
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

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

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

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

**PROPOSED APPOINTMENTS OF EXECUTIVE DIRECTOR
AND NON-EXECUTIVE DIRECTORS
PROPOSAL ON THE WAIVER AND VARIATION OF
THE UNDERTAKINGS OF INTENTION TO HOLD SHARES AND
INTENTION TO REDUCE SHAREHOLDING OF
THE CONTROLLING SHAREHOLDER AND THE DE FACTO
CONTROLLER OF THE COMPANY
AND
NOTICE OF THE 2023 FIRST EXTRAORDINARY
GENERAL MEETING**

A letter from the Board is set out on pages 3 to 15 of this circular. A notice of the EGM of the Company to be held at 10:00 a.m. on Wednesday, 15 February 2023 at Conference Center, 3/F, South Building, Block B, Red Star Macalline Headquarters, Lane 1466, Shenchang Road, Minhang District, Shanghai, the PRC, is being despatched to the Shareholders together with this circular.

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

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

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

26 January 2023

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DEFINITIONS

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

“A Share(s)”	the ordinary share(s) issued by the Company, with a nominal value of RMB1.0 each, listed on the Shanghai Stock Exchange and traded in RMB
“A Share Shareholder(s)”	the holder(s) of the A Share(s)
“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 company incorporated in the PRC with limited liability, whose H Shares are listed on the main board of The Stock Exchange of Hong Kong Limited (stock code: 1528)
“controlling shareholder”	has the meaning ascribed to this term under the Listing Rules
“de facto controller”	Mr. CHE Jianxing
“Director(s)”	the director(s) of the Company
“EGM”	the 2023 first extraordinary general meeting to be convened and held on 15 February 2023
“Group”	the Company and its subsidiaries
“H Share(s)”	overseas-listed foreign invested ordinary share(s) with a nominal value of RMB1.0 each in the share capital of the Company, which is/are listed on The Stock Exchange of Hong Kong Limited and traded in Hong Kong dollars
“H Share Shareholder(s)”	the holder(s) of H Share(s)
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Latest Practicable Date”	18 January 2023, being the latest practicable date prior to the issuance of this circular for ascertaining certain information contained herein

DEFINITIONS

“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“PRC”	the People’s Republic of China, which, for the purpose of this circular, excludes Hong Kong, the Macau Special Administrative Region and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“RSM Holding”	Red Star Macalline Holding Group Company Limited (紅星美凱龍控股集團有限公司) (formerly known as Shanghai Red Star Macalline Investment Company Limited (上海紅星美凱龍投資有限公司)), a limited liability company established in the PRC and a controlling shareholder of the Company
“Share(s)”	A Share(s) and H Share(s)
“Shareholder(s)”	the A Share Shareholder(s) and the H Share Shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	percent

LETTER FROM THE BOARD



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

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

(Stock Code: 1528)

Executive Director:

Mr. CHE Jianxing

Non-executive Directors:

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

26 January 2023

To the Shareholders

Dear Sir or Madam,

**PROPOSED APPOINTMENTS OF EXECUTIVE DIRECTOR
AND NON-EXECUTIVE DIRECTORS
PROPOSAL ON THE WAIVER AND VARIATION OF
THE UNDERTAKINGS OF INTENTION TO HOLD SHARES AND
INTENTION TO REDUCE SHAREHOLDING OF
THE CONTROLLING SHAREHOLDER AND THE DE FACTO
CONTROLLER OF THE COMPANY
AND
NOTICE OF THE 2023 FIRST EXTRAORDINARY
GENERAL MEETING**

I. INTRODUCTION

References are made to the announcements of the Company dated 18 January 2023 in relation to the proposed appointment of an executive Director and non-executive Directors, and the proposal on the waiver and variation of the undertakings of intention to hold shares and intention to reduce shareholding of the controlling shareholder and the de facto controller of

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the Company. At the Board meetings held on 18 January 2023, the following resolutions, among other things, have been passed by the Board: (1) the proposed appointment of Mr. ZHENG as a non-executive Director; (2) the proposed appointment of Mr. WANG as a non-executive Director; (3) the proposed appointment of Mr. ZOU as a non-executive Director; (4) the proposed appointment of Mr. LI as an executive Director; and (5) proposal on the waiver and variation of the undertakings of intention to hold shares and intention to reduce shareholding of the controlling shareholder and the de facto controller of the Company.

The resolutions (1) to (4) are subject to the approval of the Shareholders at the EGM by way of ordinary resolutions under a cumulative voting system, and the resolution (5) is subject to the approval of the Shareholders at the EGM by way of ordinary resolution.

