Co., Ltd. and Shanghai Red Star Macalline Finance Leasing Co., Ltd. and Shanghai Red Star Macalline Commercial Factoring Co., Ltd., respectively; (iv) entry into a framework agreement for decoration and construction works and building construction services, a framework agreement for decoration and decoration materials and household supplies and a framework agreement for design services with Red Star Macalline Holdings Group Co., Ltd.; and (v) entry into a framework agreement for computer information system integration services with Shanghai Red Star Cloud Computing Technology Co., Ltd. In addition, the Supervisory Committee has also considered and reviewed the proposed new annual caps for the above continuing connected transactions.

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.

FINAL ACCOUNT REPORT OF THE COMPANY FOR 2021

During the Reporting Period, 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, 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 2021 was prepared especially for its main business- Portfolio Shopping Malls.

The Company’s Portfolio Shopping Malls in 2021 achieved a revenue of RMB8,094.82 million, representing an increase of RMB1,412.41 million or 21.1% as compared with that in 2020; and a gross profit of RMB6,241.54 million, representing an increase of RMB1,125.65million or 22.0% as compared with that in 2020.

Unit: RMB’0,000

Portfolio Shopping Malls	2021	2020	Difference	Change percentage (%)
Revenue	809,482	668,241	141,241	21.1%
Cost of sales	<u>185,328</u>	<u>156,652</u>	<u>28,676</u>	<u>18.3%</u>
Gross profit	<u>624,154</u>	<u>511,589</u>	<u>112,565</u>	<u>22.0%</u>

In terms of type of business of Portfolio Shopping Malls, the owned Portfolio Shopping Malls achieved a revenue of RMB6,863.86 million, accounting for 84.8% of the revenue of Portfolio Shopping Malls, representing an increase of RMB1,212.8 million or 21.5% as compared to that in 2020. The leased Portfolio Shopping Malls achieved a revenue of RMB1,230.96 million, accounting for 15.2% of the revenue of Portfolio Shopping Malls, representing a decrease of RMB199.61 million or 19.4% as compared to that in 2020.

Unit: RMB’0,000

Portfolio Shopping Malls	2021	2020	Difference	Change percentage (%)
Owned Portfolio Shopping Malls	686,386	565,106	121,280	21.5%
Leased Portfolio Shopping Malls	<u>123,096</u>	<u>103,135</u>	<u>19,961</u>	<u>19.4%</u>
Total	<u>809,482</u>	<u>668,241</u>	<u>141,241</u>	<u>21.1%</u>

In terms of the regions of Portfolio Shopping Malls, in 2021, the revenue from Beijing was RMB819.27 million, representing a increase of RMB155.25 million or 23.4% compared with 2020; the revenue from Shanghai was RMB1,817.04 million, representing a increase of RMB308.94 million or 20.5% compared with 2020; the revenue from Tianjin was RMB201.71 million, representing a increase of RMB33.96 million or 20.2% compared with 2020; the revenue from Chongqing was RMB546.85 million, representing a increase of RMB92.45 million or 20.3% compared with 2020; the revenue from Northeast China (Heilongjiang, Jilin and Liaoning) was RMB784.35 million, representing an increase of RMB131.01 million or 20.1% compared with 2020; the revenue from North China (Hebei, Inner Mongolia, Shanxi, excluding Beijing and Tianjin) was RMB352.43 million, representing a increase of RMB57.46 million or 19.5% compared with 2020; the revenue from East China (Anhui, Jiangsu, Shandong, Zhejiang, Fujian excluding Shanghai) was RMB2,052.02 million, representing a increase of RMB284.75 million or 16.1% compared with 2020; the revenue from Central China (Henan, Hubei and Hunan) was RMB804.52 million, representing an increase of RMB169.43 million or 26.7% compared with 2020; the revenue from South China (Guangdong and Guangxi) was RMB177.61 million, representing an increase of RMB38.46 million or 27.6% compared with 2020; the revenue from Western China (Gansu, Sichuan, Yunnan, Qinghai, Xinjiang excluding Chongqing) was RMB539.02 million, representing an increase of RMB140.70 million or 35.3% compared with 2020.

