
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 and reply slip 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 FOR 2017
WORK REPORT OF THE SUPERVISORY COMMITTEE FOR 2017
FINAL ACCOUNT REPORT FOR 2017
FINANCIAL BUDGET REPORT FOR 2018
PROFIT DISTRIBUTION PLAN FOR 2017
ANNUAL REPORT AND ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2017
RE-APPOINTMENT OF THE AUDITOR FOR THE FINANCIAL REPORT AND
THE INTERNAL CONTROL AUDITOR FOR THE YEAR 2018
REMUNERATION OF DIRECTORS FOR 2017
REMUNERATION OF SUPERVISORS FOR 2017
AMENDMENTS TO THE PROCEDURAL RULES OF THE GENERAL MEETINGS,
THE WORKING RULES OF THE INDEPENDENT NON-EXECUTIVE DIRECTORS,
THE RULES FOR MANAGEMENT OF EXTERNAL GUARANTEES AND
THE RULES FOR THE MANAGEMENT OF
THE RELATED PARTY TRANSACTIONS
THE BUY-BACK AND CANCELLATION OF H SHARES AND
REDUCTION OF REGISTERED CAPITAL OF THE COMPANY
NOTICE OF THE 2017 AGM
AND
NOTICE OF THE H SHARE CLASS MEETING**

A letter from the Board is set out on pages 1 to 5 of this circular. A notice convening the AGM of the Company to be held at 1:00 p.m. on 8 June 2018 at Huaxia Hall, Shanghai Ship Hotel, No. 4988 Hangnan Road, Nanqiao Town, Fengxian District, Shanghai, PRC is set out on pages 68 to 70 of this circular. A notice convening the H Share Class Meeting to be held immediately after the conclusion of the A Share Class Meeting on 8 June 2018 at Huaxia Hall, Shanghai Ship Hotel, No. 4988 Hangnan Road, Nanqiao Town, Fengxian District, Shanghai, PRC is set out on pages 71 to 72 of this circular.

If you intend to attend the AGM, please complete and return the reply slip in accordance with the instructions printed thereon as soon as possible and in any event by no later than Saturday, 19 May 2018.

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

Whether or not you intend to attend the AGM and/or the Class Meetings in person, you are requested to complete the accompanying forms of proxy in accordance with the instructions printed thereon and return it to the Registrar not less than 24 hours before the time appointed for holding the AGM and/or the Class Meetings or any adjourned meeting (as the case may be). Such forms of proxy for use at the AGM and the Class Meetings are also published on the respective websites of the Stock Exchange (www.hkexnews.hk) and the Company (<http://www.chinaredstar.com/EN/>). Completion and return of the forms of proxy will not preclude you from attending and voting at the AGM and/or the Class Meetings or at any adjourned meeting (as the case may be) in person should you so wish.

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

For H Share Shareholders, please return the proxy form together with any documents of authority to Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible, and in any event not later than 24 hours before the time appointed for holding the AGM. For A Share Shareholders, please return the proxy form together with any documents of authority to the registered office of the Company in the PRC at Suite F801, 6/F, No. 518, Linyu Road, Pudong New District, Shanghai, PRC as soon as possible, and in any event not later than 24 hours before the time appointed for holding the AGM. Completion and return of the proxy form will not preclude you from attending and voting in person at the AGM or any adjournment thereof should you so wish.

24 April 2018

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Note: If there are any discrepancies between the Chinese version and the English version of this circular, the Chinese version shall prevail.

DEFINITIONS

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

“A Share(s)”	means	ordinary share(s) issued by the Company, with a RMB denominated nominal value of RMB1.00 each, which is/are listed and traded on the Shanghai Stock Exchange
“A Share Shareholder(s)”	means	the holder(s) of the A Share(s)
“A Share Class Meeting”	means	the special general meeting of the A Share Shareholders to be convened, and any adjournment thereof, for the purpose of approving the proposed voluntary conditional cash offer to be made by CICC, on behalf of the Company to buy-back up to 388,917,038 H Shares at HK\$11.78 per H Share from qualifying H Share Shareholders
“AGM” or “Annual General Meeting”	means	the 2017 annual general meeting of the Company to be held at 1:00 p.m. on Friday, 8 June 2018 at Huaxia Hall, Shanghai Ship Hotel, No. 4988 Hangnan Road, Nanqiao Town, Fengxian District, Shanghai, PRC
“Articles of Association”	means	the articles of association of the Company, as amended from time to time
“Board”	means	the board of directors of the Company
“CASBE”	means	the China Accounting Standards for Business Enterprises (中國企業會計準則)
“CICC”	means	China International Capital Corporation Hong Kong Securities Limited, the financial adviser to the Company in relation to the Offer
“Class Meetings”	means	the H Share Class Meeting and the A Share Class Meeting
“Company”	means	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 Stock Exchange

DEFINITIONS

“CSRC”	means	China Securities Regulatory Commission (中國證券監督管理委員會)
“Director(s)”	means	the director(s) of the Company
“Domestic Share(s)”	means	ordinary share(s) issued by the Company, with a RMB denominated nominal value of RMB1.00 each, which are subscribed for and paid up in RMB
“Group”	means	the Company and its subsidiaries
“H Share(s)”	means	overseas-listed foreign invested ordinary share(s) with a nominal value of RMB1.00 each in the share capital of the Company, which is/are listed and traded on the Stock Exchange
“H Share Shareholder(s)”	means	the holder(s) of the H Share(s)
“H Share Class Meeting”	means	the special general meeting of the H Share Shareholders to be convened, and any adjournment thereof, for the purpose of approving the proposed voluntary conditional cash offer to be made by CICC, on behalf of the Company to buy-back up to 388,917,038 H Shares at HK\$11.78 per H Share from qualifying H Share Shareholders
“HK\$” or “HK dollars”	means	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	means	the Hong Kong Special Administrative Region of the PRC
“IFRS”	means	International Financial Reporting Standards
“Listing Rules”	means	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“MOF”	means	Ministry of Finance of the PRC (中國財政部)
“Offer Document”	means	the circular issued by the Company in relation to the proposed voluntary conditional cash offer to be made by CICC, on behalf of the Company to buy-back up to 388,917,038 H Shares at HK\$11.78 per H Share from qualifying H Share Shareholders

DEFINITIONS

“PRC”	means	the People’s Republic of China
“Prospectus”	means	the prospectus of the Company dated 16 June 2015
“Record Date”	means	21 June 2018
“Reporting Period”	means	1 January 2017 to 31 December 2017
“RMB”	means	Renminbi, the lawful currency of the PRC
“Shareholder(s)”	means	the holder(s) of the shares of the Company
“Stock Exchange”	means	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	means	has the meanings ascribed to it under the Listing Rules
“Supervisor(s)”	means	supervisor(s) of the Supervisory Committee
“Supervisory Committee”	means	the supervisory committee of the Company

LETTER FROM THE BOARD



Red Star Macalline Group Corporation Ltd.

紅星美凱龍家居集團股份有限公司

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

(Stock Code: 1528)

Executive Directors:

Mr. Che Jianxing
Ms. Zhang Qi
Ms. Che Jianfang
Mr. Jiang Xiaozhong

Non-executive Directors:

Ms. Chen Shuhong
Mr. Xu Guofeng
Mr. Joseph Raymond Gagnon
Mr. Zhang Qiqi

Independent non-executive Directors:

Mr. Li Zhenning
Mr. Ding Yuan
Mr. Lee Kwan Hung
Mr. Qian Shizheng

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:*

36/F, Tower 2
Times Square
1 Matheson Street
Causeway Bay, Hong Kong

24 April 2018

To the Shareholders

Dear Sir or Madam,

**WORK REPORT OF THE BOARD FOR 2017
WORK REPORT OF THE SUPERVISORY COMMITTEE FOR 2017
FINAL ACCOUNT REPORT FOR 2017
FINANCIAL BUDGET REPORT FOR 2018
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THE RULES FOR THE MANAGEMENT OF
THE RELATED PARTY TRANSACTIONS
THE BUY-BACK AND CANCELLATION OF H SHARES AND
REDUCTION OF REGISTERED CAPITAL OF THE COMPANY
NOTICE OF THE 2017 AGM
AND
NOTICE OF THE H SHARE CLASS MEETING**

LETTER FROM THE BOARD

1. INTRODUCTION

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

2. MATTERS TO BE CONSIDERED AT THE AGM AND CLASS MEETINGS

Ordinary resolutions to be proposed at the AGM for the Shareholders to consider and approve include: (a) the work report of the Board for 2017; (b) the work report of the Supervisory Committee for 2017; (c) the final account report for 2017; (d) the financial budget report for 2018; (e) the profit distribution plan for 2017; (f) the annual report and annual results for the year ended 31 December 2017; (g) the re-appointment of Deloitte Touche Tohmatsu Certified Public Accountants LLP as the auditor for the financial report and the internal control auditor of the Company for the year 2018; (h) the remuneration of Directors for 2017; (i) the remuneration of Supervisors for 2017; (j) the amendments to the working rules of the independent non-executive Directors; (k) the amendments to the rules for management of external guarantees; (l) the amendments to the rules for the management of the related party transactions; and (m) the buy-back and the cancellation of H shares and reduction of registered capital of the Company.

Special resolutions to be proposed at the AGM for the Shareholders to consider and approve include: (a) the amendments to the procedural rules of the general meetings; and (b) the conditional cash offer (the “Offer”) by CICC on behalf of the Company to buy-back up to 388,917,038 H Shares of the Company held by the Shareholders at a price of HK\$11.78 per H Share, subject to the terms and conditions set out in the Offer Document and that any one of the Directors be authorized to execute all such documents with or without amendments and to do all such acts and things as he considers desirable, necessary or expedient in connection with or to give effect to any matters relating to or in connection with the Offer including, without limitation, completion of the buy-back of the Shares pursuant to the Offer.

Special resolutions to be proposed at the A Share Class Meeting and the H Share Class Meeting for the Shareholders to consider and approve is the Offer by CICC on behalf of the Company to buy-back up to 388,917,038 H Shares of the Company held by the Shareholders at a price of HK\$11.78 per H Share, subject to the terms and conditions set out in the Offer Document and that any one of the Directors be authorized to execute all such documents with or without amendments and to do all such acts and things as he considers desirable, necessary or expedient in connection with or to give effect to any matters relating to or in connection with the Offer including, without limitation, completion of the buy-back of the Shares pursuant to the Offer.

LETTER FROM THE BOARD

Details of the matters to be considered at the AGM and Class Meetings are set out on pages 6 to 14 in this circular. In order to enable you to have a better understanding of the resolutions to be proposed at the AGM and Class Meetings and to make well-informed decisions, the Company has provided detailed information in this circular, including matters to be considered at the 2017 AGM and Class Meetings (see Appendix I), the work report of the Board for 2017 (see Appendix II), the work report of the Supervisory Committee for 2017 (see Appendix III), the final account report for 2017 (see Appendix IV), the financial budget report for 2018 (see Appendix V), proposed amendments to the procedural rules of the general meetings (see Appendix VI), proposed amendments to the working rules of the independent non-executive Directors (see Appendix VII), proposed amendments to the rules for management of external guarantees (see Appendix VIII), proposed amendments to the rules for the management of the related party transactions of the Company (see Appendix IX); and the buy-back and cancellation of H Shares and reduction of registered capital of the Company (see Appendix X).

3. AGM AND CLASS MEETINGS

A notice convening the AGM of the Company to be held at 1:00 p.m. at Huaxia Hall, Shanghai Ship Hotel, No. 4988 Hangnan Road, Nanqiao Town, Fengxian District, Shanghai, PRC is set out on pages 68 to 70 of this circular. A notice convening the H Share Class Meeting to be held immediately after the conclusion of the A Share Class Meeting on 8 June 2018 at Huaxia Hall, Shanghai Ship Hotel, No. 4988 Hangnan Road, Nanqiao Town, Fengxian District, Shanghai, PRC is set out on pages 71 to 72 of this circular.

Reply slips and proxy forms to be used at the AGM and the H Share Class Meeting are also enclosed herein and published on the website of the Stock Exchange (www.hkexnews.com.hk). Shareholders who intend to appoint a proxy to attend the AGM and the H Share Class Meeting shall complete, sign and return the proxy form in accordance with the instructions printed thereon.

For H Share Shareholders, the proxy form, and if the proxy form is signed by a person under a power of attorney or other authority on behalf of the appointor, a notarially certified copy of that power of attorney or other authority, must be delivered to the Company's H Share Registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not less than 24 hours before the time for holding the AGM/H Share Class Meeting in order for such documents to be valid. For A Share Shareholders, the proxy form, and if the proxy form is signed by a person under a power of attorney or other authority on behalf of the appointor, a notarially certified copy of that power of attorney or other authority, must be delivered to the registered office of the Company in the PRC at Suite F801, 6/F, No. 518, Linyu Road, Pudong New District, Shanghai, PRC, not less than 24 hours before the time for holding the AGM/A Share Class Meeting in order for such documents to be valid.

LETTER FROM THE BOARD

H Share Shareholders and A Share Shareholders, who intend to attend the AGM/the Class Meetings must complete the reply slip and return it to the office of the H Share Register of the Company (for H Share Shareholders) and the registered office of the Company in the PRC (for A Share Shareholders) not later than 20 days before the date of the AGM/the Class Meetings, i.e. no later than Saturday, 19 May 2018.

Pursuant to the Articles of Association, for the purpose of holding the AGM/the H Share Class Meetings, the register of members of H Shares will be closed from Wednesday, 9 May 2018 to Friday, 8 June 2018 (both days 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 Tuesday, 8 May 2018 after close of business are entitled to attend and vote at the AGM.

In order to attend and vote at the AGM/the H Share Class Meetings, 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 Tuesday, 8 May 2018.

Shareholders whose names appear on the Company's register of members on Tuesday, 8 May 2018 after close of business are entitled to attend the AGM/the Class Meetings.

Pursuant to Rule 13.39(4) of the Listing Rules, any vote of Shareholders at a general meeting must be taken by poll except where the chairman, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands. Therefore, the resolutions proposed at the AGM/the Class Meetings will be voted by poll.

4. RECOMMENDATION

The Directors consider that all resolutions set out in the notice of AGM and the notice of H Share Class Meeting for consideration and approval by Shareholders are in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Shareholders to vote in favour of all resolutions to be proposed at the AGM and the Class Meetings.

LETTER FROM THE BOARD

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.

By order of the Board
Red Star Macalline Group Corporation Ltd.
GUO Binghe
Company Secretary

A. TO CONSIDER AND APPROVE THE WORK REPORT OF THE BOARD FOR 2017

The work report of the Board for 2017 was considered and approved at the fifth meeting of the third session of the Board and is hereby proposed at the AGM for Shareholders' consideration and approval, details of which are set out in Appendix II of this circular.

B. TO CONSIDER AND APPROVE THE WORK REPORT OF THE SUPERVISORY COMMITTEE FOR 2017

The work report of the Supervisory Committee for 2017 was considered and approved at the third meeting of the third session of the Supervisory Committee and is hereby proposed at the AGM for Shareholders' consideration and approval, details of which are set out in Appendix III of this circular.

C. TO CONSIDER AND APPROVE THE FINAL ACCOUNT REPORT FOR 2017

The final account report for 2017 was considered and approved at the fifth meeting of the third session of the Board and is hereby proposed at the AGM for Shareholders' consideration and approval, details of which are set out in Appendix IV of this circular.

D. TO CONSIDER AND APPROVE THE FINANCIAL BUDGET REPORT FOR 2018

The financial budget report for 2018 was considered and approved at the fifth meeting of the third session of the Board and is hereby proposed at the AGM for Shareholders' consideration and approval, details of which are set out in Appendix V of this circular.

E. TO CONSIDER AND APPROVE THE PROFIT DISTRIBUTION PLAN FOR 2017

As audited and confirmed by Deloitte Touche Tohmatsu Certified Public Accountants LLP, the net profit of the Company for 2017 amounted to RMB3,969,689,525.44.