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

II. PROPOSED APPOINTMENTS OF EXECUTIVE DIRECTOR AND NON-EXECUTIVE DIRECTORS

References are made to the announcement of the Company dated 18 January 2023 in relation to the proposed appointments of executive Director and non-executive Directors. As nominated by RSM Holding, a controlling shareholder of the Company, and reviewed and nominated by the nomination committee of the Board, the relevant resolutions have been approved at the meeting of the Board held on 18 January 2023 to propose the appointments of Mr. ZHENG Yongda (鄭永達, “**Mr. ZHENG**”), Mr. WANG Wenhui (王文懷, “**Mr. WANG**”) and Mr. ZOU Shaorong (鄒少榮, “**Mr. ZOU**”) as non-executive Directors of the fourth session of the Board of the Company, and to propose the appointment of Mr. LI Jianhong (李建宏, “**Mr. LI**”) as an executive Director of the fourth session of the Board of the Company.

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

Mr. ZHENG, aged 52, has served as the general manager assistant, executive deputy general manager and general manager of Xiamen C&D Inc., (廈門建發股份有限公司) a company listed on the Shanghai Stock Exchange (stock code: 600153) since April 2004, he also works as the secretary of the party committee and chairman since April 2020. He has worked as the deputy general manager and general manager of the No.6 import and export department of Xiamen C&D Inc. from February 1998 to January 2002; the general manager of Xiamen C&D Packaging Co., Ltd. (廈門建發包裝有限公司) from January 2000 to January 2002; the general manager of Xiamen C&D Paper & Pulp Co., Ltd. (廈門建發紙業有限公司) from February 2002 to May 2010; the deputy general manager of Xiamen C&D Group Co., Ltd. (廈門建發集團有限公司) since December 2015; the deputy secretary of the party committee and general manager of Xiamen C&D Group Co., Ltd. since February 2022. He is also a Director

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of C&D Real Estate Corporation Limited (建發房地產集團有限公司) since May 2020; a Director of Lianfa (Group) Co., Ltd. (聯發集團有限公司) since June 2020; and a Director of Xiamen Zijin Tongguan Investment Development Co., Ltd. (廈門紫金銅冠投資發展有限公司) since January 2021.

Mr. ZHENG obtained his bachelor's degree from Xiamen University (廈門大學) in July 1993.

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

Mr. WANG, aged 51, has served as the salesman, business director and deputy manager of the investment department, deputy manager (in charge of work), general manager and investment director of the No.2 investment department since he joined Xiamen C&D Group Co., Ltd. in August 1998, and has acted as the deputy general manager since January 2016. He is a member of the party committee of Xiamen C&D Corporation (廈門建發集團) since February 2018. He is also the chairman of Xiamen Jianfa Emerging Industry Equity Investment Co., Ltd. (廈門建發新興產業股權投資有限公司) since November 2014 and the chairman of King Dragon Life Insurance Co., Ltd. (君龍人壽保險有限公司) since May 2019.

Mr. WANG graduated from Xiamen University and obtained a master's degree in August 1998; he was awarded with the title of intermediate economist in December 1999.

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

Mr. ZOU, aged 47, has successively served as the general manager of legal affairs department and legal affairs director of Xiamen C&D Group Co., Ltd. since August 1998. He has served as the general legal consultant of Xiamen C&D Group Co., Ltd. since February 2019; the investment director of Xiamen C&D Group Co., Ltd. since February 2020; the secretary of the board of directors of Xiamen C&D Group Co., Ltd. since March 2020; a supervisor of Xiamen C&D Inc., a company listed on the Shanghai Stock Exchange (stock code: 600153) from May 2016 to May 2022 and a Director of Xiamen C&D Inc. since May 2022.

Mr. ZOU graduated from Xiamen University with a master's degree in June 2011.

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

Mr. LI, aged 50, joined the Company in February 2013 and has been a vice general manager of the Company since March 2013. He is primarily responsible for the investment and financing of the Company. Prior to joining the Company, Mr. LI worked as the head of the finance department of Xiamen Customs in the 1990s. Mr. LI joined Man Wah Holdings Limited (敏華控股有限公司), a company listed on the Stock Exchange (stock code: 01999) in September 2000 and served as its executive Director and chief operating officer from April 2005 to October 2011. Mr. LI has also served as the chairman of Dongfeng Design Institute Co., Ltd. (a subsidiary of RSM Holding) since June 2019.

