
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 H 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)

(1) PROPOSED A SHARE OFFERING AND RELATED MATTERS
(2) PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION
AND CORPORATE GOVERNANCE RULES FOR THE PURPOSE OF THE
PROPOSED A SHARE OFFERING
(3) PROPOSED ISSUE OF THE SUPER SHORT-TERM
COMMERCIAL PAPERS IN THE PRC
NOTICE OF THE EXTRAORDINARY GENERAL MEETING
NOTICE OF THE DOMESTIC SHAREHOLDERS' CLASS MEETING
AND
NOTICE OF THE H SHAREHOLDERS' CLASS MEETING

A letter from the Board is set out on pages 3 to 17 of this circular. Please also see pages 163 to 172 of this circular for the notices of the EGM, the Domestic Shareholders' Class Meeting and the H Shareholders' Class Meeting.

If you intend to attend the EGM, the Domestic Shareholders' Class Meeting and/or the H Shareholders' Class Meeting, please complete and return the applicable reply slip(s) in accordance with the instructions printed thereon as soon as possible and in any event by no later than Thursday, 10 March 2016.

Shareholders who intend to appoint a proxy to attend the EGM, the Domestic Shareholders' Class Meeting and/or the H Shareholders' Class Meeting shall complete and return the applicable 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 notarised.

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

For holders of H Shares, 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, Hong Kong as soon as possible, and in any event not later than 24 hours before the time appointed for holding the EGM and the H Shareholders' Class Meeting. For holders of Domestic Shares, 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 EGM and the Domestic Shareholders' Class Meeting. Completion and return of the proxy form will not preclude you from attending and voting in person at the EGM, the Domestic Shareholders' Class Meeting and the H Shareholders' Class Meeting or any adjournment thereof should you so wish.

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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 expressions have the following meanings:

“A Share(s)”	means the ordinary shares(s) proposed to be issued by the Company pursuant to the A Share Offering, with a nominal value of RMB1.00 each, which will be listed on the Shanghai Stock Exchange and traded in RMB
“A Share Offering”	means the Company’s proposed initial public offering of not more than 315,000,000 A Shares in the PRC
“Articles of Association”	means the articles of association of the Company, as amended from time to time
“Board Meeting”	means the meeting of the Board held on 12 February 2016
“Board”	means the board of directors of the Company
“Company”	means Red Star Macalline Group Corporation Ltd., a sino-foreign joint stock company incorporated in the PRC with limited liability, the H Shares of which are listed and traded on the Main Board of the Hong Kong Stock Exchange
“connected person(s)”	has the meaning ascribed to it under the Hong Kong Listing Rules
“Corporate Bonds”	means corporate bonds with an aggregate principal amount of RMB5,000,000,000 and coupon rate of 4.50% issued by the Company in the PRC on 11 November 2015
“CSRC”	means the China Securities Regulatory Commission
“Director(s)”	means the director(s) of the Company
“Domestic Share(s)”	means the ordinary shares issued by the Company in the PRC with a nominal value of RMB1.00 each, which are subscribed for and paid up in RMB
“Domestic Shareholder(s)”	means the holder(s) of the Domestic Share(s)
“Domestic Shareholders’ Class Meeting”	means the class meeting of Domestic Shareholders to be held at 11:00 a.m. on Wednesday, 30 March 2016 at 28/F Red Star World Trade Building, No. 598, Nujiang Road North, Putuo District, Shanghai, PRC or any adjournment thereof, or immediately after the conclusion of the EGM (whichever is the later)
“EGM”	means the 2016 second extraordinary general meeting of the Company to be held at 10:00 a.m. on Wednesday, 30 March 2016 at 28/F Red Star World Trade Building, No. 598, Nujiang Road North, Putuo District, Shanghai, PRC or any adjournment thereof
“Group”	means the Company and its subsidiaries
“Guidelines”	means the Guidelines for Articles of Association of Listed Companies (Revised in 2014) issued by the CSRC
“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 on the Hong Kong Stock Exchange and traded in HKD
“H Shareholder(s)”	means the holder(s) of the H Share(s)
“H Shareholders’ Class Meeting”	means the class meeting of H Shareholders to be held at 12:00 p.m. on Wednesday, 30 March 2016 at 28/F Red Star World Trade Building, No. 598, Nujiang Road North, Putuo District, Shanghai, PRC or any adjournment thereof, or immediately after the conclusion of the Domestic Shareholders’ Class Meeting (whichever is the later)

DEFINITIONS

“H Share Offering”	means the initial public offering of the Company’s H Shares globally and the listing of such H Shares on the Hong Kong Stock Exchange on 26 June 2015
“H Share Registrar”	means Computershare Hong Kong Investor Services Limited
“HKD”	means Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	means the Hong Kong Special Administrative Region of the PRC
“Hong Kong Stock Exchange”	means The Stock Exchange of Hong Kong Limited
“Hong Kong Listing Rules”	means the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange
“Independent Directors”	means the independent non-executive directors of the Company
“Independent Third Party(ies)”	means person(s) who, as far as the Directors are aware after having made all reasonable enquiries, are not connected persons of the Company
“Mandatory Provisions”	means the Mandatory Provisions in the Articles of Association of Companies Listed Overseas issued by the Securities Commission of the State Council and the State Commission for Restructuring the Economic System of the PRC
“Measures”	means the Measures for the Administration of Issue of Securities and Underwriting (《證券發行與承銷管理辦法》) issued by the CSRC
“NAFMII”	means the National Association of Financial Market Institutional Investors in the PRC
“PRC”	means the People’s Republic of China, for the purpose of this circular, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Procedure Rules of the General Meetings”	means the procedure rules of the general meetings of the Company
“Prospectus”	means the prospectus of the Company dated 16 June 2015
“RMB”	means Renminbi, the lawful currency of the PRC
“Rules for the Management of the Proceeds of Fund Raising by the Company”	means the Company’s rules for the management of the proceeds of fund raising by the Company
“Rules for the Management of the Related Party Transactions of the Company”	means the Company’s rules for the management of the related party transactions
“Rules of the General Meetings of Listed Companies”	means the Rules of the General Meetings of Listed Companies (Revised in 2014) issued by the CSRC
“Share(s)”	means the share(s) of the Company, including Domestic Share(s) and H Share(s)
“Shareholder(s)”	means the shareholder(s) of the Company
“Super Short-term Commercial Papers”	means the super short term commercial papers with an aggregate principal amount not exceeding RMB3 billion proposed to be issued by the Company in the PRC
“Working Rules of the Independent Non-Executive Directors”	means the working rules of the Independent Non-Executive Directors of the Company
“%”	means per cent



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:

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

Independent non-executive Directors:

Mr. Zhou Qinye
Mr. Li Zhenning
Mr. Ding Yuan
Mr. Lee Kwan Hung

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

12 February 2016

To the Shareholders

Dear Sir or Madam,

**(1) PROPOSED A SHARE OFFERING AND RELATED MATTERS
(2) PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION
AND CORPORATE GOVERNANCE RULES FOR THE PURPOSE OF THE
PROPOSED A SHARE OFFERING
(3) PROPOSED ISSUE OF THE SUPER SHORT-TERM
COMMERCIAL PAPERS IN THE PRC
NOTICE OF THE EXTRAORDINARY GENERAL MEETING
NOTICE OF THE DOMESTIC SHAREHOLDERS' CLASS MEETING
AND
NOTICE OF THE H SHAREHOLDERS' CLASS MEETING**

1. INTRODUCTION

Reference is made to the announcement of the Company dated 12 February 2016 in relation to the proposed A Share Offering. At the meeting of the Board held on 12 February 2016, the following resolutions have been passed by the Board: (1) the proposal of the A Share Offering; (2) the authorisation

LETTER FROM THE BOARD

to deal with all matters relating to the A Share Offering; (3) the plan for distribution of profits accumulated before the A Share Offering; (4) the use of proceeds of the A Share Offering and the feasibility analysis; (5) the future dividend plan for the three years after the A Share Offering; (6) the A Share price stabilisation plan for the three years after the A Share Offering; (7) the dilution of immediate return as a result of the A Share Offering and remedial measures; (8) the report on the use of proceeds of the H Share Offering; (9) the undertakings regarding the disclosure of information in the prospectus published for the A Share Offering; (10) the appointment of domestic auditor; (11) the proposed amendments to the Articles of Association; (12) the proposed amendments to the Procedure Rules of the General Meetings; (13) the proposed amendments to the Rules for the Management of Proceeds of Fund Raising by the Company; (14) the proposed amendments to the Rules for the Management of the Related Party Transactions; (15) the proposed amendments to the Working Rules of the Independent Directors; and (16) the proposed issue of the Super Short-term Commercial Papers in the PRC.

The proposals of (1) to (4), (11) (12) and (16) above are to be approved by the Shareholders by way of special resolutions and the proposals of (5) to (10) and (13) to (15) above are to be approved by the Shareholders by way of ordinary resolutions at the EGM.

The proposals (1) to (9) are also to be approved by the Domestic Shareholders at the Domestic Shareholders' Class Meeting and by the H Shareholders at the H Shareholders' Class Meeting, respectively.

The purpose of this circular is to provide you with the information regarding, among other things, proposed resolutions (1) to (16) above to enable you to make an informed decision on whether to vote for or against the proposed resolutions at the EGM, the Domestic Shareholders' Class Meeting and the H Shareholders' Class Meeting.

2. PROPOSED A SHARE OFFERING AND RELATED MATTERS

2.1 Proposal of the A Share Offering

Subsequent to the successful completion of the H Share Offering, the Board proposes to apply for an initial public offering and listing of the A Shares in order that the Company can tap both domestic and international capital markets, enhance the liquidity of all Shares held by the Shareholders and promote an optimised corporate governance structure.

At the Board Meeting, the Board resolved to submit to the EGM, the Domestic Shareholders' Class Meeting and the H Shareholders' Class Meeting respectively for consideration and approval by the Shareholders by way of special resolution a proposal for the A Share Offering. The proposed A Share Offering will be made in accordance with the Company Law of the PRC, the Securities Law of the PRC, the Measures for the Administration of Initial Public Offerings and Listing of Shares (《首次公開發行股票並上市管理辦法》), the Opinions on Further Promoting the IPO System Reform (《關於進一步推進新股發行體制改革的意見》), the Measures and the Measures for Strengthening the Regulation and Supervision on Issue of New Shares (《關於加強新股發行監管的措施》) and other relevant laws and regulations of the PRC. Details of the proposal for the A Share Offering are set out as follows:

A. *Type of securities to be issued*

A Shares

LETTER FROM THE BOARD

B. Nominal value per Share

RMB1.00 per share

C. Stock Exchange for the proposed listing of the A Shares

Shanghai Stock Exchange

D. Offering size

The Company will issue no more than 315,000,000 new A Shares. Such number will be adjusted accordingly to reflect stock dividend, transfer of capital reserve into capital and any other ex-rights events if occurred prior to the proposed A Share Offering. The actual offering size will be determined by the Board in accordance with the relevant rules and regulations and the authorisation of the general meetings of the Company, and after consideration of the market conditions and consultation with the sponsor(s) and the lead underwriter(s).

The abovementioned offering size is determined on the basis of the Company's present shareholding structure, the funding needs for carrying out the proposed investment projects that are to be funded with proceeds from the A Share Offering, the estimated performance of the Company at the time of the A Share Offering, the estimated valuation of the PRC capital market and a combination of other relevant factors.

Assuming that there are no changes to the total issued share capital of the Company prior to the completion of the A Share Offering, the aforesaid maximum number of new A Shares to be issued under the A Share Offering represents approximately 12.30% and 8.69%, respectively, of the total issued Domestic Shares and the total issued share capital of the Company as of the date of this circular and approximately 10.95% and 8.00%, respectively, of the total issued Domestic Shares and the total issued share capital of the Company as enlarged by the issue of the A Shares under the A Share Offering.

E. Target Subscribers

The target subscribers of the A Shares are inquiring subscribers who satisfy the relevant qualification requirements, as well as natural persons, legal persons and other institutional investors who have opened A share securities accounts with the Shanghai Stock Exchange (excluding those prohibited by the relevant PRC laws and regulations).

The Company and the lead underwriter(s) will strictly comply with the requirements under the Listing Rules and the relevant PRC laws and regulations, including the Securities Law of the PRC and the Measures when conducting offline book building at the time of the A Share Offering, verify the target subscribers' connections and relationship with the Company and the lead underwriter(s) and comply with such other requirements, so as to ensure that the target subscribers of the A Share Offering comply with the relevant requirements of the CSRC and the listing rules of the place where the Shares are listed. In the event that any connected person of the Company becomes a subscriber of the A Shares, the Company will take every reasonable step to comply with the relevant requirements under the Listing Rules.

F. Method of offering

A combination of offline book building and placement to the inquiring subscribers and on-line applications or other offering methods approved by the CSRC.

LETTER FROM THE BOARD

G. Pricing methodology

Under the Measures, the issue price of the A Shares under the A Share Offering will be determined by making enquiries with offline investors, (so-called “inquisitive pricing”) or negotiating directly with the lead underwriter(s) (so-called “direct pricing”) pursuant to the authorisation by the general meetings of the Company or other legal and practical methods in accordance with the requirements under the Measures.

According to the Measures, if an initial public offering of the shares is to be conducted by means of direct pricing, all the shares shall be issued to online investors without carrying out offline book building and placement. Under the Measures, if an initial public offering of the shares is to be conducted by means of inquisitive pricing, then once the offline investors have provided their quotations, the issuer and the lead underwriter(s) shall omit the portion of the highest quotations of the total subscription amount. It is also required under the Measures that the omitted portion shall not be less than 10% of the total subscription amount by the offline investors, and that the issue price shall then be determined by the issuer and the lead underwriter(s) based on the remaining quotations and the remaining subscription amount.

According to Article 127 of the Company Law of the People’s Republic of China, the shares may be issued at a price equal to or in excess of par value, but not below par value. As the par value of the new A Shares to be issued by the Company under the A Share Offering is RMB1.00, the issue price of the A Shares will not be lower than RMB1.00 per share. Save as the aforesaid provision, there is no minimum issue price for the issue of A Shares under the A Share Offering. For illustration purpose only, in the event that the issue price of the A Shares under the proposed A Share Offering will be RMB1.00 per share, the funds raised from the A Share Offering will not be more than approximately RMB315,000,000 and will be used and adjusted pro rata for the projects mentioned under the heading “Use of proceeds of the A Share Offering and the feasibility analysis” in this circular.

When determining the actual issue price of the A Shares, the Company will take into consideration the following factors at the time of the A Share Offering: (i) Company’s financial results, (ii) the average Price-to-Earnings ratio (P/E ratio) of other A share listed issuer(s) who operate in the same industry as the Company (“**Average P/E Ratio**”); (iii) market conditions; (iv) the trading price of the H Shares, (v) requirements under the relevant laws and regulations and (vi) rules and policies of the relevant regulatory authorities.

Regardless of whether the issue price of the A Shares is to be determined by way of inquisitive pricing or direct pricing, the Company will take into account the Average P/E Ratio, which is subject to the market conditions at the time of the A Share Offering, when determining the P/E ratio of the A Shares. Where a P/E ratio for the A Shares under the proposed A Share Offering is determined, the actual issue price shall also be subject to the Company’s financial results at the time of the A Share Offering. In addition, in the event that the proposed issue price of the A Shares does not reflect the actual value of the Company or is lower than the trading price of the H Shares, the Board will consider the then market condition, the actual funding needs and development strategy of the Company at the time, the then current trading multiples of comparable companies and other relevant factors in order to determine whether or not to proceed with the proposed A Share Offering.

Further announcements regarding the issue price, offering size, pricing mechanism and other particulars of the A Share Offering will be made by the Company as and when appropriate.

H. Method of underwriting

The offering will be underwritten by an underwriting syndicate led by the lead underwriter(s) on a standby commitment basis.

LETTER FROM THE BOARD

I. Conversion of the form of the Company

The Company will apply for conversion into a joint stock company with limited liability with both domestic and overseas listed Shares.

J. Validity period of the resolution for the proposal of the A Share Offering

The validity period of the resolution for the proposal of the A Share Offering is 12 months from the date when this proposal is considered and approved by the Shareholders at the EGM, the Domestic Shareholders' Class Meeting and the H Shareholders' Class Meeting.

The Directors consider that a validity period of 12 months for the resolution regarding the proposed A Share Offering is required since there is an uncertainty as to the time required to obtain the approvals from the CSRC and other regulatory authorities of the PRC for the A Share Offering. The Company will seek the Shareholders' approval for continuing to proceed with the proposed A Share Offering if it does not complete within the 12 months validity period, unless the Board subsequently decides not to proceed further with the proposed A Share Offering. To the best knowledge of the Company and subject to the approval process of the relevant regulatory authorities, the Company expects to complete the A Share Offering within two years.

The A Share Offering is subject to approvals from the CSRC and other relevant authorities of the PRC. The proposed A Share Offering will be made pursuant to the specific mandate to be sought at the EGM, the Domestic Shareholders' Class Meeting and the H Shareholders' Class Meeting and shall become effective upon approval by the Shareholders at the EGM, the Domestic Shareholders' Class Meeting and the H Shareholders' Class Meeting. The Company will make further announcements when the detailed terms of the proposed A Share Offering, such as issue price and issue size, are finalised.