The profit distribution plan for 2017 of the Company is as follows:

The retained earnings of the Company amounted to RMB2,419,928,918.74 at the beginning of 2017, plus net profit of RMB3,969,689,525.44 realized by the Company for 2017, less cash dividends of RMB1,522,045,155.96 distributed by the Company in 2017 for implementing the profit distribution plan for 2016, the profit available for distribution of the Company for 2017 amounted to RMB4,867,573,288.22. After the statutory surplus reserve RMB396,968,952.54 was drawn at a rate of 10% according to relevant laws and regulations and the Articles of Association, as of 31 December 2017, the profits of the Company available for distribution to the investors amounted to

APPENDIX I MATTERS TO BE CONSIDERED AT THE 2017 AGM AND CLASS MEETINGS

RMB4,470,604,335.68. In consideration of long term development of the Company and the interests of the investors, the Company proposed to distribute cash dividend of RMB1,260,453,452.16 (tax inclusive) in 2017, accounting for 30.91% of the net profit of shareholders of the listed company in the 2017 consolidated statements.

Based on the total share capital of 3,938,917,038 Shares (including 1,062,813,069 H Shares and 2,876,103,969 A Shares) after the issuance of the A Shares of the Company in January 2018, it is proposed to distribute to the A Share Shareholders and H Share Shareholders whose names appear on the register of members of the Company on relevant Record Date (as set out below) a cash dividend of RMB0.32 per Share (tax inclusive). If the total share capital of the Company is changed due to reasons such as placing, buy-back and other reasons on the Record Date, the amount of cash dividends per Share will be adjusted accordingly within the total amount of RMB1,260,453,452.16 (tax inclusive). After the distribution of cash dividend, the undistributed profit of RMB3,210,150,883.52 of the Company for the current year will be carried forward to the next year.

Table: Details on Distribution of Cash Dividends

No.	Name of shareholders	Number of shares (Share)	Cash dividends distributed (RMB, tax inclusive)
1	Red Star Macalline Group Corporation Ltd.	2,480,315,772	793,701,047.04
2	Shanghai Ping' An Pharmacy Company Limited (上海平安大藥房有限公司)	3,688,206	1,180,225.92
3	Shanghai Jinghai Assets Management Center (Limited Partnership) (上海晶海資產管理中心(有限合夥))	56,849,998	18,191,999.36
4	Shanghai Kaixing Business Administration Center (Limited Partnership) (上海凱星企業管理中心(有限合夥))	7,589,999	2,428,799.68
5	Shanghai Hongmei Investment Management Center (Limited Partnership) (上海弘美投資管理中心(有限合夥))	12,659,994	4,051,198.08
6	Other public A Share shareholders	315,000,000	100,800,000.00
7	Public H Share shareholders	1,062,813,069	340,100,182.08
	Total	3,938,917,038	1,260,453,452.16

APPENDIX I MATTERS TO BE CONSIDERED AT THE 2017 AGM AND CLASS MEETINGS

The distribution of final dividends for 2017 will be denominated and declared in RMB, and paid in RMB and in HK dollars to A Share Shareholders and H Share Shareholders, respectively. The actual amount distributed in HK dollars will be calculated based on the average benchmark exchange rate of RMB against HK dollar announced by the People's Bank of China in the five working days prior to the date of the AGM.

The above distribution of final dividends for 2017 was considered and approved at the Board meeting and is hereby proposed at the AGM for Shareholders' consideration and approval.

For the purpose of determining the entitlement of H Share Shareholders to the final dividends for 2017, the H Share register of members of the Company will be closed from Saturday, 16 June 2018 to Thursday, 21 June 2018 (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 Thursday, 21 June 2018 are entitled to the final dividends for 2017. In order to be entitled to receive the final dividends for 2017, 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, 15 June 2018.

Shareholders whose names appear on the Company's register of members on Thursday, 21 June 2018 are entitled to receive the final dividend for 2017.

The final dividends for 2017, if approved by the Shareholders at the AGM, is expected to be paid (i) on or about Friday, 22 June 2018 to A Share Shareholders whose names appear on the Share register of members of the Company on Thursday, 21 June 2018; and (ii) on or about Tuesday, 31 July 2018 to H Share Shareholders whose names appear on the Share register of members of the Company on Thursday, 21 June 2018.

F. TO CONSIDER AND APPROVE THE ANNUAL REPORT AND ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2017

The Board will submit the 2017 Annual Report and Summary of the Company (A Shares), the Annual Results for the year ended 31 December 2017 of the Company and the Annual Report for the year ended 31 December 2017 of the Company (H Shares) to the general meeting for consideration, which complies with the procedural requirements of the Articles of Association for the propose of resolutions and convening of the general meeting.

The above-mentioned resolution was considered and approved at the fifth meeting of the third session of the Board and is hereby proposed at the AGM for Shareholders' consideration and approval.

G. TO CONSIDER AND APPROVE THE RE-APPOINTMENT OF DELOITTE TOUCHE TOHMATSU CERTIFIED PUBLIC ACCOUNTANTS LLP AS THE AUDITOR FOR THE FINANCIAL REPORT AND THE INTERNAL CONTROL AUDITOR OF THE COMPANY FOR THE YEAR 2018

Reference is made to the announcement of the Company dated 23 August 2017 in relation to, among others, the proposed cessation of re-appointment of international auditor.

Since the date on which the H Shares of the Company became listed on the Stock Exchange, the Company has been preparing its financial statements under both the CASBE and the IFRS. Deloitte Touche Tohmatsu has been engaged by the Company as an international auditor to audit the financial statements of the Company prepared in accordance with the IFRS. According to the "Consultation Conclusions on Acceptance of Mainland Accounting and Auditing Standards and Mainland Audit Firms for Mainland Incorporated Companies Listed in Hong Kong" (《有關接受在香港上市的內地註冊成立公司採用內地的會計及審計準則以及聘用內地會計師事務所的諮詢總結》) published by the Stock Exchange in December 2010, PRC incorporated issuers listed in Hong Kong are allowed to prepare their financial statements in accordance with the CASBE and PRC audit firms approved by the MOF and the CSRC are allowed to audit these financial statements prepared in accordance with the CASBE. In view of the aforesaid arrangement and in order to facilitate the application process with the CSRC in relation to the the Company's proposed initial public offering of A Shares in the PRC as well as to improve the efficiency and reduce the cost of disclosure and audit expenses, the Board has passed a resolution on 23 August 2017 to disclose financial statements for the Company under the CASBE.

The Company proposes to cease to re-appoint Deloitte Touche Tohmatsu as the international auditor of the Company for 2018, subject to the approval by the Shareholders. Deloitte Touche Tohmatsu Certified Public Accountants LLP (hereinafter referred to as “**Deloitte**”), the Company’s PRC auditor, is a PRC audit firm approved by the MOF and the CSRC to provide auditing services in accordance with the CASBE to PRC incorporated issuers. It is proposed that Deloitte will be the only auditor auditing the Company’s financial statements in accordance with the CASBE and undertaking the role of international auditors in compliance with the Listing Rules upon the approval of the Shareholders going forward.

Deloitte Touche Tohmatsu has confirmed that there is no other matter in relation to the proposed cessation of its re-appointment that needs to be brought to the attention of the audit committee, the Board and the Shareholders. The audit committee of the Company has confirmed that it is not aware of any such matter in relation to the proposed cessation of the re-appointment of Deloitte Touche Tohmatsu as the international auditor that needs to be brought to the attention of the Board and the Shareholders. The Board and the audit committee of the Company confirmed that there were no disagreement between the Company and Deloitte Touche Tohmatsu regarding the proposed cessation of its re-appointment.

The Company proposes to re-appoint Deloitte Touche Tohmatsu Certified Public Accountants LLP as the auditor for the financial report and the internal control auditor of the Company for the year 2018 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 above resolution was considered and approved at the fifth meeting of the third session of the Board and is hereby proposed at the AGM for consideration and approval by the Shareholders.

H. REMUNERATION OF DIRECTORS FOR 2017

In accordance with the relevant provisions of the relevant laws and regulations and the Articles of Association, based on the remuneration level of the Company's industry, the annual operating performance and performance appraisal results of the Company, and combined with the actual situation of the Company and the working hours and quantity of non-executive Directors, the remuneration of Directors for 2017 are as follow:

Name	Position	Remuneration received from the Company for 2017 <i>(RMB ten thousand, before tax)</i>
Che Jianxing	Chairman, executive Director, general manager	835.61
Zhang Qi	Vice chairman, executive Director, deputy general manager	772.81
Che Jianfang	Executive Director, deputy general manager	370.66
Jiang Xiaozhong	Executive Director, deputy general manager	428.11
Chen Shuhong	Non-executive Director	180.61
Xu Guofeng	Non-executive Director	–
Joseph Raymond Gagnon	Non-executive Director	–
Zhang Qiqi	Non-executive Director	–
Li Zhenning	Independent non-executive Director	60.00
Ding Yuan	Independent non-executive Director	80.00
LEE Kwan Hung	Independent non-executive Director	60.00
Qian Shizheng	Independent non-executive Director	60.00

The above-mentioned resolution was considered and approved at the fifth meeting of the third session of the Board, when involving the remuneration of the related Director, such Director has abstained from voting and is hereby proposed at the AGM for Shareholders' consideration and approval, while the related Shareholder had to abstain from voting.

I. REMUNERATION OF SUPERVISORS FOR 2017

In accordance with the relevant provisions of the relevant laws and regulations and the Articles of Association, based on the remuneration level of the Company's industry, the annual operating performance and performance appraisal results of the Company, the remuneration of Supervisors for 2017 are as follow:

Name	Position	Remuneration received from the Company for 2017 (RMB ten thousand, before tax)
Pan Ning	Chairman of Supervisory Committee, employee representative Supervisor	188.98
Ng, Ellen Hoi Ying	Shareholder representative Supervisor	0.00
Chao Yanping	Employee representative Supervisor	79.85
Chen Gang	Independent Supervisor	18.00
Zheng Hongtao	Independent Supervisor	18.00

The above-mentioned resolution was considered and approved at the third meeting of the third session of the Supervisory Committee, when involving the remuneration of the related Supervisor, such Supervisor has abstained from voting and is hereby proposed at the AGM for Shareholders' consideration and approval, while the related Shareholder had to abstain from voting.

J. AMENDMENTS TO THE PROCEDURAL RULES OF THE GENERAL MEETINGS

In order to further optimize the Company's internal management system, the Company has amended relevant contents of the Procedural Rules of the General Meetings of Red Star Macalline Group Corporation Ltd. in accordance with the laws and regulations in China. For details of the amendments, please refer to Appendix VI. The amended Procedural Rules of the General Meetings of Red Star Macalline Group Corporation Ltd. will come into effect after being considered and approved at the general meeting of the Company.

The above-mentioned resolution was considered and approved at the twenty-fifth extraordinary meeting of the third session of the Board and is hereby proposed at the AGM for Shareholders' consideration and approval.

K. AMENDMENTS TO THE WORKING RULES OF THE INDEPENDENT NON-EXECUTIVE DIRECTORS

In order to further optimize the Company's internal management system, the Company has amended relevant contents of the Working Rules of the Independent Non-executive Directors of Red Star Macalline Group Corporation Ltd. in accordance with the laws and regulations in China. For details of the amendments, please refer to Appendix VII. The amended Working Rules of the Independent Non-executive Directors of Red Star Macalline Group Corporation Ltd. will come into effect after being considered and approved at the general meeting of the Company.

The above-mentioned resolution was considered and approved at the twenty-fifth extraordinary meeting of the third session of the Board and is hereby proposed at the AGM for Shareholders' consideration and approval.

L. AMENDMENTS TO THE RULES FOR MANAGEMENT OF EXTERNAL GUARANTEES

In order to further optimize the Company's internal management system, the Company has amended relevant contents of the Rules for Management of External Guarantees of Red Star Macalline Group Corporation Ltd. in accordance with the laws and regulations in China. For details of the amendments, please refer to Appendix VIII. The amended Rules for Management of External Guarantees of Red Star Macalline Group Corporation Ltd. will come into effect after being considered and approved at the general meeting of the Company.

The above-mentioned resolution was considered and approved at the twenty-fifth extraordinary meeting of the third session of the Board and is hereby proposed at the AGM for Shareholders' consideration and approval.

M. AMENDMENTS TO THE RULES FOR THE MANAGEMENT OF THE RELATED PARTY TRANSACTIONS

In order to further optimize the Company's internal management system, the Company has amended relevant contents of the Rules for The Management of the Related Party Transactions of Red Star Macalline Group Corporation Ltd. in accordance with the laws and regulations in China. For details of the amendments, please refer to Appendix IX. The amended Rules for The Management of the Related Party Transactions of Red Star Macalline Group Corporation Ltd. will come into effect after being considered and approved at the general meeting of the Company.

The above-mentioned resolution was considered and approved at the twenty-fifth extraordinary meeting of the third session of the Board and is hereby proposed at the AGM for Shareholders' consideration and approval.

N. THE BUY-BACK AND CANCELLATION OF H SHARES AND REDUCTION OF REGISTERED CAPITAL OF THE COMPANY

To safeguard the Shareholders' general interests, strengthen the investor's confidence in investing in the Company and adjust the Company's capital structure, the Company intends to implement repurchasing of H Shares listed on the Main Board of the Stock Exchange by way of voluntary conditional cash offer. For details, please refer to the announcement of the Company dated 5 April 2018.

The above resolution has been considered and approved at the twenty-fourth extraordinary meeting of the third session of the Board and is hereby proposed at the AGM and the Class Meetings for Shareholders' consideration and approval. Details are set out in Appendix X of this circular.

WORK REPORT OF THE BOARD FOR 2017

In 2017, the Board led the management in achieving good operational and financial results by actively coping with challenges and taking the initiative to introduce reforms and innovation. In respect of corporate governance, the Board was strictly in compliance with the relevant company laws, listing rules and regulations and all relevant requirements of corporate governance, performed their responsibilities and safeguarded the overall interests of all Shareholders and the Company. The major work of the Board in 2017 are presented as follows, the capitalized terms used herein shall have the same meanings as those defined in the 2017 annual report of the Company:

I. MAJOR WORK OF THE BOARD IN 2017

As of 31 December 2017, the Board convened 4 Shareholders' meetings, of which 10 resolutions were considered and passed, and held 23 meetings of the Board, of which 52 resolutions were considered and passed. For the four special committees under the Board, the strategy and investment committee held 2 meetings; the audit committee held 3 meetings; the remuneration and evaluation committee held 1 meeting; and the nomination committee held 1 meeting. For further details in relation to matters reviewed and discussed, please refer to the 2017 annual report of the Company.

During the year, the Board was responsible for the general meeting of Shareholders and performed the following duties: to approve and supervise all policy issues, overall strategy, budgeting, internal control and risk management system, material transactions (especially the transactions in which the parties with conflict of interests may be involved), Directors appointment and other material financial and operating affairs. The Directors may seek for independent professional opinions when fulfilling their duties, and the cost will be borne by the Company. The Company also encourages the Directors to seek independent consultation with senior management of the Company.

II. RESULTS IN 2017

1. CONTINUOUS GROWTH IN FINANCIAL RESULTS

The rapid growth trend for the past few years is maintained in the financial results for 2017. The Company's revenue amounted to RMB10.96 billion in 2017, representing an increase of 16.1% from RMB9.44 billion in 2016; profit attributable to owners of the Company amounted to RMB4.08 billion in 2017, representing an increase of 20.0% from RMB3.40 billion in 2016.

2. Business development and presence: stable development of shopping malls and strategic presence with a nationwide coverage

As of the end of 2017, we operated 256 shopping malls with a total operating area of 15.14 million sq.m in 177 cities in 29 provinces, municipalities, and autonomous regions in China. We have adopted the two-pronged business model of Portfolio Shopping Malls and Managed Shopping Malls to occupy properties in prime locations in Tier I and Tier II Cities. At the same time, we have accumulated extensive experience in the management of shopping malls, constantly strengthened the brand value, and set a relatively high barrier of entry for other companies. As at the end of the Reporting Period, we operated 71 Portfolio Shopping Malls and 185 Managed Shopping Malls, with an average occupancy rate of 97.6%. The same mall growth rate of mature shopping malls during the Reporting Period was 5.4%. The same mall growth rate after disregarding the impact of the replacement of business tax with value-added tax was 7.2%.