LETTER FROM THE BOARD

Mr. LI graduated with a bachelor's degree in accounting from Xiamen University (廈門大學) in July 1994, and obtained a distance education degree in executive master of business administration from Peking University (北京大學) in January 2007. Mr. LI obtained a master of business administration degree from Booth School of Business, University of Chicago (芝加哥大學布斯商學院) in March 2010. Mr. LI was accredited as a Chinese Certified Public Accountant (non-practicing member) by CICPA (中國註冊會計師協會) in June 2001.

Mr. ZHENG, Mr. WANG and Mr. ZOU will enter into non-executive Directors' service contracts with the Company upon their appointments being approved at the EGM. Mr. LI will enter into an executive Director's service contracts with the Company upon his appointment being approved by the EGM. The term of their appointments will be from the date of approval of the appointments at the general meeting to the expiration of the term of the fourth session of the Board. According to the articles of association of the Company, Mr. ZHENG, Mr. WANG, Mr. ZOU and Mr. LI may seek re-election after the expiration of the term of their appointments. If Mr. ZHENG, Mr. WANG, Mr. ZOU and Mr. LI or the Company provides the counterparty with not less than one month's written notice, or Mr. ZHENG, Mr. WANG, Mr. ZOU and Mr. LI are not re-appointed after the expiration of the term of their appointment, the service contract will be terminated. According to the non-executive Directors' service contracts and executive Director's service contract, Mr. ZHENG, Mr. WANG, Mr. ZOU and Mr. LI will not receive any remuneration during their tenure as non-executive Directors or executive Director of the Company.

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

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

Save as disclosed above, there is no other information required to be disclosed pursuant to the requirements of Rules 13.51(2)(h) to 13.51(2)(v) of the Rules Governing the Listing of Securities on the Stock Exchange, nor are there any other matters relating to the appointments of Mr. ZHENG, Mr. WANG, Mr. ZOU and Mr. LI that need to be brought to the attention of the Shareholders.

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III. PROPOSAL ON THE WAIVER AND VARIATION OF THE UNDERTAKINGS OF INTENTION TO HOLD SHARES AND INTENTION TO REDUCE SHAREHOLDING OF THE CONTROLLING SHAREHOLDER AND THE DE FACTO CONTROLLER OF THE COMPANY

References are made to the announcement of the Company dated 18 January 2023 in relation to the proposal on the waiver and variation of the undertakings of intention to reduce shareholding of the controlling shareholder and the de facto controller of the Company. The Company held the 57th Extraordinary Meeting of the fourth session of the board of directors and the 16th Extraordinary Meeting of the fourth session of the Supervisory Committee, and considered and approved the Proposal on the Waiver and Variation of the Undertakings of Intention to Hold Shares and Intention to Reduce Shareholding of the Controlling Shareholder and the De Facto Controller of the Company, agreeing to waive and change the undertakings on intention to hold shares and intention to reduce shareholding made by RSM Holding, the controlling shareholder of the Company, and Mr. CHE Jianxing, the de facto controller of the Company, at the time of the initial public offering and listing of A Shares of the Company. Related Directors CHE Jianxing abstained from voting. The independent Directors and the Supervisory Committee have expressed their agreement to the above proposal. The waiver and variation of the undertakings are subject to the consideration of the Company's shareholders in general meeting and the related shareholders are required to abstain from voting on the proposal.

I. Specific Contents of the Statement of Shareholders' Intention and Reduction of Shareholding of Shares Upon the Initial Public Offering and Listing of A Shares

(I) Relevant undertakings made by the de facto controller

- “1. As the de facto controller of the issuer, I will continue to be optimistic about the development prospects of the issuer and its industry in the future and am willing to hold the shares of the issuer for a long time, so as to ensure my status as a de facto controller.
2. After the expiry of the lock-up period of the shares of the issuer held by me, and without the loss of the status as a de facto controller of the issuer and violation of relevant undertakings made by me, I may reduce my shareholding in the issuer to a limited extent, but the shareholding reduction limit will be subject to the following requirements: (1) After the expiry of the promised share lock-up period, the number of shares of the issuer transferred by me each year shall not exceed 10% of the total number of the shares of the issuer held as at the end of the previous year; (2) If the shareholding is reduced within two years following the expiry of the promised share lock-up period, the price for the shareholding reduction shall not be lower than the issue price of the shares upon the initial public offering and listing of the issuer (in case of dividend payment, bonus shares issue, conversion of capital reserve into share capital and other ex-right and ex-dividend events, the issue price will be adjusted on

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an ex-right and ex-dividend basis). If the shareholding is reduced two years after the expiry of the promised share lock-up period, the price for the shareholding reduction is determined based on the market price prevailing at the time of the shareholding reduction, subject to undertakings made by me; (3) In the shareholding reduction by me, I will make an announcement through the issuer three trading days in advance, so as to disclose the reasons for the shareholding reduction, the proposed decrease in the shareholdings, the intention to hold shares in the future, and the impact of the shareholding reduction on the corporate governance structure, shareholding structure and going concern. My shareholding shall not be reduced before the performance of the announcement procedure.

