
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 2022
WORK REPORT OF THE SUPERVISORY COMMITTEE OF THE COMPANY FOR 2022
FINAL ACCOUNT REPORT OF THE COMPANY FOR 2022
FINANCIAL BUDGET REPORT OF THE COMPANY FOR 2023
ANNUAL REPORT AND ANNUAL RESULTS OF THE COMPANY FOR THE YEAR ENDED 31 DECEMBER 2022
PROFIT DISTRIBUTION PLAN OF THE COMPANY FOR 2022
RESOLUTION CONCERNING THE REMUNERATION OF DIRECTORS OF THE COMPANY FOR 2022
RESOLUTION CONCERNING THE REMUNERATION OF SUPERVISORS OF THE COMPANY FOR 2022
RESOLUTION CONCERNING THE RE-APPOINTMENT OF THE AUDITOR OF THE COMPANY FOR THE
FINANCIAL REPORT AND THE INTERNAL CONTROL AUDITOR OF THE COMPANY FOR THE YEAR 2023
SPECIAL DIVIDEND PLAN OF THE COMPANY
RESOLUTION CONCERNING THE AMENDMENTS TO THE ARTICLES OF ASSOCIATION
AND
NOTICE OF THE 2022 AGM

A letter from the Board is set out on pages 3 to 5 of this circular.

A notice convening the 2022 AGM of the Company to be held at 10:00 a.m. on Monday, 26 June 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 2022 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 2022 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 2022 AGM. Completion and return of the proxy form will not preclude you from attending and voting in person at the 2022 AGM or any adjournment thereof should you so wish.

24 May 2023

CONTENTS

	<i>Page</i>
DEFINITIONS	1
LETTER FROM THE BOARD	3
1. INTRODUCTION	3
2. MATTERS TO BE CONSIDERED AT THE 2022 AGM	4
3. THE 2022 AGM	4
4. RECOMMENDATION	5
5. RESPONSIBILITY STATEMENT	5
APPENDIX I – MATTERS TO BE CONSIDERED AT THE 2022 AGM ..	6
APPENDIX II – WORK REPORT OF THE BOARD FOR 2022	22
APPENDIX III – WORK REPORT OF THE SUPERVISORY COMMITTEE FOR 2022	36
APPENDIX IV – FINAL ACCOUNT REPORT OF THE COMPANY FOR 2022	40
APPENDIX V – FINANCIAL BUDGET REPORT OF THE COMPANY FOR 2023	42
NOTICE OF THE 2022 AGM	45

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)
“2022 AGM” or “2022 Annual General Meeting”	the 2022 annual general meeting to be convened and held on 26 June 2023
“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
“Latest Practicable Date”	19 May 2023, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained in this circular
“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
“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
“%”	percent

LETTER FROM THE BOARD



Red Star Macalline Group Corporation Ltd.

紅星美凱龍家居集團股份有限公司

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

(Stock Code: 1528)

Executive Directors:

Mr. CHE Jianxing

Mr. LI Jianhong

Non-executive Directors:

Mr. CHEN Zhaohui

Mr. JIANG Xiangyu

Ms. HU Xiao

Mr. ZHENG Yongda

Mr. WANG Wenhui

Mr. ZOU Shaorong

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

24 May 2023

To the Shareholders

Dear Sir or Madam,

WORK REPORT OF THE BOARD OF THE COMPANY FOR 2022
WORK REPORT OF THE SUPERVISORY COMMITTEE OF THE COMPANY FOR 2022
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AND
NOTICE OF THE 2022 AGM

1. INTRODUCTION

The purpose of this circular is to provide you with the notice of the 2022 AGM and information on certain resolutions to be proposed and considered at the 2022 AGM so that you are able to make an informed decision on whether to vote for or against those resolutions at the 2022 AGM.

LETTER FROM THE BOARD

2. MATTERS TO BE CONSIDERED AT THE 2022 AGM

Ordinary resolutions to be proposed at the 2022 AGM for the Shareholders to consider and approve include: (a) the work report of the Board of the Company for 2022; (b) the work report of the Supervisory Committee of the Company for 2022; (c) the final account report of the Company for 2022; (d) the financial budget report of the Company for 2023; (e) the annual report and annual results of the Company for the year ended 31 December 2022; (f) the profit distribution plan of the Company for 2022; (g) the resolution concerning the remuneration of Directors of the Company for 2022; (h) the resolution concerning the remuneration of Supervisors of the Company for 2022; (i) the resolution concerning the re-appointment of the auditor of the Company for the financial report and the internal control auditor of the Company for the year 2023; and (j) the special dividend plan of the Company.

Special resolution to be proposed at the 2022 AGM for the consideration and approval of the Shareholders is the resolution considering and approving the amendments to the Articles of Association.

Details of the matters to be considered at the 2022 AGM are set out on pages 6 to 21 in this circular. In order to enable you to have a better understanding of the resolutions to be proposed at the 2022 AGM and to make well-informed decisions, the Company has provided detailed information in this circular, including matters to be considered at the 2022 AGM (see Appendix I), the work report of the Board for 2022 (see Appendix II), the work report of the Supervisory Committee for 2022 (see Appendix III), the final account report of the Company for 2022 (see Appendix IV) and the financial budget report of the Company for 2023 (see Appendix V).

3. THE 2022 AGM

A notice convening the 2022 AGM of the Company to be held at 10:00 a.m. on Monday, 26 June 2023 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 45 to 46 in this circular.

The proxy form for the 2022 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 2022 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 2022 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 2022 AGM, the register of members of H Shares will be closed from Tuesday, 20 June 2023 to Monday, 26 June 2023 (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, 19 June 2023 after close of business are entitled to attend and vote at the 2022 AGM. For information about A Share Shareholders' attendance at the 2022 AGM, please see the A Share announcement published by the Company on the website of the SSE.

In order to ascertain the entitlements to attend and vote at the 2022 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, 19 June 2023.

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 2022 AGM will be voted by poll.

4. RECOMMENDATION

The Directors consider that all resolutions set out in the notice of the 2022 AGM 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 2022 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

ORDINARY RESOLUTIONS

A. TO CONSIDER AND APPROVE THE WORK REPORT OF THE BOARD OF THE COMPANY FOR 2022

The work report of the Board of the Company for 2022 has been considered and approved by the Board and is hereby proposed at the 2022 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 2022

The work report of the Supervisory Committee of the Company for 2022 has been considered and approved by the Supervisory Committee and is hereby proposed at the 2022 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 2022

The final account report of the Company for 2022 has been considered and approved by the Board and is hereby proposed at the 2022 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 2023

The financial budget report of the Company for 2023 has been considered and approved by the Board and is hereby proposed at the 2022 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 2022

The Board will submit the 2022 Annual Report and Summary of the Company (A Shares), the Annual Results for the year ended 31 December 2022 of the Company and the Annual Report for the year ended 31 December 2022 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 2022 AGM for Shareholders' consideration and approval.

F. TO CONSIDER AND APPROVE THE PROFIT DISTRIBUTION PLAN OF THE COMPANY FOR 2022

The profit distribution plan of the Company for 2022 is as follows:

Based on the characteristics of the industry in which the Company operates, its own business model, profitability and capital expenditure arrangements, and taking into account the long-term development of the Company and the interests of investors, it is proposed that the total share capital of 4,354,732,673 Shares as at 31 December 2022, deducts 1,044,800 A Shares in the Company's special securities account for repurchase, i.e. 4,353,687,873 Shares, will be used as the basis for calculation, and a cash dividend of RMB0.34 per 10 shares will be paid (including tax, the actual amount may vary slightly due to rounding). The proposed cash dividend for 2022 is RMB148,025,387.68 (including tax).

According to the "Rules for Share Repurchases by Listed Companies" of the China Securities Regulatory Commission and "Guideline No. 7 on Self-regulation of Listed Companies on the Shanghai Stock Exchange – Share Repurchases", if a company repurchases shares by means of centralised bidding for cash consideration, the amount of shares repurchased in that year shall be treated as cash dividends and included in the relevant proportion of cash dividends for that year. The Company's share repurchases in the year 2022 through centralised bidding will be treated as cash dividends and included in the calculation of the relevant percentage of cash dividends for that year. The total cumulative amount of funds paid by the Company for the repurchase of the Company's A Shares through centralised bidding transactions in 2022 was RMB5,003,480.17 (excluding transaction fees), which was treated as a cash dividend.

Accordingly, after the above proposed cash dividend for 2022 and the amount of A Shares repurchased in 2022 are combined, the total cash dividend of the Company for 2022 is RMB153,028,867.85 (including tax), representing 20.44% of the net profit attributable to shareholders of the Company. Based on the net profit after deduction of non-recurring gain or loss attributable to shareholders of listed company of RMB616,458,432.34, the total cash dividends of the Company for 2022 accounted for 24.82% of the net profit after deduction of non-recurring gain or loss attributable to shareholders of listed company in the 2022 consolidated statement.

If there is a change in the total share capital prior to the date of registration of the equity distribution, the Company intends to maintain the total amount of distribution and adjust the distribution ratio per share accordingly. If there is any subsequent change in the total share capital, a further announcement will be made on the specific adjustment.