2.2 Authorisation to deal with all matters relating to the A Share Offering

For the purpose of the A Share Offering, a resolution will be proposed at the EGM, the Domestic Shareholders' Class Meeting and the H Shareholders' Class Meeting, respectively, for consideration and approval by the Shareholders by way of special resolution, to authorise the Board to deal with all matters relating to the A Share Offering, including but not limited to the following:

- (a) to formulate and implement detailed plan for the A Share Offering in accordance with the circumstances, including but not limited to, determining the offering date, target subscribers, the number of shares to be offered, pricing methods, offering methods, and other matters relating to the A Share Offering;
- (b) to handle the application matters relating to the A Share Offering, including but not limited to, applying for vetting, registration, filing and approval by the relevant government agencies, regulatory authorities, stock exchanges and securities registration and settlement institutions;
- (c) to prepare, sign, execute, modify, supplement and deliver any agreements, contracts and the required documents, including but not limited to memorandum of intent in relation to the A Share Offering, prospectus, agreement with the sponsor(s), underwriting agreement, various announcements and shareholder notices, various explanation letters or letters of undertaking which are required by the regulatory authorities in relation to the A Share Offering;

LETTER FROM THE BOARD

- (d) to adjust the plan for the investment projects and the use of proceeds, in accordance with any comments as may be received from the relevant regulatory authorities during the application and approval of the A Share Offering and the actual circumstances of the Company, including but not limited to the investment progress, the adjustment of investment ratio, and the signing of significant agreements or contracts during the construction progress of the investment projects;
- (e) to decide and appoint relevant intermediaries, and sign relevant agreements or contracts, such as agreement with the sponsor(s), underwriting agreement, etc.;
- (f) to determine a specific deposit account for the proceeds before the A Share Offering if required;
- (g) to revise the relevant provisions of the Articles of Association upon completion of the A Share Offering in accordance with the results of the A Share offering, and to handle the business registration of the relevant changes;
- (h) to handle matters relating to the listing of the issued shares on the stock exchange and the relevant lockup of shares upon completion of the A Share Offering;
- (i) if the securities regulatory authorities issue new policies or regulations in relation to the initial public offering and listing, the Board is authorised to adjust the offering plan of the A Share Offering in accordance with the new rules and requirements; and
- (j) to determine and handle other matters relating to the A Share Offering in accordance with the relevant laws, regulations, departmental rules, regulating documents, provisions of the Articles of Association and the Shareholders' resolutions.

The validity period of the above authorisation is 12 months from the date when this proposal is considered and approved by the Shareholders at the EGM, the Domestic Shareholders' Class Meeting and the H Shareholders' Class Meeting, respectively.

2.3 Plan for distribution of profits accumulated before the A Share Offering

At the Board Meeting, the Board resolved that, subject to any dividend distribution plan that may be declared by the Board and approved by the Shareholders before the completion of the A Share Offering, the undistributed profits of the Company accumulated before the A Share Offering will be shared by the existing and the new Shareholders after completion of the A Share Offering in proportion to their respective shareholdings.

The Board also resolved to submit the above resolution to the EGM, the Domestic Shareholders' Class Meeting and the H Shareholders' Class Meeting, respectively, for consideration and approval by the Shareholders by way of special resolution. The resolution will become effective upon approval by the Shareholders at the EGM, the Domestic Shareholders' Class Meeting and the H Shareholders' Class Meeting.

LETTER FROM THE BOARD

2.4 Use of proceeds of the A Share Offering and the feasibility analysis

It is estimated that the funds raised from the proposed A Share Offering, after deducting relevant expenses, will not be more than approximately RMB3,950,000,000 and will be prioritised to be used for the following projects:

Unit: RMB '000

Project	Proceeds to be invested
1 Construction of Tianjin Beichen Shopping Mall (天津北辰商場), Hohhot Yuquan Shopping Mall (呼和浩特玉泉商場), Dongguan Wanjiang Shopping Mall (東莞萬江商場), Harbin Songbei Shopping Mall (哈爾濱松北商場) and Urumchi Expo Mall (烏魯木齊會展商場)	1,450,000
2 Construction of unified logistic service system (統一物流服務體系建設)	600,000
3 Expansion of home design and decoration services (家居設計及裝修服務拓展)	300,000
4 O2O Home Decoration Platform (O2O家裝平台)	500,000
5 Repayment of bank loans	800,000
6 Replenishment of working capital	300,000
Total	<u><u>3,950,000</u></u>

Note: Tianjin Beichen Shopping Mall, Hohhot Yuquan Shopping Mall, Dongguan Wanjiang Shopping Mall, Harbin Songbei Shopping Mall and Urumchi Expo Mall are currently under construction. The estimated opening dates of these malls will be September 2016, August 2016, August 2016, July 2017 and October 2017, respectively.

If the actual proceeds raised from the A Share Offering are more than the amount required for the above projects, the excess portion will be used to supplement the working capital of the Company or to be used in accordance with the relevant requirements of the regulatory authorities. If the actual proceeds raised from the A Share Offering are less than the amount required for the above projects, the shortfall will be funded by the Company separately. Before the proceeds of the A Share Offering are made available, the Company will fund the above projects in accordance with the capital requirements of these projects. When the proceeds of the A Share Offering subsequently become available, the Company will substitute the previous funds used by the Company with the funds raised from the A Share Offering in accordance with the relevant laws and regulations. Please see Appendix I to this circular for the feasibility analysis.

The proposal for use of proceeds of the A Share Offering has been approved by the Directors at the Board Meeting and is submitted to the EGM, the Domestic Shareholders' Class Meeting and the H Shareholders' Class Meeting, respectively, for consideration and approval by the Shareholders by way of special resolution. This proposal will become effective upon approval by the Shareholders at the EGM, the Domestic Shareholders' Class Meeting and the H Shareholders' Class Meeting.

LETTER FROM THE BOARD

2.5 Future dividend plan for the three years after the A Share Offering

Based on the demand for strategic development of the Company and in order to strengthen the consciousness of rewarding Shareholders, improve the dividend policies and communication mechanism, the Company has prepared the *Future Dividend Plan for the Three Years After the A Share Offering* in accordance with the Notice on Further Implementing Matters Relevant to the Cash Dividend Distribution by Listed Companies and Guidelines No. 3 on the Supervision of Listed Companies — Distribution of Cash Dividends by Listed Companies and other relevant laws and regulations, as well as the Articles of Association and other corporate governance policies of the Company. Please see Appendix II to this circular for a copy of the *Future Dividend Plan for the Three Years After the A Share Offering*.

This proposal has been approved by the Directors at the Board Meeting and is submitted to the EGM, the Domestic Shareholders' Class Meeting and the H Shareholders' Class Meeting, respectively, for consideration and approval by the Shareholders by way of ordinary resolution. The proposal will become effective upon approval by the Shareholders at the EGM, the Domestic Shareholders' Class Meeting and the H Shareholders' Class Meeting.

2.6 A Share price stabilisation plan for the three years after the A Share Offering

In order to protect the legitimate rights and interests of the Shareholders, the Company has prepared the *A Share Price Stabilisation Plan for the Three Years after the A Share Offering* in accordance with the relevant laws and regulations of the PRC. Please see Appendix III to this circular for a copy of the *A Share Price Stabilisation Plan for the Three Years after the A Share Offering*.

This proposal has been approved by the Directors at the Board Meeting and is submitted to the EGM, the Domestic Shareholders' Class Meeting and the H Shareholders' Class Meeting, respectively, for consideration and approval by the Shareholders by way of ordinary resolution. Subject to the approval of the Shareholders, the proposal will become effective upon completion of the A Share Offering and the listing of the A Shares on the Shanghai Stock Exchange.

2.7 Dilution of immediate return as a result of the A Share Offering and remedial measures

The Company has considered the impacts of the A Share Offering on dilution of immediate return and formulated certain principle-based remedial measures as set out in Appendix IV to this circular.

This proposal has been approved by the Directors at the Board Meeting and is submitted to the EGM, the Domestic Shareholders' Class Meeting and the H Shareholders' Class Meeting, respectively, for consideration and approval by the Shareholders by way of ordinary resolution. Subject to the approval of the Shareholders, the proposal will become effective upon completion of the A Share Offering.

2.8 Report on the use of proceeds of the H Share Offering

The Company has prepared the Report on the Use of Proceeds of the H Share Offering, a copy of which is set out in Appendix V to this circular.

The report has been approved by the Directors at the Board Meeting and is submitted to the EGM, the Domestic Shareholders' Class Meeting and the H Shareholders' Class Meeting, respectively, for consideration and approval by the Shareholders by way of ordinary resolution.

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As of the date of this circular, certain part of the proceeds of the H Share Offering has not been used. The Company currently does not have any plan to change the use of proceeds of the H Share Offering as set out in the “Future Plans and Use of Proceeds” section of the Prospectus which has subsequently been amended and disclosed in the announcement of the Company dated 31 July 2015.

2.9 Undertakings regarding the disclosure of information in the prospectus published for the A Share Offering

In accordance with the relevant laws and regulations of the PRC, the Company and its controlling shareholders propose to make the following undertakings in the prospectus of the A Share Offering:

- (a) The Company and its controlling shareholders undertake that if the competent government or judicial authorities determine that the prospectus of the A Share Offering contains false content, misleading statements or material omissions, which is material for determining whether the Company satisfies the statutory qualification requirements for the proposed A Share Offering, the Company will repurchase all the new Shares issued under the A Share Offering in accordance with laws. Details of the share repurchase plan are subject to the requirements of the relevant PRC laws and regulations.
- (b) The Company, the controlling shareholders, actual controllers, Directors, supervisors and senior management of the Company undertake that if the prospectus of the A Share Offering contains false content, misleading statements or material omissions, which leads to losses to the investors when dealing in the A Shares, such loss will be compensated in accordance with the relevant laws and regulations of the PRC.

The above proposal has been approved by the Directors at the Board Meeting and is submitted to the EGM, the Domestic Shareholders’ Class Meeting and the H Shareholders’ Class Meeting, respectively, for consideration and approval by the Shareholders by way of ordinary resolution. The proposal shall become effective upon approval by the Shareholders at the EGM, the Domestic Shareholders’ Class Meeting and the H Shareholders’ Class Meeting.

2.10 Appointment of domestic auditor

The Board proposed to appoint Deloitte Touche Tohmatsu Certified Public Accountants LLP as the domestic auditor of the Company and as the auditor for the A Share Offering, and to authorise the Board to determine its remuneration.

This proposal has been approved by the Directors at the Board Meeting and is submitted to the EGM for consideration and approval by the Shareholders by way of ordinary resolution. This resolution will become effective upon approval by the Shareholders at the EGM.

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3. PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION AND CORPORATE GOVERNANCE RULES FOR THE PURPOSE OF THE PROPOSED A SHARE OFFERING

3.1 Proposed amendments to the Articles of Association

In accordance with the relevant laws and regulations of the PRC, the Board proposed to amend the Articles of Association for use after the listing of the A Shares. The amended Articles of Association will become effective from the date of the completion of the A Share Offering. The main amendments to the Articles of Association include (i) provisions relating to the number of new A Shares to be issued; and (ii) add provisions mandatory for A Share listed issue. As at the date of this circular, the information relating to the number of A Shares to be finally issued under the A Share Offering is not yet finalised. The Company will fill in relevant information once such information is finalised.

Please see Appendix VI to this circular for the proposed amendments to the Articles of Association. The Articles of Association are prepared in Chinese without an official English version. Any English translation is for reference only. In case of any inconsistency between the Chinese version and English version, the Chinese version shall prevail.

This proposal has been approved by the Directors at the Board Meeting and is submitted to the EGM for consideration and approval by the Shareholders by way of special resolution. Subject to the approval of the Shareholders, the proposal will become effective upon completion of the A Share Offering and the listing of the A Shares on the Shanghai Stock Exchange.

3.2 Proposed amendments to certain corporate governance rules

For the purposes of the proposed A Share Offering, the Board proposed to amend the following corporate governance rules: (i) the Procedure Rules of the General Meetings (see Appendix VII); (ii) the Rules for the Management of the Proceeds of Fund Raising by the Company (see Appendix VIII); (iii) the Rules for the Management of the Related Party Transactions of the Company (see Appendix IX) and (iv) the Working Rules of the Independent Directors (see Appendix X).

The proposed amendments have been approved by the Directors at the Board Meeting, among which, the proposed amendments to the Procedure Rules of the General Meeting is submitted to the EGM for consideration and approval by the Shareholders by way of special resolution, whereas the other three proposed amendments are submitted to the EGM for consideration and approval by the Shareholders by way of ordinary resolution. Subject to the approval of the Shareholders, the proposed amendments will become effective upon completion of the A Share Offering and the listing of the A Shares on the Shanghai Stock Exchange.

As advised by the Company's legal advisers, the proposed amendments to the Procedure Rules of the General Meeting comply with the relevant PRC laws and regulations and the Hong Kong Listing Rules.

Each of the abovementioned corporate governance rules is prepared in Chinese without an official English version. Any English translation is for reference only. In case of any inconsistency between the Chinese version and English version, the Chinese version shall prevail.

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4. PROPOSED ISSUE OF THE SUPER SHORT-TERM COMMERCIAL PAPERS IN THE PRC

On 12 February 2016, the Board resolved to approve the proposal of submitting a registration application to the NAFMII for the issue of the Super Short-term Commercial Papers in the PRC and agreed to propose the relevant resolutions at the EGM for approval by the Shareholders.

Particulars of the proposed issue of the Super Short-term Commercial Papers are set out as follows:

Issue size:	not exceeding RMB3,000,000,000 (can be issued in single or multiple tranches, and the actual issue size will be determined according to the Company's actual funding needs, the market interest rates and the prevailing market conditions at the time of issue)
Term of Maturity:	each tranche of the Super Short-term Commercial Papers has a term of not more than 270 days from the date of issue
Coupon rate:	to be determined according to the prevailing market rate of super short-term commercial papers of similar term of maturity at the time of issue
Lead underwriter:	Shanghai Pudong Development Bank Co., Ltd.
Target investors:	domestic institutional investors participating in the PRC inter-bank debt market
Trading market:	PRC inter-bank debt market
Conditions:	(i) approval by the Shareholders at the EGM; (ii) registration with and approval by the NAFMII; and (iii) entering into of an underwriting agreement on such terms satisfactory to the Board.
Expected date of first issue:	within two months of completion of the registration with the NAFMII and subject to market conditions
Use of proceeds:	for repaying the loans of the Company and its subsidiaries and replenishing the working capital of the Company (with a view to improving the financing structure and reducing the costs of financing of the Company)

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5. IMPACT OF THE A SHARE OFFERING ON THE SHAREHOLDING STRUCTURE OF THE COMPANY

For reference and illustration purposes only, assuming that there are no changes to the total issued share capital of the Company prior to the completion of the A Share Offering and that a maximum of 315,000,000 A Shares are issued under the A Share Offering (which represents approximately 8.69% of the total issued share capital of the Company as at the date of this circular and approximately 8.00% of the total issued share capital of the Company as enlarged by the issue of the A Shares under the A Share Offering); the shareholding structure of the Company immediately before and after completion of the A Share Offering is set out as follows:

	Immediately before completion of the A Share Offering		Immediately after completion of the A Share Offering	
	Number of Shares	Approximate percentage in the Company's total issued share capital	Number of Shares	Approximate percentage in the Company's total issued share capital
Domestic Shares				
Shanghai Red Star Macalline Investment Company Limited (上海紅星美凱龍 投資有限公司)	2,480,315,772	68.44%	2,480,315,772	62.97%
Shanghai Jinghai Assets Management Center (Limited Partnership) (上海晶海資產管理 中心(有限合夥))	56,849,998	1.57%	56,849,998	1.44%
Shanghai Hongmei Investment Management Center (Limited Partnership) (上海弘美投資管理 中心(有限合夥))	12,659,994	0.35%	12,659,994	0.32%
Shanghai Kaixing Business Administration Center (Limited Partnership) (上海凱星企業管理 中心(有限合夥))	7,589,999	0.21%	7,589,999	0.19%
Shanghai Ping'An Pharmacy Company Limited (上海平安大藥房有限公司)	3,688,206	0.10%	3,688,206	0.09%
New A Shares to be issued under the A Share Offering	—	—	315,000,000	8.00%
Sub-total of Domestic Shares:	2,561,103,969	70.67%	2,876,103,969	73.02%
H Shares	<u>1,062,813,069</u>	<u>29.33%</u>	<u>1,062,813,069</u>	<u>26.98%</u>
Total:	<u><u>3,623,917,038</u></u>	<u><u>100%</u></u>	<u><u>3,938,917,038</u></u>	<u><u>100%</u></u>

Note: Other than the Shares held by Shanghai Ping'An Pharmacy Company Limited (which is an Independent Third Party) and the new A Shares to be issued under the A Share Offering (which are expected to be all held by the Independent Third Parties), the rest of the Domestic Shares will not constitute public float of the Company.

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At the time of the listing of H Shares on the Hong Kong Stock Exchange, the Hong Kong Stock Exchange has granted the Company a waiver from strict compliance with the requirements of Rule 8.08(1) (a) of the Hong Kong Listing Rules, pursuant to which the Company is required to maintain a minimum public float (as defined under the Hong Kong Listing Rules) at 15.10%. Based on the information publicly available to the Company and to the knowledge of the Directors, as of the date of this circular, 15.10% of the total issued share capital of the Company is held by the public.

As a result of the proposed A Share Offering and assuming a maximum of 315,000,000 A Shares are issued which are expected to be all held by the Independent Third Parties and counted as public float, the Company's public float (including H Shares and A Shares) will be approximately 21.89%. The Company would still be able to meet the minimum requirement on public float percentage as imposed by the Hong Kong Stock Exchange at the time of the Company's listing of H Shares. The Company will closely monitor its public float percentage to ensure that it, at all times, complies with the relevant requirements regarding public float under the Hong Kong Listing Rules and will promptly notify the Hong Kong Stock Exchange of any changes in the Company's public float.

6. BENEFITS AND REASONS FOR THE PROPOSED A SHARE OFFERING

Regarding the previous application for listing of the Shares on the Shanghai Stock Exchange, please refer to pages 127 and 128 of the Prospectus under the section of "Application for Listing in the PRC".

Since the Company currently mainly focuses on its core business in the PRC, the A Share Offering will enhance the Company's corporate image and the brand name, further widen the Company's funding channels, increase the Company's working capital and achieve stronger recognition of the capital markets by attracting large institutional as well as medium and small investors in the PRC. The Directors also believe that the A Share Offering will be beneficial to the Company's business growth, financing flexibility and business development. It will also enable the Company to obtain more financial resources and improve the competitiveness of the Company, which would be beneficial to the long term development of the Company. Furthermore, the PRC securities regulatory authorities are promoting reform on the share offering registration system to increase the marketization and financing efficiency of the securities market. Having considered the above factors, the Directors consider that the application for listing in the PRC should be resumed as early as possible. This is in line with the Company's strategic development requirements, enables the Company to seize the opportunities in China's developing capital market, promotes long-term sustainable development of the Company and promotes greater value on the Shareholders' investment in the Company.