3. If I reduce my shareholding in violation of the undertakings, the proceeds from the reduction in the shareholding in the issuer shall remain with the issuer.”

(II) Undertakings made by controlling shareholder

- “1. As the controlling shareholder of the issuer, the Company will continue to be optimistic about the development prospects of the issuer and its industry in the future and is willing to hold the shares of the issuer for a long time, so as to ensure the status of the Company as a controlling shareholder of the issuer.
2. After the expiry of the lock-up period of the shares of the issuer held by the Company, and without the loss of the status as a controlling shareholder of the issuer and violation of relevant undertakings made by the Company, the Company may reduce its shareholding in the issuer to a limited extent, but the shareholding reduction limit will be subject to the following requirements: (1) After the expiry of the promised share lock-up period, the number of shares of the issuer transferred by the Company each year shall not exceed 10% of the total number of the shares of the issuer held as at the end of the previous year; (2) If the shareholding is reduced within two years following the expiry of the promised share lock-up period, the price for the shareholding reduction shall not be lower than the issue price of the shares upon the initial public offering and listing of the issuer (in case of dividend payment, bonus shares issue, conversion of capital reserve into share capital and other ex-right and ex-dividend events, the issue price will be adjusted on an ex-right and ex-dividend basis). If the shareholding is reduced two years after the expiry of the promised share lock-up period, the price for the shareholding reduction is determined based on the market price prevailing at the time of the shareholding reduction, subject to undertakings made by the company; (3) In the shareholding reduction by the company, it will make an announcement through the issuer three trading days in advance, and its shareholding shall not be reduced before the performance of the announcement procedure.

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3. If the company reduces its shareholding in violation of the undertakings, the proceeds from the reduction in the shareholding in the issuer shall remain with the issuer.”

II. The Performance of Undertakings

As of the Latest Practicable Date, Red Star Macalline Holding, the Controlling Shareholder of the Company, and Mr. CHE Jianxing, the de facto controller of the Company, strictly fulfill and do not violate the above undertakings. The waiver and variation are subject to consideration at the general meeting of the Company.

III. The Undertakings Applying for the Waiver and Variation

(I) Undertakings applying for exemption and variation by de facto controller

The undertakings in respect of which Mr. CHE Jianxing, the de facto controller of the Company applies for exemption and variation are as follows:

- “1. As the de facto controller of the issuer, I will continue to be optimistic about the development prospects of the issuer and its industry in the future and am willing to hold the shares of the issuer for a long time, so as to ensure my status as a de facto controller.
2. After the expiry of the lock-up period of the shares of the issuer held by me, and without the loss of the status as a de facto controller of the issuer and violation of relevant undertakings made by me, I may reduce my shareholding in the issuer to a limited extent, but the shareholding reduction limit will be subject to the following requirements: (1) After the expiry of the promised share lock-up period, the number of shares of the issuer transferred by me each year shall not exceed 10% of the total number of the shares of the issuer held as at the end of the previous year.”

In order to protect the interests of the Company and its investors, Mr. CHE Jianxing applies to vary the undertaking as follows:

“After the general meeting of the Company passed the resolution on the waiver and variation of my undertakings on intention and reduction of shareholding of shares, the total reduction in the holding of Macalline shares by myself, directly and indirectly, through call auction in the secondary market each year will not exceed 10% of the total number of shares of the Company directly and indirectly held at the end of last year.”

LETTER FROM THE BOARD

(II) Undertakings applying for exemption and variation by controlling shareholder

- “1. As the controlling shareholder of the issuer, the company will continue to be optimistic about the development prospects of the issuer and its industry in the future and is willing to hold the shares of the issuer for a long time, so as to ensure the status of the company as a controlling shareholder of the issuer.
2. After the expiry of the lock-up period of the shares of the issuer held by the company, and without the loss of the status as a controlling shareholder of the issuer and violation of relevant undertakings made by the company, the company may reduce its shareholding in the issuer to a limited extent, but the shareholding reduction will be subject to the following requirements: (1) After the expiry of the promised share lock-up period, the number of shares of the issuer transferred by the company each year shall not exceed 10% of the total number of the shares of the issuer held as at the end of the previous year.”