APPENDIX I MATTERS TO BE CONSIDERED AT THE 2022 AGM

Table: details on distribution of cash dividends (based on the statistic held by the Company on the Latest Practicable Date)

No.	Category of Shareholders	Number of Shares (Share)	Cash Dividends Distributed (RMB, tax inclusive)
1	A Share ^{Note}	3,612,402,239	122,821,676.13
2	H Share	<u>741,285,634</u>	<u>25,203,711.56</u>
	Total	<u><u>4,353,687,873</u></u>	<u><u>148,025,387.68</u></u>

Note: 1,044,800 A shares in the Company's special securities account for repurchase have been deducted.

The above-mentioned resolutions have been considered and approved by the Board and are hereby proposed at the 2022 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 2022, the Share register of members of the Company will be closed from Sunday, 16 July 2023 to Friday, 21 July 2023 (both days inclusive), during which period no transfer of H Shares will be registered. H Share Shareholders whose names appear on the H Share register of members of the Company on Friday, 21 July 2023 are entitled to the final dividends for 2022. In order to be entitled to receive the final dividends for 2022, 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 Friday, 14 July 2023.

The final dividends for 2022, if approved by the Shareholders at the 2022 AGM, are expected to be paid (i) on Monday, 24 July 2023 to A Share Shareholders whose names appear on the Share register of members of the Company on Friday, 21 July 2023; and (ii) on or about 25 August 2023 to H Share Shareholders whose names appear on the Share register of members of the Company on Friday, 21 July 2023.

G. TO CONSIDER AND APPROVE THE RESOLUTION CONCERNING THE REMUNERATION OF DIRECTORS OF THE COMPANY FOR 2022

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 2022 is as follows:

Name	Position	Remuneration received from the Company for 2022 (RMB'0,000, before tax)
Directors:		
CHE Jianxing	Chairman, Executive Director, General Manager	693.35
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
HU Xiao (new)	Non-executive Director	0
XU Hong (resigned) ⁽¹⁾	Former Non-executive Director	0
JING Jie (resigned) ⁽²⁾	Former Non-executive Director	0
GUO Binghe (resigned after the period) ⁽³⁾	Former Vice Chairman, Executive Director	258.36
CHE Jianfang (resigned after the period) ⁽⁴⁾	Former Executive Director, Deputy General Manager	660.13
JIANG Xiaozhong (resigned after the period) ⁽⁵⁾	Former Executive Director, Deputy General Manager	382.81
CHEN Shuhong (resigned after the period) ⁽⁶⁾	Former Non-executive Director	195.97
YANG Guang (resigned after the period) ⁽⁷⁾	Former Non-executive Director	0

APPENDIX I MATTERS TO BE CONSIDERED AT THE 2022 AGM

Note⁽¹⁾: Mr. XU Hong resigned as a non-executive Director of the Company on 19 January 2022 due to personal work arrangement.

Note⁽²⁾: Mr. JING Jie resigned as a non-executive Director of the Company on 9 March 2022 due to personal work arrangement.

Note⁽³⁾: Mr. GUO Binghe resigned as Vice Chairman and an executive Director of the Company on 17 January 2023 due to related work arrangements.

Note⁽⁴⁾: Ms. CHE Jianfang resigned as an executive Director of the Company on 17 January 2023 due to related work arrangements.

Note⁽⁵⁾: Mr. JIANG Xiaozhong resigned as an executive Director of the Company on 17 January 2023 due to related work arrangements.

Note⁽⁶⁾: Ms. CHEN Shuhong resigned as a non-executive Director of the Company on 17 January 2023 due to related work arrangements.

Note⁽⁷⁾: Mr. YANG Guang resigned as a non-executive Director of the Company on 15 February 2023 due to related work arrangements.

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 2022 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 2022

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 2022 is as follows:

Name	Position	Remuneration received from the Company for 2022 (RMB'0,000, before tax)
PAN Ning	Chairman of the Supervisory Committee, employee representative Supervisor	113.05
CHAO Yanping	Employee representative Supervisor	64.95
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 2022 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 AND THE INTERNAL CONTROL AUDITOR FOR THE YEAR 2023

The Company proposes to re-appoint Zhongxingcai Guanghai Certified Public Accountants LLP as the PRC accounting standards auditor of the Company for the year 2023, to re-appoint HLB Hodgson Impey Cheng Limited as international accounting standards auditor of the Company for the year 2023 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 Company proposes to re-appoint Baker Tilly China Certified Public Accountants (Special General Partnership) as the internal control auditor of the Company for the year 2023 until conclusion of the next annual general meeting and determine its service fees according to industry standards and the actual situation of the Company's internal control work.

The abovementioned resolution has been considered and approved by the Board and is hereby proposed at the 2022 AGM for Shareholders' consideration and approval.

J. SPECIAL DIVIDEND PLAN OF THE COMPANY

As audited by Zhongxingcai Guanghai Certified Public Accountants LLP, as of 31 December 2022, the distributable profit of the parent company was RMB8,143,261,169.82. The Company will distribute cash dividends of RMB0.46 (tax inclusive) per 10 Shares based on the total share capital of 4,354,732,673 Shares as at 31 December 2022, deducting the 1,044,800 A shares temporarily deposited in the special securities account for repurchase opened by the Company, which is 4,353,687,873 Shares as a calculating basis. Therefore, a total of RMB200,269,642.16 (tax inclusive) special dividend is proposed to be distributed to all Shareholders. Among the cash dividends, RMB166,170,502.99 will be paid to the A Shareholders and RMB34,099,139.16 will be paid to the H Share Shareholders.

The proposal was formulated by the Company under a special background to protect the interests of all Shareholders, and it, together with the “Proposal for Profit Distribution of the Company for 2022” of the Company, will be submitted to the Company’s 2022 AGM for consideration as two separate resolutions. The special dividends will be distributed in cash within two months after the proposal is considered and approved by the Shareholders at the 2022 AGM. The special dividends in cash are denominated and declared in RMB, and will be paid to the A Share Shareholders in RMB and paid to the H Share Shareholders in HK\$. The actual distribution amount in HK\$ will be calculated based on the average benchmark exchange rate of RMB against HK\$ announced by the People’s Bank of China five working days before the Company’s 2022 AGM.

The abovementioned resolution has been considered and approved by the Board and is hereby proposed at the 2022 AGM for Shareholders’ consideration and approval.

For the purpose of determining the list of H Share Shareholders who are entitled to the special dividend, the Share register of members of the Company will be closed from Sunday, 16 July 2023 to Friday, 21 July 2023 (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 Friday, 21 July 2023 are entitled to the special dividend. In order to be entitled to receive the special dividend, 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 Friday, 14 July 2023.

The special dividend, if approved by the Shareholders at the 2022 AGM, are expected to be paid (i) on Monday, 24 July 2023 to A Share Shareholders whose names appear on the Share register of members of the Company on Friday, 21 July 2023; and (ii) on or about 25 August 2023 to H Share Shareholders whose names appear on the Share register of members of the Company on Friday, 21 July 2023.

SPECIAL RESOLUTION

K. THE RESOLUTION CONCERNING THE AMENDMENTS TO THE ARTICLES OF ASSOCIATION

In order to comply with the requirements of the core shareholder protection standard as set out in Appendix III of the Listing Rule, and combined on the actual situation of the Company in order to further improve the corporate governance system of the Company, following amendments to the Articles of Association have been proposed to made:

Existing Provisions of the Articles of Association	Amended Provisions of the Articles of Association
<p>Article 42 The Company may keep overseas the register of holders of overseas listed foreign shares and entrust it to the care of an overseas agency in accordance with the understanding and agreement reached between the securities regulatory authority under the State Council and the overseas securities regulatory authority.</p> <p>The Company shall keep in Hong Kong the original of the register of holders of shares listed on the Hong Kong Stock Exchange in the register of holders of overseas listed foreign shares and keep at its domicile copies of the said register; the entrusted overseas agency shall always ensure that the original and copies of the register of holders of overseas listed foreign shares are consistent.</p> <p>Where the original and copies of the register of holders of overseas listed foreign shares are inconsistent, the original shall prevail.</p>	<p>Article 42 The Company may keep overseas the register of holders of overseas listed foreign shares and entrust it to the care of an overseas agency in accordance with the understanding and agreement reached between the securities regulatory authority under the State Council and the overseas securities regulatory authority.</p> <p>The Company shall keep in Hong Kong the original of the register of holders of shares listed on the Hong Kong Stock Exchange in the register of holders of overseas listed foreign shares and keep at its domicile copies of the said register; the entrusted overseas agency shall always ensure that the original and copies of the register of holders of overseas listed foreign shares are consistent.</p> <p>Where the original and copies of the register of holders of overseas listed foreign shares are inconsistent, the original shall prevail.</p> <p><u>The Hong Kong branch register of holders must be available for inspection by shareholders, but the company may be allowed to close the register of members on terms equivalent to section 632 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong).</u></p>