The Directors consider that the A Share Offering is in the best interests of the Company and the Shareholders as a whole. Each of the above resolutions is necessary for the proposed A Share Offering. In the event that any of the resolutions is not approved by the Shareholders at the EGM, the Domestic Shareholders' Class Meeting or the H Shareholders' Class Meeting, the Company will not proceed with the proposed A Share Offering and may consider revising the terms of the A Share Offering and re-submit them to the Shareholders for approval.

7. BENEFITS AND REASONS FOR THE PROPOSED ISSUE OF THE SUPER SHORT-TERM COMMERCIAL PAPERS IN THE PRC

While the Company has recently successfully completes the global offering and the listing of its H Shares on the Hong Kong Stock Exchange and the issue of the Corporate Bonds and maintains sufficient working capital for its operation, the Company is committed to exploring diversified and direct financing channels that can more adequately support its needs for funding of different maturity periods to better serve the Company's operation and development. With the Company's scale of operation continuing to

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expand, the needs for short-term working capital for the Company's daily operation has also increased so as to ensure continuing improvement to the management services of the shopping malls and the quality of those properties. The terms of the Super Short-term Commercial Papers effectively match the liquidity characteristics of the above-mentioned funding needs and has high flexibility that can further optimize the Company's debt financing structure. Furthermore, the Super Short-term Commercial Papers are issued and traded in the PRC inter-bank debt market. Under the present market environment, the Super Short-term Commercial Papers bear attractive coupon rates that are lower than the interest rates of the short-term borrowings from the banks. The procedures for issuing such commercial papers are simple and flexible (can be issued in multiple tranches), which would help capture the favorable market conditions promptly, effectively reduce the Company's comprehensive borrowing costs and improve its financing efficiency. In addition, the issue of Super Short-term Commercial Papers is exclusive for senior credit rating companies and will be subject to continuing requirements for public and transparent information disclosure and the credit rating systems and therefore establish a sound brand image and credibility basis in the PRC inter-bank debt market for the Company.

8. FUND RAISING ACTIVITIES

In view of the changing market conditions and the current operation of the Group, the Company aims at developing a mixture of diversified funding channels in order to best suit its future development and investment strategy. When considering which fund raising channel (such as the proposed A Share Offering, the Corporate Bonds and the Super Short-term Commercial Papers) is appropriate for a particular funding needs, the Company will consider a number of factors including the market condition, the interest rates in the market, the financing structure of the Company, the investment strategy at the relevant time, so as to ensure the funds are being utilized efficiently and appropriately.

As of the date of this circular, the Company has not conducted any fund raising activities in relation to the issue of equity securities of the Company in the 12 months immediately preceding the date of this circular, except for the H Share Offering, details of which are set out in the Prospectus. Except for the issue of the Corporate Bonds, details of which was disclosed in the announcement of the Company dated 12 November 2015, as of the date of this circular, the Company does not have any plan to conduct any similar fund raising activity (apart from the proposed A Share Offering and the proposed issue of the Super Short-term Commercial Papers) in the next 12 months from the date of this circular.

Regarding the use of proceeds of the previous issue of the Corporate Bonds, please refer to the relevant announcement made by the Company on 5 November 2015. As at 31 December 2015, approximately RMB4.02 billion was used to repay the loans of the Company and its subsidiaries. The Company currently does not have any plan to change the use of proceeds with regard to the remaining amount.

9. RESPONSIBILITY STATEMENT

This circular, for which the Directors of the Company collectively and individually accept full responsibility, includes particulars given in compliance with the Hong Kong Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

10. THE EGM, THE DOMESTIC SHAREHOLDERS' CLASS MEETING AND THE H SHAREHOLDERS' CLASS MEETING

Notices of the EGM, the Domestic Shareholders' Class Meeting and the H Shareholders' Class Meeting to be held on Wednesday, 30 March 2016 at 28/F Red Star World Trade Building, No. 598, Nuijiang Road North, Putuo District, Shanghai, PRC is set out in pages 163 to 172 of this circular.

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

For holders of H Shares, 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 notarised 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, Hong Kong, not less than 24 hours before the time for holding the EGM in order for such documents to be valid. For holders of Domestic Shares, 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 notarised 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 EGM in order for such documents to be valid.

Holders of H Shares and Domestic Shares, who intend to attend the EGM, the Domestic Shareholders' Class Meeting and/or the H Shareholders' Class Meeting must complete and return the reply slips to the registered office of the Company not later than 20 days before the date of the EGM, the Domestic Shareholders' Class Meeting and the H Shareholders' Class Meeting, i.e. no later than Thursday, 10 March 2016.

Pursuant to the Articles of Association, for the purpose of holding the EGM and the H Shareholders' Class Meeting, the register of members of H Shares will be closed from Monday, 29 February 2016 to Wednesday, 30 March 2016 (both days inclusive), during which period no transfer of H Shares will be registered. Shareholders whose names appear on the register of members of the Company on Friday, 26 February 2016 after close of business are entitled to attend and vote at the EGM, the Domestic Shareholders' Class Meeting and the H Shareholders' Class Meeting, depending on their share class.

In order to attend the EGM and the H Shareholders' Class Meeting, holders of H Shares 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 Room 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30 p.m. on Friday, 26 February 2016.

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

11. RECOMMENDATION

The Directors consider that the aforesaid resolutions in relation to the proposed A Share Offering and various related matters and the proposed issue of the Super Short-term Commercial Papers in the PRC are in the interests of the Company and the Shareholders as a whole and accordingly, recommend the Shareholders to vote in favor of the resolutions to be proposed at the EGM, the Domestic Shareholders' Class Meeting and the H Shareholders' Class Meeting.

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

USE OF PROCEEDS OF THE A SHARE OFFERING AND THE FEASIBILITY ANALYSIS

I. The net proceeds from the proposed A Share Offering, after deducting listing expenses, are proposed to be used for the following projects:

No.	Name of Project	Total Investment (RMB hundred million)	Proceeds proposed to be used (RMB hundred million)	The basis for determining the size of the proceeds proposed to be used for each project
1	Construction of Tianjin Beichen Shopping Mall, Hohhot Yuquan Shopping Mall, Dongguan Wanjiang Shopping Mall, Harbin Songbei Shopping Mall and Urumchi Expo Mall	37.5	14.5	Determined based on the Company's expansion plan of Self-owned Portfolio Shopping Malls, the current construction progress of these five malls and the funding requirements
2	Construction of unified logistic service system	6	6	Determined based on the Company's future strategic planning of the logistics network and investments in areas of warehousing, transportation and others and having considered the market prospect of such project and its synergy effect on the Company's existing businesses
3	Expansion of home design and decoration services	3	3	Determined based on the future strategic planning of the Company's nationwide home design and decoration network and the future market prospect of the home design and decoration industry
4	O2O Home Decoration Platform	5	5	Determined after considering the investment and operation costs of online and offline operations of the O2O Home Decoration Platform and the significant strategic importance of such platform to the Company's future development
5	Repayment of bank loans	8	8	Determined based on the Company's current financial position, debt structure and its working capital requirements
6	Replenishment of working capital	3	3	
Total		62.5	39.5	

II. The necessity and rationale for the proposed A Share Offering

(I) Tianjin Beichen Shopping Mall, Hohhot Yuquan Shopping Mall, Dongguan Wanjiang Shopping Mall, Harbin Songbei Shopping Mall and Urumchi Expo Mall

Since 2000, the home furnishing retail industry has been developing rapidly and all players in the industry have been quickly seizing the opportunity to expand their businesses. For home furnishing retailers, a national strategic layout can help them achieve economies of scale, consolidate various types of business resources and continuously improve their profitability and risk control capability. Therefore,

developing a national strategic layout and economies of scale has become an inevitable trend for the industry. At present, the core competition in the home furnishing retail industry lies in the selection of shopping malls and upgrading internal operation management capabilities, including the cultivation and occupation of good retail areas in different cities, an understanding of the operation of the home furnishing retail industry and the ability to thoroughly implement their own strategies.

In recent years, the Company has enhanced its control and influence in the market by further increasing its market share and the geographic coverage of its shopping malls according to the market characteristics of various cities and its state of development. In respect to operation strategies, the Company will increase the ratio of Self-owned Portfolio Shopping Malls and further strengthen its overall brand management capability. Beijing, Shanghai, Shenzhen, Guangzhou and other metropolitan cities is the most concentrated areas for home furnishing retailers, and the market demand in those cities is approaching saturation. Tianjin, Hohhot, Dongguan, Harbin and Urumchi and other big cities are where the demand for home furnishing materials is growing rapidly in line with the state of the local economic development in such cities. The Company is establishing home furnishing shopping malls and sales networks in such cities, which will enhance its strategic layout and increase its market share in the industry.

By building home furnishing shopping malls, implementing acquisition projects, acquiring land, operating malls and conducting expansion based on its past success, the Company has achieved resource-based cost management and sustainable cash flow income. Furthermore, in contrast to the operation modes of leased shopping malls and managed shopping malls, the Company by having Self-owned Portfolio Shopping Malls can avoid the risk of lease renewal and ensure full control over the related shopping malls. The Company can also achieve a property capital appreciation with ownership of the Self-owned Portfolio Shopping Malls, which provides a solid foundation for its sustainable rapid development and effectively increases its competitiveness.

(II) Construction of unified logistics service system

According to the statistics of the China Building Material Retail Association, there are at least 3,000 home furnishing shopping malls of a national scale or above, as well as a wide range of sales types, such as factory direct sales, traditional trading markets and home furnishing supermarkets. There is a low industry concentration and a lack of economies of scale in unified logistics management. Meanwhile, home furnishing products are of indistinguishable features and different varieties. They require special requirements in terms of storage, delivery and installation as compared to handling standard and smaller sized items. This presents a barrier for ordinary logistics companies to enter into such business. Therefore, a regional unified logistics service system has not been established in the industry and the retail, distribution and installation are still handled by highly dispersed market operators. Therefore, in “the last kilometer” of customer service, customers often face problems such as delay in delivery, improper installation, product damage during delivery and unavailability of repair and maintenance service after sales.

The Company believes that product delivery and installation in the downstream part of the service chain need urgent improvement and that a comprehensive service system should be established to provide customers with unified, quality and standardized storage and logistics services and to meet the demand of after-sale product repairs and maintenance, and lower the operating costs of the manufacturers and the distributors through economies of scale, so as to improve customers’ experience and service satisfaction. With a leading position in the home furnishing shopping mall sector and a long-term close relationship with the vendors, namely manufacturers and distributors, the Company has a unique advantage for establishing a unified logistics service system. With regard to the demand for logistics services from the vendors, the Company can quickly secure stable delivery orders; in terms of staff training for providing

professional home furnishing logistics service, the Company and the manufacturers will cooperate to provide professional skill training on product distribution and installation; in terms of service quality control, the Company will be able to increase customer satisfaction by digitization management throughout the whole process, providing professional storage and transportation equipment, standardized procedures, stringent assessment system and a “3-year guarantee” service pledge, which will in turn further strengthen the cooperation with vendors and expand the network of logistics business.

At present, the Company has established a pilot logistics center in Shijiazhuang in Hebei province. Built on the cooperation with cargo highway transportation companies, the Company set up “Xinghe”- a branded professional logistics company to accommodate the needs of the customers in “the last kilometer”, with relatively established and reliable operation procedures. Such procedures cover standardized storage, digitized distribution, professional installation and after-sale repairs and maintenance services, which will effectively improve customer experience and service efficiency. Based on the implementation of a unified logistics service system, the Company plans to extend such service to a nationwide coverage within five years.

(III) The expansion of home design and decoration services

In respect of the new business expansion of home design and decoration services, the project will cover the whole production chain of home decoration, including design, supervision, production, materials and examination, etc. The project, which targets the high-end home decoration market, is designed to set up an integrated home decoration platform covering the national strategic layout of the Red Star Macalline home furnishing mall. The Company will enter the market through the home decoration service and expand the related business throughout the industry chain, and further promote the development of our core home furnishing materials business. Such a project provides an exchange platform between customers and home decoration service providers.

Furthermore, the commencement of “Jia Bei De” home decoration business is an extension of the home furnishing retail industry chain. Generally speaking, due to a high degree of overlap between home product buyers and home decoration customers, the Company can easily secure potential consumers of home decoration and reduce the cost of soliciting customers and marketing in commencing the home decoration business. With the rising disposable income of the PRC residents and their increased consumption, the market positioning of the medium to high-end market will also see wider development opportunities. We can therefore benefit from the long-term economic benefit arising from the development of the medium to high-end home decoration industry in line with our long-term development strategies.

(IV) O2O Home Decoration Platform

The O2O Home Decoration Platform of Red Star Macalline (hereinafter the “O2O Home Decoration Platform”) is an effective expansion and supplement to our existing home design and decoration services. Under the trend of “Internet+”, various industries and sectors are facing opportunities and challenges brought by the internet, with no exception for the traditional home decoration sector. The O2O Home Decoration Platform will use our coverage of 170 malls across the PRC to provide a physical showcase and thus enhance the link between the online and offline operations of the home decoration sector, further promote the development of our existing core business and increase the overall service quality of our home decoration business in line with our long-term strategic development.

The traditional home decoration sector lacks companies with brand influence and high credibility, and there is also a dearth in the provision of professional and standardized services, leading to serious

information imbalances in areas such as product service and pricing. The O2O Home Decoration Platform can effectively solve the problems in the development of traditional home decoration market. The Company's use of internet in home decoration can resolve the two major problems of budget standardization before sales and construction standardization after sales in traditional home decoration products and services, and is an innovative exploration of the home decoration sector. The standardization of home decoration projects allows for the online sale of home decoration projects via the O2O Home Decoration Platform, pioneering a brand new operation mode of the home decoration sector. It is expected to facilitate a significant shift of consumption patterns in the home decoration markets.

The O2O mode of the O2O Home Decoration Platform is different from the simple online transaction matching in other home decoration websites. It establishes a deeply integrated home decoration O2O mode that is based on a full consolidation of resources throughout the home decoration service chain including furnishing suppliers, urban integrated service providers and production personnel. This mode solves the problem of significant increases in management costs faced by traditional home decoration companies after expansion of their business.

According to the statistics of the China Building Decoration Association, the total asset value of the home decoration sector had reached RMB1,300 billion in 2012. According to the statistics of the iResearch, the online transaction value of the home decoration sector in China was RMB95.51 billion in 2013, representing 8.3% of the overall value of the industry, which shows a large potential for future development. The O2O Home Decoration Platform project is in line with our long-term development strategies, and the Company possesses the personnel, skills and market resources required in the investment projects. Therefore, it is reasonable and necessary for the Company to implement this project.

(V) Repayment of bank loans and replenishment of working capital

In recent years, the Company's long-term and short-term loans and other debts have increased rapidly along with its business growth, resulting in a faster increase in gearing ratio.

The Company intends to apply part of the proceeds into repayment of some interest-bearing debts after taking into account its actual operation needs. This will help lower its financing cost and expenses, ease capital pressure, improve the Company's capital structure, mitigate financial risks, improve its profitability and create more value for shareholders in line with the interest of the Company and all its shareholders. Therefore, it is reasonable and necessary for the Company to use part of proceeds to repay the bank loans.

In addition, the business model of the Company's Self-owned Portfolio Shopping Malls possesses competitive advantages that can, among others, help stabilise the operation of the shopping malls and avoid the risk of rising rent. However, the size of the investment of Self-owned Portfolio Shopping Malls in the early stage is relatively large, which means a greater demand for working capital. With the growth of the above-mentioned business, the Company requires a large amount of working capital to cater for its needs.

According to the Company's business model, the main operating assets of the Company are mainly long-term assets including buildings and land parcels, and the current assets represent a smaller part of the overall asset structure. In order to ensure that the business of the Company can be carried out successfully, part of the proceeds is proposed to be used for the replenishment of working capital to relieve capital pressure and meet the needs of normal business development so as to enhance market competitiveness. Therefore, it is reasonable and necessary to use part of the proceeds to supplement working capital as proposed by the Company.

III. The relationship between the investment projects and the existing business of the Company and the Company's personnel, technology and market resources for these investment projects

The Company is operating and managing home furnishing shopping malls and offering professional consulting services, providing comprehensive services to Red Star Macalline shopping malls' commercial tenants, consumers and investors under two models, namely, Portfolio Shopping Malls and Managed Shopping Malls.

Since its establishment, the Company has built a national shopping mall network that covers provinces, cities and autonomous regions and become the most influential home furniture brand nationwide. The advantage of using the brand name "Red Star Macalline" has allowed the Company to gain an easier access to the medium to high-end brand suppliers, resources from other industries and cooperation with potential partners. The Company's good relationship with the suppliers and partners can help enhance the operation of Red Star Macalline shopping malls, which will further boost the property value of the corresponding shopping malls, attracting more partners to cooperate with the Company through co-investing in home furnishing shopping mall projects or engaging the Company to manage the home furnishing shopping malls. Accordingly, the expansion of the Company's operation scale and the output of the brand operation have formed a virtuous cycle.

The management team of the Company is stable and possesses years of industry experience of home furnishing materials, abundant industry resources and strong execution power. It understands the development trend of the industry and the state of the Company accurately so as to formulate clear and practicable development strategies. In addition, the Company has implemented the "Enterprise Mentor System" and "the experienced to the new shop, the newcomers to the old shop" strategies for long-term human resource allocation and training, making extensive use of the advanced skills and experience of the excellent employees within the enterprise, and thus has established a solid foundation for the team.

The proceeds raised from the A Share Offering will be used for the construction of Tianjin Beichen Shopping Mall, Hohhot Yuquan Shopping Mall, Dongguan Wanjiang Shopping Mall, Harbin Songbei Shopping Mall and Urumchi Expo Mall, the construction of a unified logistic service system, the expansion of home design and decoration services and setting up the O2O Home Decoration Platform, which are in line with the current development strategies of the Company. In addition, the Company possesses the required marketing staff, technology and market resources for the investment projects.

If the actual proceeds raised from the A Share Offering are more than the amount required for the above projects, the excess portion will be used to supplement the working capital of the Company or to be used in accordance with the relevant requirements of the regulatory authorities. If the actual proceeds raised from the A Share Offering are less than the amount required for the above projects, the shortfall will be funded by the Company separately. Before the proceeds of the A Share Offering are made available, the Company will fund the above projects in accordance with their capital requirements. When the proceeds of the A Share Offering subsequently become available, the Company will substitute the previous funds used by the Company with the funds raised from the A Share Offering in accordance with the relevant laws and regulations.