3. Passing A-Share IPO Examination and Becoming a Listed Company both in Mainland China and Hong Kong

The Company passed the A-share IPO issuance examination in December 2017 and completed the A-share IPO issuance in January 2018. It officially becomes the first “A+H” listed company in the home furnishing retail platform in China (that is, the Company is listed in both Mainland China and Hong Kong). This is an important milestone in the development course of the Company, which has laid a solid foundation for the Company to the further enhancement of our financing capabilities and the sustainable and healthy development.

4. Business management: Continuous improvement of shopping mall operation and management

(1) *Tenant sourcing management*

Catering to the consumption trend in the market, the Company continuously optimizes the brands and the categories of merchandize in shopping malls to lead the home furnishings consumption trend. We continuously enhance the standards of our refined rental management to improve the sustainable rental management mechanism, and constantly strengthen the management of brand resources and enhance the value-added services provided to our key customers. The Company also caters to the trend of consumption upgrading, step up our efforts in introducing global brand and continue to build the international pavilions.

(2) ***Operational management***

We comprehensively launched the “Word of Mouth Advertising” project, with specific requirements on price, quality and service etc., by setting high standards and strict requirements on shopping mall operation, in order to improve customer satisfaction. We also improve operational management efficiency by means of digital space management and continuingly launch “Leading Green” campaigns to promote consumers’ green home life quality.

(3) ***Marketing management***

We follow the trend and demand of consumption upgrading of Chinese consumers. Based on the continuous and steady operation of our main business, we have comprehensively improved our brand positioning, so as to transmit our brand strategy of “Selecting Global Top-notch Design Products”. We also promote customer flow marketing and marketing digitalization to realize sustained growth in both customer flow and sales.

(4) ***Property Management***

We advocate energy saving and environmental protection and create green shopping malls, improve the environment of shopping malls to enhance the shopping experience of our customers, and strictly control safety in our shopping malls with standardized management, focused mainly on prevention and prevented safety hazards through our staff and technology.

5. Expansionary Business: Robust Development

(1) ***Establishment of Internet-based Platform: Provide Consumers with Pan-home Consumption Industry Chain Services***

We have established the internet-based platform building on the concept of “home”, which provides consumers with industry chain services for pan-home improvement and furnishings consumption ranging from home renovation to purchase of household-related products through the online and offline integrative business model. We have fully integrated and shared the business resources of the online home improvement and furnishings consumption platform with its offline real shopping mall network by digitally transforming and upgrading the existing home improvement and furnishings mall. Through these efforts, the Company succeeded in providing convenient and quality services and an interactive O2O experience to our customers. At the same time, we had achieved synergies between the offline business and the expansionary business on the internet, further improving the overall operation efficiency and maximizing value creation.

(2) *Providing financial information service: retaining and expanding our consumer and tenant base*

We provided consumers and financial institutions with consumer loan information service, through cooperation with financial institutions, which provided consumers with household consumer loans. The loans obtained by the consumers can only be used in our shopping malls. During the Reporting Period, the amount of consumer loans issued by financial institutions through the above channels reached RMB1,780 million, and our relevant commission income was RMB23.557 million, which boosted businesses of tenants of our shopping malls.

In order to establish a more effective group structure, simplify the Group's business structure and reduce the risk of related businesses, we entered into equity transfer agreements with RSM Holding, and transferred all the equity interests held by us in Shanghai Jiajinsuo Financial Information Service Co., Ltd. (上海家金所金融信息服務有限公司) and Shanghai Huangpu Red Star Microfinance Co., Ltd. (上海黃浦紅星小額貸款有限公司) to RSM Holding and its subsidiaries.

(3) *Comprehensive logistic service: to satisfy multiple needs on both ends of the platform and achieve resources sharing*

In order to provide professional distribution and installation services to our tenants and customers to facilitate the "Last Mile" distribution, installation and after-sales services, and to improve customer satisfaction and loyalty to the brands of our tenants as well as the brand of "Red Star Macalline", we have set up logistics trial centers in 7 cities, namely Nanjing, Wuxi, Shijiazhuang, Changsha, Shenyang, Jinan and Qingdao, to provide one-stop shop professional services for customers from purchase to professional product distribution and installation. As at the end of the Reporting Period, more than 350 brands have commenced operations with our logistics service business which has a storage area of more than 55,000 sq.m..

During the Reporting Period, we jointly developed a smart logistics system with the University of Hong Kong. The system includes four sets of management service system, namely, warehouse management, vehicle arrangement, customer service and merchant service, to support the whole-process management of business cooperation, warehousing, delivery, after-sales service, evaluation and expenses. During the Reporting Period, we started establishing the Smart Logistics 1.0 Project and have developed an unmanned inventory technology with the RFID chip.

6. Upgrade and restructure the information technology infrastructure and to support the development of internet-based platform

During the Reporting Period, focusing on the objective of “integration of online and offline businesses” of the Company, we continued to promote construction of information infrastructures, thereby achieving satisfactory results in optimization of management process, transformation of financial functions, system development and data application, etc. Meanwhile, we proactively conducted research and application of human-computer interaction technology, virtual reality technology and data mining technology, etc. to further improve customers’ shopping experience, promote sales of shops and create value-added service incomes by utilizing technologies and technological innovations.

7. Highly efficient human resources management policies: to support the efficient business growth

During the Reporting Period, our human resources policies were strictly in line with our strategies and achieved success in a number of aspects including system optimization, management of overall performance, talent development and business support, human resources operation and employee relations.

III. DEVELOPMENT PLAN FOR 2018 AND THE FUTURE PLAN

We have persistently adhered to the mission of “building a warm and harmonious homeland enhancing consumption and living taste”. In 2018 and thereafter, we will continue to follow the operation and management model of “market-oriented management and shopping mall management”, provide better and more professional services for consumers, consolidate our market leadership and strengthen the brand of “Red Star Macalline” of “Home Furnishings Expert” in the consumers’ mind to build the most pioneering and professional “omni-channel platform provider in home improvement and furnishings industry”. Our future development plans are as follows:

1. To continue the implementation of two-pronged business model of Portfolio Shopping Malls and Managed Shopping Malls and strengthen the market leadership through strategic expansion of shopping mall network and brand portfolio

In terms of shopping mall network construction, we will fully ride on the tide of the thriving trend showed in the industry arising from the acceleration of urbanization, improvement in living standard and the increased population mobility, and continue to expand our network of home furnishing malls in cities with attractiveness. We will further strengthen the market leading position in Tier I and II Cities through self-operation mode, and continue to selectively open new home shopping malls in the core cities; at the same time, by relying

on the sound brand reputation, mature shopping mall development, tenant sourcing and operation and management capabilities in the home improvement and furnishings industry, we will quickly penetrate into the Tier III Cities and Other Cities through the asset-light managed business model, so as to further expand the operation coverage of companies in the country, and thus accelerating market penetration.

2. To establish a comprehensive service system, striving to become new retail benchmark in home decoration and furnishing industry

As one of the most influential brands in the home industry in China, we will, from the perspective of truly understanding and satisfying the needs of consumers, always furnish consumers with a better and more in-depth experience, more professional and all-round value-added services, and more convenient and humanized service mode. We will provide a trustworthy circulation platform that can integrate a sufficient number of home decoration and furniture industry brand commodities to satisfy the various needs of and tackle the problems faced by consumers, enhance the online and offline integration experience of consumers, establish the most valuable circulation platform in home decoration and furniture industry, and strive to become new retail benchmark in the home improvement and furnishing industry.

3. To enhance the long-term competitiveness of the enterprise through digital strategies

We are implementing digital strategies that aimed at promoting information construction on an ongoing basis, further upgrading and restructuring of management procedures optimization, financial function transformation, system research and development, data application and other aspects and enhancing the long-term competitiveness of enterprise to meet new growth opportunities by making use of internet, big data, cloud computing and other information technologies.

4. To actively make innovations and value capital market and financial instruments

We will proactively explore new business model and integrate upstream and downstream resources of home decoration and furniture industry through investment, merger and acquisition and other means, and in particular look for opportunities to enter the smart household field and offer services for enlarging enterprise scale, strengthening corporate strength, preparing for the future and our leadership in the development of the industry.

5. To improve corporate governance, standardize the operation, and fulfill our social responsibility

We will make continuous improvement in our corporate governance structure, organizational process and management mechanism, abide by national laws and business ethics and create the commercial atmosphere of “standardized operation” as well as proactively undertake and fulfill social responsibility.

IV. THE DISTRIBUTION OF FINAL DIVIDENDS FOR 2017

Based on the audited results of 2017 and in accordance with the requirements of relevant laws and regulations and the Articles of Association, the proposed distribution of final dividends for 2017 is as follows: on the basis of the total share capital of 3,938,917,038 Shares (including 2,876,103,969 Domestic Shares and 1,062,813,069 H Shares) as at 31 December 2017, a cash dividend of RMB0.32 per share (inclusive of tax, the actual distribution amount may be slightly different due to the rounding of the mantissa) is proposed to be distributed to the A Share Shareholders and the H Share Shareholders whose names appear on the Company’s register of members on the Record Date. The final cash dividends proposed for 2017 amount to RMB1,260,453,452.16 (inclusive of tax) in total, accounting for 30.91% of the net profit attributable to the shareholders of the listed company to the consolidated statement for 2017.

WORK REPORT OF THE SUPERVISORY COMMITTEE FOR 2017

1. Meetings of the Supervisory Committee and Relevant Resolutions

The Supervisory Committee convened a total of 3 meetings in 2017, and details of the relevant meetings and the resolutions are as follows:

- (1) The first meeting of the third session of the Supervisory Committee was convened on 20 March 2017. The resolution in respect of the Report of the Supervisory Committee for the year ended 31 December 2016, the resolution in respect of the 2016 profit distribution plan of the Company, and the resolution in respect of re-appointment of Deloitte Touche Tohmatsu Certified Public Accountants LLP and Deloitte Touche Tohmatsu as the audit institutions of the Company for the year of 2017 were reviewed and passed.
- (2) The second meeting of the third session of the Supervisory Committee was convened on 28 August 2017. The resolution in respect of the financial statements (IFRSs) for the six months ended 30 June 2017, the resolution in respect of the financial statements (CASBE) for the first half of 2017, the resolution in respect of the interim dividend for the six months ended 30 June 2017, the resolution in respect of the interim report and interim results announcement for the six months ended 30 June 2017, and the resolution in respect of the Report on Self-evaluation of Internal Control of the Company as at 30 June 2017 were reviewed and passed.
- (3) The second extraordinary meeting of the third session of the Supervisory Committee was convened on 7 December 2017. The resolution in respect of the financial statement for the third quarter of 2017 was reviewed and passed.

2. INDEPENDENT OPINION OF THE SUPERVISORY COMMITTEE REGARDING CERTAIN MATTERS

- (1) Statutory compliance: during the year of 2017, members of the Supervisory Committee continued to supervise the Company's operations through attending Board meetings, reviewing reports on special projects, 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 was lawful, the internal control was effective, and the Directors and the senior management of the Company have diligently carried out their duties, and there is 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 report for the year 2017, and was of the view that the report reflected the actual situation of the Company's corporate governance and internal control, and agreed to publish the relevant report.

- (2) Financial monitoring: during the Reporting Period, the Supervisory Committee diligently performed its duty of monitoring the Company's financial situation, including reviewing the Company's operations and its risks and providing audited 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 position and operating results.
- (3) Use of Proceeds

Use of proceeds from the listing of H Shares

The net proceeds from the global offering amounted to RMB5,573.3 million, used for the development of 9 Portfolio Shopping Malls, investment or acquisition of other home improvement and furnishings retailers and other market participants, refinancing of our existing indebtedness, development of our O2O business and information technology systems, working capital and other general corporate purposes. The Board resolved on 31 July 2015 to change the intended use of part of the net proceeds from the Global Offering. For details, please refer to the announcement of the Company dated 31 July 2015.

As of the end of the Reporting Period, the Company cumulatively used 89% of the net proceeds in the abovementioned fund raising investment projects.

- (4) Stock incentive plan: during the Reporting Period, the Company has no stock incentive plan.
- (5) Major asset acquisitions and disposals: during the Reporting Period, the Company did not conduct any major asset acquisitions and disposals.

- (6) Connected and continuing connected transactions: during the Reporting Period, the Supervisory Committee paid close attention to the continuing connected transactions of the Company for the year, including:
- (i) the Lease Agreement entered into with Changzhou RSHFC,
 - (ii) the Contract management agreements entered into with Xuzhou RSHFC, Xuzhou RSHFP, Yangzhou RSHFP, Jining Hongrui and Shaanxi Hongrui,
 - (iii) the RSED Framework Agreement entered into with RSED,
 - (iv) the Lease Agreement entered into with Shanghai Hongmei in connection with the leasing of the Jinshan Property. In addition, the Supervisory Committee has also considered and reviewed the proposed new annual caps of the above continuing connected transactions. During the Reporting Period, the Supervisory Committee has considered and reviewed the connected transactions entered into by the Company including (i) the Equity Transfer Agreement between RSM Holding and Shanghai Jiajinsuo Investment; (ii) Acquisition of Jinshan Property from Shanghai Red Star Macalline Real Estate; and (iii) Transfer of Equity Interest in Shanghai Huangpu Red Star Microfinance.

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 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 practically guarantee and safeguard the legitimate interests of the Company and Shareholders.

FINAL ACCOUNT REPORT FOR 2017

Dear Shareholders and Shareholder representatives,

During the Reporting Period, Red Star Macalline Group Corporation Ltd. (“the Company”) takes the “building warm and harmonious homes and enhancing taste for consumption and home life” as its duty, follow the operation and management mode of “market-oriented and shopping-mall-based management”, continue to provide consumers with better and professional service, and strengthen the “Red Star Macalline” brand as the expert of home living in the minds of consumers. During the Reporting Period, the Company’s operation as a whole achieved healthy and stable development, its main businesses was in sound trend, the overall financial status was healthy, and the total assets, net assets and profit of the Company continued to grow. The final account report for 2017 was prepared especially for its main business- portfolio shopping malls.

As at the end of the Reporting Period, we operated 71 Portfolio Shopping Malls covering a total operating area of 5,705,954 sq.m. with an average occupancy rate of 97.6%. Among these Portfolio Shopping Malls, 18 Portfolio Shopping Malls, representing 25.4% of the total number of Portfolio Shopping Malls, were located in the four municipalities of Beijing, Shanghai, Tianjin and Chongqing. The operating area of the aforesaid Portfolio Shopping Malls was 1,583,330 sq.m., representing 27.8% of the total operating area of the Portfolio Shopping Malls. During the Reporting Period, we opened 7 new Portfolio Shopping Malls and closed 2 Portfolio Shopping Malls. In addition, 2 Managed Shopping Malls were converted into Portfolio Shopping Malls, and 2 Portfolio Shopping Malls were converted into Managed Shopping Malls. As at the end of the Reporting Period, we had 22 pipeline Portfolio Shopping Malls.

The Company’s Portfolio Shopping Malls in 2017 achieved a revenue of RMB6,394.48 million, representing an increase of RMB419.07 million or 7.0% as compared with that in 2016, and an operating profit of RMB3,047.38 million, representing an increase of 1.9% from RMB2,989.98 million in 2016.

Unit: RMB’0,000

Portfolio Shopping Malls	2017	2016	Difference	Change %
Revenue	639,448	597,541	41,907	7.0%
Taxes and surcharges	28,220	34,773	-6,553	-18.8%
Total revenue (taxes and surcharges deducted)	611,228	562,768	48,460	8.6%
Cost of sales	146,026	136,523	9,053	7.0%
Distribution and selling expenses	105,347	80,987	24,360	30.1%
General and administrative expenses	55,117	46,260	8,857	19.1%
Profit	304,738	298,998	5,740	1.9%

In terms of type of business of Portfolio Shopping Malls, the owned Portfolio Shopping Malls achieved a revenue of RMB5,286.83 million, accounting for 82.7% of the total revenue of Portfolio Shopping Malls, representing an increase of RMB384.16 million or 7.8% as compared to that in 2016. The leased Portfolio Shopping Malls achieved a revenue of RMB1,107.65 million, accounting for 17.3% of the total revenue of Portfolio Shopping Malls, representing an increase of RMB34.91 million or 3.3% as compared to that in 2016.