In order to protect the interests of the Company and its investors, Red Star Macalline Holding applies to vary the undertaking as follows:

“After the general meeting of the Company passed the resolution on the waiver and variation of the company’s undertakings on intention and reduction of shareholding of shares, the total reduction in the holding of Macalline shares by the company, directly and indirectly, through call auction in the secondary market each year will not exceed 10% of the total number of shares of the Company directly and indirectly held at the end of last year.”

IV. Reasons and Basis for Applying for Waiver and Variation of the Undertakings

Red Star Macalline Holding, the Controlling Shareholder of the Company, and Mr. CHE Jianxing, the de facto controller of the Company, have been committed to the sustainable and healthy development of the Company. In order to revitalize its assets and relieve its own liquidity pressure, as well as to provide impetus for the Company’s development, optimize its shareholder structure, integrate resource advantages, stimulate its vitality, enhance its resilience, and help the Company introduce controlling shareholders with state-owned assets background, Red Star Macalline Holding, Mr. CHE Jianxing and Xiamen C&D Inc. (stock code: 600153, “**Xiamen C&D**”) signed the Share Transfer Framework Agreement (“**Framework Agreement**”) on January 13, 2023 and the Share Transfer Agreement among Xiamen C&D Inc., Red Star Macalline Holding Group Company Limited and CHE Jianxing in relation to Red Star Macalline Group Corporation Ltd. on January 17, to transfer 29.95% equity interest held by Red Star Macalline Holding in the Company. (For details, see the announcements of the Company dated 13 January 2023 and 17 January 2023 disclosed “Inside Information Potential Share Transfer by Controlling Shareholder” and “Inside Information Formal Agreement on Transfer of Shares by Controlling Shareholder”). The Transaction may result in a change of control over the Company (please refer to “VI. Impact of the Waiver and Variation of Undertakings of the Company” for details). Therefore, RSM Holding and Mr. Che

LETTER FROM THE BOARD

Jianxing have applied for a waiver of the shareholding intention undertaking of “willingness to hold the shares of the issuer for a long time, so as to ensure the status of the Company/me as a controlling shareholder/de facto controller of the issuer”.

Meanwhile, as of 17 January 2023, Red Star Macalline Holding had pledged a total of 1,949,269,768 shares of the Company, representing 74.45% of its shareholding; after excluding 91,575,092 shares pledged as security for the intention money pledged to Xiamen C&D based on the Framework Agreement (please refer to the “Update to the Proposed Acquisition” announcement disclosed by the Company on 17 January 2023), RSM Holding had pledged a total of 1,857,694,676 shares of the Company, representing 70.96% of its shareholding. In order to enable RSM Holding to respond more flexibly to its potential liquidity problems in future periods through, for example, block trade and to reduce the pressure of debt repayment, RSM Holding and Mr. CHE Jianxing have applied for a waiver and variation of the intention to reduce shareholding that the number of shares of the issuer transferred by the Company/me each year shall not exceed 10% of the total number of the shares of the issuer held as at the end of the previous year after the expiry of committed shareholding lock-up period”.

The undertakings in respect of which Red Star Macalline Holding and Mr. CHE Jianxing apply for waiver and variation are undertakings voluntarily made at the time of the initial public offering and listing of A shares of the Company and are not preconditions or required terms for the implementation and completion of the Company’s initial public offering of A shares. In order to prevent the Controlling Shareholder and the de facto controller of the Company from violating the undertakings on intention and reduction of shareholding of shares due to the aforesaid transaction, and to ensure the smooth implementation of the Company’s introduction of external investors and the deepening of strategic cooperation, Red Star Macalline Holding and Mr. CHE Jianxing apply to the Company for waiver and variation of the above-mentioned undertakings on intention and reduction of shareholding of shares, in accordance with the Guidelines for Regulation of Listed Companies No. 4 – Undertakings of Listed Companies and Their Relevant Parties and the Self-regulatory Guidelines of the Shanghai Stock Exchange No.1 – Standardized Operation.