A copy of the feasibility analysis report on the use of proceeds of the A Share Offering will be made available for inspection by the Shareholders at the EGM.

FUTURE DIVIDEND PLAN FOR THE THREE YEARS AFTER THE A SHARE OFFERING

In order to meet the needs of the development strategies of Red Star Macalline Group Corporation Ltd. (hereinafter referred to as the “Company”), further strengthen the awareness of generating returns to shareholders, and establish a sound dividend policy as well as a long-term communication mechanism, the Company has formulated this plan according to the relevant laws, regulations and normative documents such as the *Notice on Further Implementing Matters Relevant to the Cash Dividend Distribution by Listed Companies* and *Guidelines No. 3 on the Supervision of Listed Companies — Distribution of Cash Dividends by Listed Companies* and the requirements under the corporate governance system of the Company, such as the Articles of Association.

I. Considerations in formulating the dividend plan

With a view to maintaining the long-term and sustainable development of the Company, and based on a comprehensive analysis of the Company’s business development strategies, cost of financing, the external financing environment and other factors, the Company has formulated a sustainable, stable and scientific dividend distribution mechanism for investors, after taking into account the Company’s present and estimated future profits, cash flow, stage of development, funding needs for investment projects, bank credit and the debt financing environment, balancing the short-term interests with the long-term interests of the shareholders, and making institutional arrangements on profit distribution, so as to ensure the continuity and stability of the Company’s profit distribution policies.

II. Principles in formulating the dividend plan

The Company will implement sustainable and stable dividend policies, giving weight to the reasonable return on investments to investors while taking into account the sustainable development, profits and future development strategies of the Company, and establish a sustainable and stable return mechanism for investors. The Company should formulate the dividend plan according to the Articles of Association, and adhere to the profit distribution principle of giving mainly cash dividends. The Board, Board of Supervisors and shareholders at the general meeting of the Company shall take full account of the opinions of Independent Directors, supervisors and minority shareholders when making decisions and reviewing the Company’s profit distribution policies.

III. The future dividend plan for the three years after the A Share Offering

The Company may distribute its profits in the form of cash, shares, a combination of cash and shares or other forms as permitted by the laws and regulations, while giving priority to the form of cash dividends. Profit distribution shall not exceed the cumulative distributable profits of the Company, or damage the Company’s sustainability in operation.

Where the conditions of giving cash dividends can be met, and the normal business development of the Company can be ensured, the Company should distribute profits in the form of cash. If the Board is of

the view that the Company's share price does not match with its size of share capital, and that distributing share dividends is beneficial to the overall interests of all shareholders, the Company may formulate share dividend distribution plans as long as it does not violate the Company's cash dividend policies.

In principle, the Company distributes profits in the form of annual dividends. The Board may propose interim profit distribution plans according to the Company's profits and funding needs. The Company will, by way of the approval procedures at the board meeting and the general meeting, flexibly distribute the profits realized by the subsidiaries according to the business development and profit realization etc. of the subsidiaries so as to guarantee the Company's capability of implementing its cash dividend plan in the current year.

In the year of the A Share Offering and the listing of the A Shares and the three subsequent years, subject to the prevailing laws and regulations as well as regulatory requirements, the profits distributed by the Company in the form of cash each year shall be no less than 10% of the distributable profits realized in that year.

After a comprehensive consideration of the Company's industry feature, stage of development, mode of operation, profitability, major capital expenditure arrangements and the expected time of listing, etc., the Board believes that the Company is at its growth stage and that there will be major capital expenditure arrangements in the three years after listing. The profits distributed in the form of cash shall account for at least 20% of each instance of profit distribution.

IV. Decision-making mechanism of dividend plan

At least once every three years, the Company shall evaluate the implementation of the executed dividend plans. Subject to the relevant laws, regulations and provisions in the Articles of Association, and based on the opinions of Independent Directors and minority shareholders, the Board shall make appropriate and necessary adjustments to the current dividend plan which is in force and scientifically formulate annual profit distribution plans or interim profit distribution plans after taking into account the Company's profitability, cash flow, stage of development, funding needs of investment projects, bank credit and the external financing environment, etc.. The adjusted dividend plan should be implemented upon approval by the shareholders at the general meeting. The relevant proposal in relation to the adjustments to the dividend plan can only be passed upon the approval of more than two thirds of the shareholders present at the general meeting.

V. Validity of the dividend plan

This dividend plan will become effective upon approval by the shareholders at the general meeting.

**A SHARE PRICE STABILISATION PLAN FOR THE THREE YEARS
AFTER THE A SHARE OFFERING**

In order to maintain the price stabilisation of the A Shares following the A Share Offering, the Company has developed this plan in accordance with the relevant laws and regulations such as *the Securities Law of the PRC* as well as *Opinions on Further Promoting the Reform of the System of Issuing New Shares* issued by the CSRC. Upon the review and approval of this plan at the EGM, the H Share Shareholders' Class Meeting and the Domestic Share Shareholders' Meeting, this plan will take effect upon completion of the A Share Offering and the listing of the A Shares, and be valid for three years. The details of the plan are as follows:

I. CONDITION FOR TRIGGERING THE MEASURES ON THE STABILISATION OF SHARE PRICE (HEREINAFTER REFERRED TO AS "TRIGGERING CONDITION")

If, within three years after the listing of the A Shares, the closing price of the Company's A Shares is below the latest audited net asset per share (the value of the net asset per share shall be adjusted accordingly if the value of the net assets or the total number of shares changes due to distribution of cash dividends, bonus issues, capitalisation of capital reserve or additional issuance after the latest audit base date) for 20 consecutive trading days, then the Company shall implement the relevant share price stabilisation plan within 30 days.

II. SPECIFIC MEASURES FOR STABILISING SHARE PRICES

The Company and the relevant responsible parties shall adopt diverse plans to stabilise the share price, including but not limited to:

(I) Measures to be taken by the Company

In the event that the Triggering Condition takes place, upon the review and approval at the Board meeting and shareholders' meeting, without affecting the normal operation of the Company, the Company will repurchase the public A Shares by centralised bidding through the stock exchange, and the amount of the fund used to repurchase shares shall be no less than RMB100 million.

(II) Measures to be taken by the controlling shareholders, directors and the senior management

In the event that the Triggering Condition takes place, the controlling shareholders, all directors and the senior management of the Company shall follow the rules and requirements of the laws, regulations, normative documents, the Articles of Association and the internal corporate governance systems of the Company, actively cooperate with the Company, and ensure that the Company will formulate and initiate the implementation of the price stabilisation plans in accordance with the requirements.

The controlling shareholders of the Company will increase their holding of public A Shares through centralised bidding at the stock exchange subject to the relevant provisions, and the funds used to purchase the public shares shall be no less than RMB100 million. The public A Shares acquired in this shareholding increase will not be sold within six months after the completion of the increase.

The directors of the Company (excluding Independent Directors and directors nominated by non-controlling shareholders) and the senior management will increase their holding of public A Shares by centralised bidding through the stock exchange subject to the relevant provisions, and the funds used to purchase the public shares shall be no less than 30% of their income received from the Company in the preceding year. The public shares acquired in this shareholding increase will not be sold within 6 months after the completion of the increase.

The controlling shareholders, the directors (excluding Independent Directors and directors nominated by non-controlling shareholders) and the senior management shall not refuse to implement the aforesaid price stabilisation measures by reason of cessation to be a controlling shareholder and/or changes of positions or resignation during the course of review of the price stabilisation plan at the general meeting and the implementation of the plan.

(III) Release from obligations of share increase or repurchase

If the closing price of the Company's A Shares is higher than the value of the latest audited net assets per share for 20 consecutive trading days, the Company, the controlling shareholders of the Company, the directors (excluding Independent Directors and directors nominated by non-controlling shareholders) and the senior management may terminate the share increase or share repurchase plan.

The Company, the controlling shareholders of the Company, the directors (excluding Independent Directors and directors nominated by non-controlling shareholders) and the senior management shall perform their disclosure obligations when increasing their shareholding or repurchasing shares according to the relevant requirements of the Shanghai Stock Exchange or Shenzhen Stock Exchange, and announce the concrete implementation plans in advance. The Company's shareholding structure after such repurchase or share increase should be in compliance with the listing rules.

As long as this mechanism remains valid, the Company's newly appointed directors and members of the senior management shall perform their obligations as specified in this mechanism. Directors and members of the senior management to be appointed by the Company shall agree in writing to perform the aforesaid obligations prior to their nomination.

**DILUTION OF IMMEDIATE RETURN AS A RESULT OF THE A SHARE OFFERING AND
REMEDIAL MEASURES**

The Company has conducted an analysis on the effect of the initial public offering of the A Shares and the A Share Offering on the dilution of immediate return and proposed remedial measures, in accordance with the requirements of certain documents, including the *Opinion from State Council General Office about Further Strengthening the Work of Protecting the Legal Interests of Minority Investors in the Capital Market (Guobanfa [2013] No. 110)* and the *Guiding Opinions on Matters Relating to the Dilution of Current Returns as a Result of Initial Public Offering, Refinancing and Major Asset Restructuring* (CSRC Announcement [2015] No. 31) published by the CSRC. The relevant parties have also undertaken to facilitate the implementation of the remedial measures. The details are as follows:

I. The effect on the dilution of immediate return from the A Share Offering

The number of shares to be issued under the A Share Offering shall not exceed 315,000,000 A Shares. After the completion of the A Share Offering, the share capital and the net asset value of the Company will increase, and the gearing ratio will decline, which will help strengthen the stability of the Company's capital structure and its ability to counter risks.

After the proceeds from the A Share Offering become available, the Company will effectively allocate the capital and apply the proceeds in a timely and efficient manner in order to generate reasonable return on capital. Despite the fact that the investment projects will generate satisfactory revenue in the future, it may take a longer time for the proceeds to realize the economic benefits. If the Company cannot maintain its existing production efficiency after the application of the proceeds, there will be a risk of dilution in the short term in relation to the financial indicators of current returns such as the basic EPS and weighted average return on net assets given the increase in the share capital and net assets of the Company.

II. Remedial measures on the dilution of immediate return as a result of the A Share Offering

In light of the possible dilution of immediate return of the shareholders upon the A Share Offering, the Company will take the following measures to make effective use of the proceeds and further enhance the operation efficiency of the Company, providing adequate protection for the interests of the shareholders, particularly minority shareholders, and put an emphasis on medium-term and long-term return value.

(I) The operation and development trend of the Company's current business segments, the major risks and improvement measures**1. The operation and development trend of the Company's current business segments**

The Company is mainly operating and managing home furnishing shopping malls and offering professional consulting services, providing comprehensive services to commercial tenants, consumers and investors through two models, namely the Portfolio Shopping Malls and the Managed Shopping Malls.

The Company is a market leader in the home building material retail industry. Various indicators such as the scale of shopping malls, market share and brand influence have showcased its market leading position. In 2014, the retail sales turnover of the Company's shopping malls is approximately RMB55 billion, which ranked first among shopping mall chains of home building materials in the PRC.

According to the current plan of the Company, it will operate 200 Red Star Macalline home building material shopping malls through Portfolio Shopping Malls (including construction, acquisition and leases) and Managed Shopping Malls in 2016, maintaining the advantageous position in the home building material industry in the PRC.

2. Major risks faced by the Company

The major risks faced by the Company include: the decrease in demand in the home improvement and furnishing industry in the PRC, intensified market competition in the industry, weaker profitability of the Portfolio Shopping Malls and the risks in relation to the Managed Shopping Malls and network expansion risks.

To address the above risks, the Company will continue to strengthen its competitive advantage in operating home furnishing shopping malls, while stepping up to diversify the development and mitigate the impact of the decrease in industry demand and intensified market competition, among other factors, that affects the operation of the Company; by utilizing the competitive advantage and brand recognition it has built up in the industry, the Company will further deepen the cooperation with home building material manufacturers and distributors, and continue to improve the brand structure within the home building material shopping malls and provide better service to consumers through precision marketing, cooperation with other industries and other ways. By guiding consumers into having a better understanding of the home furnishing culture, "Red Star Macalline" will become a home furnishing expert in the mind of consumers.

In addition, the Company will actively develop appealing related products and services, such as e-commerce services, financial services for consumers and commercial tenants, logistics and fulfillment services, home design and decoration services, and bulk procurement services. By commencing the development of the above related services, the Company will improve the dimension and intensity of services to customers, bringing growth in profits in the future.

(II) Specific measures to enhance daily operating efficiency and lower operating cost of the Company in order to improve the results of operation

In order to ensure that the proceeds will be used efficiently, avoid the risk of dilution of immediate return for shareholders and improve the ability to yield consistent returns, the Company will maximize efficiency through safeguarding the progress of the investment projects after the completion of the A Share Offering, lower the financial expenses and improve profitability, strengthen the management of proceeds, strictly enforce the profit distribution policy and improve the investor reward system, in order to reduce the impact of the dilution of immediate return of the shareholders as a result of the A Share Offering. The Company will take specific measures as follows:

1. Safeguarding the investment progress and maximizing efficiency

The proceeds raised from the A Share Offering will mainly be used to strengthen the core business of the Company and develop new businesses regarding the related industry chain. It will be in line with the relevant national industry policy and the direction of the Company's development strategy on the whole,

and have bright prospects and economic benefits. After the proceeds of the A Share Offering become available, the Company will strive to safeguard the progress of the implementation of the investment projects. The successful implementation of the investment projects and the realization of efficiency will help remedy the dilution of immediate return as a result of the A Share Offering, which is in line with the shareholders' long-term interests.

2. Reducing financial expenses and increasing profitability

The Company proposes to use part of the proceeds on replenishing working capital and repaying bank loans, so as to further improve the asset structure and financial condition of the Company. The Company will fully utilize such funds to support the daily operation of the Company, raise the efficiency of the use of capital, and reduce bank loans and financial expenses so as to improve the overall profitability of the Company.

3. Strengthening the management of fund raising

In order to standardize the use and management of the proceeds raised by the A Share Offering, and ensure the compliance, safety and efficiency of the use of proceeds, the Company has formulated the *Rules for the Management of Proceeds of Fund Raising by the Company* according to the laws, including *Company Law of the PRC*, *Securities Law of the PRC*, *Regulatory Guidelines for Listed Companies No. 2 — Regulatory Requirements for the Management and Use of Proceeds Raised by Listed Companies*, *the Rules Governing the Listing of Securities on the Shanghai Stock Exchange* and *the Administrative Measures for Raising Proceeds by Companies Listed on the Shanghai Stock Exchange*, administrative regulations, departmental rules and normative documents. Upon receipt of the proceeds, the Company will comply with the requirements of the *Rules for the Management of Proceeds of Fund Raising by the Company* by entering into a three-party supervision agreement with the sponsor and the commercial bank in which the proceeds are deposited, and deposit the proceeds in the special account approved by the Board in a timely manner. While using the proceeds, the Company will strictly implement the application and approval procedures and establish accounts to record the outgoing of proceeds and the input into investment projects, in order that the proceeds is used for the specific purposes.

4. Strictly enforcing the profit distribution policy and improving the investor reward system

For the purpose of the A Share Offering, the Company has made amendments to the Articles of Association regarding (among others) the provisions on profit distribution in accordance with the requirements of the relevant regulations such as the *Notice on Further Implementing Matters Relevant to the Cash Dividend Distribution by Listed Companies* and *Guidelines No. 3 on the Supervision of Listed Companies — Distribution of Cash Dividends by Listed Companies*, in order to further determine the form of profit distribution, decision-making process, conditions for cash dividends and stock dividends and the minimum dividend rate.

In order to determine the returns to new and existing shareholders after the A Share Offering, refine the provision in the Articles of Association regarding profit distribution and enhance the visibility and practicality of the profit distribution decision, the Company has formulated the *Future Dividend Plan for the Three Years after the A Share Offering*.

The Company will strictly implement the profit distribution policy in accordance with the Articles of Association, and insist on creating long-term value for the Shareholders through formulating rational dividend distribution and protecting the legal interests of the shareholders of the Company.

III. The undertaking made by relevant parties to ensure strict implementation of the remedial measures

The Directors and the senior management of the Company will carry out their responsibility faithfully and diligently, and uphold the legal interests of the Company and the Shareholders. The undertakings of the Directors and the senior management of the Company regarding the measures for recovering the dilution of immediate return as a result of the A Share Offering are as follows:

- (1) I undertake not to transfer benefits to other units or individuals of a gratuitous nature or under unfair conditions, nor will I adopt other means to prejudice the Company's interests;
- (2) I undertake to restrain my job-related consumption;
- (3) I undertake not to use the Company's assets to make any investment or participate in any consumption activities that are not related to my duty;
- (4) I undertake to link the remuneration system formulated by the Board or the remuneration committee to the implementation of the remedial measures;
- (5) I undertake to link the proposed exercising conditions of stock incentive (if any) to the implementation of the remedial measures;

Meanwhile, the controlling shareholders and the actual controllers of the Company undertake to strictly implement the remedial measures in accordance with the relevant requirements of the CSRC as follows:

“Do not interfere with the operating and managing activities. Do not misappropriate the benefit of the Company.”

REPORT ON THE USE OF PROCEEDS OF THE H SHARE OFFERING**I. Details of Previously Raised Funds**

As approved by the China Securities Regulatory Commission in its Approval Letter for Issuance of Overseas-listed Foreign Shares of Red Star Macalline Group Corporation Ltd. (hereinafter referred to as the “Company”) (CSRC Approval [2015] No. 822), on 26 June 2015, the Company issued 543,588,000 Overseas-listed H shares with nominal value of RMB1.00 per share on the Stock Exchange of Hong Kong Limited, and the subscription price was HK\$13.28 per Share. The funds raised amounted to HK\$7,005,572,960.59 (equivalent to RMB5,611,463,941.43) after deducting the underwriting fees, sponsor fees, stock trading fees and transaction taxes. The net proceeds amounted to RMB5,573,328,639.29 after deduction of such other related listing fees of RMB38,135,302.14 paid by the Company.

The aforesaid proceeds raised from the share issuance by the Company had been available as 30 June 2015, verified and confirmed by Deloitte Touche Tohmatsu Certified Public Accountants LLP with the Capital Verification Report De Shi Bao (Yan) Zi (15) No. 1764. The total funds raised amounted to RMB5,611,463,941.43 (before deduction of issuance related expenses) and was deposited in Hong Kong dollar accounts opened by the Company at the China Minsheng Bank Hong Kong Branch and the Industrial and Commercial Bank of China (Asia) Limited.