Unit: RMB'0,000

Portfolio Shopping Malls	2021	2020	Difference	Change percentage (%)
Beijing	81,927	66,402	15,525	23.4%
Shanghai	181,704	150,810	30,894	20.5%
Tianjin	20,171	16,775	3,396	20.2%
Chongqing	54,685	45,440	9,245	20.3%
Northeast China	78,435	65,334	13,101	20.1%
North China (excluding Beijing, Tianjin)	35,243	29,497	5,746	19.5%
East China (excluding Shanghai)	205,202	176,727	28,475	16.1%
Central China	80,452	63,509	16,943	26.7%
South China	17,761	13,915	3,846	27.6%
Western China (excluding Chongqing)	53,902	39,832	14,070	35.3%
Total	809,482	668,241	141,241	21.1%

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

FINANCIAL BUDGET REPORT OF THE COMPANY FOR 2022

Based on the operating results for 2021, 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 2022. We prepared the financial budget for 2022 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 2022

II. FINANCIAL BUDGET DETAILS

The Company's Portfolio Shopping Malls in 2022 is expected to achieve a revenue of RMB9,068.78 million, representing an increase of RMB973.96 million or 12.0% as compared with that in 2021, and a gross profit of RMB7,055.51 million, representing an increase of RMB813.97 million or 13.0% from 2021.

Unit: RMB'0,000

Portfolio Shopping Malls	Budget amount for 2022	Final account amount for 2021	Difference	Change percentage (%)
Revenue	906,878	809,482	97,396	12.0%
Cost of sales	201,327	185,328	15,999	8.6%
Gross profit	705,551	624,154	81,397	13.0%

In terms of type of business of Portfolio Shopping Malls, the owned Portfolio Shopping Malls is expected to achieve a revenue of RMB7,784.99 million, accounting for 85.8% of the revenue of Portfolio Shopping Malls. The leased Portfolio Shopping Malls is expected to achieve a revenue of RMB1,283.79 million, accounting for 14.2% of the revenue of Portfolio Shopping Malls.

Unit: RMB'0,000

Portfolio Shopping Malls	Budget amount for 2022	Final account amount for 2021	Difference	Change percentage (%)
Owned Portfolio Shopping Malls	778,499	686,386	92,113	13.4%
Leased Portfolio Shopping Malls	128,379	123,096	5,283	4.3%
Total	906,878	809,482	97,396	12.0%

In terms of the regions of Portfolio Shopping Malls, in 2022, the budget revenue from Beijing is expected to reach RMB899.87 million, accounting for 9.9% of the revenue of Portfolio Shopping Malls; the budget revenue from Shanghai is expected to reach RMB2,002.51 million, accounting for 22.1%; the budget revenue from Tianjin is expected to reach RMB233.53 million, accounting for 2.6%; the budget revenue from Chongqing is expected to reach RMB575.02 million, accounting for 6.3%; the budget revenue from Northeast China (Heilongjiang, Jilin and Liaoning) is expected to reach RMB870.70 million,

APPENDIX V FINANCIAL BUDGET REPORT OF THE COMPANY FOR 2022

accounting for 9.6%; the revenue from North China (Hebei, Inner Mongolia, Shanxi, excluding Beijing and Tianjin) is expected to reach RMB434.36 million, accounting for 4.8%; the revenue from East China (Anhui, Jiangsu, Jiangxi, Shandong, Zhejiang and Fujian excluding Shanghai) is expected to reach RMB2,373.31 million, accounting for 26.1%; the revenue from Central China (Henan, Hubei and Hunan) is expected to reach RMB815.96 million, accounting for 9.0%; the revenue from South China (Guangdong and Guangxi) is expected to reach RMB224.09 million, accounting for 2.5%; the revenue from Western China (Xinjiang, Gansu, Sichuan, Yunnan and Qinghai, excluding Chongqing) is expected to reach RMB639.43 million, accounting for 7.1%.

Unit: RMB'0,000

Regions	Budget Revenue	Proportion
Beijing	89,987	9.9%
Shanghai	200,251	22.1%
Tianjin	23,353	2.6%
Chongqing	57,502	6.3%
Northeast China	87,070	9.6%
North China (excluding Beijing, Tianjin)	43,436	4.8%
East China (excluding Shanghai)	237,331	26.1%
Central China	81,596	9.0%
South China	22,409	2.5%
Western China (excluding Chongqing)	63,943	7.1%
Total	906,878	100.0%

III. RISK WARNING

The above forward-looking statements and indicators relating to the 2022 annual financial budget do not constitute substantial corporate commitments to investors and do not represent the Company's profit forecast for 2022. 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 abovementioned resolution has been considered and approved by the Board and is hereby proposed at the AGM for Shareholders' consideration and approval.