V. Subsequent Arrangements of the Waiver and Variation of the Undertakings of Intention to Hold Shares and Intention to Reduce Shareholding

On 18 January 2023, the Company and RSM Holding receive the notice of C&D. For the purpose of protecting the benefits of the Company and investors, C&D makes the following commitments in accordance with the relevant requirements of the Guidelines for Regulation of Listed Companies No. 4 – Undertakings of Listed Companies and Their Relevant Parties:

“If Xiamen C&D becomes the controlling shareholder of Macalline due to this transaction in accordance with the provisions of the Measures for the Administration of the Takeover of Listed Companies, the Rules Governing the Listing of Stocks on Shanghai Stock Exchange and other regulations, Xiamen C&D will not transfer shares of Macalline acquired through this transaction within 18 months after the completion of this transaction; upon the expiry of the

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aforesaid lock-up period, during the period of being the controlling shareholder of Macalline, the annual transfer of Macalline shares by Xiamen C&D shall not exceed 10% of the total number of Macalline shares held at the end of the previous year.”

VI. Impact of the Exemption and Variation of Undertakings on the Company

In view of the fact that Alibaba (China) Technology Co., Ltd. (阿里巴巴(中國)網絡技術有限公司) (the “**Alibaba**”), as the sole holder of the exchangeable corporate bonds (First Tranche) non-publicly issued by Red Star Macalline Holding Group Company Limited (紅星美凱龍控股集團有限公司) in 2019, has notified Red Star Macalline Holding its intention to exercise the exchange rights at the price of RMB8.44 per share to obtain 248,220,000 A Shares of the Company (representing 5.70% of the total share capital of the Company) through exchange of shares, to the extent permitted under applicable laws and regulations and the relevant rules of the exchangeable corporate bonds, for details of which, please see the Inside Information – Amendment to the Terms of the Exchangeable Bonds and Intention to Exercise the Exchange Rights of the Exchangeable Bonds disclosed by the Company on January 13, 2023. On January 18, 2023, Alibaba has converted part of its current exchangeable bonds into 30,586,255 A shares of the Company (accounting for 0.70% of the Company’s total share capital, subject to the liquidation results of the Shanghai Stock Exchange on that day) (For details, please refer to the “Red Star Macalline Group Corporation Ltd. Simplified Equity Change Report” disclosed by the Company on the same day) If Alibaba exercises the exchange rights in full as the above-mentioned intention disclosed, upon completion of the undertaking of waiver and the variation and the completion of the transaction, pursuant to the provisions of the Measures for the Administration of the Takeover of Listed Companies and the Rules Governing the Listing of Stocks on Shanghai Stock Exchange, the Company’s controlling shareholder will change to Xiamen C&D and the de facto controller of the Company will change to State-owned Assets Supervision and Administration Commission of Xiamen Government.

The exemption and variation of the undertakings is conducive to the smooth introduction of external investors and a new controlling shareholder with state-owned assets by the Company, the deepening of cooperation of the Company with strategic investors, without adverse impact on the development of the Company, and can provide sufficient impetus for the future development of the Company, and facilitate the overall improvement of the Company’s ability to continue as a going concern, without damage to the legitimate rights and interests of all shareholders. After the completion of the Share Transfer of the Company, the introduction of the state-owned enterprise as a new controlling shareholder of the Company will optimize the shareholder structure, integrate resource advantages, stimulate the Company’s vitality and enhance its resilience, which is beneficial to the sustainable and stable development of the Company.

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VII. Opinion of the Board

The Board of the Company believes that the waiver and the variation of undertakings of intention to hold shares and intention to reduce shareholding of shares of Red Star Macalline Holding, the controlling shareholder of the Company and Mr. CHE Jianxing, the de facto controller of the Company, are in compliance with the Guidelines for Regulation of Listed Companies No. 4 – Undertakings of Listed Companies and Their Relevant Parties and other laws and regulations, and the Articles of Association of Red Star Macalline Group Corporation Ltd., without any prejudice to the interests of the Company and all shareholders. When the Board considered the proposal, the related directors abstained from voting, and the consideration and decision-making procedures of the proposal were in compliance with the Company Law of the People’s Republic of China, the Rules Governing the Listing of Stocks on Shanghai Stock Exchange and other laws and regulations and the relevant provisions of the Articles of Association of Red Star Macalline Group Corporation Ltd.. All Directors of the Company agreed to the application for the waiver and the variation of undertakings of intention to hold shares and intention to reduce shareholding of shares of the controlling shareholder and the de facto controller of the Company and agreed to submit the proposal to the general meeting of the Company for consideration.