II. The actual use of the previously raised funds

(1) Table of comparison of the use of the previously raised funds

Unit: RMB' 000

Total proceeds: 5,573,329		Cumulative use of proceeds: 2,172,704									
Change in use of proceeds: 1,208,840 (note)		Total amount of use of proceeds in respective years: July to December, 2015: 2,172,704									
Percentage of change in use of proceeds: 21.69%		Total cumulative investment by using the proceeds as at closing date									
Investment project		Total investment of proceeds					Date on which the project reaches its expected usable condition (or completion progress as at closing date)				
Number	Promised use in investment project	Actual use in investment project	Promised investment amount before fund-raising	Promised investment amount after fund-raising	Actual investment amount	Promised investment amount before fund-raising	Promised investment amount after fund-raising	Actual investment amount	Difference between actual investment amount and investment amount after fund-raising		Date on which the project reaches its expected usable condition (or completion progress as at closing date)
1	Wuhan Etouwan Mall	Wuhan Etouwan Mall	202,997	202,997	101,209	202,997	202,997	101,209	(101,788)		50%
2	Tianjin Tanggu Mall	Tianjin Tanggu Mall	202,997	202,997	16,180	202,997	202,997	16,180	(186,817)		8%
3	Shenyang Yuhong Mall	Shenyang Yuhong Mall	101,499	101,499	—	101,499	101,499	—	(101,499)		0%
4	Hefei Silihe Mall	Hefei Silihe Mall	253,747	253,747	25,216	253,747	253,747	25,216	(228,531)		10%
5	Zhongshan Gangkou Mall	Zhongshan Gangkou Mall	101,499	101,499	5,659	101,499	101,499	5,659	(95,840)		6%
6	Wuhan Hanyang Mall	Wuhan Hanyang Mall	101,499	101,499	15,203	101,499	101,499	15,203	(86,296)		15%
7	Nanjing Pukou Mall	Nanjing Pukou Mall	456,744	456,744	545	456,744	456,744	545	(456,199)		0%
8	Harbin Xikezhan Mall	Harbin Xikezhan Mall	304,496	304,496	78,544	304,496	304,496	78,544	(225,952)		26%

9	Wuxi Taihu Mall	Wuxi Taihu Mall	304,496	304,496	304,496	98,828	304,496	304,496	98,828	(205,668)	32%
10	Investment or acquisition of other home improvement and furnishing retailers and other market participants	Investment or acquisition of other home improvement and furnishing retailers and other market participants	1,319,487	1,319,487	1,319,487	611,050	1,319,487	1,319,487	611,050	(708,437)	46%
11	Refinancing the existing indebtedness	Refinancing the existing indebtedness	710,487	710,487	710,487	1,133,700	710,487	1,133,700	1,133,700	(75,140)	94%
12	Development of O2O business and information technology systems	Development of O2O business and information technology systems	507,514	507,514	507,514	24,225	507,514	507,514	24,225	(483,289)	5%
13	Working capital and other general corporate purposes	Working capital and other general corporate purposes	507,514	507,514	507,514	62,345	507,514	507,514	62,345	(445,169)	12%
	Total		5,074,976	5,074,976	5,573,329	2,172,704	5,074,976	5,573,329	2,172,704	(3,400,625)	39%

Note: The Company has made an announcement on 31 July 2015 regarding partial change of use of proceeds from the global offering of its H Shares.

(2) Change of use of previously raised funds in investment projects

Pursuant to the announcement on the change of use of partial proceeds from the Global Offering issued by the Company on 31 July 2015, the nine loan facilities specified in “Future Plans and Use of Proceeds” section of the Prospectus for the overseas-listed foreign H shares changed to seven loan facilities with outstanding principal amounts of RMB89.7 million at Ping An Bank, RMB60.0 million at Ping An Bank, RMB400.0 million at Bank of Communications, RMB250 million at China Minsheng Bank, RMB250 million at China CITIC Bank and RMB1,400 million at China Minsheng Bank as of the date of the announcement.

Save as disclosed above, there are no other changes in the use of net proceeds from the Global Offering. The Board confirms that there are no material changes in the nature of business as set out in the Prospectus.

(3) Status of transfer or replacement of investment projects using previously raised funds

None.

(4) Status of idle funds

As at 31 December 2015, the Company deposited the unused proceeds in the Company’s account.

(5) Comparison between the use of previously raised funds and the periodic report of the Company

The use of previously raised capitals was not disclosed in the Company’s interim report of 2015.

III. The Economic Benefits Generated from the Investment Projects using raised funds

The forecast of the economic benefits generated from the investment projects using raised funds was not set out in the Prospectus for the H Share Offering.

IV. Conclusion

The Directors believe that, the Company used the previously raised funds from the issuance of H shares pursuant to the plan for the use of proceeds as disclosed in the Prospectus for the overseas-listed foreign H shares in 2015, and the actual use of previously raised funds in section II above. All Directors of the Company hereby warrants that this report contains no false representations, misleading statements or material omissions, and shall be jointly or severally liable for the authenticity, accuracy and completeness of the contents.

PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION

**List of Amendments to
the Articles of Association of Red Star Macalline Group Corporation Ltd.**

Existing articles	Proposed amendments	Reasons for or basis of amendment
<p>Article 7 After adoption by special resolution on the general meeting of the Company and approval of the relevant authorities of the state, the Articles of Association shall take effect on the date on which the overseas listed foreign shares issued by the Company are listed on the Stock Exchange of Hong Kong Limited (the “Hong Kong Stock Exchange”) and shall replace the articles of association formerly registered by the Company with the competent industrial and commercial administration authority.</p> <p>From the date on which the Articles of Association came into effect, the Articles of Association constitutes a legally binding public document regulating the organization and behaviour of the Company, as well as the rights and obligations shared between the Company and its shareholder and among the shareholders.</p>	<p>Article 7 After adoption by special resolution on the general meeting of the Company and approval of the relevant authorities of the state, the Articles of Association shall take effect on the date on which the <u>onshore-listed domestic shares</u> issued by the Company are listed, and shall replace the articles of association formerly registered by the Company with the competent industrial and commercial administration authority.</p> <p>From the date on which the Articles of Association came into, the Articles of Association constitutes a legally binding public document regulating the organization and behaviour of the Company, as well as the rights and obligations between the Company and its shareholder and among the shareholders.</p>	<p>Article 6 of the Mandatory Provisions</p>

Existing articles	Proposed amendments	Reasons for or basis of amendment
<p>Article 8 The Articles of Association shall be binding upon the Company and its shareholders, directors, supervisors, general managers (CEO) and other senior executives, all of whom may, in accordance with the Articles of Association, assert rights in respect of the Company’s affairs.</p> <p>Pursuant to the Articles of Association, the shareholders may pursue actions against the Company, other shareholders and the Company’s directors, supervisors, general manager (CEO) and other senior executives; pursuant to the Articles of Association, the Company may pursue actions against the shareholders.</p> <p>The actions, as referred to in the preceding paragraph, include the instituting of legal proceedings with a court or filing with an arbitral authority for arbitration.</p> <p>“Other senior executives” mentioned in this Article include deputy general manager, secretary of the Board, chief financial officer and other persons appointed by the Board as senior executives of the Company.</p>	<p>Article 8 The Articles of Association shall be binding upon the Company and its shareholders, directors, supervisors, general managers (CEO) and other senior executives, all of whom may, in accordance with the Articles of Association, assert rights in respect of the Company’s affairs.</p> <p>Pursuant to the Articles of Association, the shareholder may pursue actions against the Company, other shareholders and the Company’s directors, supervisors, general manager (CEO) and other senior executives; pursuant to the Articles of Association, the Company may pursue actions against the <u>shareholders, directors, supervisors and other senior executives.</u></p> <p>The actions, as referred to in the preceding paragraph, include the instituting of legal proceedings with a court or filing with an arbitral authority for arbitration.</p> <p>“Other senior executives” mentioned in this Article include deputy general manager, secretary of the Board, chief financial officer and other persons appointed by the Board as senior executives of the Company.</p>	<p>Modified in accordance with Article 10 of the Guidelines.</p>

Existing articles	Proposed amendments	Reasons for or basis of amendment
<p>Article 16 Shares that the Company issues to domestic investors for subscription in RMB shall be known as domestic shares. Shares that the Company issues to foreign investors for subscription in foreign currencies shall be known as foreign shares. Foreign shares offered and listed overseas shall be called overseas listed foreign shares. The overseas listed foreign shares offered by the Company on the Hong Kong Stock Exchange shall be called H shares, i.e. shares which have been admitted for listing on the Hong Kong Stock Exchange, the par value of which is denominated in RMB and which are subscribed for and traded in Hong Kong dollars.</p> <p>Foreign currency referred to in the preceding paragraph refers to the statutory currency, other than RMB, of another country or region, which is recognized by the foreign exchange authority of the state and can be used to pay the Company for the shares.</p> <p>Both holders of domestic shares and holders of foreign shares are ordinary shareholders and shall have the same rights and obligations.</p> <p>Shareholders of the Company may list the unlisted shares they hold on an overseas stock exchange upon approval by the securities regulatory authority under the State Council. Listing of the aforesaid shares on an overseas stock exchange shall also comply with the regulatory procedure, regulations and requirements of the overseas securities market. Listing of the aforesaid shares on an overseas stock exchange does not need resolution through voting at a class meeting.</p>	<p>Article 16 Shares that the Company issues to domestic investors for subscription in RMB shall be known as domestic shares. Shares that the Company issues to foreign investors for subscription in foreign currencies shall be known as foreign shares. Foreign shares offered and listed overseas shall be called overseas listed foreign shares. <u>Shares listed and traded on the domestic stock exchange shall be known as onshore-listed domestic shares.</u></p> <p>Foreign currency referred to in the preceding paragraph refers to the statutory currency, other than RMB, of another country or region, which is recognized by the foreign exchange authority of the state and can be used to pay the Company for the shares.</p> <p>Both holders of domestic shares and holders of foreign shares are ordinary shareholders and shall have the same rights and obligations.</p> <p>Shareholders of the Company may list the unlisted shares they hold on an overseas stock exchange upon approval by the securities regulatory authority under the State Council. Listing of the aforesaid shares on an overseas stock exchange shall also comply with the regulatory procedure, regulations and requirements of the overseas securities market. Listing of the aforesaid shares on an overseas stock exchange does not need resolution through voting at a class meeting.</p>	<p>Modified in accordance with the actual circumstances of the A Share Offering, and all the domestic shares will be converted into onshore-listed domestic shares upon the completion of the A Share Offering.</p>

Existing articles	Proposed amendments	Reasons for or basis of amendment
<p>Article 18 Before the initial public offering of overseas listed foreign shares of the Company, the Company's share capital is RMB3,080,329,038, the total number of shares is 3,080,329,038, which are all ordinary shares, and the equity structure is:</p> <p>.....</p> <p>Upon completion of the initial public offering of overseas listed foreign shares, the Company's share capital shall be RMB3,623,917,038, with a total number of 3,623,917,038, and the equity structure shall be 2,561,103,969 domestic shares and 1,062,813,069 H shares.</p>	<p>Article 18 Before the initial public offering of overseas listed foreign shares of the Company, the Company's share capital is RMB3,080,329,038, the total number of shares is 3,080,329,038, which are all ordinary shares, and the equity structure is:</p> <p>.....</p> <p><u>As approved by relevant regulatory authorities which are authorised by the State Council, the Company can issue [•] ordinary shares in total. The equity structure of the Company is as follows: [•] ordinary shares, including [•] onshore-listed domestic shares (A shares), representing [•]% of the Company's total shares; [•] overseas listed foreign shares (H shares), representing [•]% of the Company's total shares.</u></p>	<p>Modified in accordance with the actual circumstances of the A Share Offering.</p>
	<p>Article 19 <u>Onshore-listed domestic shares issued by the Company that fulfil the relevant regulations are under the custody of the centralised depository of the relevant securities depository institution. H shares issued by the Company are mainly under the custody of the relevant securities registration and clearing company in Hong Kong, and shareholders may also hold H shares in their own names.</u></p>	<p>Added in accordance with Article 17 of the Guidelines.</p>

Existing articles	Proposed amendments	Reasons for or basis of amendment
<p>Article 19 The Board of the Company may make arrangement for the Company's separate issuance of overseas listed foreign shares and domestic shares in accordance with the issue scheme approved by the securities regulatory authority under the State Council.</p> <p>In accordance with the aforesaid scheme for separate issuance of overseas listed foreign shares and domestic shares, the Company may issue the shares individually within 15 months after approval of the securities regulatory authority under the State Council.</p>	<p>Article 20 The Board of the Company may make arrangement for the Company's separate issuance of overseas listed foreign shares and onshore-listed domestic shares in accordance with the issue scheme approved by the securities regulatory authority under the State Council.</p> <p>In accordance with the aforesaid scheme for separate issuance of overseas listed foreign shares and onshore-listed domestic shares, the Company may issue the shares individually within 15 months after approval of the securities regulatory authority under the State Council.</p>	<p>Modified in accordance with the actual circumstances of the A Share Offering, and all the domestic shares will be converted into onshore-listed domestic shares upon the completion of the A Share Offering.</p>
<p>Article 20 If the Company individually issues overseas listed foreign shares and domestic shares within the total number specified in the issue scheme, the said shares shall be issued respectively at one time; if it is impossible for the shares to be issued at one time for special reasons, the shares may be issued by several times upon approval by the securities regulatory authorities of the State Council.</p>	<p>Article 21 If the Company individually issues overseas listed foreign shares and onshore-listed domestic shares within the total number specified in the issue scheme, the said shares shall be issued respectively at one time; if it is impossible for the shares to be issued at one time for special reasons, the shares may be issued by several times upon approval by the securities regulatory authorities of the State Council.</p>	<p>Modified in accordance with the actual circumstances of the A Share Offering, and all the domestic shares will be converted into onshore-listed domestic shares upon the completion of the A Share Offering.</p>
	<p>Article 22 The registered capital of the Company is RMB[•].</p>	<p>Added in accordance with Article 6 of the Guidelines and Article 19 of the Mandatory Provisions.</p>
	<p>Article 23 Any increase or decrease in the registered capital of the Company shall be filed with the registration authority in accordance with the relevant laws.</p>	<p>Added in accordance with paragraph 2 of Article 177 of the Guidelines</p>

Existing articles	Proposed amendments	Reasons for or basis of amendment
<p>Article 21 The Company may increase capital based on the needs of operation and development and in accordance with the Articles of Association.</p> <p>.....</p>	<p>Article 24 <u>Pursuant to the requirements of the relevant laws, administrative regulations, rules of relevant authorities and the listing rules of the stock exchanges on which its shares are listed</u>, the Company may increase capital based on the needs of operation and development and in accordance with the Articles of Association.</p> <p>.....</p>	<p>Modified in accordance with Article 21 of the Guidelines.</p>
<p>Article 29 Unless otherwise specified in the laws, administrative regulations and the Listing Rules, all fully-paid shares of the Company can be transferred without any limitation and are not subject to any lien. Transfer of H shares shall be registered with the Hong Kong-based share registry designated by the Company.</p>	<p>Article 32 Unless otherwise specified in the laws, administrative regulations and the Listing Rules, all fully-paid shares of the Company can be transferred without any limitation and are not subject to any lien. <u>Transfer of the Company's shares shall be registered with the share registrar(s) designated by the Company.</u></p>	<p>Modified in accordance with the actual circumstances of the A Share Offering.</p>

Existing articles	Proposed amendments	Reasons for or basis of amendment
	<p><u>Article 35 If the directors, supervisors, senior executives of the Company or any shareholders who holds 5% or more of the domestic shares of the Company, sell his/her shares in the Company within six months of his/her purchase, or purchase the shares again within six months after the sale, the profits thus made shall accrue to the Company and the Board shall collect all such profits. If a securities company serving as the underwriter purchases all the unsold shares and therefore holds more than 5% of the shares, it is not subject to the six months restriction against selling such shares.</u></p> <p><u>If the Board fails to comply with the provision set out in the preceding paragraph, the shareholders have the right to request the Board to do so within 30 days. The shareholders have the right to initiate litigation in the court directly in their own name for the interests of the Company if the Board fails to comply with the provision within the period specified hereinabove.</u></p> <p><u>If the Board refuses to comply with paragraph (1) of this Article, the directors at fault shall be collectively responsible under the relevant laws.</u></p>	<p>Added in accordance with Article 47 of the Securities Law of the PRC, Article 29 of the Guidelines, Rule 19A.46 and Rule 1(2) of Appendix III of the Hong Kong Listing Rules.</p>

Existing articles	Proposed amendments	Reasons for or basis of amendment
<p>Article 49</p> <p>.....</p> <p>The Company shall keep at its Hong Kong address the documents as referred to in (2) to (7) above and any other applicable document as per the requirements of the Listing Rules for free reference of the public and shareholders (except minutes of the general meetings for reference of shareholders only). If any shareholder requests access to the aforesaid relevant information or provision of data, the said shareholder shall provide the Company with written documents bearing evidence of the type and number of shares held by the said shareholder, and the Company will provide the said information as required by the said shareholder upon authentication of the said shareholder.</p> <p>.....</p>	<p>Article 53</p> <p>.....</p> <p>The Company shall keep at its Hong Kong address the documents as referred to in (2) to (7) above and any other applicable document as per the requirements of the Listing Rules for free reference of the public and shareholders (except minutes of the general meetings for reference of shareholders only). <u>Shareholders of the Company can also inspect the resolutions of the meetings of the Board and the Supervisory Committee of the Company, as well as the counterfoils of any corporate bonds.</u> If any shareholder requests access to the aforesaid relevant or provision of data, the said shareholder shall provide the Company with written documents bearing evidence of the type and number of shares held by the said shareholder, and the Company will provide the said information as required by the said shareholder upon authentication of the said shareholder.</p> <p>.....</p>	<p>Modified in accordance with Paragraph (2) and Paragraph (5) in Article 32 of the Guidelines and the Hong Kong Listing Rules.</p>