Unit: RMB'0,000

Portfolio Shopping Malls	2017	2016	Difference	Difference
				<i>%</i>
Owned Portfolio Shopping Malls	528,683	490,267	38,416	7.8%
Leased Portfolio Shopping Malls	110,765	107,274	3,491	3.3%
Total	639,448	597,541	41,907	7.0%

In terms of the regions of Portfolio Shopping Malls, the revenue from Beijing reached RMB840.30 million, representing an increase of RMB26.82 million or 3.3% from 2016; the revenue from Shanghai reached RMB1,526.60 million, representing an increase of RMB111.98 million or 7.9% from 2016; the revenue from Tianjin reached RMB313.47 million, representing a decrease of RMB87.91 million or 21.9% from 2016; the revenue from Chongqing reached RMB428.75 million, representing an increase of RMB5.51 million or 1.3% from 2016; the revenue from Northeast China (Heilongjiang, Jilin and Liaoning) reached RMB731.23 million, representing an increase of RMB106.37 million or 17.0% from 2016; the revenue from North China (Hebei, Inner Mongolia, Shanxi, excluding Beijing and Tianjin) reached RMB184.84 million, representing an increase of RMB42.53 million or 29.9% from 2016; the revenue from East China (Anhui, Jiangsu, Shandong and Zhejiang, excluding Shanghai) reached RMB1,325.63 million, representing an increase of RMB120.14 million or 10.0% from 2016; the revenue from Central China (Henan, Hubei and Hunan) reached RMB683.09 million, representing an increase of RMB57.11 million or 9.1% from 2016; the revenue from South China (Guangdong) reached RMB92.71 million, representing an increase of RMB35.87 million or 63.1% from 2016; the revenue from Western China (Gansu, Sichuan and Yunnan, excluding Chongqing) reached RMB267.86 million, representing an increase of RMB0.65 million or 0.2% from 2016.

Unit: RMB'0,000

Portfolio Shopping Malls	2017	2016	Difference	Change %
Beijing	84,030	81,348	2,682	3.3%
Shanghai	152,660	141,462	11,198	7.9%
Tianjin	31,347	40,138	-8,791	-21.9%
Chongqing	42,875	42,324	551	1.3%
Northeast China	73,123	62,486	10,637	17.0%
North China (<i>excluding Beijing, Tianjin</i>)	18,484	14,231	4,253	29.9%
East China (<i>excluding Shanghai</i>)	132,563	120,549	12,014	10.0%
Central China	68,309	62,598	5,711	9.1%
South China	9,271	5,684	3,587	63.1%
Western China (<i>excluding Chongqing</i>)	26,786	26,721	65	0.2%
Total	<u>639,448</u>	<u>597,541</u>	<u>41,907</u>	<u>7.0%</u>

The above proposal was considered and approved by the fifth meeting of the third session of the Board and is now submitted to the Shareholders for consideration.

FINANCIAL BUDGET REPORT FOR 2018

Dear Shareholders and Shareholder representatives,

Based on the operating results for 2017, 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 2018. We prepared the financial budget for 2018 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 affected by government's actions. There are no difficulties in the implementation of various plans 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 are 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 unresistable factors.

II. Financial budget details

The Company's Portfolio Shopping Malls in 2018 is expected to achieve a revenue of RMB7,005.66 million, representing an increase of RMB611.18 million or 9.6% as compared with that in 2017, and an operating profit of RMB3,352.66 million, representing an increase of RMB305.28 million or 10.0% from 2017.

Unit: RMB'0,000

Portfolio Shopping Malls	Budget amount for 2018	Final account amount for 2017	Difference	Change %
Revenue	700,566	639,448	61,118	9.6%
Taxes and surcharges	30,917	28,220	2,697	9.6%
Total revenue (taxes and surcharges deducted)	669,649	611,228	58,421	9.6%
Cost of sales	166,923	146,026	20,897	14.3%
Distribution and selling expenses	108,717	105,347	3,370	3.2%
General and administrative expenses	58,743	55,117	3,626	6.6%
Profit	335,266	304,738	30,528	10.0%

In terms of type of business of Portfolio Shopping Malls, the owned Portfolio Shopping Malls is expected to achieve a revenue of RMB5,785.28 million, accounting for 82.6% of the total revenue of Portfolio Shopping Malls. The leased Portfolio Shopping Malls is expected to achieve a revenue of RMB1,220.38 million, accounting for 17.4% of the total revenue of Portfolio Shopping Malls.

Unit: RMB'0,000

Portfolio Shopping Malls	Budget amount for 2018	Final account amount for 2017	Difference	Change %
Owned Portfolio Shopping Malls	578,528	528,683	49,845	9.4%
Leased Portfolio Shopping Malls	<u>122,038</u>	<u>110,765</u>	<u>11,273</u>	<u>10.2%</u>
Total	<u><u>700,566</u></u>	<u><u>639,448</u></u>	<u><u>61,118</u></u>	<u><u>9.6%</u></u>

In terms of the regions of Portfolio Shopping Malls, the budget revenue from Beijing is expected to reach RMB903.86 million, making up 12.9% of the total revenue; the budget revenue from Shanghai is expected to reach RMB1,668.37 million, making up 23.8%; the budget revenue from Tianjin is expected to reach RMB285.25 million, making up 4.1%; the budget revenue from Chongqing is expected to reach RMB456.26 million, making up 6.5%; the budget revenue from Northeast China (Heilongjiang, Jilin and Liaoning) is expected to reach RMB792.87 million, making up 11.3%; the revenue from North China (Hebei, Inner Mongolia, Shanxi, excluding Beijing and Tianjin) is expected to reach RMB193.17 million, making up 2.8%; the revenue from East China (Anhui, Jiangsu, Shandong and Zhejiang, excluding Shanghai) is expected to reach RMB1,564.49 million, making up 22.3%; the revenue from Central China (Henan, Hubei and Hunan) is expected to reach RMB729.38 million, making up 10.4%; the revenue from South China (Guangdong) is expected to reach RMB96.40 million, making up 1.4%; the revenue from Western China (Gansu, Sichuan and Yunnan, excluding Chongqing) is expected to reach RMB315.61 million, making up 4.5%.

Unit: RMB'0,000

Regions	Budget Revenue	Proportion
Beijing	90,386	12.9%
Shanghai	166,837	23.8%
Tianjin	28,525	4.1%
Chongqing	45,626	6.5%
Northeast China	79,287	11.3%
North China (excluding Beijing, Tianjin)	19,317	2.8%
East China (excluding Shanghai)	156,449	22.3%
Central China	72,938	10.4%
South China	9,640	1.4%
Western China (Excluding Chongqing)	31,561	4.5%
Total	<u>700,566</u>	<u>100.0%</u>

III. Risk Warning

The above forward-looking statements and indicators relating to the 2018 annual financial budget do not constitute substantial corporate commitments to investors and do not represent the Company's profit forecast for 2018. As the various factors affecting the operating efficiency of the Company are constantly changing, the year-end financial results may differ from this financial budget.

The above proposal was considered and approved by the fifth meeting of the third session of the Board of the Company and is now submitted to the Shareholders for consideration.

Existing articles	Proposed amendments
<p>Article 1 In order to maintain the legitimate interests of shareholders and further set out the responsibilities and authorities of the general meeting of Red Star Macalline Group Corporation Limited (the “Company”), as well as to regulate its organizational behavior and guarantee the legal performance of rights and obligations by the general meeting and maintenance of order and efficiency of the meeting, the following rules are hereby formulated in accordance with the Company Law of the PRC, the Securities Law of the PRC, the articles of association of Red Star Macalline Group Corporation Limited (“Articles of Association”) and the Rules of the General Meetings of Listed Companies, the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (“Hong Kong Listing Rules”), as well as by considering the Company’s actual circumstances.</p>	<p>Article 1 In order to maintain the legitimate interests of shareholders and further set out the responsibilities and authorities of the general meeting of Red Star Macalline Group Corporation Limited (the “Company”), as well as to regulate its organizational behavior and guarantee the legal performance of rights and obligations by the general meeting and maintenance of order and efficiency of the meeting, the following rules are hereby formulated in accordance with the Company Law of the PRC, the Securities Law of the PRC, the articles of association of Red Star Macalline Group Corporation Limited (“Articles of Association”) and the Rules of the General Meetings of Listed Companies, the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange, <u>the Listing Rules of Shanghai Stock Exchange (the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange, the Listing Rules of Shanghai Stock Exchange collectively as the “Listing Rules”)</u> (“Hong Kong Listing Rules”), as well as by considering the Company’s actual circumstances.</p>
<p>Article 9</p> <p>.....</p> <p>The general meetings convened by the board of supervisors should be chaired by the chairman of the board of supervisors. If the chairman cannot or fails to fulfill its duty, the vice-chairman should chair the meetings; if the vice chairman cannot or fails to fulfill its duty, the supervisor who is elected by more than half of the board of supervisors should chair the meetings.</p> <p>.....</p>	<p>Article 9</p> <p>.....</p> <p>The general meetings convened by the board of supervisors should be chaired by the chairman of the board of supervisors. <u>If the chairman cannot or fails to fulfill its duty, the vice-chairman should chair the meetings; if the vice chairman cannot or fails to fulfill its duty, the supervisor</u> who is elected by more than half of the board of supervisors should chair the meetings.</p> <p>.....</p>

Existing articles	Proposed amendments
<p>Article 14 Notice of the general meeting should meet the following requirements:</p> <p>.....</p> <p>9) it should specify the share registration date of the shareholders who have the right to attend the meeting; The interval between the share registration date and the date of the meeting should not be more than 7 business days. The share registration date shall not be changed once it is confirmed;</p> <p>.....</p>	<p>Article 14 Notice of the general meeting should meet the following requirements:</p> <p>.....</p> <p>9) <u>it should specify the share registration date of the shareholders who have the right to attend the meeting;</u> The interval between the share registration date and the date of the meeting should not be more than 7 business days. The share registration date shall not be changed once it is confirmed;</p> <p>.....</p>
<p>Article 15 If the election of directors and supervisors is proposed to be discussed on the general meeting, the notice of the general meeting shall fully disclose the details of the candidates for directors and supervisors in accordance with laws and regulations, regulated documents or the requirements of securities regulatory authorities of the place where the Company’s stock is listed, and shall at least include the following content:</p> <p>1) education background, working experience, part-time employment and other personal information;</p> <p>2) whether they have related relations with the Company or its controlling shareholders and actual controllers;</p>	<p>Article 15 If the election of directors and supervisors is proposed to be discussed on the general meeting, the notice of the general meeting shall fully disclose the details of the candidates for directors and supervisors in accordance with laws and regulations, regulated documents or the requirements of securities regulatory authorities of the place where the Company’s stock is listed, and shall at least include the following content:</p> <p>1) education background, working experience, part-time employment and other personal information;</p> <p>2) whether they have related relations with the Company or it’s the controlling shareholders and actual controllers <u>of the Company;</u></p>

Existing articles	Proposed amendments
<p>3) the disclosure of the number of shares of the Company they hold;</p> <p>4) other content as required by the listing rules.</p> <p>The election of each director and supervisor shall be proposed through a single proposal.</p>	<p>3) the disclosure of the number of shares of the Company they hold;</p> <p>4) <u>whether they have been punished by the CSRC and other relevant authorities and disciplined by any stock exchanges</u>other content as required by the listing rules.</p> <p><u>Except the adoption of cumulative voting to elect directors and supervisors,</u> the election of each director and supervisor shall be proposed through a single proposal.</p>
<p>Article 22 According to the written reply received by the Company on the 20th day prior to the convening of the general meeting, the Company shall calculate the number of shares with voting rights represented by the shareholders who intend to attend the meeting. If the number reaches over 1/2 of the number of the total shares with voting rights of the Company, the general meeting can be convened by the Company; otherwise, the Company shall notify the shareholders again in the form of announcement about the matters proposed to be considered at the meeting, the date and place of the convening of the meeting within five days. Upon the announcement notice, the Company can convene the general meeting.</p> <p>The secretary of the Board is responsible for the production of the signature book of attendees, which specifies names of the attendees (or their company names), identity card numbers, home addresses, number of shares held or represented with voting rights, names of appointers (or their company names) and other matters.</p>	<p>Article 22 According to the written reply received by the Company on the 20th day prior to the convening of the general meeting, the Company shall calculate the number of shares with voting rights represented by the shareholders who intend to attend the meeting. If the number reaches over 1/2 of the number of the total shares with voting rights of the Company, the general meeting can be convened by the Company; otherwise, the Company shall notify the shareholders again in the form of announcement about the matters proposed to be considered at the meeting, the date and place of the convening of the meeting within five days. Upon the announcement notice, the Company can convene the general meeting.</p> <p>The secretary of the BoardCompany is responsible for the production of the signature book of attendees, which specifies names of the attendees (or their company names), identity card numbers, home addresses, number of shares held or represented with voting rights, names of appointers (or their company names) and other matters.</p>

Existing articles	Proposed amendments
<p>Article 29 When the Company re-elects directors, non-employee representative supervisors or replaces directors and non-employee representative supervisors in the midway, the Board, the Supervisory Committee and shareholders who each or combined hold over 3% of shares of the Company can nominate candidates according to the previous regulation and submit for voting at the general meeting in the form of proposal. The Nomination and Remuneration Committee shall offer suggestions on candidates for directors to the Board. The Company must publish the procedures of nominating candidates for directors by shareholders on its website.</p>	<p>Article 29 When the Company re-elects directors, non-employee representative supervisors or replaces directors and non-employee representative supervisors in the midway, the Board, the Supervisory Committee and shareholders who each or combined hold over 3% of <u>the issued</u> shares of the Company can nominate candidates <u>(except candidates for independent directors)</u>; according to the previous regulation <u>the Board, the Supervisory Committee and shareholders who each or combined hold over 1% of issue shares of the Company can propose candidates for independent directors.</u> The previous <u>nomination shall be</u> and submitted for voting at the general meeting in the form of proposal. The Nomination and Remuneration Committee shall offer suggestions on candidates for directors to the Board. The Company must publish the procedures of nominating candidates for directors by shareholders on its website.</p>
<p>Article 57 The following matters are approved by the general meeting through special resolutions:</p> <p>.....</p> <p>6) the Company purchases and sells major assets or its guarantee amount exceeds 30% of the total assets of the Company; and other matters which need be approved through special resolutions as required by the listing rules of the exchange where the Company’s stock is listed.</p>	<p>Article 57 The following matters are approved by the general meeting through special resolutions:</p> <p>.....</p> <p>6) the Company purchases and sells major assets or its guarantee amount exceeds 30% of the total assets of the Company;</p> <p><u>7)</u> other matters which need be approved through special resolutions as required by the listing rules of the exchange where the Company’s stock is listed.</p>

Existing articles	Proposed amendments
<p>Article 64 The general meeting should compile minutes of meeting. The secretary of the Board should be responsible for the minutes which shall include the following content:</p> <p>.....</p> <p>(IV) Names of the chairman of the meeting, the directors, the supervisors, the secretary of the Board, the managers or other senior executives who attended or sat in the meeting;</p> <p>.....</p>	<p>Article 64 The general meeting should compile minutes of meeting. The secretary of the Board should be responsible for the minutes which shall include the following content:</p> <p>.....</p> <p>(IV) Names of the chairman of the meeting, the directors, the supervisors, the secretary of the Board, the general managers or other senior executives who attended or sat in the meeting;</p> <p>.....</p>
<p>Article 72 These rules form an appendix to the Articles of Association. It is formulated by the Company’s Board and has been considered and approved at the general meeting. The same applies to amendments. The amended version of these rules shall take effect from the date that the onshore-listed domestic shares of the Company are listed on a stock exchange. The Company’s existing rules shall remain effective before the completion of the issuance and listing of on-shore listed domestic shares.</p>	<p>Article 72 These rules form an appendix to the Articles of Association. It is formulated by the Company’s Board and has been considered and approved at the general meeting. The same applies to amendments. The amended version of these rules shall take effect from the date that the onshore-listed domestic shares of the Company are listed on a stock exchange. The Company’s existing rules shall remain effective before the completion of the issuance and listing of on-shore listed domestic shares.</p>