VIII. Opinion of the Independent Directors

The independent Directors of the Company believes that the waiver and the variation of undertakings of intention to hold shares and intention to reduce shareholding of shares of Red Star Macalline Holding, the controlling shareholder of the Company and Mr. CHE Jianxing, the de facto controller of the Company, are in compliance with the Guidelines for Regulation of Listed Companies No. 4 – Undertakings of Listed Companies and Their Relevant Parties and other laws and regulations, and the Articles of Association of Red Star Macalline Group Corporation Ltd., without any prejudice to the interests of the Company and all shareholders. When the Board considered the proposal, the related directors abstained from voting, and the consideration and decision-making procedures of the proposal were in compliance with the Company Law of the People’s Republic of China, the Rules Governing the Listing of Stocks on Shanghai Stock Exchange and other laws and regulations and the relevant provisions of the Articles of Association of Red Star Macalline Group Corporation Ltd.. All independent Directors of the Company agreed to the application for the waiver and the variation of undertakings of intention to hold shares and intention to reduce shareholding of shares of the controlling shareholder and the de facto controller of the Company.

IX. Opinion of the Supervisory Committee

The Supervisory Committee of the Company believes that the waiver and the variation of undertakings of intention to hold shares and intention to reduce shareholding of shares of Red Star Macalline Holding, the controlling shareholder of the Company and Mr. CHE Jianxing, the de facto controller of the Company, are in compliance with the Guidelines for Regulation of Listed Companies No. 4 – Undertakings of Listed Companies and Their Relevant Parties and other laws and regulations, and the Articles of Association of Red Star Macalline Group

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Corporation Ltd., without any prejudice to the interests of the Company and all shareholders. When the Board considered the proposal, the related directors abstained from voting, and the consideration and decision-making procedures of the proposal were in compliance with the Company Law of the People's Republic of China, the Rules Governing the Listing of Stocks on Shanghai Stock Exchange and other laws and regulations and the relevant provisions of the Articles of Association of Red Star Macalline Group Corporation Ltd.. All supervisors of the Company agreed to the application for the waiver and the variation of undertakings on of intention to hold shares and intention to reduce shareholding of shares of the controlling shareholder and the de facto controller of the Company.

The aforementioned resolutions are hereby submitted to the Shareholders for consideration.

IV. THE 2023 FIRST EXTRAORDINARY GENERAL MEETING

The notice of the EGM to be held at 10:00 a.m. on Wednesday, 15 February 2023 at Conference Center, 3/F, South Building, Block B, Red Star Macalline Headquarters, Lane 1466, Shenchang Road, Minhang District, Shanghai, the PRC, is set out on pages 19 to 20 of this circular.

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

With regard to the proposal on the waiver of the undertakings of intention to reduce shareholding of the controlling shareholder and the de facto controller of the Company, Mr. CHE Jianxing, the chairman and an executive Director, together with his parties acting in concert, Ms. CHE Jianfang, Ms. CHEN Shuhong, RSM Holdings and Tibet Yiying Enterprise Management Co., Ltd. (西藏奕盈企業管理有限公司) (the "**Tibet Yiying**") must be abstained from voting for the resolution. As at the Latest Practicable Date, Mr. CHE Jianxing and his

LETTER FROM THE BOARD

parties acting in concert, Ms. CHE Jianfang, Ms. CHEN Shuhong, RSM Holdings and Tibet Yiyiing held a total of 2,636,688,647 shares, accounting for approximately 60.54% of the total number of issued A shares and H shares.

Pursuant to the Articles of Association, for the purpose of holding the EGM, the register of members of H Shares will be closed from Friday, 10 February 2023 to Wednesday, 15 February 2023 (both days inclusive), during this period no transfer of H Shares will be registered. H Share Shareholders whose names appear on the register of members of the Company on Friday, 10 February 2023 are entitled to attend and vote at the EGM.

In order to attend the EGM, 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, no later than 4:30 p.m. on Thursday, 9 February 2023 for registration.

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 EGM will be voted by poll.

V. RECOMMENDATION

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

By order of the Board

Red Star Macalline Group Corporation Ltd.