APPENDIX I MATTERS TO BE CONSIDERED AT THE 2022 AGM

Existing Provisions of the Articles of Association	Amended Provisions of the Articles of Association
<p>Article 53 The ordinary shareholders of the Company shall be entitled to the following rights:</p> <p>(I) To receive dividends and other profit distributions in proportion to the shares they hold;</p> <p>(II) To attend general meetings either in person or by proxy and exercise the voting right;</p> <p>(III) To supervise, present suggestions on or make inquiries about the business activities of the Company;</p> <p>(IV) To transfer shares in accordance with the laws, administrative regulations and the Articles of Association;</p> <p>(V) To obtain relevant information in accordance with the Articles of Association, including:</p> <ol style="list-style-type: none"> 1. Obtaining the copy of the Articles of Association after payment of production cost; 2. Being entitled to access and copy after payment of reasonable expenses: <ol style="list-style-type: none"> (1) Copies of all shareholders' registers; (2) Personal information of the Company's directors, supervisors, general manager and other senior executives, including: <ol style="list-style-type: none"> (a) Present and former names and aliases; (b) Principal address (domicile); (c) Nationality; (d) Full-time and all part-time occupations and duties; (e) Identity certificates and numbers thereof. 	<p>Article 53 The ordinary shareholders of the Company shall be entitled to the following rights:</p> <p>(I) To receive dividends and other profit distributions in proportion to the shares they hold;</p> <p>(II) To attend general meetings either in person or by proxy and exercise the voting right;</p> <p>(III) To supervise, present suggestions on or make inquiries about the business activities of the Company;</p> <p>(IV) To transfer shares in accordance with the laws, administrative regulations and the Articles of Association;</p> <p>(V) To obtain relevant information in accordance with the Articles of Association, including:</p> <ol style="list-style-type: none"> 1. Obtaining the copy of the Articles of Association after payment of production cost; 2. Being entitled to access <u>by shareholders free of charge</u> and copy after payment of reasonable expenses <u>by shareholders</u>: <ol style="list-style-type: none"> (1) Copies of all shareholders' registers; <u>(2) Minutes of the general meetings;</u> <u>(3) Copies of resolutions of the Board meetings and meetings of the Supervisory Committee;</u> <u>(4)</u> Personal information of the Company's directors, supervisors, general manager and other senior executives, including: <ol style="list-style-type: none"> (a) Present and former names and aliases; (b) Principal address (domicile);

APPENDIX I MATTERS TO BE CONSIDERED AT THE 2022 AGM

Existing Provisions of the Articles of Association	Amended Provisions of the Articles of Association
<p>(3) Report of status of the issued share capital of the Company;</p> <p>(4) Reports of the total par value, number of shares, and the highest and lowest prices of each class of shares bought back by the Company since the last fiscal year, and the total expense paid by the Company for this purpose (by domestic shares and external shares (and H shares, if applicable));</p> <p>(5) Minutes of the general meetings (for reference of shareholders only) and copies of the Company’s special resolutions, copies of resolutions of the Board meetings and meetings of the Supervisory Committee;</p> <p>(6) The latest audited financial statements of the Company, and the reports of directors, auditors, and supervisors;</p> <p>(7) Copy of the latest annual inspection report filed with the industry and commerce authority of China or other competent authorities;</p>	<p>(c) Nationality;</p> <p>(d) Full-time and all part-time occupations and duties;</p> <p>(e) Identity certificates and numbers thereof.</p> <p>(5) Report of status of the issued share capital of the Company;</p> <p>(6) Reports of the total par value, number of shares, and the highest and lowest prices of each class of shares bought back by the Company since the last fiscal year, and the total expense paid by the Company for this purpose (by domestic shares and external shares (and H shares, if applicable));</p> <p>(7) Minutes of the general meetings (for reference of shareholders only) and copies of the Company’s special resolutions, copies of resolutions of the Board meetings and meetings of the Supervisory Committee;</p> <p>(8) The latest audited financial statements of the Company, and the reports of directors, auditors, and supervisors; and</p> <p>(9) Copy of the latest corporate annual report filed with the industry and commerce authority of China or other competent authorities;</p>

APPENDIX I MATTERS TO BE CONSIDERED AT THE 2022 AGM

Existing Provisions of the Articles of Association	Amended Provisions of the Articles of Association
<p>3. Counterfoils of corporate bonds;</p> <p>The Company shall keep at its Hong Kong address the documents as referred to in (2) to (7) above and any other applicable document as per the requirements of the Listing Rules for free reference of the public and shareholders (except minutes of the general meetings for reference of shareholders only). Shareholders of the Company can also inspect the resolutions of the meetings of the Board and the Supervisory Committee of the Company, as well as the counterfoils of any corporate bonds. If any shareholder requests access to the aforesaid relevant or provision of data, the said shareholder shall provide the Company with written documents bearing evidence of the type and number of shares held by the said shareholder, and the Company will provide the said information as required by the said shareholder upon authentication of the said shareholder.</p> <p>(VI) In the event of termination or liquidation of the Company, to participate in the distribution of the remaining assets of the Company as per their shares;</p> <p>(VII) For shareholders objecting to resolutions of the general meeting concerning merger or division of the Company, to require the Company to buy their shares;</p>	<p>3. Counterfoils of corporate bonds;</p> <p>The Company shall <u>publish</u> the documents as referred to in <u>(5) to (9)</u> above and any other applicable document <u>on Hong Kong Stock Exchange website and the Company’s website</u> as per the requirements of the Listing Rules. <u>The Company shall</u> keep at its Hong Kong address <u>the documents as referred to in (1) and (2) for shareholders’ inspection free of charge, and copy by shareholders at reasonable expenses.</u> Shareholders of the Company can also inspect the resolutions of the meetings of the Board and the Supervisory Committee of the Company, as well as the counterfoils of any corporate bonds. If any shareholder requests access to the aforesaid relevant or provision of data, the said shareholder shall provide the Company with written documents bearing evidence of the type and number of shares held by the said shareholder, and the Company will provide the said information as required by the said shareholder upon authentication of the said shareholder.</p> <p>(VI) In the event of termination or liquidation of the Company, to participate in the distribution of the remaining assets of the Company as per their shares;</p> <p>(VII) For shareholders objecting to resolutions of the general meeting concerning merger or division of the Company, to require the Company to buy their shares;</p>

APPENDIX I MATTERS TO BE CONSIDERED AT THE 2022 AGM

Existing Provisions of the Articles of Association	Amended Provisions of the Articles of Association
<p>(VIII) Pursuant to the <i>Company Law</i> or other laws and administrative regulations, to institute legal proceedings to the People’s Court and claim related rights concerning any act infringing upon the interests of the Company or the legitimate rights and interests of the shareholders;</p> <p>(IX) To exercise other rights specified by laws, administrative regulations, departmental rule, listing rules at the location where the Company’s shares are listed and the Articles of Association.</p>	<p>(VIII) Pursuant to the <i>Company Law</i> or other laws and administrative regulations, to institute legal proceedings to the People’s Court and claim related rights concerning any act infringing upon the interests of the Company or the legitimate rights and interests of the shareholders;</p> <p>(IX) To exercise other rights specified by laws, administrative regulations, departmental rule, listing rules at the location where the Company’s shares are listed and the Articles of Association.</p>
<p>Article 67 Where the Company convenes a general meeting, the convener shall notify all the shareholders by means of public announcement at least 20 business days before the date of the annual general meeting and at least 10 business days or 15 days (whichever is longer) before the date of the extraordinary general meeting.</p> <p>The duration of the aforesaid periods shall not include the date of such announcement and the date of the meeting. The “business day” in the Articles of Association shall mean a day on which the Hong Kong Stock Exchange is open for business for dealing in securities.</p>	<p>Article 67 Where the Company convenes a general meeting, the convener shall notify all the shareholders by means of public announcement at least 20 business days before the date of the annual general meeting and at least 10 business days or 15 days (whichever is longer) before the date of the extraordinary general meeting.</p> <p>The duration of the aforesaid periods shall not include the date of such announcement and the date of the meeting. The “business day” in the Articles of Association shall mean a day on which the Hong Kong Stock Exchange is open for business for dealing in securities.</p>

APPENDIX I MATTERS TO BE CONSIDERED AT THE 2022 AGM

Existing Provisions of the Articles of Association	Amended Provisions of the Articles of Association
<p>Article 76 If individual shareholders attend the meeting in person, he/she shall present his/her ID card or other valid documents, proof or stock account card to identify him/herself; if a proxy is appointed to attend the meeting, he/she shall present valid identity documents and power of attorney of the relevant shareholder.</p> <p>As for a corporate shareholder, its legal representative or a proxy appointed by such legal representative shall attend the meeting. The legal representative who attends the meeting shall present his/her ID card, and valid certificates which can prove his/her qualification as a legal representative; if a proxy is appointed to attend the meeting, he/she shall present his/her ID card, the written power of attorney legally issued by the legal representative of the corporate shareholder in accordance with the relevant laws.</p>	<p>Article 76 If individual shareholders attend the meeting in person, he/she shall present his/her ID card or other valid documents, proof or stock account card to identify him/herself; if a proxy is appointed to attend the meeting, he/she shall present valid identity documents and power of attorney of the relevant shareholder.</p> <p>As for a corporate shareholder, its legal representative or a proxy appointed by such legal representative shall attend the meeting, <u>deemed to be present in person by such corporate shareholder.</u> The legal representative who attends the meeting shall present his/her ID card, and valid certificates which can prove his/her qualification as a legal representative; if a proxy is appointed to attend the meeting, he/she shall present his/her ID card, the written power of attorney legally issued by the legal representative of the corporate shareholder in accordance with the relevant laws.</p> <p><u>The clearing company shall be entitled to appoint proxies to attend general meetings of the Company and meetings of creditors, and these proxies or representatives of the Company shall have the same legal rights as other shareholders, including the right to speak and vote.</u></p>