Existing articles	Proposed amendments	Reasons for or basis of amendment
	<p><u>Article 54 If the contents of a shareholders’ resolution or a Board resolution is in violation of the laws and administrative regulations, the shareholders shall have the right to request the People’s Court to invalidate such resolution.</u></p> <p><u>If the meeting convening procedures and voting methods adopted at a general meeting or Board meeting are in violation of the laws and administrative regulations or the Articles of Association, or if the contents of the resolution at such meeting are in breach of the Articles of Association, the shareholders shall have the right to request the People’s court to revoke the resolution within 60 days from the date of that resolution.</u></p>	<p>Added in accordance with Article 34 of the Guidelines.</p>
	<p><u>Article 55 If a director or senior executive breaches the law, administrative regulation or the Articles of Association in the course of carrying out his/her duties for the Company and incur losses to the Company, shareholders who individually or together with others hold 1% or more of the Company’s shares for over 180 days continuously shall have right to request in writing that the Supervisory Committee initiate litigation at the People’s Court. If the Supervisory Committee breaches the law, administrative regulations or the Articles of Association when carrying out its duties for the Company, and incurs losses to the Company, the shareholders can request in writing that the Board initiate litigation at the People’s Court.</u></p>	<p>Added in accordance with Article 35 of the Guidelines.</p>

Existing articles	Proposed amendments	Reasons for or basis of amendment
	<p><u>If the Supervisory Committee or the Board refuse to initiate litigation after receiving the shareholders’ written request under the preceding paragraph, or does not initiate litigation within 30 days of receiving the request, or if the situation is so urgent that the Company will suffer irrevocable losses without an immediate litigation, the shareholder under the previous paragraph can initiate litigation directly at the People’s Court in his/her own name for the interests of the Company.</u></p> <p><u>If any person intervenes with the legal interests of the Company, resulting in losses suffered by the Company, a shareholder under the first paragraph of this Article can initiate litigation at the People’s Court in accordance with the two preceding paragraphs.</u></p>	
	<p><u>Article 56 If a director or senior executive breaches the law, administrative regulation, or the Articles of Association and damages shareholders’ interests, the shareholder can initiate litigation at the People’s Court.</u></p>	<p>Added in accordance with Article 36 of the Guidelines.</p>

Existing articles	Proposed amendments	Reasons for or basis of amendment
<p>Article 54 A general meeting shall exercise the following functions and powers:</p> <p>(I) To decide the business operation guideline and investment plan for the Company;</p> <p>(II) To elect and replace directors and to decide on matters relating to remuneration of the directors;</p> <p>(III) To elect and replace supervisors who are not the employee representative and to decide on matters relating to remuneration of the supervisors;</p> <p>(IV) To examine and approve reports of the Board;</p> <p>(V) To examine and approve reports of the Supervisory Committee;</p> <p>(VI) To examine and approve the annual financial budgets and final accounting plans of the Company;</p> <p>(VII) To examine and approve the Company's profit distribution plan and loss recovery plan;</p> <p>(VIII) To resolve on increase or decrease of the registered capital of the Company;</p> <p>(IX) To resolve on the merger, division, dissolution, liquidation or transformation of the Company;</p>	<p>Article 61 A general meeting shall exercise the following functions and powers:</p> <p>(I) To decide the business operation guideline and investment plan for the Company;</p> <p>(II) To elect and replace directors and to decide on matters relating to remuneration of the directors;</p> <p>(III) To elect and replace supervisors who are not the employee representative and to decide on matters relating to remuneration of the supervisors;</p> <p>(IV) To examine and approve reports of the Board;</p> <p>(V) To examine and approve reports of the Supervisory Committee;</p> <p>(VI) To examine and approve the annual financial budgets and final accounting plans of the Company;</p> <p>(VII) To examine and approve the Company's profit distribution plan and loss recovery plan;</p> <p>(VIII) To resolve on increase or decrease of the registered capital of the Company;</p> <p>(IX) To resolve on the merger, division, dissolution, liquidation or transformation of the Company;</p>	<p>Modified in accordance with Article 40 of the Guidelines.</p>

Existing articles	Proposed amendments	Reasons for or basis of amendment
<p>(X) To resolve on the issuance of corporate bonds and other securities and the listing of the Company;</p> <p>(XI) To resolve on the appointment, removal or non-reappointment of certified public accountants of the Company;</p> <p>(XII) To amend the Articles of Association;</p> <p>(XIII) To examine proposals made by shareholders severally or jointly representing more than 3% of the voting shares of the Company;</p> <p>(XIV) To examine the Company's purchase or disposal of major assets within one year or matters with the amount guaranteed exceeding 30% of the total assets of the Company;</p> <p>(XV) To resolve on other matters which, in accordance with the laws, administrative regulations, listing rules of the stock exchange with which the Company's shares are listed and the Articles of Association, shall be approved by a general meeting.</p>	<p>(X) To resolve on the issuance of corporate bonds and other securities and the listing of the Company;</p> <p>(XI) To resolve on the appointment, removal or non-reappointment of certified public accountants of the Company;</p> <p>(XII) To amend the Articles of Association;</p> <p>(XIII) To examine proposals made by shareholders severally or jointly representing more than 3% of the voting shares of the Company;</p> <p>(XIV) <u>To examine and approve the guarantees under Article 62;</u></p> <p>(XV) To examine the Company's purchase or disposal of major assets within one year or matters with the amount guaranteed exceeding 30% of the total assets of the Company;</p> <p>(XVI) <u>To examine and approve any changes to the use of proceeds;</u></p> <p>(XVII) <u>To review share incentive plans;</u></p> <p>(XVIII) To resolve on other matters which, in accordance with the laws, administrative regulations, listing rules of the stock exchange with which the Company's shares are listed and the Articles of Association, shall be approved by a general meeting.</p>	

Existing articles	Proposed amendments	Reasons for or basis of amendment
	<p data-bbox="644 272 1056 395"><u>Article 62 The following external guarantees of the Company must be reviewed and approved at the general meeting:</u></p> <p data-bbox="644 434 1056 646"><u>(I) Any guarantee to be provided after the total external guarantee provided by the Company or its subsidiary has exceeded 50% or more of the Company's latest audited net assets;</u></p> <p data-bbox="644 685 1056 898"><u>(II) Any guarantee to be provided after the total external guarantee provided by the Company has exceeded 30% or more of the Company's latest audited total assets;</u></p> <p data-bbox="644 936 1056 1059"><u>(III) Any guarantee to be provided to an entity whose debt equity ratio exceeds 70%;</u></p> <p data-bbox="644 1098 1056 1200"><u>(IV) Any single guarantee the amount of which exceeds 10% of the latest audited net assets;</u></p> <p data-bbox="644 1238 1056 1361"><u>(V) Any guarantee to be provided to the shareholders, actual controller and their associates; and</u></p> <p data-bbox="644 1400 1056 1659"><u>(VI) Other guarantees which are required to be approved by the Company's general meetings under the laws, regulations, rules of the stock exchanges where the Company's shares are listed or the Articles of Association.</u></p>	<p data-bbox="1085 272 1382 361">Added in accordance with Article 41 of the Guidelines.</p>

Existing articles	Proposed amendments	Reasons for or basis of amendment
	<p><u>Article 65 The venue for holding general meetings is the Company's registered office or other venue set out in the notice of the general meeting.</u></p>	<p>Added in accordance with Paragraph 2 of Article 44 of the Guidelines.</p> <p>Added in accordance with Article 21 of the Rules of the General Meetings of Listed Companies.</p>
	<p><u>A venue shall be set up for convening the general meetings onsite. The Company, subject to ensuring that such meetings are legal and valid, can facilitate shareholders' attendance at such meetings via various means and methods, such as video conference, telephone, online voting platform or other modern information technology means. Shareholders attending the general meeting by the above methods are deemed present at the meeting.</u></p> <p><u>For any general meetings held online or via other methods, the voting time and procedure for the relevant voting methods shall be set out clearly in the notice of the general meeting.</u></p>	

Existing articles	Proposed amendments	Reasons for or basis of amendment
	<p data-bbox="644 278 1056 561"><u>Article 66 When the Company holds a general meeting, it shall engage lawyers to witness the meeting, and provide legal opinions and prepare announcements on the following matters in accordance with the rules of the stock exchanges on which the shares are listed:</u></p> <p data-bbox="644 604 1056 825"><u>(I) Whether the procedures for convening and holding the general meeting comply with the requirements of the relevant laws, administrative regulations, and the Articles of Association;</u></p> <p data-bbox="644 863 1056 953"><u>(II) Whether the qualifications of the attendees and the convener are legally valid;</u></p> <p data-bbox="644 991 1056 1115"><u>(III) Whether the voting procedures and results of the general meeting are legally valid;</u></p> <p data-bbox="644 1153 1056 1242"><u>(IV) Provide legal opinion on any other matters as may be required by the Company.</u></p>	<p data-bbox="1085 278 1382 368">Added in accordance with Article 45 of the Guidelines.</p>

Existing articles	Proposed amendments	Reasons for or basis of amendment
<p>Article 58 At general meetings of the Company, the Board, the Supervisory Committee, and shareholder(s) individually or jointly holding more than 3% of the Company's shares shall have the right to propose motions to the Company. The content of a proposal shall be determined by the general meeting, have definite topics and specific issues for resolution, and shall comply with the provisions of the laws, regulations and the Articles of Association.</p> <p>Shareholder(s) individually or jointly holding more than 3% of the Company's shares may submit a written provisional motion to the convener 10 days before a general meeting is convened; the convener shall issue a supplementary notice of general meeting within two days after receipt of the said provisional motion, to notify other shareholders and to submit the said provisional proposal to the general meeting for consideration.</p> <p>Proposals not set out in the notice of general meeting or not complying with the provision herein shall not be voted on or resolved at the general meeting.</p>	<p>Article 68 <u>The contents of the resolutions must be within the scope of duties of general meetings. It must contain clear topics and detailed matters to be resolved at the meeting, and be in compliance with the relevant laws, administrative regulations and the Articles of Association.</u></p> <p>At general meetings of the Company, the Board, the Supervisory Committee, and shareholder(s) individually or jointly holding more than 3% of the Company's shares shall have the right to propose motions to the Company. The content of a proposal shall be determined by the general meeting, have definite topics and specific issues for resolution, and shall comply with the provisions of the laws, regulations and the Articles of Association.</p> <p>Shareholder(s) individually or jointly holding more than 3% of the Company's shares may submit a written provisional motion to the convener 10 days before a general meeting is convened; the convener shall issue a supplementary notice of general meeting within two days after receipt of the said provisional motion, to notify other shareholders and to submit the said provisional proposal to the general meeting for consideration.</p> <p><u>Except as provided in the last paragraph, after the convener issues a public notice of the general meeting, he/she shall not change the resolutions or add any new resolutions in the notice of the general meeting.</u></p> <p>Proposals not set out in the notice of general meeting or not complying with the provision herein shall not be voted on or resolved at the general meeting.</p>	<p>Modified in accordance with Article 52 of the Guidelines.</p>

Existing articles	Proposed amendments	Reasons for or basis of amendment
	<p><u>Article 71 If the election of directors or supervisors are proposed to be discussed at a general meeting, the notice of the general meeting must contain the details of the candidates for the directors and the supervisors. It must at least include the following information:</u></p> <p>(I) <u>biographies such as educational background, work experiences and other simultaneous appointments;</u></p> <p>(II) <u>whether he/she has any relationship with the Company, the controlling shareholder or the actual controller of the Company;</u></p> <p>(III) <u>the number of shares he/she holds in the Company;</u></p> <p>(IV) <u>whether he/she is subject to any punishment by the CSRC or any other relevant government department or sanctioned by any securities exchange.</u></p> <p><u>Unless the election of directors and supervisors is to be conducted by way of cumulative voting, each candidate for the director or the supervisor shall be proposed in separate resolutions.</u></p>	<p>Added in accordance with Article 56 of the Guidelines.</p>

Existing articles	Proposed amendments	Reasons for or basis of amendment
<p>Article 61 The notice of general meeting shall be delivered to shareholders (whether or not they are entitled to vote at the general meeting) by personal delivery or by prepaid mail to their addresses as shown in the shareholders' register, or by announcement on the website designated by the Company and the Hong Kong Stock Exchange in accordance with applicable laws, regulations and the Listing Rules. For holders of domestic shares, the notice of a general meeting may be issued in the form of public announcement.</p> <p>Public announcement referred to in the preceding paragraph shall be published in one or more newspaper(s) designated by the securities authority under the State Council during the period between 45 days to 50 days prior to the date of the meeting. Once the announcement has been published, all holders of domestic shares shall be deemed to have received the notice of relevant general meeting.</p>	<p>Article 72 The notice of general meeting shall be delivered to shareholders (whether or not they are entitled to vote at the general meeting) by personal delivery or by prepaid mail to their addresses as shown in the shareholders' register, or by announcement on the website designated by the Company and the Hong Kong Stock Exchange in accordance with applicable laws, regulations and the Listing Rules. For holders of onshore-listed domestic shares, the notice of a general meeting may be issued in the form of public announcement.</p> <p>Public announcement referred to in the preceding paragraph shall be published in one or more newspaper(s) designated by the securities authority under the State Council during the period between 45 days to 50 days prior to the date of the meeting. Once the announcement has been published, all holders of onshore-listed domestic shares shall be deemed to have received the notice of relevant general meeting.</p>	<p>Modified in accordance with the actual circumstances of the A Share Offering.</p>
	<p>Article 73 <u>Once the notice for a general meeting is issued, the general meeting shall not be postponed or canceled without a valid reason. Resolutions set out in the notice shall not be canceled without a valid reason. In the event of a postponement or a cancellation, the convenor of the meeting shall make a public announcement of the reason at least two working days before the date of the meeting as originally scheduled.</u></p>	<p>Added in accordance with Article 57 of the Guidelines.</p>

Existing articles	Proposed amendments	Reasons for or basis of amendment
<p>Article 63 Any shareholder entitled to attend and vote at a general meeting of the Company shall be entitled to appoint one or more persons (whether a shareholder or otherwise) as his proxy/proxies to attend and vote on his behalf. The said proxy may exercise the following rights as granted by the said shareholder:</p> <p>.....</p>	<p>Article 75 <u>All shareholders recorded in the share register on the relevant share registration date shall have the right to attend the general meeting and exercise the voting rights in accordance with the relevant laws, regulations, the rules of the stock exchanges on which the shares are listed and the Articles of Association.</u></p> <p>Any shareholder entitled to attend and vote at a general meeting of the Company shall be entitled to appoint one or more persons (whether a shareholder or otherwise) as his proxy/proxies to attend and vote on his behalf. The said proxy may exercise the following rights as granted by the said shareholder:</p> <p>.....</p>	<p>Added in accordance with Article 59 of the Guidelines.</p>

Existing articles	Proposed amendments	Reasons for or basis of amendment
	<p><u>Article 76 If individual shareholders attend the meeting in person, he/she must present his/her ID card or other valid documents or proof to identify him/herself and stock account card; if an agent is appointed to attend the meeting, he/she must present valid identity documents and power of attorney of the relevant shareholder.</u></p> <p><u>As for a corporate shareholder, its legal representative or an agent appointed by such legal representative shall attend the meeting. The legal representative who attends the meeting must show his/her ID card, and valid certificates which can prove his/her qualification as a legal representative; if the authorised agent attends the meeting, he/she must present his/her ID card, the written power of attorney legally issued by the legal representative of the corporate shareholder in accordance with the relevant laws.</u></p>	<p>Added in accordance with Article 60 of the Guidelines.</p>

Existing articles	Proposed amendments	Reasons for or basis of amendment
<p>Article 64 The power of attorney shall be in writing under the hand of the principal or his proxy duly authorised in writing or, if the principal is a legal person, it shall be under seal or under the hand of a director or a proxy duly authorised. Such power of attorney shall specify the number of shares to be represented by the proxy; if several persons are appointed as the shareholder’s proxies, the power of attorney shall specify the number of shares to be represented by each proxy.</p>	<p>Article 77 The power of attorney shall be in writing under the hand of the principal or his proxy duly authorised in writing or, if the principal is a legal person, it shall be under seal or under the hand of a director or a proxy duly authorised.</p> <p><u>The power of attorney issued by the shareholder to appoint an agent to attend the general meeting must include the following contents:</u></p> <ul style="list-style-type: none">(I) <u>Name of the agent;</u>(II) <u>Whether he/she has the right to vote;</u>(III) <u>Instructions on voting for or against or abstaining from voting in respect to each matter set out in the agenda of the general meeting;</u>(IV) <u>Issuing date and validity period of the power of attorney;</u>(V) <u>Signature (or stamp) of the appointor. If the appointor is a corporate shareholder, the power of attorney must be stamped with the corporate seal of the corporate shareholder;</u>(VI) <u>The number of shares held by the shareholder who is represented by the agent;</u>(VII) <u>If there is more than one agent authorised by the shareholder, the power of attorney must set out the number of shares each agent represents.</u>	<p>Modified in accordance with Article 61 of the Guidelines.</p>

Existing articles	Proposed amendments	Reasons for or basis of amendment
<p>Article 66 Any format issued to a shareholder by the Board of the Company for appointing a proxy shall provide the shareholder with the flexibility to instruct the proxy to vote for or against, and give directives on each of the resolutions to be decided at the meeting. Such a format shall contain a statement that, in default of directives, the proxy may vote as he thinks fit.</p>	<p>Article 79 Any format issued to a shareholder by the Board of the Company for appointing a proxy shall provide the shareholder with the flexibility to instruct the proxy to vote for or against, and give directives on each of the resolutions to be decided at the meeting. <u>This will not include the situation where the securities registration and clearing institution is the nominal shareholder of Shanghai-Hong Kong Stock Connect shares and declares in accordance to the instructions of the beneficial owners.</u> Such a format shall contain a statement that, in default of directives, the proxy may vote as he thinks fit.</p>	<p>Added in accordance with Article 89 of the Guidelines.</p>
	<p>Article 81 <u>The meeting register for participants must be made by the Company. The meeting register shall set out various matters, such as the names of the individual participants (or names of the corporate participants), ID card numbers, residential addresses, the number of shares with voting rights owned or held as a proxy and the names of the individual proxy appointors (or names of the corporate proxy appointors).</u></p>	<p>Added in accordance with Article 64 of the Guidelines.</p>
	<p>Article 82 <u>The meeting convener and the lawyer employed by the Company must examine the legitimacy of the shareholders' qualification in accordance with the shareholders' register provided by the securities registration and clearing institution, and register the names of the shareholders and the number of voting shares that they hold. The registration shall be terminated before the chairman announces the number of shareholders and agents present at the meeting as well as the number of voting shares they hold.</u></p>	<p>Added in accordance with Article 65 of the Guidelines.</p>