QIU Zhe

Secretary of the Board and Joint Company Secretary

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

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

4. Illustration:

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

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

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

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

As shown in the table below:

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

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

NOTICE OF THE 2023 FIRST EXTRAORDINARY GENERAL MEETING



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

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

NOTICE OF THE 2023 FIRST EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that the 2023 first extraordinary general meeting (the “EGM”) of Red Star Macalline Group Corporation Ltd. (the “Company”) will be held at 10:00 a.m. on Wednesday, 15 February 2023 at Conference Center, 3/F, South Building, Block B, Red Star Macalline Headquarters, Lane 1466, Shenchang Road, Minhang District, Shanghai, the PRC for the purpose of considering, and if thought fit, passing the following resolutions:

ORDINARY RESOLUTIONS EFFECTED BY THE ADOPTION OF CUMULATIVE VOTING SYSTEM

1. To consider and approve the appointment of Mr. ZHENG Yongda as a non-executive director of the fourth session of the board of directors of the Company.
2. To consider and approve the appointment of Mr. WANG Wenhui as a non-executive director of the fourth session of the board of directors of the Company.
3. To consider and approve the appointment of Mr. ZOU Shaorong as a non-executive director of the fourth session of the board of directors of the Company.
4. To consider and approve the appointment of Mr. LI Jianhong as an executive director of the fourth session of the board of directors of the Company.

ORDINARY RESOLUTION

5. To consider and approve the proposal on the waiver and variation of the undertakings of intention to hold shares and intention to reduce shareholding of the controlling shareholder and the de facto controller of the Company.

By order of the Board

Red Star Macalline Group Corporation Ltd.

QIU Zhe

Secretary of the Board and Joint Company Secretary

Shanghai, the PRC
26 January 2023

NOTICE OF THE 2023 FIRST EXTRAORDINARY GENERAL MEETING

Notes:

1. Unless the context otherwise stated, capitalised terms used in this notice shall have the same meanings as those defined in the circular of the Company dated 26 January 2023.
2. For the purpose of holding the EGM, the register of members of the Company will be closed from Friday, 10 February 2023 to Wednesday, 15 February 2023 (both days inclusive), during which period no transfer of shares can be registered. In order for H Share Shareholders to be qualified to attend and vote at the EGM, all transfer documents accompanied by the relevant share certificates must be lodged with the H Share registrar of the Company, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, no later than 4:30 p.m. on Thursday, 9 February 2023 for registration.

The Shareholders whose names appear on the register of members of the Company on Friday, 10 February 2023 are entitled to attend and vote at the EGM.

3. The Shareholders who are entitled to attend and vote at the EGM may appoint one or more proxies to attend and vote on their behalves. A proxy need not to be a Shareholder of the Company.
4. The instrument appointing a proxy must be in writing under the hand of a Shareholder or his attorney duly authorized in writing. If the Shareholder is a legal person, that instrument must be executed either under its seal or under the hand of its director or other attorney duly authorized to sign the same on its behalf.
5. In order to be valid, the proxy form must be deposited, for H Share Shareholders of the Company, to the H Share registrar of the Company, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not less than 24 hours before the time for holding the EGM. If the proxy form is signed by a person under the power of attorney or other authority, a notarized copy of that power of attorney or other authority shall be deposited at the same time as mentioned in the proxy form. Completion and return of the proxy form will not preclude Shareholders of the Company from attending the voting in person at the EGM or any adjourned meetings should they so wish.
6. Shareholders shall produce their identification documents and supporting documents in respect of the shares of the Company held when attending the EGM. If corporate Shareholders appoint authorized representative to attend the EGM, the authorized representative shall produce his/her identification documents and a notarized copy of the relevant authorization instrument signed by the board of directors or other authorized parties of the corporate Shareholders or other notarized documents allowed by the Company. Proxies shall produce their identification documents and the proxy form signed by the Shareholders or their attorney when attending the EGM.
7. The EGM is expected to take for less than half a day. Shareholders attending the EGM shall be responsible for their own travel and accommodation expenses.
8. All voting at the EGM will be conducted by poll.
9. Regarding ordinary resolutions (1) to (4), a cumulative voting system will be adopted. "Cumulative voting system" refers to a system where each of the shares held by a shareholder shall carry the same number of voting rights as the number of director candidates; when the Board or a qualified shareholder separately proposes the director candidates, the number of voting rights carried by each share shall be calculated as per the number of non-repetitive director candidates. In casting his/her/its votes for the director candidates, a shareholder may exercise his/her/its voting rights by allocating his/her/its voting rights evenly and cast for each director candidate the same number of voting rights as the shares he/she/it holds; or he/she/it may focus on one particular director candidate and cast for that candidate all the voting rights represented by all of his/her/its shares multiplied by the number of director candidates; or he/she/it may allocate his/her/its voting rights over several director candidates and cast for each of them part of the voting rights represented by all of his/her/its shares multiplied by the number of director candidates.

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

Where the "For" votes cast for a particular candidate for director are more than half of the total number of shares held by all shareholders attending (before cumulation) and where the "For" votes exceed the "Against" votes, the candidate in question will be considered to have been elected.