APPENDIX I MATTERS TO BE CONSIDERED AT THE 2022 AGM

Existing Provisions of the Articles of Association	Amended Provisions of the Articles of Association
<p>Article 116 A director may resign prior to the expiration of his term by tendering a written resignation to the Board. The Board shall disclose the relevant information within two days.</p> <p>If the number of directors of the Board falls below the quorum as a result of any resignation, such resignation shall not become effective until the vacancy resulting from such resignation is filled up by a succeeding director. The remaining directors shall convene an extraordinary general meeting as soon as possible to elect a director to fill the vacancy caused by the said resignation.</p>	<p>Article 116 A director may resign prior to the expiration of his term by tendering a written resignation to the Board. The Board shall disclose the relevant information within two days.</p> <p>If the number of directors of the Board falls below the quorum as a result of any resignation, such resignation shall not become effective until the vacancy resulting from such resignation is filled up by a succeeding director. The remaining directors shall convene an extraordinary general meeting as soon as possible to elect a director to fill the vacancy caused by the said resignation. <u>Any person appointed by the Board as a director to fill a casual vacancy on or as an addition to the Board shall hold office only until the first annual general meeting of the issuer after his appointment, and shall then be eligible for re-election.</u></p>
<p>Article 164 If directors, supervisors, general manager and other senior executives of the Company have any direct or indirect material interests in any contract, transaction or arrangement already concluded or under planning with the Company (exclusive of engagement contract with the Company), they shall responsively disclose the nature and extent of the said interests to the Board regardless whether the relevant matters are subject to approval by the Board in normal circumstances.</p> <p>If any director has connection with the enterprise involved in the resolution made at a Board meeting, the said director shall not vote on the said resolution for himself or on behalf of another director and shall abstain from voting. The Board meeting may be held when more than half of the non-connected directors attend the meeting. The resolution of the Board meeting shall be passed by more than half of the non-connected directors. If the number of non-connected directors attending the meetings is less than 3, the issue shall be submitted to the general meeting of the listed company for examination.</p>	<p>Article 164 If directors, supervisors, general manager and other senior executives of the Company have any direct or indirect material interests in any contract, transaction or arrangement already concluded or under planning with the Company (exclusive of engagement contract with the Company), they shall responsively disclose the nature and extent of the said interests to the Board regardless whether the relevant matters are subject to approval by the Board in normal circumstances.</p> <p>If any director has connection with the enterprise involved in the resolution made at a Board meeting, the said director shall not vote on the said resolution for himself or on behalf of another director and shall abstain from voting. The Board meeting may be held when more than half of the non-connected directors attend the meeting. The resolution of the Board meeting shall be passed by more than half of the non-connected directors. If the number of non-connected directors attending the meetings is less than 3, the issue shall be submitted to the general meeting of the listed company for examination.</p>

APPENDIX I MATTERS TO BE CONSIDERED AT THE 2022 AGM

Existing Provisions of the Articles of Association	Amended Provisions of the Articles of Association
<p>Unless under the exceptional circumstances specified in Note 1 of Appendix 3 of Listing Rules or approved by the Hong Kong Stock Exchange, a director shall not vote on any resolution of the Board which approves the contract, transaction or arrangement or any other relevant suggestions where he/she or his/her close associates (as defined in the applicable Listing Rules which come into effect from time to time) own a material interest; and shall not be included into the quorum of the meeting. If the relevant contract, transaction, arrangement or suggestion involves the connected transaction specified in the Listing Rules, the “close associates” herein shall be changed to “associates” (as defined in the applicable Listing Rules which come into effect from time to time).</p>	<p>Unless under the exceptional circumstances specified in Note 1 of Appendix 3 of Listing Rules or approved by the Hong Kong Stock Exchange, a director shall not vote on any resolution of the Board which approves the contract, transaction or arrangement or any other relevant suggestions where he/she or his/her close associates (as defined in the applicable Listing Rules which come into effect from time to time) own a material interest; and shall not be included into the quorum of the meeting. If the relevant contract, transaction, arrangement or suggestion involves the connected transaction specified in the Listing Rules, the “close associates” herein shall be changed to “associates” (as defined in the applicable Listing Rules which come into effect from time to time).</p>
<p>Unless the directors, supervisors, general manager and other senior executives of the Company having material interests have disclosed to the Board as per Paragraph 1 herein, and the said transaction is approved at the Board meeting at which they are not included into the quorum and do not vote, the Company shall have the right to cancel the said contract, transaction or arrangement, save for the circumstance in which the other parties are goodwill parties uninformed of the default of the relevant directors, supervisors, managers and other senior executives.</p>	<p>Unless the directors, supervisors, general manager and other senior executives of the Company having material interests have disclosed to the Board as per Paragraph 1 herein, and the said transaction is approved at the Board meeting at which they are not included into the quorum and do not vote, the Company shall have the right to cancel the said contract, transaction or arrangement, save for the circumstance in which the other parties are goodwill parties uninformed of the default of the relevant directors, supervisors, managers and other senior executives.</p>
<p>If the connected persons or associates of the directors, supervisors, general manager and other senior executives of the Company have any interests in a given contract, transaction or arrangement, the said directors, supervisors, general manager and other senior executives shall also be deemed as having interests.</p>	<p>If the connected persons or associates of the directors, supervisors, general manager and other senior executives of the Company have any interests in a given contract, transaction or arrangement, the said directors, supervisors, general manager and other senior executives shall also be deemed as having interests.</p>

APPENDIX I MATTERS TO BE CONSIDERED AT THE 2022 AGM

Save for the above amendments to the provisions, other provisions of the Articles of Association will remain unchanged. The proposed amendments to the Articles of Association is subject to approval of the Shareholders at the general meeting of the Company, and it is proposed at the general meeting of the Company to authorize the Board and the Board to then authorize the operating management of the Company to handle relevant formalities such as the registration/filing of changes with relevant competent departments in respect of the amendments to the Articles of Association.

The abovementioned resolution has been considered and approved by the Board and is hereby proposed at the 2022 AGM for Shareholders' consideration and approval.

WORK REPORT OF THE BOARD FOR 2022

In 2022, the Board led the management in achieving solid operational and financial results by actively coping with challenges and overcoming difficulties. 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 2022 are presented as follows, the capitalized terms used herein shall have the same meanings as those defined in the 2022 annual report of the Company:

I. MAJOR WORK OF THE BOARD IN 2022

As of 31 December 2022, the Board convened five general meetings for the year, in which 17 resolutions were considered and passed, and held 23 meetings of the Board, in which 61 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 five meetings; the Remuneration and Evaluation Committee held three meetings; and the Nomination Committee held three meetings. For the matters reviewed and discussed, please refer to the 2022 annual report of the Company.

During the year ended 31 December 2022, 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. 2022 PERFORMANCE**1. Financial Results**

In 2022, facing the impact of the real estate macro-control policy on the home furnishing industry and the general environment of industry channel changes, the Company always shouldered the responsibility of being the pathfinder and burden bearer of the industry around the business decision by the Board, and actively implements the "heavy operation" strategy, deeply builds ten theme pavilions, optimizes the layout of shopping malls categories, continues to expand the area of smart electrical appliances, catering and other categories, and explores new hot selling brands to settle in; In addition, the Company further explores a new online and offline integrated retail model through methods such as the "10,000 Top Shopping Guides Live Streaming", "Tuan Xin Jia", and "Local Station Product Aggregation", aiming to create a comprehensive online and offline home retail business network that integrates multiple store formats, category expansion, brand selection, scene experience, and systematic marketing. The Company's revenue in 2022 was up to RMB14,138 million, a decrease of 8.9% over the Company's revenue of RMB15,513 million in 2021, and the Company's net profit attributable to owners of the parent company was RMB749 million in 2022, a decrease of 63.43% over 2021.

2. Business Review

During the year ended 31 December 2022, 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 year ended 31 December 2022, the Company formulated a citywide positioning plan for multi-store shopping malls, 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. During the year ended 31 December 2022, the Company increased the number of its major categories to ten, and accelerated the construction of theme pavilions, so as to quickly gain traction with consumers in the mid-and high-end markets. In the meantime, the Company fully explored and actively introduced intelligent electrical appliances, catering and other medium – and high-frequency categories to facilitate integrated consumption in multiple industries.

As of 31 December 2022, the Company operated 94 Portfolio Shopping Malls, 284 Managed Shopping Malls, and 8 shopping malls through strategic cooperation, and 57 franchised home improvement material projects, including a total of 476 home improvement material stores/industry streets, covering 223 cities in 30 provinces, municipalities and autonomous regions in China, with a total operating area of 22,508,291.30 sq.m.

As of 31 December 2022, our Portfolio Shopping Malls covered a total operating area of 8,369,802 sq.m., with an average occupancy rate of 85.2%. 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 -3.5%. 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 1 new Portfolio Shopping Mall, closed 1 Portfolio Shopping Mall, and changed a Portfolio Shopping Mall to a Managed Shopping Mall. As of 31 December 2022, the Company had 19 pipeline Portfolio Shopping Malls.