Existing articles	Proposed amendments	Reasons for or basis of amendment
	<p>Article 83 <u>If the general meeting requires attendance by the directors, supervisors and senior executives, such directors, supervisors and senior executives should attend the meeting and answer inquiries from the shareholders.</u></p>	<p>Article 150 of the Company Law of the PRC.</p>
<p>Article 69 Shareholder (including proxies thereof) who vote at a general meeting shall exercise their voting rights as per the number of voting shares they represent. Each share carries the right to one vote. However, the Company has no voting right for the shares it holds, and such part of shares shall be excluded from the total number of voting shares represented by the shareholders attending the general meeting.</p> <p>Pursuant to the applicable laws and regulations and the Listing Rules of the stock exchange on which the Company's shares are listed, whereas any shareholder is required to abstain from voting on any particular resolution or restricted to voting only for or against any particular resolution, any vote cast by or on behalf of such shareholder in contravention of such requirement or restriction shall not be tallied.</p>	<p>Article 85 Shareholder (including proxies thereof) who vote at a general meeting shall exercise their voting rights as per the number of voting shares they represent. Each share carries the right to one vote.</p> <p><u>When material issues affecting the interests of small and medium investors are being considered at the general meeting, the votes of such investors shall be counted separately. The separate counting results shall be promptly and publicly disclosed.</u></p> <p><u>Shares held by the Company have no voting rights, and such shares will not be included in the total number of shares with voting rights at the general meeting.</u></p> <p><u>The Board, independent non-executive directors and shareholders who satisfy the relevant regulations and conditions may publicly solicit shareholder voting rights. When soliciting shareholder voting rights, information such as specific voting intentions should be fully disclosed to the shareholders being solicited. Soliciting shareholder voting rights with compensation or disguised compensation is prohibited. The Company must not set a lowest shareholding percentage when soliciting the shareholder voting rights.</u></p>	<p>Added in accordance with Articles 78, 79 and 86 of the Guidelines.</p>

Existing articles	Proposed amendments	Reasons for or basis of amendment
	<p><u>When considering related transactions during the general meeting, the related shareholders must not participate in the voting, and the number of shares with voting rights represented by him/her shall not be included in the total number of valid votes. The announcement on the resolutions shall fully disclose the voting of the non-related shareholders.</u></p> <p><u>Voting at the general meeting shall be by poll with registration.</u></p> <p>Pursuant to the applicable laws and regulations and the Listing Rules of the stock exchange on which the Company's shares are listed, whereas any shareholder is required to abstain from voting on any particular resolution or restricted to voting only for or against any particular resolution, any vote cast by or on behalf of such shareholder in contravention of such requirement or restriction shall not be tallied.</p>	

Existing articles	Proposed amendments	Reasons for or basis of amendment
<p>Article 76 The Supervisory Committee and shareholder(s) individually or jointly holding more than 10% of the Company's total voting shares may require convening an extraordinary general meeting or class meeting, and shall follow the procedure below:</p> <p>(I) The Supervisory Committee and shareholder(s) individually or jointly holding more than 10% of the Company's total voting shares may sign one or several written requests with the same format and content to propose to the Board to convene an extraordinary general meeting or class meeting, and specify the topics of the meeting. The Board shall convene an extraordinary or class meeting responsively after receipt of the aforesaid written request. The aforesaid amount of shareholding is calculated as on the day when the shareholders make the written request.</p> <p>(II) If the Board fails to issue a notice of meeting within 30 days after receipt of the aforesaid written request, the Supervisory Committee may by itself convene a meeting within four months after the Board receives the said request; if the Supervisory Committee fails to convene and preside over a meeting, shareholders who hold more than 10% of the Company's shares, individually or jointly, for more than 90 consecutive days may convene and preside over a meeting by themselves, and the convening procedure shall to the extent possible be the same as the procedure by which the Board convenes a general meeting.</p>	<p>Article 92 Shareholder(s) individually or collectively holding more than 10% of the Company's total voting shares may request convening an extraordinary general meeting or class meeting, and shall follow the procedures below:</p> <p>(I) <u>The Supervisory Committee and shareholder(s) individually or collectively holding 10% or more of the Company's total voting shares may sign one or several written requests with the same format and content and propose that the Board convene an extraordinary general meeting or class meeting, and specify the topics of the meeting. The Board shall provide a written feedback on whether to agree to convene an extraordinary or class meeting within ten days upon receipt of the aforesaid written request. If the Board agrees to convene an extraordinary or class meeting, it will issue a notice about convening the meeting within five days after passing the resolution. If the notice modifies the original request, consent must be obtained from the relevant shareholder. The aforesaid amount of shareholding is calculated as of the day when the relevant shareholder makes the written request.</u></p>	<p>Modified in accordance with Articles 46–51 of the Guidelines.</p>

Existing articles	Proposed amendments	Reasons for or basis of amendment
<p>Where the shareholders or Supervisory Committee by themselves convene and preside over a meeting because the Board fails to convene the meeting pursuant to the aforesaid request, the reasonable expenses incurred shall be borne by the Company and shall be deducted from the monies payable by the Company to the defaulting directors.</p>	<p><u>(II) If the Board fails to issue a notice of meeting within 30 days after receipt of the aforesaid written request, the requesting shareholder may itself convene a meeting within four months after the Board receives the said request, and the meeting convening procedure shall to the extent possible be the same as the procedure by which the Board convenes a general meeting.</u></p> <p><u>(III) If the Board does not agree to convening an extraordinary general meeting or provides no feedback within 10 days after receiving the request, the shareholder who individually or collectively holds more than 10% of the Company's shares has the right to propose convening an extraordinary general meeting and must make a written request to the Supervisory Committee.</u></p> <p><u>If the Supervisory Committee approves the request, it will issue a notice about convening the meeting within five days of receiving the request. If the notice modifies the proposed resolution in the original request, consent must be obtained from the relevant shareholder.</u></p>	

Existing articles	Proposed amendments	Reasons for or basis of amendment
	<p><u>If the Supervisory Committee fails to issue a notice of the general meeting, it will be deemed that the Supervisory Committee will not convene or preside over the meeting. Therefore, the shareholders who individually or collectively hold more than 10% of the total shares of the Company for over 90 consecutive days can convene and preside over the meeting by themselves.</u></p> <p><u>If any general meeting or class meeting is called by the shareholders themselves, the shares held by those shareholders shall not be less than 10% of the total shares of the Company, before announcing the resolutions of the meeting.</u></p> <p><u>If the independent non-executive directors or the Supervisory Committee requests to convene an extraordinary general meeting, the following procedures are required to be followed:</u></p> <p><u>(I) Sign one or more written requests with the same format and contents, which request the Board to hold the extraordinary general meeting and explain the topic of the meeting. Within ten days after receiving the above-mentioned written request, the Board must provide written feedback regarding approval or rejection of the request.</u></p>	

Existing articles	Proposed amendments	Reasons for or basis of amendment
	<p><u>(II) If the Board approves the request, it shall provide a notice about convening the meeting within five days after passing the resolution. If the notice modifies the original request, consent must be obtained from the original requester.</u></p> <p><u>(III) If the Board rejects the request from the independent non-executive directors, it shall explain and make a public announcement of the relevant reasons.</u></p> <p><u>(IV) If the Board rejects the request from the Supervisory Committee, or provides no feedback within ten days after receiving the request, the Board shall be deemed to be unable to or will not fulfill the obligations of convening the meeting and the Supervisory Committee can convene and preside over the meeting itself.</u></p> <p><u>If the meeting is convened by the Supervisory Committee or the shareholders themselves, a written notice must be sent to the Board and kept on file in the branch office of the CSRC where the Company is situated and the relevant stock exchange(s). The Supervisory Committee and the meeting convener shall submit relevant certifications to the branch office of the CSRC where the Company is situated and the relevant stock exchange(s) when issuing the notice regarding convening the meeting, as well as a notice about the resolution of the meeting.</u></p>	

Existing articles	Proposed amendments	Reasons for or basis of amendment
	<p><u>Where the Supervisory Committee or the shareholders convene a general meeting, the Board and the secretaries to the Board must provide necessary assistance. The Board shall provide the register of the shareholders as recorded on the relevant registration date. The Company shall assume the necessary costs of the meeting where it is convened by the Supervisory Committee or the shareholders.</u></p>	
<p>Article 77</p> <p>.....</p> <p>A general meeting convened by the shareholders themselves shall be presided over by a representative elected by the convener. In the event that no presider is so elected, the attending shareholders shall elect one person to act as presider of the meeting; if for any reason the shareholders cannot elect a presider, the shareholder (including proxy thereof) holding the most voting shares among the attending shareholders shall preside over the meeting.</p>	<p>Article 93</p> <p>.....</p> <p>A general meeting convened by the shareholders themselves shall be presided over by a representative elected by the convener. In the event that no presider is so elected, the attending shareholders shall elect one person to act as presider of the meeting; if for any reason the shareholders cannot elect a presider, the shareholder (including proxy thereof) holding the most voting shares among the attending shareholders shall preside over the meeting.</p> <p><u>During the general meeting, if the chairman breaches any procedure rules such that the general meeting is unable to continue, the general meeting may elect a person to serve as the chairman for continuing with the meeting upon obtaining consent of more than 50% of the shareholders present at the meeting who have the voting rights.</u></p>	<p>Modified in accordance with Article 67 of the Guidelines.</p>

Existing articles	Proposed amendments	Reasons for or basis of amendment
	<p>Article 94 <u>The Company shall establish procedure rules of the general meeting and stipulate in detail the procedures for convening and voting at the meeting, including issuing notices, registration, review of resolutions, voting, counting of votes, announcement of poll results, reaching meeting decisions, meeting minutes, signing meeting minutes and issuing announcement, as well as the principles for giving authorisation to the Board. The procedure rules of the general meeting shall be appended to the Articles of Association, and shall be prepared by the Board and approved by general meeting.</u></p>	<p>Added in accordance with Article 68 of the Guidelines.</p>
	<p>Article 95 <u>At the annual general meeting, the Board and the Supervisory Committee shall report the work of the past year. Each independent non-executive director shall also prepare a work report on the exercise of his/her duties.</u></p>	<p>Added in accordance with Article 69 of the Guidelines.</p>
	<p>Article 96 <u>The directors, supervisors and senior executives shall answer and provide explanations in response to the shareholders' inquiries and proposals at the general meeting.</u></p>	<p>Added in accordance with Article 70 of the Guidelines.</p>
	<p>Article 97 <u>Before voting, the chairman of the meeting shall announce the number of shareholders and shareholder agents present at the meeting, as well as the total number of shares with voting rights. The exact number of shareholders and shareholder agents attending the general meeting and the total number of shares with voting rights shall be based on the meeting registration record.</u></p>	<p>Added in accordance with Article 71 of the Guidelines.</p>

Existing articles	Proposed amendments	Reasons for or basis of amendment
<p>Article 78 The presider of the meeting shall be responsible for determining whether a resolution has been passed pursuant to the voting results. His decision, which shall be final and conclusive, shall be announced at the meeting and recorded in the minutes.</p>	<p>Article 98 <u>The on-site general meeting shall not end before the meeting being conducted online or via other means. The chairman of the meeting shall announce the voting and poll result of each resolution, and</u> determine whether a resolution has been passed pursuant to the voting results.</p> <p><u>Before the voting results are officially announced, the companies, vote counters, supervisors, major shareholders and internet service providers involved at the onsite general meeting, the online meeting or any other voting means shall be obliged to keep the voting results confidential.</u></p> <p><u>Where the resolutions are not passed or the general meeting has revised a resolution reached at the previous general meeting, it should be particularly noted in the poll results announcement of the general meeting.</u></p>	<p>Modified in accordance with Articles 88 and 92 of the Guidelines.</p>
	<p>Article 99 <u>For the same right to vote, it is only allowed to choose one of the on-site, internet or other voting modes. In case of repeated votes of the same vote right, the first vote shall prevail.</u></p>	<p>Added in accordance with Article 85 of the Guidelines</p>
<p>Article 80 If ballots are counted at a general meeting, the counting result shall be recorded in the meeting minutes.</p> <p>The general meeting shall file resolutions as minutes, which shall be signed by the presider and the attending directors. Meeting minutes, together with the signature register of attending shareholders and power of attorney of attending proxies, shall be kept at the domicile of the Company for at least 10 years.</p>	<p>Article 101 If the shareholders' meeting counts votes, the tally should be included in the meeting minutes.</p>	<p>Modified in accordance with Article 72 and 73 of the Guidelines.</p>

Existing articles	Proposed amendments	Reasons for or basis of amendment
	<p>The general meeting shall file resolutions as minutes, <u>which should be the responsibility of the Board secretary. The directors, supervisors, Board secretary, meeting convener or his/her representative and the chairman of the meeting present at the meeting shall sign the meeting minutes and ensure that the contents are true, accurate and complete.</u> Meeting minutes, together with the signature register of attending shareholders and power of attorney of attending proxies, shall be kept at the domicile of the Company for at least 10 years.</p> <p><u>The meeting minutes shall include the following contents:</u></p> <ul style="list-style-type: none">(I) <u>Meeting time, address, agenda, names of the meeting conveners;</u>(II) <u>Name of the chairman of the meeting as well as the directors, supervisors, managers and other senior executives who attended the meeting;</u>(III) <u>Number of shareholders and their agents who attended the meeting, number of shares with voting rights and its percentage as to the total number of shares in the Company;</u>(IV) <u>Review process, key points and voting results of each proposed resolution;</u>(V) <u>Inquires or proposals of the shareholders and the replies and explanations;</u>(VI) <u>Names of the lawyers, vote counters and supervisors;</u>(VII) <u>other contents as may be required to be included in the meeting minutes under the Articles of Association.</u>	

Existing articles	Proposed amendments	Reasons for or basis of amendment
	<p><u>Article 102 The meeting convener must ensure that the general meeting continues until the final decisions are made. If the general meeting is suspended due to special reasons such as force majeure or decisions cannot be made, necessary measures should be taken as soon as possible to re-convene the meeting or end the present meeting, and make an announcement promptly. Meanwhile, the meeting convener shall report to the local office of the CSRC where the Company is located and the relevant stock exchange.</u></p>	<p>Added in accordance with Article 74 of the Guidelines.</p>
	<p><u>Article 103 Except for the cumulative voting system, the general meeting will vote the resolutions one by one. If there are different resolutions for the same matter, voting shall be conducted in accordance to the time sequence of the proposed resolutions. Except for cases where the general meeting is suspended or decisions cannot be made due to special reasons such as force majeure, the meeting shall not be set aside or make no votes for such resolution.</u></p> <p><u>When considering the proposed resolutions, the general meeting shall not make any modifications. Otherwise, the relevant modifications shall be regarded as a new resolution, which cannot be subject to voting at the present meeting.</u></p>	<p>Added in accordance with Articles 83 and 84 of the Guidelines.</p>

Existing articles	Proposed amendments	Reasons for or basis of amendment
<p>Article 89 Apart from holders of other classes of shares, holders of domestic shares and overseas listed foreign shares are deemed as shareholders of different classes.</p> <p>Special voting procedures for class shareholders shall not apply in the following circumstances:</p> <p>(I) With the approval by special resolutions at a general meeting, the Company issues and plans to issue, at one or more occasions, a total number of shares not exceeding 20% of each of its existing issued and outstanding domestic shares and overseas listed foreign shares in every 12 months; or</p> <p>(II) Where the Company's plan to issue domestic shares and overseas listed foreign shares at the time of its establishment is carried out within 15 months from the date of approval of the securities regulatory authority under the State Council;</p> <p>(III) Shares (including domestic and foreign shares) already issued but not listed of the Company, after approval from the securities regulatory authority under the State Council, are converted to overseas listed shares.</p>	<p>Article 112 Apart from holders of other classes of shares, holders of onshore-listed domestic shares and overseas listed foreign shares are deemed as shareholders of different classes.</p> <p>Special voting procedures for class shareholders shall not apply in the following circumstances:</p> <p>(I) With the approval by special resolutions at a general meeting, the Company issues and plans to issue, at one or more occasions, a total number of shares not exceeding 20% of each of its existing issued and outstanding onshore-listed domestic shares and overseas listed foreign shares in every 12 months; or</p> <p>(II) Where the Company's plan to issue onshore-listed domestic shares and overseas listed foreign shares at the time of its establishment is carried out within 15 months from the date of approval of the securities regulatory authority under the State Council;</p> <p>(III) Shares (including domestic and foreign shares) already issued but not listed of the Company, after approval from the securities regulatory authority under the State Council, are converted to overseas listed shares.</p>	<p>Modified in accordance with the actual circumstances of the A Share Offering.</p>

Existing articles	Proposed amendments	Reasons for or basis of amendment
<p>Article 90 Directors shall be elected at general meetings for a term of three years, which is renewable upon re-election when it expires.</p> <p>The chairman and vice chairman shall be elected and removed by more than half of all the directors, shall serve a term of three years, is eligible for re-election.</p> <p>Directors need not to hold shares of the Company.</p>	<p>Article 113 Directors shall be elected at general meetings for a term of three years, which is renewable upon re-election when it expires. <u>Before the expiration, the general meeting cannot terminate their services without cause.</u></p> <p>The chairman and vice chairman shall be elected and removed by more than half of all the directors, shall serve a term of three years, is eligible for re-election.</p> <p><u>The term of office of the directors is calculated from the date of appointment to the expiration of this session of the Board. In cases where the tenure expires and the re-election is not conducted promptly, the existing original directors shall, before the newly elected directors take office, perform their duties in accordance with the relevant laws, administrative regulations, departmental rules and the Articles of Association.</u></p> <p><u>The managers and other senior executives may also serve as directors. The number of directors also serving as managers, senior managers or employee representatives shall not be more than one half of the total number of directors of the Company.</u></p> <p>Directors need not to hold shares of the Company.</p>	<p>Modified in accordance with Article 96 of the Guidelines.</p>

Existing articles	Proposed amendments	Reasons for or basis of amendment
	<p>Article 115 <u>In cases where a director has not attended the Board meeting in person twice consecutively, and did not appoint another director to attend the meeting on his/her behalf, such director is deemed to be unable to perform his/her duties. The Board shall propose to dismiss such director at the general meeting.</u></p>	<p>Modified in accordance with Article 99 of the Guidelines.</p>
<p>Article 92 A director may resign prior to the expiration of his term by tendering a written resignation to the Board.</p> <p>If the number of directors of the Board falls below the quorum as a result of any resignation, such resignation shall not become effective until the vacancy resulting from such resignation is filled up by a succeeding director. The remaining directors shall convene an extraordinary general meeting as soon as possible to elect a director to fill the vacancy caused by the said resignation.</p>	<p>Article 116 A director may resign prior to the expiration of his term by tendering a written resignation to the Board. <u>The Board shall disclose the relevant information within two days.</u></p> <p>If the number of directors of the Board falls below the quorum as a result of any resignation, such resignation shall not become effective until the vacancy resulting from such resignation is filled up by a succeeding director. The remaining directors shall convene an extraordinary general meeting as soon as possible to elect a director to fill the vacancy caused by the said resignation.</p>	<p>Modified in accordance with Article 100 of the Guidelines.</p>
	<p>Article 117 <u>In cases where a director resignation takes effect or his/her tenure expires, he/she shall complete the handing-over procedures with the Board. His/her duty of loyalty owed to the Company and the shareholders shall not be relieved absolutely after the tenure expires and shall remain valid for three years after the resignation takes effect or after his/her tenure expires.</u></p>	<p>Added in accordance with Article 101 of the Guidelines.</p>

Existing articles	Proposed amendments	Reasons for or basis of amendment
	<u>Article 118 Without the authorisation stipulated under the Articles of Association or of the Board, any director shall not act in his/her own name on behalf of the Company or the Board. In cases where a director is acting in his/her own name and the third party may reasonably believe that the director is acting on behalf of the Company or the Board, the director shall declare his/her position and status in advance.</u>	Added in accordance with Article 102 of the Guidelines.
	<u>Article 119 In cases where the directors have breached the relevant laws, administrative regulations, department rules or the Articles of Association when exercising their duties and causes the Company to incur a loss, they shall be liable to compensate accordingly.</u>	Added in accordance with Article 103 of the Guidelines.