Existing articles	Proposed amendments
<p>Article 1 For the purpose of improving governance structure of Red Star Macalline Group Corporation Ltd. (the “Company”), promoting the Company’s normal operation, protecting the Company’s and shareholders’ interests, according to the Company Law of the People’s Republic of China, the Guidance for Establishment of Policies for of Independent Non-executive Directors of Listed Companies (the “Guidance”), the articles of association of Red Star Macalline Group Corporation Ltd. (the “Articles of Association”), the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“Hong Kong Listing Rules”) and requirements of other relevant laws, regulations and regulatory documents, in combination with the Company’s actual circumstances, the working rules are formulated. If any provisions of the working rules are inconsistent with any provisions of any relevant laws, regulations, the Articles of Association, the Hong Kong Listing Rules or provisions of the listing rules of the stock exchange of the onshore-listed domestic shares, the more stringent provisions shall prevail.</p>	<p>Article 1 For the purpose of improving governance structure of Red Star Macalline Group Corporation Ltd. (the “Company”), promoting the Company’s normal operation, protecting the Company’s and shareholders’ interests, according to the Company Law of the People’s Republic of China, the Guidance for Establishment of Policies for of Independent Non-executive Directors of Listed Companies (the “Guidance”), the articles of association of Red Star Macalline Group Corporation Ltd. (the “Articles of Association”), <u>the Listing Rules of the Shanghai Stock Exchange (the “SSE Listing Rules”)</u>, the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“Hong Kong Listing Rules”) and requirements of other relevant laws, regulations and regulatory documents, in combination with the Company’s actual circumstances, the working rules are formulated. If any provisions of the working rules are inconsistent with any provisions of any relevant laws, regulations, the Articles of Association, <u>the SSE Listing Rules</u> and the Hong Kong Listing Rules or provisions of the listing rules of the stock exchange of the onshore-listed domestic shares, the more stringent provisions shall prevail.</p>
<p>Article 2 Independent non-executive directors (also known as “independent directors”) refer to directors who are not serving as other positions except directors of the Company have no interrelationship with the Company and the Company’s major shareholders that may set back their ability of making the independent judgment. The qualification of the independent directors must be in accordance with the Hong Kong Listing Rules, provisions of the listing rules of the stock exchange of the onshore-listed domestic shares and be subject to the approval of relevant supervisory authorities.</p>	<p>Article 2 Independent non-executive directors (also known as “independent directors”) refer to directors who are not serving as other positions except directors of the Company have no interrelationship with the Company and the Company’s major shareholders that may set back their ability of making the independent judgment. The qualification of the independent directors must be in accordance with <u>the SSE Listing Rules</u> and the Hong Kong Listing Rules, provisions of the listing rules of the stock exchange of the onshore-listed domestic shares and be subject to the approval of relevant supervisory authorities.</p>

Existing articles	Proposed amendments
<p>Article 3 Independent directors have obligations of integrity and diligence to the Company and all shareholders. Independent directors shall earnestly perform their duties, safeguard the overall interests of the Company, and especially pay attention to the legitimate rights and interests of small and medium shareholders against any damage, according to relevant laws, administrative laws and regulations, the Hong Kong Listing Rules, the Articles of Association and the current working rules. Independent directors must make positive contributions to the formulation of strategies and policies of the Company by providing independent, constructive and well-founded opinions.</p>	<p>Article 3 Independent directors have obligations of integrity and diligence to the Company and all shareholders. Independent directors shall earnestly perform their duties, safeguard the overall interests of the Company, and especially pay attention to the legitimate rights and interests of small and medium shareholders against any damage, according to relevant laws, administrative laws and regulations, the SSE Listing Rules, the Hong Kong Listing Rules, the Articles of Association and the current working rules. Independent directors must make positive contributions to the formulation of strategies and policies of the Company by providing independent, constructive and well-founded opinions.</p>

Existing articles	Proposed amendments
<p>Article 6 At least one third of the Board of directors of the Company shall be comprised of (at least 3) independent directors. The independent directors should include at least one member who is an accounting professional (an accounting professional refers to a person who has a senior accounting professional title or a certified public accountant qualification).</p> <p>At least one member of independent directors shall ordinarily reside in Hong Kong.</p>	<p>Article 6 At least one third of the Board of directors of the Company shall be comprised of (at least 3) independent directors. <u>The independent directors should include at least one member who is an accounting professional. An accounting professional who is nominated as a candidate for independent director shall have relatively rich professional knowledge and experience in accounting and fulfill at least one the following conditions: (an accounting professional refers to a person who has a senior accounting professional title or a certified public accountant qualification).</u></p> <p><u>(1) Possess a qualification of Certified Public Accountant;</u></p> <p><u>(2) Possess a senior professional title, associate professor title or doctorate in accounting, auditing, or financial management;</u></p> <p><u>(3) Possess senior titles in economic management and have more than five years of full-time working experience in accounting, auditing, or financial management and other professional positions.</u></p> <p>At least one member of independent directors shall ordinarily reside in Hong Kong.</p>
<p>Article 8 Independent directors and independent directors to be appointed shall, according to the requirements of the China Securities Regulatory Commission (“CSRC”) and other relevant competent authorities, the Hong Kong Listing Rules and other laws and regulations, participate in accredited training.</p>	<p>Article 8 Independent directors and independent directors to be appointed shall, according to the requirements of the China Securities Regulatory Commission (“CSRC”) and other relevant competent authorities, <u>the SSE Listing Rules,</u> the Hong Kong Listing Rules and other laws and regulations, participate in accredited training.</p>

Existing articles	Proposed amendments
<p>Article 11 After an independent director takes office, should there be any changes which may affect his/her independence the independent director shall notify the Company and the Hong Kong Stock Exchange as soon as possible and confirm his/her independence to the Company every year. The Company shall disclose the receipt of confirmation from independent director in its annual report and explain whether the Company still considers the independent director to be an independent personnel.</p>	<p>Article 11 After an independent director takes office, should there be any changes which may affect his/her independence the independent director shall notify the Company, <u>the Shanghai Stock Exchange</u> and the Hong Kong Stock Exchange as soon as possible and confirm his/her independence to the Company every year. The Company shall disclose the receipt of confirmation from independent director in its annual report and explain whether the Company still considers the independent director to be an independent personnel.</p>
<p>Article 14 After the election and appointment at the general meeting, independent directors, according to relevant regulations of the Hong Kong Listing Rules, shall submit the H Form of Statement and Commitment of Directors to the Hong Kong Stock Exchange as soon as possible and submit a written confirmation which explains the following matters:</p> <ol style="list-style-type: none"> 1. Confirm whether the independent directors have independence as stated in relevant terms of the Working Rules and the Hong Kong Listing Rules; 2. Confirm whether the independent directors have financial or other interests in the businesses of the Company and its subsidiaries and whether they have any related relations with the core related personnel of the Company; 	<p>Article 14 After the election and appointment at the general meeting, independent directors, according to relevant regulations of the Hong Kong Listing Rules, shall submit the H Form of Statement and Commitment of Directors to the Hong Kong Stock Exchange as soon as possible and submit a written confirmation which explains the following matters:</p> <ol style="list-style-type: none"> 1. Confirm whether the independent directors have independence as stated in relevant terms of the Working Rules and the Hong Kong Listing Rules; 2. Confirm whether the independent directors have financial or other interests in the businesses of the Company and its subsidiaries and whether they have any related relations with the core related personnel of the Company;

Existing articles	Proposed amendments
<p>3. Explain whether there are other factors that may affect the independence of the independent directors, when they submit the H Form of Statement and Commitment of Directors.</p>	<p>3. Explain whether there are other factors that may affect the independence of the independent directors, when they submit the H Form of Statement and Commitment of Directors.</p> <p><u>The aforesaid independent directors shall also submit the Directors’ Statement and Commitment Letter to the Shanghai Stock Exchange within 30 days from the appointment date, and shall fill in or update their basic information on the “Listing Companies” of the Shanghai Stock Exchange.</u></p>
<p>Article 16 In the case where an independent director failed to attend Board meetings in person for three consecutive times, the Board may propose to the general meeting to replace the independent director. Nevertheless, he/she shall not be unreasonably dismissed from office before the expiry of the term except in the aforementioned situation or other circumstances stated in the Company Law of the PRC, the Hong Kong Listing Rules or the listing rules of the stock exchange of the onshore-listed domestic shares under which certain person is disqualified to be the independent non-executive director. If an independent director is dismissed in advance, the Company shall deem it as a special matter to be disclosed. Where the independent non-executive director considers the grounds for removal inappropriate, he may make a public statement.</p>	<p>Article 16 In the case where an independent director failed to attend Board meetings in person for three consecutive times, the Board may propose to the general meeting to replace the independent director. Nevertheless, he/she shall not be unreasonably dismissed from office before the expiry of the term except in the aforementioned situation or other circumstances stated in the Company Law of the PRC, the Hong Kong Listing Rules and <u>the SSE Listing Rules</u> or the listing rules of the stock exchange of the onshore-listed domestic shares under which certain person is disqualified to be the independent non-executive director. If an independent director is dismissed in advance, the Company shall deem it as a special matter to be disclosed. Where the independent non-executive director considers the grounds for removal inappropriate, he may make a public statement.</p>

Existing articles	Proposed amendments
<p>Article 18 In the event that minimum requirements for the number of independent directors under the current working rules, the Hong Kong Listing Rules, the Guidance and the Articles of Association are not met as a result of the resignation or dismissal of the independent directors or otherwise, the Board shall notify the Stock Exchange of Hong Kong immediately and publish an announcement, setting forth the relevant details and reasons. The Board shall appoint enough independent directors within three months upon non-compliance with such requirements. The resignation report of such independent director shall come into effect upon the time when his successor fills the vacancy or other conditions as required by the regulatory rules of the places where the Company's shares are listed.</p> <p>Unless otherwise specified in the preceding paragraph, the resignation of the independent director shall come into effect upon his resignation report being served on the Board.</p>	<p>Article 18 In the event that minimum requirements for the number of independent directors under the current working rules, <u>the SSE Listing Rules</u>, the Hong Kong Listing Rules, the Guidance and the Articles of Association are not met as a result of the resignation or dismissal of the independent directors or otherwise, the Board shall notify <u>the Shanghai Stock Exchange</u> and the Stock Exchange of Hong Kong immediately and publish an announcement, setting forth the relevant details and reasons. The Board shall appoint enough independent directors within three months upon non-compliance with such requirements. The resignation report of such independent director shall come into effect upon the time when his successor fills the vacancy or other conditions as required by the regulatory rules of the places where the Company's shares are listed.</p> <p>Unless otherwise specified in the preceding paragraph, the resignation of the independent director shall come into effect upon his resignation report being served on the Board.</p>

Existing articles	Proposed amendments
<p>Article 19 Apart from the Directors' power granted under the Company Law of the PRC and other related laws and regulations, the independent director is entitled to special rights described below:</p> <ol style="list-style-type: none"> 1. Material related party transactions (transactions between the Company and the related parties with total volume of more than RMB3 million or higher than 5% of the latest audited net asset value of the Company) shall be approved by the independent directors before being submitted to the Board for discussion. Before reaching a decision, the independent directors may engage an intermediary to issue an independent financial advisory report as the basis of judgment; 2. Advise the Board on the engagement or dismissal of an accounting firm; 3. Propose an extraordinary general meeting to the Board; 4. Propose to hold a Board meeting; 5. Independently engage an external audit or advisory institution; 6. Solicit the voting rights of shareholders prior to the general meeting; <p>To exercise the above powers, an independent director shall obtain consents from more than half of the independent directors.</p>	<p>Article 19 Apart from the Directors' power granted under the Company Law of the PRC and other related laws and regulations, the independent director is entitled to special rights described below:</p> <ol style="list-style-type: none"> 1. Material related Related party transactions <u>which meet the consideration standard of the Board</u> (transactions between the Company and the related parties with total volume of more than RMB3 million or higher than 5% of the latest audited net asset value of the Company) shall be approved by the independent directors before being submitted to the Board for discussion. Before reaching a decision, the independent directors may engage an intermediary to issue an independent financial advisory report as the basis of judgment; 2. Advise the Board on the engagement or dismissal of an accounting firm; 3. Propose an extraordinary general meeting to the Board; 4. Propose to hold a Board meeting; 5. Independently engage an external audit or advisory institution; 6. Solicit the voting rights of shareholders prior to the general meeting; <p>To exercise the above powers, an independent director shall obtain consents from more than half of the independent directors.</p>

Existing articles	Proposed amendments
<p>Article 40 The working rules are considered and approved by the general meeting, which are also applicable when being revised. The revision shall come into effect on the date the RMB ordinary shares of the Company are publicly listed. Prior to completion of listing of RMB ordinary shares, the Company's existing policies continues to be valid.</p>	<p>Article 40 The working rules <u>are formulated by the Board of the Company and</u> are considered and approved by the general meeting, which are also applicable when being revised. The revision shall come into effect on the date the RMB ordinary shares of the Company are publicly listed. Prior to completion of listing of RMB ordinary shares, the Company's existing policies continues to be valid.</p>
<p>Article 41 The matters uncovered in the working rules shall be conducted in accordance with relevant laws, regulations, the Hong Kong Listing Rules, other regulations of the securities regulatory authorities of Hong Kong and relevant regulations of the Articles of Association. If relevant regulations of the working rules contravene relevant laws and regulations, the Hong Kong Listing Rules, other regulations of the securities regulatory authorities of Hong Kong and relevant regulations of the Articles of Association to be issued or amended in the future, they shall be implemented according to relevant laws, regulations, the Hong Kong Listing Rules, other regulations of the securities regulatory authorities of Hong Kong and relevant regulations of the Articles of Association.</p>	<p>Article 41 The matters uncovered in the working rules shall be conducted in accordance with relevant laws, regulations, <u>the SSE Listing Rules</u>, the Hong Kong Listing Rules, other regulations of the securities regulatory authorities of Hong Kong and relevant regulations of the Articles of Association. If relevant regulations of the working rules contravene relevant laws and regulations, <u>the SSE Listing Rules</u>, the Hong Kong Listing Rules, other regulations of the securities regulatory authorities of Hong Kong and relevant regulations of the Articles of Association to be issued or amended in the future, they shall be implemented according to relevant laws, regulations, <u>the SSE Listing Rules</u>, the Hong Kong Listing Rules, other regulations of the securities regulatory authorities of Hong Kong and relevant regulations of the Articles of Association.</p>

Existing articles	Proposed amendments
<p>Article 1 With a view to regulating the provision of external guarantees by Red Star Macalline Group Corporation Ltd. (the “Company”), averting risks in the provision of external guarantees by the Company, ensuring the safety of the Company’s assets and protecting the interest of shareholders, the Company has formulated the Rules based on its actual situation in accordance with such laws and regulations as the Company Law of the People’s Republic of China, the Guarantee Law of the People’s Republic of China, the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Hong Kong Listing Rules”) and relevant provisions of the articles of association of Red Star Macalline Group Corporation Ltd. (the “Articles of Association”).</p>	<p>Article 1 With a view to protecting the legal interests of investors, regulating the provision of external guarantees by Red Star Macalline Group Corporation Ltd. (the “Company”), averting risks in the provision of external guarantees by the Company ensuring the guarantee of the Company’s assets and protecting the interest of shareholders, the Company has formulated the Rules based on its actual situation in accordance with such laws, regulations and regulatory documents as the Company Law of the People’s Republic of China, the Guarantee Law of the People’s Republic of China, the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, <u>the Listing Rules of Shanghai Stock Exchange (the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, the Listing Rules of Shanghai Stock Exchange collectively as the “Listing Rules”)</u> and relevant provisions of the articles of association of Red Star Macalline Group Corporation Ltd. (the “Articles of Association”).</p>
<p>Article 7 The Company may provide guarantee to an entity which is an independent legal person and meets one of the following criteria:</p> <p>.....</p> <p>(4) it is the Company’s holding subsidiary or other entities of controlling relationship with the Company.</p> <p>The aforementioned entities shall have relatively strong solvency and shall meet other relevant provisions of the Rules.</p>	<p>Article 7 The Company may provide guarantee to an entity which is an independent legal person and meets one of the following criteria:</p> <p>.....</p> <p>(4) it is the Company’s holding <u>subsidiary</u> or other entities of controlling relationship with the Company.</p> <p>The aforementioned entities shall have relatively strong solvency and shall meet other relevant provisions of the Rules.</p>