As of 31 December 2022, our Managed Shopping Malls covered a total operating area of 14,138,489 sq.m., with an average occupancy rate of 86.7%, among which 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 year ended 31 December 2022, the Company opened 12 new Managed Shopping Malls and closed 7 Managed Shopping Malls. In addition, one Portfolio Shopping Mall was converted into Managed Shopping Mall. As of 31 December 2022, among the pipeline Managed Shopping Malls, the Company has obtained land use rights certificate/land parcels for 315 contracted 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 of 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 31 December 2022, there were home decoration stores in 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 the Company. The Company continuously defined the differentiated business positioning and carried out operations based on brands and clusters of customers.

The Company enhanced the construction of a new-generation home improvement system platform project. In terms of the home improvement system platform, the Company has continuously improved the home improvement core business flow management system through feedbacks on the actual use of the Better Home Improvement business, optimized and iterated the online process of the home improvement core business, greatly optimized functional modules such as materials, orders, supply chain management, engineering construction site and final account management, enhanced the business efficiency and reduced the error risk by utilizing computing advantages of the system. By driving business development with data, the

system provides multiple data reports for different business processes, thus providing strong support for adjustment of business decisions. Meanwhile, in view of the mobile office scenarios in different business environments, a number of digital tools have been developed at the mobile end to improve the business standards, enhance the management efficiency, and lay a solid data foundation for providing comprehensive digital services for C-end consumers in 2023.

2.3 Online and offline integration

The effective arrangements for the Company's digital upgrading and online sources of traffic based on shopping malls start to bear fruit. During the year ended 31 December 2022, 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. In terms of basic capacity building, "Tmall Local Station" continued to dig into commodity operation, and upgraded from the optimization of basic commodities on the shelf to the operation of core commodity pool, thus further improving the commodity quality. Through continuous operation, each city and shopping mall can accumulate a batch of high-quality commodities, and continuously and stably obtain traffic and customer capital online, thus further promoting business growth. Meanwhile, the Company made further efforts to empower "product content", promoted the continuous implementation of panoramic video projects, and provided consumers with channels for all-round and free viewing of goods. The newly added online shopping guide service project enables shopping guides of online brands to provide consumers with superior services online instantly.

In terms of content operation, the Company has continued to develop and promote the "10,000 Top Shopping Guides Live Streaming", involving relevant people in the industry such as store shopping guide, designers and top home furnishing streamers, incubating and cultivating the Company's live-streaming capabilities, empowering practitioners of the home furnishing industry with live-streaming operation capabilities, and promoting the normalization of home furnishing live streaming. The Company has also built a live-streaming base of nearly 1,000 square meters in Shanghai Jinqiao Shopping Mall, which can empower the shopping mall through professional venues and equipment, and build the first-level live-streaming capacity.

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

3.1.1 Multi-store plan, theme pavilions landing, expansion of new categories, creating integrated consumption across multiple formats

In the face of changes of the 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 ten major category theme pavilions in China. In terms of upgrading of the store form in shopping malls, in 2022, the Company continued to promote the implementation of the strategy of the one benchmark shopping mall in one province strategy. 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 Supreme Malls and 59 Benchmark Malls, and accelerated the construction and implementation.

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. During the year ended 31 December 2022, the Company has upgraded its nine major categories strategy to ten 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 and suspended ceiling and floor space. More and more categories were sold on the platform of the Company, 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 ten 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 2022, category A and import areas in the top 100 MALLs accounted for 52.6%, of which the area for top new hot-selling brands in the industry accounted for 12.1%. Category A and import areas in China accounted for 48.8%, of which the area for top new hot-selling brands in the industry accounted for 8.9%.

Combined with the extension category integration mode, the Company actively expanded mid- and high-frequency consumer goods, and increased the proportion of rental area, so as to shorten the cycle of consumers visiting the stores and revitalize the traffic to the stores. Taking the smart electrical appliances hall as an example, it is different from traditional home appliance stores, with the new systematic, scenario-based and high-end features. Based on a rich and effective variety of consumer touch forms and marketing activities, it has improved consumers' combined purchase rate and per customer transaction volume. In this way, the top- and medium-ranking brands and dealers were highly attracted to shopping malls, thus driving the rapid establishment of multiple smart electrical appliances pavilions, and increasing the rental area of relevant categories.

In addition, the Company has actively introduced catering categories during the year ended 31 December 2022. Based on factors such as size and location of a mall, the Company created a multi-functional catering product portfolio in line with the space of Red Star Macalline by means of co-branding of home furnishing brands, chain catering, regional cooperation and other forms. During the year ended 31 December 2022, the Company proactively sought cooperation with core catering brands such as McDonald's, KFC, Pizza Hut, Starbucks, Burger King and Dicos. In 2022, the coverage of catering category in shopping malls across the country increased from 32% to 43%, while the catering coverage in 100 Malls increased from 55% to 78%.

3.1.2 Accelerate the implementation of the strategy of three cities and five exhibitions and the exhibition and store alliance, and develop the home furnishing marketing IP

The Company regarded “315” and “818” as the core node of offline marketing activities to incubate recognizable home furnishing marketing IP, and gradually strengthen the reputation and influence on the urban dealers side and the brand headquarters side. The Company has also invited brands and dealers to deeply participate in marketing activities. In the 315FUN SiHi Shopping Festival (315FUN 肆嗨購節) promotion event, the Group promoted the docking and deployment of various provincial operation development centers and brand distributors of the group, achieving the integration of operations from the Company to the Group, various industrial chains and business sectors, as well as the sinking and integration of various small and micro enterprises with various provincial operation development centers across the country. It broke the past single local linkage and achieved deep cooperation from top to bottom.

3.1.3 Establish a business middle-office for tenant sourcing to improve the ability to serve brands and dealers

During the year ended 31 December 2022, in terms of brand factories service terminal, the Company continued to optimize the key account service system, further upgrade the functions including visualization of key account data and accurate connection for channel promotion, optimized, launched and made available the service platforms for online communication with brands and customers, and established dedicated service accounts, so as to improve the efficiency in serving key accounts and cooperation stickiness. In terms of serving distributors, the Company continued to strengthen the research into the distributor information of shopping malls in China with the help of the Longyi System (龍翼系統) and accumulated the data to further improve the capability for serving distributors, thus enhancing the tenant management efficiency and reducing the operating cost.

The middle office for the investment promotion business established by the Company is linked with shopping malls, brand factories and distributors to create a new online road show and investment promotion model for strict selection and investment promotion, and promote the integration of online and offline investment promotion. During the year ended 31 December 2022, the Company provided investment promotion services for more than 40 commercial cooperative brands and new hot-selling potential brands. The Company's investment promotion team helps the commercial cooperative brands and new hot-selling potential brands improve their efforts to reach distributors, and assists the brands to enhance the investment promotion effect, thus filling a gap in the market.

3.1.4 Constantly improve the refined rental management level and achieve sustainable growth of rental income through category adjustment

During the year ended 31 December 2022, further refinement of the floor level and category price difference specifications was required, with the requirement of “three levels, one level and one price”. The booth rent grading and pricing mechanism was improved, and through the integration of big data systems, system and manual calibration functions were added to further refine management, improve overall management efficiency, and ensure the healthy and sustainable growth of overall rent.

In terms of specific category floor placement, the theme pavilion has played an effective planning and adjustment role in the flow of each floor area. By scheduling trend categories and high margin categories to gather on the high area floors, it effectively releases the rental value of the high area floors and further reduces differential land rent. While improving the efficiency of the site, specific operational measures such as category standardization and non cross layer secondary categories are taken to accurately operate the traffic to the store and assist in the sustained growth of rental income.

3.2 Marketing Management

3.2.1 “Super category Festival” helps realize category refined marketing

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 ten category pavilions in China, the “Super Category Carnival” activities normalized category marketing. Intensive and deep engagement in vertical activities 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. In 2022, a total of 10 category carnivals were held. Through the category classification operation strategy, the Company focused resources on core categories and events, including 145 major events. The refined operation was based on the principle of “one store, one scheme.”

Meanwhile, the Company consolidated and strengthened industry resources, further focused on refined marketing for categories and expanded marketing differentiation. In 2022, the Company achieved a deep integration of “home decoration + home furnishings + Internet operation” for the first time, incubating the first marketing IP “Red Star Macalline 315 FUN Sihai Shopping Festival (紅星美凱龍 315FUN 肆嗨購節)” in the home furnishing industry to stimulate spending and build a high-end traffic ecosystem. Meanwhile, through the creation of “annual 51 joyful shopping (一年一度 51 狂享購)” and “618 joyful season for ideal life (618 理想生活狂歡季)” and other promotional activities, the Company continuously improved the practice of online and offline diversified marketing activities, and created diversified model cases. There was a total of over 1 billion marketing broadcast exposure for the three major promotional activities.

3.2.2 Diversified marketing channels help increase stores traffic

During the year ended 31 December 2022, by focusing on 8 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 empower planning and marketing personnel of shopping malls in marketing and create private traffic pools of shopping malls. Meanwhile, with online operation capabilities, the Group 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 undertake and conversion.