NOTICE OF THE 2021 AGM



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 AGM

NOTICE IS HEREBY GIVEN that the 2021 annual general meeting (the “**AGM**”) of Red Star Macalline Group Corporation Ltd. (the “**Company**”) will be held at 10:00 a.m. on Friday, 20 May 2022 at Conference Center, 3/F, South Building, Block B, Red Star Macalline Headquarters, Lane 1466, Shenchang Road, Minhang District, Shanghai, the People Republic of China (the “**PRC**”) for the purpose of considering, and if thought fit, passing the following resolutions:

ORDINARY RESOLUTIONS

1. The work report of the Board of the Company for 2021;
2. The work report of the Supervisory Committee of the Company for 2021;
3. The final account report of the Company for 2021;
4. The financial budget report of the Company for 2022;
5. The annual report and annual results of the Company for the year ended 31 December 2021;
6. The profit distribution plan of the Company for 2021;
7. The resolution concerning the remuneration of Directors of the Company for 2021;
8. The resolution concerning the remuneration of Supervisors of the Company for 2021;
9. The resolution concerning the re-appointment of the auditor for the financial report for the year 2022;

NOTICE OF THE 2021 AGM

10. The resolution concerning the Company's estimation on providing financial assistance to third parties; and
11. The resolution concerning the change of the internal control auditor of the Company for the year 2022.

By order of the Board
Red Star Macalline Group Corporation Ltd.
QIU Zhe
Secretary of the Board and Joint Company Secretary

Shanghai, the PRC
20 April 2022

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 20 April 2022.
2. For the purpose of holding the AGM, the register of members of the Company will be closed from Tuesday, 17 May 2022 to Friday, 20 May 2022 (both dates 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 AGM, 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, not later than 4:30 p.m. on Monday, 16 May 2022 for registration. The shareholders whose names appear on the register of members of the Company on Monday, 16 May 2022 after close of business are entitled to attend and vote at the AGM.
3. Shareholders who are entitled to attend and vote at the AGM may appoint one or more proxies to attend and vote on their behalves. A proxy need not 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 AGM. If the proxy form is signed by a person under a power of attorney or other authority, a notarially certified copy of that power of attorney or other authority shall be deposited at the same time as mentioned in the proxy form. Completion and return of the proxy form will not preclude shareholders from attending and voting in person at the AGM 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 AGM. If corporate shareholders appoint authorized representative to attend the AGM, the authorized representative shall produce his/her identity documents and a notarially certified copy of the relevant authorization instrument signed by the board of directors or other authorized parties of the corporate shareholders or other notarially certified documents allowed by the Company. Proxies shall produce their identity documents and the proxy form signed by the shareholders or their attorney when attending the AGM.
7. Considering the current situation of the pandemic prevention and control and its corresponding requirement, in order to cooperate with the prevention and control of the Covid-19 pandemic, the Company recommends the A Share Shareholders to vote online, and the H Share Shareholders to exercise voting rights by appointing the chairman of the meeting as a proxy at the AGM. Shareholders who intend to attend the AGM on-site or by means of communication are required to send the shareholding certificate to the Company's email address

NOTICE OF THE 2021 AGM

(i.e. ir@chinaredstar.com) before 17:30 on Wednesday, 18 May 2022 to register and confirm the information on attending the meeting. Shareholders or their proxies who intend to attend the AGM on site shall pay attention to and abide by the requirement in relation to the prevention and control of the pandemic in Shanghai. On the day of the AGM, the Company will take measures for prevention and control of the pandemic, such as filling out the Visitor Application Form in advance, monitoring body temperature, and checking the health declaration system for Shareholders who will attend the meeting in accordance with the latest epidemic prevention and control requirements. Any Shareholder or Shareholder proxy who does not follow the relevant preventive measures, has fever, has a body temperature higher than the relevant standard required by Shanghai Municipal Government, or is required to be quarantined, will not be able to enter the site of the AGM. The Company will also take necessary temporary on-site protective measures to protect the rights and interests of the Shareholders and their personal safety in accordance with the requirements of relevant laws and regulations and relevant government regulations, depending on the on-site situation of the meeting.

8. The AGM is expected to take for less than half a day. Shareholders attending the AGM shall be responsible for their own travel and accommodation expenses.
9. All voting at the AGM will be conducted by poll.