Existing articles	Proposed amendments
<p>Article 13</p> <p>.....</p> <p>Provision of external guarantees by the Company may constitute related transactions and/or discloseable transactions under the Hong Kong Listing Rules. In such case, the Company shall refer to the Hong Kong Listing Rules and the execution of the Rules for the Management of the Related Party Transactions of Red Star Macalline Group Corporation Ltd., and shall meet the requirements of the Hong Kong Listing Rules (including authority’s approval, abstention from voting by related persons and information disclosure).</p>	<p>Article 13</p> <p>.....</p> <p>Provision of external guarantees by the Company may constitute related transactions and/or discloseable transactions under the Hong Kong <u>Listing Rules</u>. In such case, the Company shall refer to the Hong Kong <u>Listing Rules</u> and the execution of the Rules for the Management of the Related Party Transactions of Red Star Macalline Group Corporation Ltd., and shall meet the requirements of the Hong Kong <u>Listing Rules</u> (including authority’s approval, abstention from voting by related persons and information disclosure).</p>
<p>Article 16 The Company shall enter into guarantee contracts and counter-guarantee contracts in respect of external guarantees in writing. The guarantee agreements and the counter-guarantee agreements shall include contents as required by laws and regulations such as the Guarantee Law of the People’s Republic of China and the Contract Law of the People’s Republic of China.</p>	<p>Article 16 The Company shall enter into guarantee contracts and counter-guarantee contracts in respect of external guarantees in writing. The guarantee agreements and the counter-guarantee agreements shall include contents as required by laws and regulations such as the Guarantee Law of the People’s Republic of China and the Contract Law of the People’s Republic of China.</p>

Existing articles	Proposed amendments
<p>Article 18 Before signing a guarantee agreement, the person in charge shall comprehensively and diligently review the signees and relevant particulars of the principal contract, the guarantee agreement and the counter-guarantee agreement. The person in charge shall request the relevant party to revise clauses which contravene the laws, regulations, the Hong Kong Listing Rules, the Articles of Association and relevant resolutions of the Board or the general meeting and which impose unreasonable obligations on the Company or terms involving unpredictable risks. If such party refuses to revise these clauses, the person in charge shall decline to provide a guarantee for such party and report to the Board or the general meeting of the Company.</p>	<p>Article 18 Before signing a guarantee agreement, the person in charge shall comprehensively and diligently review the signees and relevant particulars of the principal contract, the guarantee agreement and the counter-guarantee agreement. The person in charge shall request the relevant party to revise clauses which contravene the laws, regulations, the Hong Kong <u>Listing Rules</u>, the Articles of Association and relevant resolutions of the Board or the general meeting and which impose unreasonable obligations on the Company or terms involving unpredictable risks. If such party refuses to revise these clauses, the person in charge shall decline to provide a guarantee for such party and report to the Board or the general meeting of the Company.</p>
<p>Article 28 In the event that the guarantee to which the Company provides guarantee fails to honor the obligation to repay debts upon maturity, or such guarantee becomes bankrupt or goes into liquidation or the creditors claim against the Company for performance of the guarantee obligations, the Company's responsible departments shall inquire the condition of the debt repayment of the guarantee in a timely manner, be prepared to activate the counter-guarantee claim procedures and simultaneously report such matter to the secretary of the Board, who shall inform the Board of the same promptly.</p>	<p>Article 28 In the event that the guarantee to which the Company provides guarantee fails to honor the obligation to repay debts upon maturity, or such guarantee becomes bankrupt or goes into liquidation or the creditors claim against the Company for performance of the guarantee obligations, the Company's responsible departments shall inquire the condition of the debt repayment of the guarantee in a timely manner, be prepared to activate the counter-guarantee claim procedures and simultaneously report such matter to the secretary of the Board, who shall inform the Board of the same promptly.</p>
<p>Article 29 In the event that the guarantee fails to fulfill its contractual obligations and its creditor requests the Company to fulfill its guarantee obligation, the Company's responsible departments shall activate the counter-guarantee claim procedures instantly and simultaneously report such matter to the secretary of the Board, who shall inform the Board of the same promptly.</p>	<p>Article 29 In the event that the guarantee fails to fulfill its contractual obligations and its creditor requests the Company to fulfill its guarantee obligation, the Company's responsible departments shall activate the counter-guarantee claim procedures instantly and simultaneously report such matter to the secretary of the Board, who shall inform the Board of the same promptly.</p>

Existing articles	Proposed amendments
<p>Article 35 Pursuant to the relevant provisions in the Hong Kong Listing Rules, other regulatory requirements of listing place(s) of the Company (including requirements about inside information disclosure that are set out in the laws and regulations of Hong Kong and may materially affect prices of its securities), the Articles of Association and the Rule of Information Disclosure, the Company shall duly perform its information disclosure obligation in relation to the provision of external guarantees.</p>	<p>Article 35 Pursuant to the relevant provisions in the Hong Kong Listing Rules, other regulatory requirements of listing place(s) of the Company (including requirements about inside information disclosure that are set out in the laws and regulations of Hong Kong and may materially affect prices of its securities), the Articles of Association and the Rule of Information Disclosure, the Company shall duly perform its information disclosure obligation in relation to the provision of external guarantees.</p>
<p>Article 41 The rules herein shall be approved at general meeting of the Company. The same applies to amendment of these rules. The revised rules shall come into effect on the date the H shares of the Company is publicly listed on the Main Board of The Stock Exchange of Hong Kong Limited. Prior to the completion of listing of H shares, the existing rules of the Company continues to be valid.</p>	<p>Article 41 The rules herein <u>are prepared by the Board and</u> shall be approved at general meeting of the Company. The same applies to amendment of these rules. The revised rules shall come into effect on the date the H shares of the Company is publicly listed on the Main Board of The Stock Exchange of Hong Kong Limited. Prior to the completion of listing of H shares, the existing rules of the Company continues to be valid.</p>
<p>Article 42 Matters not covered in the Rules shall be executed in accordance with relevant laws and regulations, the Hong Kong Listing Rules, other requirements of securities regulatory authorities in listing place(s) of the Company and relevant provisions of the Articles of Association. If there are any contraventions between the Rules and relevant laws and regulations, the Hong Kong Listing Rules, other requirements of securities regulatory authorities in the listing place(s) of the Company and the Articles of Association to be subsequently issued or amended, relevant laws and regulations, the Hong Kong Listing Rules, other requirements of securities regulatory authorities in listing place(s) of the Company and the current Articles of Association or the amended Articles of Association shall prevail.</p>	<p>Article 42 Matters not covered in the Rules shall be executed in accordance with relevant laws and regulations, the Hong Kong Listing Rules, other requirements of securities regulatory authorities in listing place(s) of the Company and relevant provisions of the Articles of Association. If there are any contraventions between the Rules and the relevant laws and regulations, the Hong Kong Listing Rules, other requirements of securities regulatory authorities in the listing place(s) of the Company and the Articles of Association to be subsequently issued or revised, relevant laws and regulations, the Hong Kong Listing Rules, other requirements of securities regulatory authorities in listing place(s) of the Company and the current Articles of Association or the amended Articles of Association shall prevail.</p>

**APPENDIX IX PROPOSED AMENDMENTS TO THE RULES FOR THE MANAGEMENT OF
THE RELATED PARTY TRANSACTIONS OF THE COMPANY**

Existing articles	Proposed amendments
<p>Article 1 In order to regulate the related party transactions (“connected transactions” under Hong Kong Listing Rules, to be referred collectively hereinafter) of Red Star Macalline Group Corporation Limited (the “Company”), guarantee the fairness and reasonableness of related party transactions and safeguard the interests of the Company and shareholders, the following rules are hereby formulated in accordance with the Company Law of the People’s Republic of China, Securities Law of the People’s Republic of China, the articles of association of Red Star Macalline Group Corporation Limited (the “Articles of Association”) and the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (“Hong Kong Listing Rules”) and other relevant laws, regulations and regulatory documents.</p>	<p>Article 1 In order to regulate the related party transactions (“connected transactions” under Hong Kong Listing Rules, to be referred collectively hereinafter) of Red Star Macalline Group Corporation Limited (the “Company”), guarantee the fairness and reasonableness of related party transactions and safeguard the interests of the Company and shareholders, the following rules are hereby formulated in accordance with the Company Law of the People’s Republic of China, Securities Law of the People’s Republic of China, the articles of association of Red Star Macalline Group Corporation Limited (the “Articles of Association”) and the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (“Hong Kong Listing Rules”), <u>the Listing Rules of the Shanghai Stock Exchange (the “SSE Listing Rules”)</u> and other relevant laws, regulations and regulatory documents.</p>

**APPENDIX IX PROPOSED AMENDMENTS TO THE RULES FOR THE MANAGEMENT OF
THE RELATED PARTY TRANSACTIONS OF THE COMPANY**

Existing articles	Proposed amendments
<p>Article 2 The Company implements categorized management for related party transactions, determines the scope of related parties in accordance with the Hong Kong Listing Rules, rules of the stock exchange of the place where the domestic shares are listed and other relevant laws and regulations and perform the procedures of approval and information disclosure for related party transactions in accordance with relevant requirements.</p> <p>When conducting transactions, the Company shall consider the circumstances in accordance with the Hong Kong Listing Rules and the rules of the stock exchange where the domestic shares are listed (whichever has the more stringent requirements shall prevail) in determining whether the parties involved in the transactions are related parties and whether the transactions constitute related party transactions.</p>	<p>Article 2 The Company implements categorized management for related party transactions, determines the scope of related parties in accordance with the Hong Kong Listing Rules, rules of the stock exchange of the place where the domestic shares are listed <u>the SSE Listing Rules</u> and other relevant laws and regulations and perform the procedures of approval and information disclosure for related party transactions in accordance with relevant requirements.</p> <p>When conducting transactions, the Company shall consider the circumstances in accordance with the Hong Kong Listing Rules and the rules of the stock exchange where the domestic shares are listed <u>the SSE Listing Rules</u> (whichever has the more stringent requirements shall prevail) in determining whether the parties involved in the transactions are related parties and whether the transactions constitute related party transactions.</p>
<p>Article 4 The general meeting and the Board shall supervise, manage and approve the related party transactions of the Company in accordance with the Hong Kong Listing Rules, rules of the stock exchange of the place where the domestic shares are listed and the Articles of Association. The Finance Department is responsible for the daily management of related party transactions, formulating the pricing principles of related party transactions, calculating the transaction amounts of related party transactions and assisting the secretary of the Board for information disclosure of related party transactions. The secretary of the Board is responsible for the information disclosure of related party transaction.</p>	<p>Article 4 The general meeting and the Board shall supervise, manage and approve the related party transactions of the Company in accordance with the Hong Kong Listing Rules, rules of the stock exchange of the place where the domestic shares are listed <u>the SSE Listing Rules</u> and the Articles of Association. The Finance Department is responsible for the daily management of related party transactions, formulating the pricing principles of related party transactions, calculating the transaction amounts of related party transactions and assisting the secretary of the Board for information disclosure of related party transactions. The secretary of the Board is responsible for the information disclosure of related party transaction.</p>

**APPENDIX IX PROPOSED AMENDMENTS TO THE RULES FOR THE MANAGEMENT OF
THE RELATED PARTY TRANSACTIONS OF THE COMPANY**

Existing articles	Proposed amendments
<p>Article 5 Related parties of the Company include related legal persons and related natural persons, which are defined as per the Hong Kong Listing Rules, rules of stock exchange of the place where the domestic shares are listed and relevant laws and regulations.</p>	<p>Article 5 Related parties of the Company include related legal persons and related natural persons, which are defined as per the Hong Kong Listing Rules, rules of stock exchange of the place where the domestic shares are listed <u>the SSE Listing Rules</u> and relevant laws and regulations.</p>
<p>Article 6 Based on rules of the stock exchange of the place where the domestic shares are listed, the following persons shall be considered as a related legal person of the Company</p>	<p>Article 6 Based on rules of the stock exchange of the place where the domestic shares are listed <u>the SSE Listing Rules</u>, the following persons shall be considered as a related legal person of the Company</p>
<p>Article 7 Based on the rules of the stock exchange of the place where the domestic shares are listed, the following persons shall be considered a related natural person of the Company:</p> <p>.....</p> <p>(III) Directors, supervisors and senior related persons of the legal person listed in Paragraph (I) of Article 6 herein;</p> <p>.....</p>	<p>Article 7 Based on the rules of the stock exchange of the place where the domestic shares are listed <u>the SSE Listing Rules</u>, the following persons shall be considered a related natural person of the Company:</p> <p>.....</p> <p>(III) Directors, supervisors and senior related persons <u>management</u> of the legal person listed in Paragraph (I) of Article 6 herein;</p> <p>.....</p>

**APPENDIX IX PROPOSED AMENDMENTS TO THE RULES FOR THE MANAGEMENT OF
THE RELATED PARTY TRANSACTIONS OF THE COMPANY**

Existing articles	Proposed amendments
<p>Article 8 Based on the rules of the stock exchange of the place where the domestic shares are listed, the following legal persons or other organizations or natural persons shall be considered as a related person of the Company:</p> <p>(I) When one of the circumstances described in Article 6 or Article 7 herein occurs upon which an agreement or arrangement is signed or made with the Company after or within the coming 12 months the agreement or arrangement comes into effect;</p> <p>(II) When one of the circumstances described in Article 6 or Article 7 herein occurred in the past 12 months.</p>	<p>Article 8 Based on the rules of the stock exchange of the place where the domestic shares are listed the SSE Listing Rules, the following legal persons or other organizations or natural persons shall be considered as a related person of the Company:</p> <p>(I) When one of the circumstances described in Article 6 or Article 7 herein <u>will</u> occurs upon which an agreement or arrangement is signed or made with the Company after or within the coming 12 months the agreement or arrangement comes into effect;</p> <p>(II) When one of the circumstances described in Article 6 or Article 7 herein occurred in the past 12 months.</p>
<p>Article 11 Definition and scope of related persons is defined under the Hong Kong Listing Rules. In accordance with Hong Kong Listing Rules, apart from the exceptions prescribed by it, related persons of the Company and its subsidiaries usually include the following parties</p>	<p>Article 11 Definition and scope of related persons is defined under the Hong Kong Listing Rules.In accordance with Hong Kong Listing Rules, apart from the exceptions prescribed by it, related persons of the Company and its subsidiaries usually include the following parties</p>
<p>Article 21 When the general meeting of the Company considers related party transactions, any shareholders having material interest in such transactions under the Hong Kong Listing Rules (the “Related Shareholders”) shall not vote.</p>	<p>Article 21 When the general meeting of the Company considers related party transactions, any shareholders having material interest in such transactions under the SSE Listing Rules and the Hong Kong Listing Rules (the “Related Shareholders”) shall not vote.</p>

**APPENDIX IX PROPOSED AMENDMENTS TO THE RULES FOR THE MANAGEMENT OF
THE RELATED PARTY TRANSACTIONS OF THE COMPANY**

Existing articles	Proposed amendments
<p>Article 22 Related shareholders include the shareholders with one of the following circumstances:</p> <p>.....</p> <p>(VII) Other circumstances where, under the Hong Kong Listing Rules, the person or any of his/her affiliates has material interests in the transactions.</p>	<p>Article 22 Related shareholders include the shareholders with one of the following circumstances:</p> <p>.....</p> <p>(VII) Other circumstances where, under <u>the SSE Listing Rules and</u> the Hong Kong Listing Rules, the person or any of his/her affiliates has material interests in the transactions.</p>
<p>Article 25 Subject to the satisfaction of the requirements under the Hong Kong Listing Rules and the rules of the stock exchange where the domestic shares are listed, when the Company and its related parties enter into the following related party transactions, the performance of the relevant obligations in accordance with the rules herein can be exempted in the following circumstances</p>	<p>Article 25 Subject to the satisfaction of the requirements under the Hong Kong Listing Rules and the rules of the stock exchange where the domestic shares are listed <u>the SSE Listing Rules</u>, when the Company and its related parties enter into the following related party transactions, the performance of the relevant obligations in accordance with the rules herein can be exempted in the following circumstances</p>