In terms of digital precision marketing, the Company and ByteDance's two major 2B platforms "Ocean Engine" and "Volcano Engine" jointly launched the "Double Engine Project" to explore new marketing models based on the home furnishing industry scenarios. By integrating the resources of shopping malls, brand factories and tenants and through in-depth cooperation with ByteDance, the Company continued to optimize the media portfolio structure, process, tool application and post-link undertaking, and strengthen the production capacity of plane and short videos in terms of content. During the year ended 31 December 2022, the customer acquisition cost, overall intention rate and regular customer review rate were significantly optimized and improved. In terms of the we-media matrix, during the year ended 31 December 2022, the Company recorded a total of 0.6 billion exposure through operation on we-media platforms including WeChat, microblog, TikTok, video channel and Xiaohongshu (小紅書).

In terms of digital operation and management, the Company has focused on upgrading the core digital marketing tools covering the three major modules of "event marketing", "traffic operation" and "marketing management". In addition, the Company has realized full-link marketing from online customer attraction, user operation to offline conversion by fully linking the advantages of TikTok-based interaction, Tencent-based communication and Alibaba-based transaction. Meanwhile, a full closed-loop process of screening, triggering, distribution and deposition of traffic clues after acquisition can be realized by further iterating functions such as intelligent marketing core, labelling system for hidden number outbound calls and instant triggering. During the year ended 31 December 2022, the digital marketing tools have achieved full coverage of major core shopping malls.

3.2.3 Establish a joint marketing model, integrate upstream marketing resources and highlight the value-empowering function of the platform

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 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 empowerment 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 decoration 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 year ended 31 December 2022, the Company fully integrated the marketing resources of brand factories and merchants. Based on the nationwide promotion and the city-wide marketing scenario for brands with “Super Category Festival”, “Super Elected Ace” and “Super City-wide Shopping” as the core, the Company further improved its traffic operation ability and realized the cross-category and cross-brand combined and repeated purchase; and by constantly improving the high-quality case pool and implementation standards, the Company has increased the sales returns of joint marketing projects to brand factories and merchants, thereby driving more brand factories and distributors to invest in performance-based advertising budgets and participate in joint marketing. Under the background that the home furnishing industry is gradually undergoing stock competition and increasing dispersion of traffic, the joint marketing model can efficiently and quickly integrate the resources of the home furnishing industry, thus achieving resource sharing and reducing marketing costs.

As our core products such as “Super City-wide Shopping” and “Super Elected Ace” gain increasing reputation, we have continuously increased the scale of joint marketing stock business by integrating more brands and merchants. Meanwhile, we’ve explored new business growth points of joint marketing projects through new marketing solutions such as “theme pavilion marketing”, “traffic distribution” and “property contracting”.

3.3 Operational management

During the year ended 31 December 2022, the Company promoted the upgrading of operation management with on-site management, risk control management, goods management, service improvement and talent development as the core. The Company comprehensively improved customer home furnishing consumption experience and satisfaction through upgrading the membership management system, enhancing the professionalism of the 400 call center, updating and improving the operation management standards, post process and tenant credit management system, promoting the integration of green and environmentally friendly commercialization and integration of home furnishing and home decoration, continuously carrying out customer evaluation, paying attention to customer experience and feedback.

In terms of the system for management of goods quality, the Company continuously promoted green and environmentally friendly commercialization, to give play to the greater value of environmental protection. During the year ended 31 December 2022, on the basis of the Mysterious Buyer Inspection project for Portfolio Shopping Malls, according to the enterprise standards of Red Star Macalline, in combination of the Green Pacemaker project, the Company engaged 20 national and provincial authoritative testing organizations to carry out the Mysterious Buyer Inspection in 156 key shopping malls in China, which covered 26 categories and approximately 2,000 batches. The Company made overall plans for sampling inspections of key brands in China and the handling of non-conformity problems, thus greatly improving the efficiency of management and control of key brands, reducing the probability of goods management risks in shopping malls, and improving the standardization and qualification rate in sampling inspections of goods quality in shopping malls.

In terms of the tenant credit system, the Company continuously carried out the management of tenants with the tenant credit classification as the core, updated and issued the System of Red Star Macalline Group for Credit Management of Tenants in Shopping Malls, and actively explored the “consumer + shopping mall credit” joint supervision model. Through the introduction of customer evaluation indicators, the Company gave full play to the important role of the voice of consumers in the credit rating of tenants. The Company carried out management from six aspects, namely integrity, services, price, quality, image, blacklisted behaviors. Meanwhile, the Company normalized, deepened and diversified integrity publicity, so that consumers could obtain dynamic information on the integrity of tenants in shopping malls at any time and place. The Company established an all-round and powerful tenant management standard, and announced five-star tenants on their storefront signboards and in public areas, electronic large screens, etc.

In terms of the customer service system, during the year ended 31 December 2022, the Company promoted a service-oriented member management model and facilitated the increase in member value by services. Meanwhile, high-end member services were properly provided to induce referral by members and repeated purchases. In 2022, the Company upgraded and updated the service-oriented member services in 75 shopping malls, where we increased customer stickiness, improved service reputation, awakened the spending power of loyal customers, and empowered the operation of shopping malls through the main means of membership registration, consumption points and point exchange. The Company provided customers with all kinds of membership benefits, including car parking and washing, home-based services, home furnishing gifts, etc., thereby enabling customers to feel the superior services of Red Star at home and enjoy better service experience. In addition, our shopping malls tried to maintain member stickiness and improve service quality and reputation by virtue of door-to-door visits, high-end membership activities and special greeting on holidays.

Meanwhile, in 2022, the Company have also launched eight home-based service activities, including “Spring Renewal Service Month”, “618 Cool Summer Home Care Service Season”, “818 Household Appliances Cleaning Season” and “October 1 Big Promotion Service Month”, which were deeply combined with the promotion activities to boost the operation of categories and theme pavilions. In 2022, more than 300 shopping malls nationwide have served a total of 400,000 households, with more than 50 service items and 100% customer satisfaction.

As at 31 December 2022, the Company recorded a net customer recommendation value was of 74.53%, service satisfaction rate was 94.61%, delivery and installation satisfaction rate was 94.55%, goods satisfaction rate was 94.44%, and environmental satisfaction rate was 96.32%.

III. DEVELOPMENT PLAN FOR 2023 AND THE FUTURE

In 2023, 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 business network in lower-tier markets and consolidate Red Star Macalline’s position as an industry leader. In addition, the Company will accelerate the development of its expansion business, focus on new retail and explore the home improvement sector, with its specific business plans as follows:

1. To focus on the operation of theme pavilions, expand categories to achieve integration of multiple business formats, and improve the occupancy rate of shopping malls

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

The Company will continue to optimize the layout of home furnishing categories in shopping malls and profoundly develop ten theme pavilions. 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. The Company will continue to focus on high-end electrical appliances category, and gradually promote the upgrading of electrical appliances category from “the first strategic category” to “the first major category”.

The Company will continue to promote the introduction of high-frequency consumption formats in shopping malls and achieve full coverage of food and beverage categories in “100 Malls”. Moreover, the Company will enhance the awareness of new energy vehicle manufacturers to the Company’s home furnishing sales channels in shopping malls and promote cooperation to increase their offline product display, expand the consumer experience space and broaden sales channels, while enriching the Company’s product categories to further improve the occupancy rate of shopping malls.

2. To create a recognizable home furnishing marketing IP, diversify marketing activities and promote the continued growth of joint marketing funds

In terms of marketing activities, the Company will continue to promote the smooth implementation of the six-level nationwide unified promotions in 2023, and focus on the two 315 and 818 annual promotions to continuously operate the home furnishing marketing IP. The Company will further strengthen the reputation and influence of the urban distributor side and the general-to-general manufacturer side, enhance the awareness of consumers, and strive to be the largest marketing IP in the industry. Meanwhile, the Company will continue to strengthen the market mind of each sub-category, expand the influence of B- and C-sides, and release

standardized actions and sample cases of category-specific operations within the network of more than 400 shopping malls nationwide to promote the implementation of category marketing activities more effectively and extensively. In addition, the Company will continue to deeply collaborate with brands in conducting joint communication and marketing activities, and strengthen the output of joint exclusive customized content for a single brand.

In terms of joint marketing, the Company will continue to fully integrate the marketing resources of distributors and brand factories to jointly dilute customer acquisition costs, guide and promote the establishment of the home furnishing industry chain ecosystem, and promote the continued growth of joint marketing funds.

3. To continuously improve and strengthen service operation capabilities, and expand the influence of green and eco-friendly commercialization

The Company will continue to strengthen door-to-door follow-up services, expand the range of shopping malls that carry out follow-up services, increase the number of follow-up visits, listen to customer suggestions, solve after-sales problems, provide customers with high-end home maintenance services such as appliance cleaning and home cleaning, and insist on optimizing customer consumption experience, so as to improve customer satisfaction and enhance the reputation of shopping malls.

The Company will continue to strengthen the basic management of goods, improve the utilization rate of environmental quality testing results of shopping malls and brands, and increase the assessment and evaluation of cooperative testing laboratories, as well as sampling process monitoring of mysterious buyers. The Company will upgrade and strengthen the terminal and online publicity of green and eco-friendly furnishings in shopping malls nationwide, continue to release the annual furniture/building materials list of “Leading Green and Eco-friendly Home Furnishing Brands”, and jointly carry out in-depth activities and publicity with leading green brand factories to expand the industry influence and continue to promote the commercialization of green and eco-friendly home furnishings.

4. To continue to promote new retail, deeply explore operations and empower operations

The Company will continuously manage deep promotion of online and offline integrated operations well, and promote the synergy and deep integration of online and offline operations. The Company will continuously deepen its strategic cooperation with Alibaba, focus on the operation of the main channel “Tmall Tongcheng Station”, and explore and promote the construction of TikTok as the second traffic position.

In terms of product operation, the Company will continue to focus on core product operation, create a core product pool through data monitoring, competitor analysis, selling point benchmarking, price strategy, product and keyword marketing tactics, service tracking, evaluation and accumulation, and preference of marketing resources. The Company will also increase, iterate and replace the core product pool based on data performance of traffic,

conversion and transaction, thus helping merchants to create a number of geographically advantageous commodities that consistently absorb high traffic and high customer funds. In order to solve the problem of low search weight operation efficiency for local goods compared to national goods, the Company will also use the online product aggregation model to aggregate a main product for goods of the same brand and model, which can be associated with the sub-product from different regions and distributors for online aggregation and operation. The sales, evaluation and other operational data of each sub-product can be aggregated to the main product, thus increasing the search weight of the main product, promoting the formation of a batch of competitive products nationwide, obtaining more traffic, improving the efficiency of online customer acquisition and conversion, and empowering the merchants' operation.

In terms of content operation, the Company will continue to promote the “10,000 Top Shopping Guides Live Streaming” Project, which will continue to expand the live-streaming scale of shipping guides in first-line shopping malls, while improving their live-streaming quality and depth, strengthening training and operational work, enhancing the organizational live-streaming capabilities, and creating a group of top shopping guides who can independently absorb customer funds. Meanwhile, the Company will continue to promote the construction of Internet live-streaming bases in Beijing, Chengdu, etc., establish live-streaming bases in shopping malls, empower these shopping malls through professional venues and equipment, and build the first-level live-streaming capabilities.

5. To operate home improvement business by different brands and layers, and continue to promote digital and marketing capacity building

The Company will continue to operate hierarchically for consumers, clarify differentiated business positioning, and operate hierarchically by brands. Our personalized and customized home furnishing brand “Macalline Home Furnishing” will continue to seek high-end customers, focusing on the development of self-operated business in 15 first- and second-tier cities nationwide, opening up brand franchising with “Betterhome” in third- and fourth-tier cities and lower-tier cities, and carrying out franchising operation in the form of platform cooperation to reserve strength for platform transformation. Our self-operated standard overall furnishing business “Better Home” will expand product differentiation primarily in Shanghai to strengthen the ability of multi-channel customer acquisition through marketing, and adopt a franchise model in other cities, which will prioritize the business in East China and then expand it nationwide to reserve momentum for the development of key platform businesses. Our mansion decoration brand “Macalline Space Design” will expand the resource channels, conduct circle marketing, and establish a professional mansion decoration service team with Shanghai as the business center to serve high-end mansion customers nationwide.

The Company will continue to promote the construction of digitalization and marketing capabilities of home improvement business to help the operation of self-operated and cooperative enterprises, and gradually build a digital home improvement platform. The Company will continue to iterate on its self-developed digital full-chain business management system and digital application tools, and gradually promote the digital application of cooperative enterprises. The Company will focus on building a traffic operation platform,

deeply develop offline marketing channels and customer source sharing channels among alliance merchants, continuously build online marketing capabilities, and improve the success rate of dispatch and transformation. The Company will make every effort to build a mobile end application and launch a consumer APP that integrates the whole-process services and content services for home improvement users to enhance user experience, and improve the efficiency of customer acquisition and conversion; launch a mobile APP for designers, project managers and quality control managers to enhance human efficiency and greatly standardize business processes.

6. 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 the scale of interest-bearing liabilities and asset-liability ratio, adjusting and optimizing the structure and liquidity of liabilities, and continuing to practice its leverage reduction strategy.

IV. FINAL DIVIDEND DISTRIBUTION PLAN FOR 2022

On the basis of the audited results for 2022 and in line with relevant laws and regulations as well as the Articles of Association, the proposed final dividend distribution of the Company for 2022 is that: Based on the total share capital of 4,354,732,673 shares after deducting 1,044,800 A shares in the Company's special securities account for repurchase (that is, 4,353,687,873 shares) as of 31 December 2022, it is proposed to distribute RMB0.034 (including tax) per share 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 2022 amounts to RMB148,025,387.68 (including tax). In addition, the Company paid a total of RMB5,003,480.17 (excluding transaction costs) to repurchase the Company's shares by virtue of centralized bidding transaction in 2022. In accordance with relevant provisions of the Share Repurchase Rules of Listed Companies and the Self-Regulatory Guidelines for Listed Companies of the Shanghai Stock Exchange No. 7 – Share Repurchase, if the Company repurchases shares by virtue of centralized bidding transaction with cash as the consideration, the amount of share repurchases already implemented in the year shall be considered as cash dividends.

Therefore, upon consolidated calculation of the above proposed cash dividends and the amount of repurchased shares for the year 2022, the total cash dividends of the Company for 2022 amounts to RMB153,028,867.85, accounting for 20.44% of the net profit attributable to shareholders of the listed company in the consolidated statements for 2022.

WORK REPORT OF THE SUPERVISORY COMMITTEE FOR 2022**I. MEETINGS OF THE SUPERVISORY COMMITTEE AND RELEVANT RESOLUTIONS**

The Supervisory Committee convened a total of nine meetings in 2022, and details of the relevant meetings and the resolutions are as follows:

- (1) On 3 March 2022, the eleventh 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.
- (2) On 30 March 2022, the ninth meeting of the fourth session of the Supervisory Committee was convened, at which the Work Report of the Supervisory Committee of the Company for 2021, the Final Account Report of the Company for 2021, the Financial Budget Report of the Company for 2022, the Financial Statements of the Company for the Year Ended 31 December 2021, the Annual Report and Annual Results of the Company for the Year Ended 31 December 2021, the Profit Distribution Plan of the Company for 2021, the Corporate Environment and Social Responsibility Report of the Company for 2021, the Exclusive Report on the Depository and Actual Use of Funds Raised by the Company in 2021, the Resolution on the Remuneration of Supervisors of the Company for 2021, the Resolution in Respect of Re-Appointment of Auditor for the Financial Report and the Internal Control Auditor of the Company for 2022 and the Resolution in Respect of the Provision of Asset Impairment Allowances for 2021 were considered and approved.
- (3) On 13 April 2022, the twelfth extraordinary meeting of the fourth session of the Supervisory Committee was convened, at which, the Proposal on Changing the Internal Control Audit Organization of the Company for the Year 2022 was considered and approved.
- (4) On 29 April 2022, the tenth meeting of the fourth session of the Supervisory Committee was convened, at which the First Quarterly Report of the Company for 2022 was considered and approved.
- (5) On 29 June 2022, the thirteenth extraordinary meeting of the fourth session of the Supervisory Committee was convened, at which the Resolution in relation to the Cancellation of Part of the Share Options under the Share Option Incentive Scheme of the Company were considered and approved.

- (6) On 30 August 2022, the eleventh meeting of the fourth session of the Supervisory Committee was convened, at which the Interim Financial Statements of the Company as of 30 June 2022, the Interim Report and Interim Results as of 30 June 2022 and the Exclusive Report on the Depository and Actual Use of Funds Raised by the Company in the First Half of 2022 were considered and approved.
- (7) On 21 October 2022, the fourteenth 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.
- (8) On 24 October 2022, the fifteenth 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.
- (9) On 28 October 2022, the twelfth meeting of the fourth session of the Supervisory Committee was convened, at which the Third Quarterly Report of the Company for 2022 was considered and approved.

II. INDEPENDENT OPINIONS OF THE SUPERVISORY COMMITTEE REGARDING CERTAIN MATTER

- (1) Legal operations: During the year of 2022, 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 Baker Tilly China Certified Public Accountants (Special General Partnership) for the year 2022, 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 year ended 31 December 2022, 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 2018 initial public offering

The A Shares of the Company (stock code: 601828) were listed and commenced trading on the Shanghai Stock Exchange 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 2018 second extraordinary general meeting of the Company held on 28 November 2018.

As of 31 December 2022, the Company cumulatively used 89% of proceeds from 2018 initial public offering of the A Share 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 31 December 2022, 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 year ended 31 December 2022, the Company did not carry out any stock incentive.
- (5) Major asset acquisitions and disposals: During the year ended 31 December 2022, the Company has not acquired or sold any significant assets.
- (6) Connected and continuing connected transactions: During the year ended 31 December 2022, the Supervisory Committee paid attention to the continuing connected transactions of the Company during the year, including: (i) renewal of the building lease agreement, property management service contract and car parking space lease agreement with Shanghai Xingzhiyu Commercial Management Co., Ltd.; (ii) 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 (iii) 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 2022

During the year ended 31 December 2022, 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 year ended 31 December 2022, 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 2022 was prepared especially for its main business-Portfolio Shopping Malls.

The Company’s Portfolio Shopping Malls in 2022 achieved a revenue of RMB7,867.65 million, representing a decrease of RMB227.17 million or 2.8% as compared with that in 2021; and a gross profit of RMB5,761.57 million, representing a decrease of RMB479.97 million or 7.7% as compared with that in 2021.