**APPENDIX IX PROPOSED AMENDMENTS TO THE RULES FOR THE MANAGEMENT OF
THE RELATED PARTY TRANSACTIONS OF THE COMPANY**

Existing articles	Proposed amendments
<p>Article 26 Decision-making authority for related party transactions:</p> <p>According to the Hong Kong Listing Rules, the Company shall carry out size tests based on the Hong Kong Listing Rules for the related party transaction, including (I) assets ratio, that is the percentage of the total value of assets involved in the transaction divided by the total value of assets of the Company; (II) revenue ratios, that is the percentage of the revenue attributable to the assets divided by the revenue of the Company; (III) consideration ratio, that is the percentage of consideration of the transaction divided by the total market capitalization of the Company; and (IV) equity capital ratio, that is the percentage of the par value of shares to be issued by the Company as consideration divided by the par value of issued share capital of the Company immediately before the transaction. The data used in above size tests shall be adjusted in certain circumstances based on the Hong Kong Listing Rules, and the calculations shall be based on the provisions in the Hong Kong Listing Rules.</p>	<p>Article 26 Decision-making authority for related party transactions:</p> <p>According to the Hong Kong Listing Rules, the Company shall carry out size tests based on the Hong Kong Listing Rules for the related party transaction, including (I) assets ratio, that is the percentage of the total value of assets involved in the transaction divided by the total value of assets of the Company; (II) revenue ratios, that is the percentage of the revenue attributable to the assets divided by the revenue of the Company; (III) consideration ratio, that is the percentage of consideration of the transaction divided by the total market capitalization of the Company; and (IV) equity capital ratio, that is the percentage of the par value of shares to be issued by the Company as consideration divided by the par value of issued share capital of the Company immediately before the transaction. The data used in above size tests shall be adjusted in certain circumstances based on the Hong Kong Listing Rules, and the calculations shall be based on the provisions in the Hong Kong Listing Rules.</p>

**APPENDIX IX PROPOSED AMENDMENTS TO THE RULES FOR THE MANAGEMENT OF
THE RELATED PARTY TRANSACTIONS OF THE COMPANY**

Existing articles	Proposed amendments
<p>(I) Related party transactions which the General Manager has the authority to approve:</p> <p>In accordance with the Hong Kong Listing Rules as amended from time to time, related party transactions which have total exemption (exempt from obligations of reporting, announcement and independent shareholders' approval). Under the existing Hong Kong Listing Rules, that is when each ratio is (1) lower than 0.1%, or (2) lower than 1% and when relevant transactions become related party transactions only because the related persons have relations with one or more subsidiaries of the Company, or (3) lower than 5% and each year the consideration of the transactions is lower than HK\$3 million. The General Manager shall be authorised to approve such related party transactions.</p> <p>Based on the rules of the stock exchange of the place where domestic shares are listed, (1) related party transactions with related natural persons with a value lower than RMB300,000; or (2) related party transactions with a related legal person with a value lower than RMB3 million and lower than 0.5% of the latest audited net assets of the Company shall be submitted for the approval by the General Manager.</p>	<p>(I) Related party transactions which the General Manager has the authority to approve:</p> <p>In accordance with the Hong Kong Listing Rules as amended from time to time, related party transactions which have total partial exemption (exempt from obligations of reporting, announcement and independent shareholders' approval). Under the existing Hong Kong Listing Rules, that is when each ratio is (1) lower than 0.1%, or (2) lower than 1% and when relevant transactions become related party transactions only because the related persons have relations with one or more subsidiaries of the Company, or (3) tested to be lower than 5% or lower than 25% and each year the consideration of the transactions is lower than HK\$310 million, the General Manager shall be authorised to approve such related party transactions.</p> <p>Based on the rules of the stock exchange of the place where domestic shares are listed the SSE Listing Rules, (1) related party transactions with related natural persons with a value lower than RMB300,000 (save for provision of guarantees by the Company); or (2) related party transactions with a related legal person with a value lower than RMB3 million and or lower than 0.5% of the latest audited net assets of the Company (save for provision of guarantees by the Company) shall be submitted for the approval by the General Manager.</p>

**APPENDIX IX PROPOSED AMENDMENTS TO THE RULES FOR THE MANAGEMENT OF
THE RELATED PARTY TRANSACTIONS OF THE COMPANY**

Existing articles	Proposed amendments
<p>Related party transactions to be approved by the General Manager should be reported in writing by the relevant department which first became involved in such transactions. The General Manager or General Manager's Office shall examine the necessity, reasonableness and fairness of pricing of the related party transaction. Necessary related party transactions shall be implemented upon the General Manager or General Manager's Office's approval. The General Manager shall fully report to the Board about the related party transactions in the usual course of business of the Company which involve the Board's approval.</p> <p>(II) Related party transactions which shall be approved by the Board:</p> <p>In accordance with the Hong Kong Listing Rules as amended from time to time, related party transactions which have partial exemption (exempt from requirements of independent shareholder's approval). Under the existing Hong Kong Listing Rules, that is when each of the above-mentioned ratio is tested to be lower than 5%, or lower than 25% and the annual consideration is lower than HK\$10 million. The Board can approve such related party transactions.</p>	<p>Related party transactions to be approved by the General Manager should be reported in writing by the relevant department which first became involved in such transactions. The General Manager or General Manager's Office shall examine the necessity, reasonableness and fairness of pricing of the related party transaction. Necessary related party transactions shall be implemented upon the General Manager or General Manager's Office's approval. The General Manager shall fully report to the Board about the related party transactions in the usual course of business of the Company which involve the Board's approval.</p> <p>(II) Related party transactions which shall be approved by the Board:</p> <p>In accordance with the Hong Kong Listing Rules as amended from time to time, related party transactions which have partial exemption (exempt from requirements of independent shareholder's approval). Under the existing Hong Kong Listing Rules, that is when each of the above-mentioned ratio is tested to be lower than 5%, or lower than 25% and the annual consideration is lower than HK\$10 million. The Board can approve such related party transactions.</p>

**APPENDIX IX PROPOSED AMENDMENTS TO THE RULES FOR THE MANAGEMENT OF
THE RELATED PARTY TRANSACTIONS OF THE COMPANY**

Existing articles	Proposed amendments
<p>Based on the rules of the stock exchange of the place where the domestic shares are listed, (1) related party transactions with related natural persons with a value higher than RMB300,000 but lower than RMB3 million; (2) related party transactions with related legal persons with a value higher than RMB3 million but lower than RMB30 million or which the value is higher than 0.5% but lower than 5% of the latest audited net assets of the Company; (3) even if the related party transaction is within the authority of the General Manager’s approval and implementation, the Board and independent directors or the board of supervisors will consider it necessary to submit it for the Board’s approval; (4) related party transactions authorised by the general meeting to be reviewed and implemented by the Board shall be reviewed and approved by the Board.</p>	<p>Based on the rules of the stock exchange of the place where the domestic shares are listed <u>the SSE Listing Rules</u>, (1) related party transactions with related natural persons with a value higher than <u>RMB300,000 but lower than RMB3 million and not falling within the approval scope of the general meeting as stated in (III) therein (save for provision of guarantees by the Company)</u>; (2) related party transactions with related legal persons with a value higher than <u>RMB3 million but lower than RMB30 million, accounting for more</u> or which the value is higher than 0.5% but lower than 5% of the latest audited net assets of the Company <u>and not falling within the approval scope of the general meeting as stated in Paragraph (III) herein (save for provision of guarantees by the Company)</u>; (3) even if the related party transaction is within the authority of the General Manager’s approval and implementation, the Board and independent directors or the board of supervisors will consider it necessary to submit it for the Board’s approval; (4) related party transactions authorised by the general meeting to be reviewed and implemented by the Board shall be reviewed and approved by the Board.</p>

**APPENDIX IX PROPOSED AMENDMENTS TO THE RULES FOR THE MANAGEMENT OF
THE RELATED PARTY TRANSACTIONS OF THE COMPANY**

Existing articles	Proposed amendments
<p>Related party transactions to be approved by the Board should be reported to the Board by the General Manager or the director who first became involved in such transactions. The Board shall follow the procedural of convening Board meeting, and make rational judgment and review whether the transaction is a related party transaction.</p>	<p>Related party transactions to be approved by the Board should be reported to the Board by the General Manager or the director who first became involved in such transactions. The Board shall follow the procedural of convening Board meeting, and make rational judgment and review whether the transaction is a related party transaction.</p>
<p>(III) Related party transactions which shall be approved by the general meeting:</p> <p>In accordance with the Hong Kong Listing Rules as amended from time to time, related party transactions which have no exemptions (from obligations of reporting announcing and independent shareholder’s approval). Under the existing Hong Kong Listing Rules, that is the transaction the ratios and amounts of which fail to satisfy the requirements as described in Paragraph (I) and Paragraph (II) herein, such transactions shall be submitted to the general meeting for shareholders’ review and approval after examination and approval of the Board.</p>	<p>(III) Related party transactions which shall be approved by the general meeting:</p> <p>In accordance with the Hong Kong Listing Rules as amended from time to time, related party transactions which have no exemptions (from obligations of reporting announcing and independent shareholder’s approval). Under the existing Hong Kong Listing Rules, that is when the transaction the ratios and amounts of which fail to satisfy the requirements as described in Paragraph (I) and Paragraph (II) herein, <u>such each ratio test above has not satisfied the criteria of “lower than 5% or lower than 25% and the consideration is less than HK\$10,000,000” each year, such related party transactions</u> shall be submitted to the general meeting for shareholders’ review and approval after examination and approval of the Board.</p>

**APPENDIX IX PROPOSED AMENDMENTS TO THE RULES FOR THE MANAGEMENT OF
THE RELATED PARTY TRANSACTIONS OF THE COMPANY**

Existing articles	Proposed amendments
<p>Based on the rules of the stock exchange of the place where the domestic shares are listed, (1) related party transactions with related natural persons with a value higher than RMB3 million; (2) related party transactions with related legal persons with a value higher than RMB30 million and the absolute value is higher than 5% of the latest audited net assets of the Company; (3) even if the related party transaction is within the authority of the General Manager and the Board for its approval and implementation, independent directors or the board of supervisors consider it necessary to submit it for the approval at the general meeting shall be reviewed and approved at the general meeting.</p>	<p>Based on the rules of the stock exchange of the place where the domestic shares are listed <u>the SSE Listing Rules</u>, (1) <u>related party transactions with related natural persons</u>; (2) related party transactions with related legal persons with a value higher than RMB30 million and the absolute value is higher than 5% of the latest audited net assets of the Company <u>(except where the Company provides guarantees, receives donation of any assets in cash or simply discharges its obligations or liabilities)</u>; (2) even if the related party transaction is within the authority of the General Manager and the Board for its approval and implementation, independent directors or the board of supervisors consider it necessary to submit it for the approval at the general meeting shall be reviewed and approved at the general meeting.</p>

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THE RELATED PARTY TRANSACTIONS OF THE COMPANY**

Existing articles	Proposed amendments
<p>Where the Board considers that the related party transaction should be submitted for approval at the general meeting, the Board shall prepare the resolution for approval at the general meeting, and issue the circular for the general meeting. The circular shall clearly indicate information such as the date, venue and agenda of the general meeting, as well as the details, nature and the related party of the related party transaction. Independent directors shall disclose their opinions on the fairness of the related party transaction, whether it is in the interests of the Company and its shareholders, whether the annual caps of the related party transaction are fair and reasonable (in the case of continuing related party transactions) and recommendations for voting. The circular shall also disclose the opinions of independent financial advisers engaged by the independent board committee concerning the fairness of the related party transaction, whether it is in the interests of the Company and its shareholders, whether the annual caps of related party transaction are fair and reasonable (in the case of continuing related party transactions) and recommendations for voting.</p>	<p>Where the Board considers that the related party transaction should be submitted for approval at the general meeting, the Board shall prepare the resolution for approval at the general meeting, and issue the circular for the general meeting. The circular shall clearly indicate information such as the date, venue and agenda of the general meeting, as well as the details, nature and the related party of the related party transaction. Independent directors shall disclose their opinions on the fairness of the related party transaction, whether it is in the interests of the Company and its shareholders, whether the annual caps of the related party transaction are fair and reasonable (in the case of continuing related party transactions) and recommendations for voting. The circular shall also disclose the opinions of independent financial advisers engaged by the independent board committee concerning the fairness of the related party transaction, whether it is in the interests of the Company and its shareholders, whether the annual caps of related party transaction are fair and reasonable (in the case of continuing related party transactions) and recommendations for voting.</p>

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THE RELATED PARTY TRANSACTIONS OF THE COMPANY**

Existing articles	Proposed amendments
<p>Article 27 Related party transactions entered into between the Company and related parties with a total value higher than RMB3 million or higher than 0.5% of the latest audited net assets of the Company shall be submitted for the discussion of the Board upon the approval of more than half of the independent directors. Before independent directors can engage an intermediary to issue an independent financial report as the basis of determination before the independent directors make such determination.</p>	<p>Article 27 Related party transactions entered into between the Company and related parties with a total value higher than RMB3 million or higher than 0.5% of the latest audited net assets of the Company <u>falling within the approval scope of the Board as stated in Paragraph (II) of Article 26</u> shall be submitted for the discussion of the Board upon the approval of more than half of the independent directors. Before independent directors can engage an intermediary to issue an independent financial report as the basis of determination before the independent directors make such determination.</p>
<p>Article 30 The agreements for related party transactions involved in the usual course of business of the Company shall at least include main clauses such as clauses on the transaction price, the principle and basis of pricing, the total number the transactions or its method of determination, the payment date and payment terms. Subject to the satisfaction of the requirements under the Hong Kong Listing Rules and the rules of the stock exchange where the domestic shares are listed, if the duration of the agreement of such related party transaction between the Company and the related parties is more than three years, the relevant party procedures and disclosure obligation shall be fulfilled every three years in accordance with Article 29 herein.</p>	<p>Article 30 The agreements for related party transactions involved in the usual course of business of the Company shall at least include main clauses such as clauses on the transaction price, the principle and basis of pricing, the total number the transactions or its method of determination, the payment date and payment terms. Subject to the satisfaction of the requirements under the Hong Kong Listing Rules and the rules of the stock exchange where the domestic shares are listed <u>the SSE Listing Rules</u>, if the duration of the agreement of such related party transaction between the Company and the related parties is more than three years, the relevant party procedures and disclosure obligation shall be fulfilled every three years in accordance with Article 29 herein.</p>

**APPENDIX IX PROPOSED AMENDMENTS TO THE RULES FOR THE MANAGEMENT OF
THE RELATED PARTY TRANSACTIONS OF THE COMPANY**

Existing articles	Proposed amendments
<p>Article 31 For the related party transactions which the Company enters into with related parties for 12 consecutive months on the same subject matter, or entered into with the same related parties, the cumulative transaction amounts shall be calculated and submitted to the Board or the general meeting for approval in accordance with Article 26 herein, and disclosed in accordance with Articles 28 and 34. The same related party includes parties which are under the same direct or indirect control by a legal person, other organizations or natural persons as the related party, or parties with mutual equity holding relationships. The same related party also includes legal persons or other organizations where the same related natural person serves as a director or a senior management member.</p>	<p>Article 31 For the related party transactions which the Company enters into with <u>different</u> related parties for 12 consecutive months on the same subject matter, or entered into with the same related parties, the cumulative transaction amounts shall be calculated and submitted to the Board or the general meeting for approval in accordance with Article 26 herein, and disclosed in accordance with Articles 28 and 34. The same related party includes parties which are under the same direct or indirect control by a legal person, other organizations or natural persons as the related party, or parties with mutual equity holding relationships. The same related party also includes legal persons or other organizations where the same related natural person serves as a director or a senior management member.</p>