Unit: RMB’0,000

Portfolio Shopping Malls	2022	2021	Difference	Change percentage (%)
Revenue	786,765	809,482	-22,717	-2.8
Cost of sales	<u>210,608</u>	<u>185,328</u>	<u>25,280</u>	<u>13.6</u>
Gross profit	<u>576,157</u>	<u>624,154</u>	<u>-47,997</u>	<u>-7.7</u>

In terms of type of business of Portfolio Shopping Malls, the owned Portfolio Shopping Malls achieved a revenue of RMB6,700.91 million, accounting for 85.2% of the revenue of Portfolio Shopping Malls, representing a decrease of RMB162.95 million or 2.4% as compared to that in 2021. The leased Portfolio Shopping Malls achieved a revenue of RMB1,166.74 million, accounting for 14.8% of the revenue of Portfolio Shopping Malls, representing a decrease of RMB64.22 million or 5.2% as compared to that in 2021.

Unit: RMB’0,000

Portfolio Shopping Malls	2022	2021	Difference	Change percentage (%)
Owned Portfolio Shopping Malls	670,091	686,386	-16,295	-2.4
Leased Portfolio Shopping Malls	<u>116,674</u>	<u>123,096</u>	<u>-6,422</u>	<u>-5.2</u>
Total	<u>786,765</u>	<u>809,482</u>	<u>-22,717</u>	<u>-2.8</u>

In terms of the regions of Portfolio Shopping Malls, in 2022, the revenue from Beijing was RMB826.60 million, representing an increase of RMB7.33 million or 0.9% compared with 2021; the revenue from Shanghai was RMB1,678.86 million, representing a decrease of RMB138.18 million or 7.6% compared with 2021; the revenue from Tianjin was RMB198.30 million, representing a decrease of RMB3.41 million or 1.7% compared with 2021; the revenue from Chongqing was RMB537.17 million, representing a decrease of RMB9.68 million or 1.8% compared with 2021; the revenue from Northeast China (Heilongjiang, Jilin and Liaoning) was RMB740.30 million, representing a decrease of RMB44.05 million or 5.6% compared with 2021; the revenue from North China (Hebei, Inner Mongolia, Shanxi, excluding Beijing and Tianjin) was RMB314.47 million, representing a decrease of RMB37.96 million or 10.8% compared with 2021; the revenue from East China (Anhui, Jiangsu, Shandong, Zhejiang, Fujian excluding Shanghai) was RMB2,102.85 million, representing an increase of RMB50.83 million or 2.5% compared with 2021; the revenue from Central China (Henan, Hubei and Hunan) was RMB748.14 million, representing a decrease of RMB56.38 million or 7.0% compared with 2021; the revenue from South China (Guangdong and Guangxi) was RMB164.45 million, representing a decrease of RMB13.16 million or 7.4% compared with 2021; the revenue from Western China (Gansu, Sichuan, Yunnan, Qinghai, Xinjiang excluding Chongqing) was RMB556.51 million, representing an increase of RMB17.49 million or 3.2% compared with 2021.

Unit: RMB'0,000

Portfolio Shopping Malls	2022	2021	Difference	Change percentage (%)
Beijing	82,660	81,927	733	0.9%
Shanghai	167,886	181,704	-13,818	-7.6%
Tianjin	19,830	20,171	-341	-1.7%
Chongqing	53,717	54,685	-968	-1.8%
Northeast China	74,030	78,435	-4,405	-5.6%
North China (excluding Beijing, Tianjin)	31,447	35,243	-3,796	-10.8%
East China (excluding Shanghai)	210,285	205,202	5,083	2.5%
Central China	74,814	80,452	-5,638	-7.0%
South China	16,445	17,761	-1,316	-7.4%
Western China (excluding Chongqing)	55,651	53,902	1,749	3.2%
Total	786,765	809,482	-22,717	-2.8%

The abovementioned resolution has been considered and approved by the Board and is hereby proposed at the 2022 AGM for Shareholders' consideration and approval.

FINANCIAL BUDGET REPORT OF THE COMPANY FOR 2023

Based on the operating results for 2022, 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 2023. We prepared the financial budget for 2023 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 2023

II. FINANCIAL BUDGET DETAILS

The Company's Portfolio Shopping Malls in 2023 is expected to achieve a revenue of RMB8,072.18 million, representing an increase of RMB204.53 million or 2.6% as compared with that in 2022, and a gross profit of RMB6,094.5 million, representing an increase of RMB332.93 million or 5.8% from 2022.

Unit: RMB'0,000

Portfolio Shopping Malls	Budget amount for 2023	Final account amount for 2022	Difference	Change percentage (%)
Revenue	807,218	786,765	20,453	2.6
Cost of sales	197,768	210,608	-12,840	-6.1
Gross profit	609,450	576,157	33,293	5.8

In terms of type of business of Portfolio Shopping Malls, the owned Portfolio Shopping Malls is expected to achieve a revenue of RMB7,062.63 million, accounting for 87.5% of the revenue of Portfolio Shopping Malls. The leased Portfolio Shopping Malls is expected to achieve a revenue of RMB1,009.55 million, accounting for 12.5% of the revenue of Portfolio Shopping Malls.

Unit: RMB'0,000

Portfolio Shopping Malls	Budget amount for 2023	Final account amount for 2022	Difference	Change percentage (%)
Owned Portfolio Shopping Malls	706,263	670,091	36,172	5.4
Leased Portfolio Shopping Malls	100,955	116,674	-15,719	-13.5
Total	807,218	786,765	20,453	2.6

In terms of the regions of Portfolio Shopping Malls, in 2023, the budget revenue from Beijing is expected to reach RMB860.28 million, accounting for 10.7% of the revenue of Portfolio Shopping Malls; the budget revenue from Shanghai is expected to reach RMB1,785.78 million, accounting for 22.1%; the budget revenue from Tianjin is expected to reach RMB21,498, accounting for 2.7%; the budget revenue from Chongqing is expected to reach RMB502.09 million, accounting for 6.2%; the budget revenue from Northeast China (Heilongjiang, Jilin and Liaoning) is expected to reach RMB771.58 million, accounting for

APPENDIX V FINANCIAL BUDGET REPORT OF THE COMPANY FOR 2023

9.5%; the revenue from North China (Hebei, Inner Mongolia, Shanxi, excluding Beijing and Tianjin) is expected to reach RMB335.36 million, accounting for 4.2%; the revenue from East China (Anhui, Jiangsu, Jiangxi, Shandong, Zhejiang and Fujian excluding Shanghai) is expected to reach RMB2,166.82 million, accounting for 26.8%; the revenue from Central China (Henan, Hubei and Hunan) is expected to reach RMB663.28 million, accounting for 8.2%; the revenue from South China (Guangdong and Guangxi) is expected to reach RMB160.26 million, accounting for 2.0%; the revenue from Western China (Xinjiang, Gansu, Sichuan, Yunnan and Qinghai, excluding Chongqing) is expected to reach RMB611.75 million, accounting for 7.6%.

Unit: RMB'0,000

Regions	Budget Revenue	Proportion
Beijing	86,028	10.7
Shanghai	178,578	22.1
Tianjin	21,498	2.7
Chongqing	50,209	6.2
Northeast China	77,158	9.5
North China (excluding Beijing, Tianjin)	33,536	4.2
East China (excluding Shanghai)	216,682	26.8
Central China	66,328	8.2
South China	16,026	2.0
Western China (excluding Chongqing)	61,175	7.6
Total	807,218	100.0

III. RISK WARNING

The above forward-looking statements and indicators relating to the 2023 annual financial budget do not constitute substantial corporate commitments to investors and do not represent the Company's profit forecast for 2023. 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 2022 AGM for Shareholders' consideration and approval.

NOTICE OF THE 2022 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 2022 AGM

NOTICE IS HEREBY GIVEN that the 2022 annual general meeting (the “**AGM**”) of Red Star Macalline Group Corporation Ltd. (the “**Company**”) will be held at 10:00 a.m. on Monday, 26 June 2023 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

To consider and approve:

1. The work report of the Board of the Company for 2022;
2. The work report of the Supervisory Committee of the Company for 2022;
3. The final account report of the Company for 2022;
4. The financial budget report of the Company for 2023;
5. The annual report and annual results of the Company for the year ended 31 December 2022;
6. The profit distribution plan of the Company for 2022;
7. The resolution concerning the remuneration of Directors of the Company for 2022;
8. The resolution concerning the remuneration of Supervisors of the Company for 2022;
9. The resolution concerning the re-appointment of the auditor of the Company for the financial report and the internal control auditor of the Company for the year 2023;
10. The special dividend plan of the Company;

NOTICE OF THE 2022 AGM

SPECIAL RESOLUTION

To consider and approve:

1. The resolution concerning the amendments to the Articles of Association

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

Shanghai, the PRC
24 May 2023

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 24 May 2023.
2. For the purpose of holding the AGM, the register of members of the Company will be closed from Tuesday, 20 June 2023 to Monday, 26 June 2023 (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, 19 June 2023 for registration. The shareholders whose names appear on the register of members of the Company on Monday, 19 June 2023 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. 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.
8. All voting at the AGM will be conducted by poll.