**APPENDIX IX PROPOSED AMENDMENTS TO THE RULES FOR THE MANAGEMENT OF
THE RELATED PARTY TRANSACTIONS OF THE COMPANY**

Existing articles	Proposed amendments
<p>Article 34 Related party transactions between the Company and related natural persons with an amount over RMB300,000 (except where the Company provides a guarantee) shall be disclosed in a timely manner. The Company shall not provide loans directly or indirectly to directors, supervisors or senior management members. Related party transactions between the Company and related legal persons with an amount over RMB3 million and higher than 0.5% of the latest audited net assets of the Company (except where the Company provides a guarantee) shall be disclosed in a timely manner.</p>	<p>Article 34 <u>Under the Hong Kong Listing Rules as amended from time to time, connected transactions shall be disclosed in accordance with the existing Hong Kong Listing Rules, except for those having total exemption (exempt from obligations of reporting, announcement and independent shareholder’s approval) below:</u></p> <p><u>when each ratio stated in Article 26 is (1) lower than 0.1%, or (2) lower than 1% and when relevant transactions become related party transactions only because the related persons is related to one of more subsidiaries of the Company, or (3) lower than 5% and the consideration of transactions is lower than HK\$3,000,000 each year.</u></p> <p><u>Pursuant to the SSE Listing Rules,</u> related party transactions between the Company and related natural persons with an amount over RMB300,000 (except where the Company provides a guarantee) shall be disclosed in a timely manner. The Company shall not provide loans directly or indirectly to directors, supervisors or senior management members. Related party transactions between the Company and related legal persons with an amount over RMB3 million and higher than 0.5% of the latest audited net assets of the Company (except where the Company provides a guarantee) shall be disclosed in a timely manner.</p>

**APPENDIX IX PROPOSED AMENDMENTS TO THE RULES FOR THE MANAGEMENT OF
THE RELATED PARTY TRANSACTIONS OF THE COMPANY**

Existing articles	Proposed amendments
<p>Article 38 The rules herein shall be approved at general meeting of the Company. The same applies to amendment of these rules. The revised rules will come into effect after the RMB ordinary shares issued by the Company are listed. Prior to the completion of the issue and listing of RMB ordinary shares, the existing rules of the Company continues to be valid.</p>	<p>Article 38 The rules herein <u>are prepared by the Board and</u> shall be approved at general meeting of the Company. The same applies to amendment of these rules. The revised rules will come into effect after the RMB ordinary shares issued by the Company are listed. Prior to the completion of the issue and listing of RMB ordinary shares, the existing rules of the Company continues to be valid.</p>
<p>Article 39 Matters not covered in these rules shall be executed in accordance with the Articles of Association, the Hong Kong Listing Rules and relevant laws and regulations. If there are any contraventions between these rules and the restated or revised Articles of Association, the Hong Kong Listing Rules and relevant laws and regulations to be subsequently issued or amended, the Articles of Association, the Hong Kong Listing Rules and relevant laws and regulations shall prevail.</p>	<p>Article 39 Matters not covered in these rules shall be executed in accordance with the Articles of Association, the Hong Kong Listing Rules, <u>the SSE Listing Rules</u> and relevant laws and regulations. If there are any contraventions between these rules and the restated or revised Articles of Association, the Hong Kong Listing Rules, <u>the SSE Listing Rules</u> and relevant laws and regulations to be subsequently issued or amended, the Articles of Association, the Hong Kong Listing Rules, <u>the SSE Listing Rules</u> and relevant laws and regulations shall prevail.</p>

The proposed resolution on the buy-back and cancellation of H Shares and the reduction of the registered capital of the Company is set out as follows:

I. BUY-BACK METHOD

The Company intends to proceed with the buy-back by way of voluntary conditional cash offer.

II. BUY-BACK PRICE

The H Shares will be bought-back at a price of HK\$11.78 per share (a cash dividend of RMB0.32 (tax inclusive) per share is proposed as the Board of the Company has considered and approved the profit distribution plan for 2017), which will not be further adjusted based on the profit distribution plan for 2017 and the implementation thereof as the Company has considered the aforesaid factors before determining the buy-back price of the H Shares.

III. TYPE, NUMBER AND PROPORTION OF SHARES TO TOTAL SHARE CAPITAL UNDER THE BUY-BACK

1. Type of shares to be bought-back

Overseas-listed foreign invested shares (H Shares) listed on the main board of the Stock Exchange.

2. Number of shares to be bought-back and the proportion to the total share capital

The Company intends to buy-back no more than 388,917,038 H Shares, representing approximately 9.87% of the total issued share capital of the Company. The specific amount of shares bought-back depends on the actual amount of shares bought-back upon expiry of the buy-back period.

IV. TOTAL BUY-BACK AMOUNT AND SOURCE OF FUND**1. Total maximum amount to be used in the buy-back**

Based on the abovementioned buy-back price of H Shares of HK\$11.78 per share, the total buy-back amount is estimated to be no more than HK\$4,581,442,707.64.

2. Source of fund to be used in the buy-back

The source of fund to be used in the buy-back is mainly the self-owned funds of the Company.

V. TERM OF BUY-BACK

The term of acceptance of the shares to be bought-back shall commence from the despatch date of the offering circular and up to 28 clear days upon consideration and approval of the buy-back at the AGM, A Share Class Meeting and H Share Class Meeting of the Company (which shall be calculated from the following day of the consideration and approval of the buy-back at the AGM, the A Share Class Meeting and the H Share Class Meeting of the Company).

VI. PURPOSE OF SHARES BOUGHT-BACK

The H Shares to be bought-back by the Company will be cancelled and the registered capital of the Company will be reduced accordingly based on the par value of H Shares cancelled.

VII. VALIDITY OF RESOLUTION

The resolution in relation to the buy-back shall be valid for a period of 12 months from the date of approval of the buy-back plan at the AGM and the Class Meetings of the Company.

VIII. MAIN PROCEDURAL FOR CONSIDERATION OF BUY-BACK

The buy-back shall be considered and approved at the AGM, the A Share Class Meeting and the H Share Class Meeting by undergoing the following procedures:

1. Convening the bondholders' meeting to consider the resolution in relation to the buy-back;
2. Making announcements to creditors on the creditor's rights to request the Company to repay debts or provide relevant indemnity guarantees.

IX. AUTHORIZATIONS UNDER THE BUY-BACK

The Company proposes to the AGM and the Class Meetings to authorize the Board and then to the operating management of the Company to deal with the following matters related to the buy-back of shares of the Company:

1. To authorize the Board of the Company to further authorize the operating management of the Company to buy-back the shares as opportunity arises pursuant to the above requirements, which shall include the time, price and amount under the buy-back;
2. To authorize the Board of the Company to further authorize the operating management of the Company to formulate, sign, execute, amend, supplement and deliver all necessary documents in relation to the buy-back;
3. To authorize the Board of the Company to further authorize the operating management of the Company to deal with the regulatory procedural, approval and filing regarding the buy-back and relevant matters pursuant to relevant requirements;
4. To authorize the Board of the Company to further authorize the operating management of the Company to deal with the set-up of overseas stock account, cancellation of shares bought-back, reduction of registered capital, amendments to the Articles of Association as well as the procedures of registration of change/filing with the relevant competent authorities;
5. To authorize the Board of the Company to further authorize the operating management of the Company to prepare the notice to creditors and proceed with the early repayment of debts or provision of relevant guarantees at the creditors' request;
6. To authorize the Board of the Company to establish the independent Board committee (which shall be comprised of Chen Shuhong, Xu Guofeng, Joseph Raymond Gagnon, Zhang Qiqi (non-executive Directors of the Company); and Li Zhenning, Ding Yuan, Lee Kwan Hung and Qian Shizheng (independent non-executive Directors of the Company)) in accordance with the requirements of applicable laws, regulations and regulatory rules at home and abroad;

7. To authorize the Board of the Company to further authorize the operating management of the Company to engage relevant professional institutions, including but not limited to property valuer and independent financial adviser in accordance with the requirements of applicable laws, regulations and regulatory rules at home and abroad;
8. To authorize the Board of the Company to further authorize the operating management of the Company to adjust the specific implementation plan and transact other matters related to the buy-back in accordance with relevant requirements (i.e. the applicable laws and regulations and such requirements issued by the regulatory authority);
9. The authorization shall be valid for a period of 12 months from the consideration and approval at the AGM.

The above resolution was considered and approved at the twenty-fourth extraordinary meeting of the third session of the Board of the Company and is hereby submitted to the Shareholders for consideration.

NOTICE OF THE 2017 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 2017 AGM

NOTICE IS HEREBY GIVEN that the 2017 annual general meeting (the “**AGM**”) of Red Star Macalline Group Corporation Ltd. (the “**Company**”) will be held on Friday, 8 June 2018 at 1:00 p.m. at Huaxia Hall, Shanghai Ship Hotel, No. 4988 Hangnan Road, Nanqiao Town, Fengxian District, Shanghai, People's Republic of China for the following purposes. Unless otherwise indicated, capitalised terms used in this notice and the following resolutions shall have the same meanings as those defined in the circular of the Company dated 24 April 2018 (the “**AGM Circular**”) of which the notice convening the AGM forms part.

For further details regarding the resolutions numbered 1–13 below, please refer to the AGM Circular.

For further details regarding the resolution numbered 14 below, please refer to the Offer Document.

ORDINARY RESOLUTIONS

To consider and approve:

1. the work report of the Board for 2017;
2. the work report of the Supervisory Committee for 2017;
3. the final account report for 2017;
4. the financial budget report for 2018;
5. the profit distribution plan for 2017;
6. the annual report and annual results for the year ended 31 December 2017;
7. The re-appointment of Deloitte Touche Tohmatsu Certified Public Accountants LLP as the auditor for the financial report and the internal control auditor of the Company for the year 2018;

NOTICE OF THE 2017 AGM

8. the remuneration of Directors for 2017;
9. the remuneration of Supervisors for 2017;
10. the amendments to the working rules of the independent non-executive Directors;
11. the amendments to the rules for management of external guarantees; and
12. the amendments to the rules for the management of the related party transactions.

SPECIAL RESOLUTIONS

To consider and approve:

13. the amendments to the procedural rules of the general meetings; and
14. the conditional cash offer (the “**Offer**”) by CICC on behalf of the Company to buy-back up to 388,917,038 H Shares of nominal value of RMB1.00 each in the issued share capital of the Company held by the shareholders of the Company (the “**Shareholders**”) at a price of HK\$11.78 per H Share, subject to the terms and conditions set out in the offer document dated 24 April 2018 and despatched to the Shareholders dated 24 April 2018 together with the accompanying form of acceptance (a copy of which marked “A” has been produced to the meeting and initialled by the chairman of the meeting for the purpose of identification) be approved and that any one of the directors of the Company be and is hereby authorized to execute all such documents with or without amendments and to do all such acts and things as he considers desirable, necessary or expedient in connection with or to give effect to any matters relating to or in connection with the Offer including, without limitation, completion of the buy-back of the Shares pursuant to the Offer.

By Order of the Board

Red Star Macalline Group Corporation Ltd.

Guo Binghe

Company Secretary

Shanghai, the PRC

24 April 2018

At the date of this notice, the executive directors are CHE Jianxing, ZHANG Qi, CHE Jianfang and JIANG Xiaozhong; non-executive directors are CHEN Shuhong, XU Guofeng, Joseph Raymond GAGNON and ZHANG Qiqi; and independent non-executive directors are LI Zhenning, DING Yuan, LEE Kwan Hung and QIAN Shizheng.

NOTICE OF THE 2017 AGM

Notes:

1. For the purpose of holding the AGM, the register of members of the Company will be closed from Wednesday, 9 May 2018 to Friday, 8 June 2018 (both days inclusive), during which period no transfer of shares can be registered. In order for H Share Shareholders to be qualified to attend and vote at the 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, no later than 4:30 p.m. on Tuesday, 8 May 2018 for registration.

The Shareholders whose names appear on the register of members of the Company on Tuesday, 8 May 2018 after close of business are entitled to attend and vote at the AGM.

2. 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 member of the Company.
3. 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.
4. 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.
5. 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.
6. Shareholders who intend to attend the AGM should complete the reply slip and return it to the office of the H Share registrar of the Company, Computershare Hong Kong Investor Services Limited on or before Saturday, 19 May 2018.
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.

NOTICE OF THE H SHARE CLASS MEETING



Red Star Macalline Group Corporation Ltd.

紅星美凱龍家居集團股份有限公司

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

(Stock Code: 1528)

NOTICE OF THE H SHARE CLASS MEETING

NOTICE IS HEREBY GIVEN that a H Share Shareholders Class Meeting (the “**H Share Class Meeting**”) of Red Star Macalline Group Corporation Ltd. (the “**Company**”) will be held on 8 June 2018 immediately after the conclusion of the A Share Shareholders Class Meeting (the “**A Share Class Meeting**”) at Huaxia Hall, Shanghai Ship Hotel, No. 4988 Hangnan Road, Nanqiao Town, Fengxian District, Shanghai, PRC to consider and, if thought fit, to pass the following resolution:

SPECIAL RESOLUTION

“**THAT**

the conditional cash offer (the “**Offer**”) by CICC on behalf of the Company to buy-back up to 388,917,038 H Shares of nominal value of RMB1.00 each in the issued share capital of the Company held by the shareholders of the Company (the “**Shareholders**”) at a price of HK\$11.78 per H Share, subject to the terms and conditions set out in the offer document dated 24 April 2018 and despatched to the Shareholders dated 24 April 2018 together with the accompanying form of acceptance (a copy of which marked “**A**” has been produced to the meeting and initialled by the chairman of the meeting for the purpose of identification) be approved and that any one of the directors of the Company be and is hereby authorized to execute all such documents with or without amendments and to do all such acts and things as he considers desirable, necessary or expedient in connection with or to give effect to any matters relating to or in connection with the Offer including, without limitation, completion of the buy-back of the Shares pursuant to the Offer.”

By Order of the Board

Red Star Macalline Group Corporation Ltd.

Guo Binghe

Company Secretary

Shanghai, the PRC

24 April 2018

NOTICE OF THE H SHARE CLASS MEETING

At the date of this notice, the executive directors are CHE Jianxing, ZHANG Qi, CHE Jianfang and JIANG Xiaozhong; non-executive directors are CHEN Shuhong, XU Guofeng, Joseph Raymond GAGNON and ZHANG Qiqi; and independent non-executive directors are LI Zhenning, DING Yuan, LEE Kwan Hung and QIAN Shizheng.

Notes:

1. For the purpose of holding the H Share Class Meeting, the register of H Share Shareholders of the Company will be closed from Wednesday, 9 May 2018 to Friday, 8 June 2018 (both days inclusive), during which period no transfer of H Shares of the Company can be registered.

In order for H Share Shareholders to be qualified to attend and vote at the H Share Class Meeting, all transfer documents accompanied by the relevant share certificates must be lodged with the H Share Registrar of the Company, Computershare Hong Kong Investor Services Limited at Room 1712–1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong, no later than 4:30 p.m. on Tuesday, 8 May 2018.

H Share Shareholders whose names appear on the register of members of the Company on Tuesday, 8 May 2018 after close of business are entitled to attend and vote at the H Share Class Meeting.
2. H Share Shareholders who are entitled to attend and vote at the H Share Class Meeting may appoint one or more proxies to attend and vote on their behalves. A proxy need not be a member of the Company.
3. The instrument appointing a proxy must be in writing under the hand of a H Share Shareholder or his attorney duly authorized in writing. If the H Share 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.
4. In order to be valid, for H Share Shareholders, the proxy form must be deposited at the H Share Registrar of the Company, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong not less than 24 hours before the time for holding the H Share Class Meeting. If the proxy form is signed by a person under a power of attorney or other authority, a notarized copy of that power of attorney or other authority shall be deposited at the same time as mentioned in the proxy form. Completion and return of the proxy form will not preclude H Share Shareholders from attending and voting in person at the H Share Class Meeting or any adjourned meetings should they so wish.
5. H Share Shareholders shall produce their identity documents and supporting documents in respect of the shares of the Company held when attending the H Share Class Meeting. If corporate H Share Shareholders appoint authorized representative to attend the H Share Class Meeting, the authorized representative shall produce his/her identity documents and a notarized copy of the relevant authorization instrument signed by the board of directors or other authorized parties of the corporate H Share Shareholders or other notarized documents allowed by the Company. Proxies shall produce their identity documents and the proxy form signed by the H Share Shareholders or their attorney when attending the H Share Class Meeting.
6. H Share Shareholders who intend to attend the H Share Class Meeting should complete the reply slip and return it to the office of the H Share Registrar of the Company, Computershare Hong Kong Investor Services Limited on or before Saturday, 19 May 2018.
7. The H Share Class Meeting is expected to take for less than half a day. H Share Shareholders attending the H Share Class Meeting shall be responsible for their own travel and accommodation expenses.
8. All voting at the H Share Class Meeting will be conducted by poll.