Existing articles	Proposed amendments	Reasons for or basis of amendment
<p>Article 102 The Board is responsible for the shareholders' meeting and exercises the following functions:</p> <p>(I) Be responsible for convening the shareholders' meeting and reporting work to the meeting;</p> <p>(II) Implement decisions of the shareholders' meeting;</p> <p>(III) Determine the operation plan and investment scheme of the Company;</p> <p>(IV) Develop annual financial budget & settlement schemes of the Company;</p> <p>(V) Develop profit allocation & deficit coverage schemes of the Company;</p> <p>(VI) Develop company schemes for increasing or reducing registered capital and issuing the corporate bonds;</p> <p>(VII) Prepare scheme for the merging, splitting and dismissing of the Company or change of its form;</p> <p>(VIII) Determine the setting of internal management organizations of the Company;</p>	<p>Article 129 The Board is responsible for the shareholders' meeting and exercises the following functions:</p> <p>(I) Be responsible for convening the shareholders' meeting and reporting work to the meeting;</p> <p>(II) Implement decisions of the shareholders' meeting;</p> <p>(III) Determine the operation plan and investment scheme of the Company;</p> <p>(IV) Develop annual financial budget & settlement schemes of the Company;</p> <p>(V) Develop profit allocation & deficit coverage schemes of the Company;</p> <p>(VI) Develop company schemes for increasing or reducing registered capital and issuing the corporate bonds;</p> <p>(VII) Prepare scheme for the merging, splitting and dismissing of the Company or change of its form;</p> <p>(VIII) Determine the setting of internal management organizations of the Company;</p>	<p>Added in accordance with Articles 107 and 110 of the Guidelines.</p>

Existing articles	Proposed amendments	Reasons for or basis of amendment
<p>(IX) Appoint or dismiss the general manager (CEO) of the Company; appoint or dismiss vice general managers, financial managers and other senior managers in accordance with the nomination of general managers (CEO) and determine their remunerations;</p> <p>(X) Develop the basic management system of the Company;</p> <p>(XI) Develop the modification scheme for the Articles of Association.</p> <p>(XII) Other functions regulated in laws, regulations, listing rules of the exchange where the Company had its shares listed and authorised by shareholders' meeting and the Articles of Association.</p> <p>For the above-mentioned decisions made by the Board, except the cases where items (6), (7) and (11) must be voted through by over 2/3 of directors, other items can be voted through by the majority of all directors. The Board should perform its duties in accordance with national laws, administrative regulations, Listing Rules, the Articles of Association and decisions of the shareholders' meeting.</p>	<p>(IX) Appoint or dismiss the general manager (CEO) of the Company; appoint or dismiss vice general managers, financial managers and other senior managers in accordance with the nomination of general managers (CEO) and determine their remunerations;</p> <p>(X) Develop the basic management system of the Company;</p> <p>(XI) Develop the modification scheme for the Articles of Association;</p> <p><u>(XII) Manage information disclosure of the Company;</u></p> <p><u>(XIII) Propose to the general meeting to appoint or replace the accounting firm which conduct auditing for the Company;</u></p> <p><u>(XIV) Listen to the work report of the company managers and inspect the branches managed by the managers;</u></p> <p>(XV) Other functions regulated in laws, regulations, listing rules of the exchange where the Company had its shares listed and authorised by shareholders' meeting and the Articles of Association.</p>	

Existing articles	Proposed amendments	Reasons for or basis of amendment
	<p>For the above-mentioned decisions made by the Board, except the cases where items (6), (7) and (11) must be voted through by over 2/3 of directors, other items can be voted through by the majority of all directors. The Board should perform its duties in accordance with national laws, administrative regulations, Listing Rules, the Articles of Association and decisions of the shareholders' meeting.</p>	
	<p><u>Article 130 The Board shall establish procedure rules for the Board to ensure that it implements the resolutions of the general meeting, improve the working efficiency and ensure scientific decision-making.</u></p>	<p>Added in accordance with Article 109 of the Guidelines.</p>
<p>Article 103 In cases when the Company makes investment to other enterprises or provides guarantees to others, the Board is responsible for making decisions unless otherwise specified in laws, regulations or listing rules of the exchange where the Company had its shares listed. However, in cases when the Company provides guarantees to its shareholders or actual controller, the shareholders' meeting is responsible for making decisions.</p> <p>Shareholders regulated in above articles or controlled by the actual controller being subject to above articles shall not participate in the voting of matters regulated in above articles. The voting should be made by the majority of other shareholders present.</p>	<p>Article 131 In cases when the Company makes investment to other enterprises or provides guarantees to others, the Board is responsible for making decisions unless otherwise specified in the Articles of Association, laws, regulations or listing rules of the exchange where the Company had its shares listed.</p> <p>Shareholders regulated in above articles or controlled by the actual controller being subject to above articles shall not participate in the voting of matters regulated in above articles. The voting should be made by the majority of other shareholders present.</p>	

Existing articles	Proposed amendments	Reasons for or basis of amendment
<p>Article 148 The Company should develop the financial report when each accounting year ends and accept the audit of accounting firm in accordance with the law. The financial report of the Company includes the following financial and accounting reports as well as attached statements:</p> <p>(I) Balance sheet;</p> <p>(II) Income statement;</p> <p>(III) Cash flow statement;</p> <p>(IV) Notes of financial and accounting reports;</p> <p>(V) Statement of profit distribution.</p> <p>For the accounting year of the Company, the format of calendar year and date is adopted, i.e., the accounting year from January 1 to December 31 each year. The Company adopts the RMB as the recording currency and accounts are recorded in Chinese.</p>	<p>Article 176 <u>The Company shall prepare an annual financial and accounting report within four months from the end of the previous financial year, prepare a semi-annual financial and accounting report within two months from the end of the first six months of the present financial year, prepare quarterly financial and accounting reports within one month from the end of the first three months and the first nine months respectively of the present financial year, and submit them to the relevant regulatory authorities in accordance with the relevant laws.</u> The financial report of the Company includes the following financial and accounting reports as well as attached statements:</p> <p>(I) Balance sheet;</p> <p>(II) Income statement;</p> <p>(III) Cash flow statement;</p> <p>(IV) Notes of financial and accounting reports;</p> <p>(V) Statement of profit distribution.</p> <p>For the accounting year of the Company, the format of calendar year and date is adopted, i.e., the accounting year from January 1 to December 31 each year. The Company adopts the RMB as the recording currency and accounts are recorded in Chinese.</p>	<p>Added in accordance with Article 150 of the Guidelines.</p>

Existing articles	Proposed amendments	Reasons for or basis of amendment
<p>Article 157 The Company may distribute dividends in one of the following forms (or in both forms):</p> <p>(I) cash;</p> <p>(II) stock.</p>	<p>Article 185 The Board, the Board of supervisors and the general meeting shall consider the opinions of the independent non-executive directors, external supervisors and minority shareholders when determining the Company’s profit distribution policy.</p> <p><u>The Company shall implement continuous, stable, scientific and proactive profit distribution policies, and attach importance to the provision of reasonable return to shareholders and ensure the continuity and stability of profit distribution policy.</u></p> <p>(I) <u>The Company’s profit distribution policy:</u></p> <p>1. <u>The Company may use cash, shares, combination of cash and shares or other forms as permitted by the laws and regulations in making profit distribution, and give priority to the provision of cash dividends. Profit distribution shall not exceed the cumulative distributable profit or damage the Company’s continuous operation capability;</u></p> <p>2. <u>Subject to the prevailing laws and regulations as well as any regulatory rules, the profit distributed by the Company in the form of cash every year shall be not less than 20% of the distributable profit realized in that year;</u></p>	<p>Added in accordance with the <i>Notice on Further Implementing Matters Relevant to the Cash Dividend Distribution by Listed Companies and Guidelines No. 3 on the Supervision of Listed Companies-Distribution of Cash Dividends of Listed Companies</i> issued by the CSRC and based on actual circumstances of the Company.</p> <p>Added in accordance with the Article 154 of the Guidelines.</p>

Existing articles	Proposed amendments	Reasons for or basis of amendment
	<p>3. <u>While ensuring its normal business development, the Company adheres to the principle of giving priority to the provision of cash dividends when making profit distribution; no share dividends may be distributed if no cash dividends were made during the year. The Board is obliged to put forward a cash dividend proposal and it should explain the proposed use or the principles for using the distributable profit realized but not distributed in the current year;</u></p> <p>4. <u>In the event that the Board fails to put forward a cash dividend proposal due to major investment plans or major cash expenditures or other reasons, it must explain the reasons and the specific use of the retained profits in the profit distribution proposals;</u></p>	

Existing articles	Proposed amendments	Reasons for or basis of amendment
	<p>5. <u>If the Board believes that the Company has relatively good future growth potential, relatively high net asset value per share, and that the Company’s share price does not match its share capital or that distributing share dividends conforms to the overall interests of all shareholders, it may draw up share dividend distribution proposals subject to compliance with its cash dividend policies;</u></p> <p>6. <u>The Company generally distributes profits annually; the Board may also put forward interim profit distribution proposals in accordance with the Company’s profit conditions and funding needs;</u></p> <p>7. <u>The Company shall exercise its right as the shareholder of its subsidiaries to ensure the Company’s ability to implement the cash dividend plan in the current year with the profits distributed by its subsidiaries in cash.</u></p>	

Existing articles	Proposed amendments	Reasons for or basis of amendment
	<p data-bbox="644 283 1056 342">(II) <u>The Company’s differentiated cash dividend policy</u></p> <p data-bbox="703 378 1056 793"><u>The Board shall distinguish the following situations and put forward differentiated cash dividend policies in accordance with the procedures specified by the Articles of Association, by comprehensively considering the Company’s industry features, development stage, mode of operation, profit level and any arrangement on major capital expenditure:</u></p> <ol data-bbox="703 829 1056 1827" style="list-style-type: none"><li data-bbox="703 829 1056 1144">1. <u>In the case where the Company is at a mature stage of development and there is no major capital expenditure arrangement, cash dividends shall account for at least 80% of the current profit distribution;</u><li data-bbox="703 1181 1056 1495">2. <u>In the case where the Company is at a mature stage of development and there is major capital expenditure arrangement, cash dividends shall account for at least 40% of the current profit distribution;</u><li data-bbox="703 1532 1056 1827">3. <u>If the Company is at the growth stage and there is major capital expenditure arrangement, cash dividends shall account for at least 20% of the current profit distribution.</u>	

Existing articles	Proposed amendments	Reasons for or basis of amendment
	<p><u>In the case where the Board believes that it is not easy to distinguish the Company's development stages but there is major capital expenditure arrangement, provisions in the preceding paragraphs shall apply.</u></p> <p><u>(III) The Company's review procedures on profit distribution</u></p> <ol style="list-style-type: none"><u>1. The Board shall formulate a profit distribution plan;</u><u>2. The profit distribution plan approved by the Board shall not be implemented until it is approved at the general meeting;</u><u>3. In the case where the Board fails to make a cash dividend plan or its cash dividend distribution plan does not comply with the Company's Articles of Association, the Board must explain the reasons and the use of retained profits in its periodic report, the independent non-executive directors shall provide their independent opinions in this regard;</u>	

Existing articles	Proposed amendments	Reasons for or basis of amendment
	<p data-bbox="703 278 1061 885">4. <u>The Supervisory Committee shall supervise the profit distribution plans formulated by the Board. It has the right to require the Board to make rectifications if the Board fails to make cash dividend distribution plans in accordance with the Company's Articles of Association or the cash dividend distribution plans made by the Board do not comply with the Company's Articles of Association;</u></p> <p data-bbox="703 923 1061 1749">5. <u>If it is necessary to adjust profit distribution policies due to any major change to the business environment or the Company's internal operating conditions, the Board shall formulate new profit distribution policies and the independent non-executive directors and external supervisors shall give their opinions in this regard. The new profit distribution policies formulated by the Board shall be submitted to the general meeting for review and shall not be implemented until it is approved by over 2/3 of the voting rights held</u></p>	

Existing articles	Proposed amendments	Reasons for or basis of amendment
	<p><u>by the shareholders who attend the general meeting. Voting at the general meeting shall be conducted in the form of on-site vote and online vote to facilitate the minority shareholders' participation in the formulation or modification of the profit distribution policies.</u></p> <p><u>As for cash dividends and other payments to holders of onshore-listed shares, the Company shall pay in RMB, and payments to holders of foreign shares will be denominated and declared in RMB and paid in Hong Kong dollars. The Company shall, in accordance with the relevant regulations on foreign exchange control, pay in Hong Kong dollars for cash dividends and other payments to holders of foreign shares.</u></p> <p><u>Upon passing of the resolution on profit distribution plan at the general meeting, the Company's Board shall complete the dividend (or share) payout within two months after the general meeting.</u></p>	

Existing articles	Proposed amendments	Reasons for or basis of amendment
<p>Article 172 The Company shall dissolve and liquidate in accordance with the law in one of the following circumstances:</p> <p>.....</p>	<p>Article 200 The Company shall dissolve and liquidate in accordance with the law in one of the following circumstances:</p> <p>.....</p> <p><u>If the Company is dissolved by reason of the above provision, a liquidation team shall be established within 15 days after the reasons for the dissolution occur. The liquidation team shall be established by the directors or persons approved by the general meeting. If no liquidation team is established after the said timeframe, the creditor may apply to the People’s Court for designation of relevant persons to establish a liquidation team and commence liquidation.</u></p>	<p>Modified in accordance with Article 180 of the Guidelines.</p>

Existing articles	Proposed amendments	Reasons for or basis of amendment
<p>Article 182</p> <p>.....</p> <p>Unless the context otherwise requires, “announcement” described in these Articles of Association shall refer to the announcement published in such Chinese newspapers as specified, agreed or approved by the Chinese laws and regulations or the securities regulatory authorities under the State Council when issued to domestic shareholders or within the PRC in accordance with relevant regulations and the Articles of Association,; or the announcement published in newspapers and/or other media (including websites) specified in accordance with relevant requirements of Listing Rules when issued to holders of the Company’s H shares or in Hong Kong in accordance with relevant regulations and the Articles of Association.</p> <p>.....</p>	<p>Article 210</p> <p>.....</p> <p>Unless the context otherwise requires, “announcement” described in these Articles of Association shall refer to the announcement published in such Chinese newspapers as specified, agreed or approved by the Chinese laws and regulations or the securities regulatory authorities under the State Council when issued to holders of onshore-listed shares or within the PRC in accordance with relevant regulations and the Articles of Association,; or the announcement published in newspapers and/or other media (including websites) specified in accordance with relevant requirements of Listing Rules when issued to holders of the Company’s H shares or in Hong Kong in accordance with relevant regulations and the Articles of Association.</p> <p>.....</p>	<p>Modified in accordance with Articles 163 and 164 of the Guidelines, Rules 7(1) and (3) of Appendix III and Rule 19A.56 of Hong Kong Listing Rules.</p>

Note: Due to the addition and removal of certain articles, the order number of the articles shall be adjusted accordingly for cross-indexing. In the event of any discrepancies between the Chinese version and the English version, the Chinese version shall prevail.

**APPENDIX VII PROPOSED AMENDMENTS TO THE PROCEDURE RULES
OF THE GENERAL MEETINGS**

PROPOSED AMENDMENTS TO THE PROCEDURE RULES OF THE GENERAL MEETINGS

List of Amendments to the Procedure Rules of the General Meetings

Existing articles	Proposed amendments	Reason for or basis of amendment
<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 <i>Company Law of the PRC, the Securities Law of the PRC, the Articles of Association of Red Star Macalline Group Corporation Limited</i> (“Articles of Association”) and the <i>Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited</i> (“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 <i>Company Law of the PRC, the Securities Law of the PRC, the Articles of Association of Red Star Macalline Group Corporation Limited</i> (“Articles of Association”) and <u><i>the Rules of the General Meetings of Listed Companies</i></u>, the <i>Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited</i> (“Hong Kong Listing Rules”), as well as by considering the Company’s actual circumstances.</p>	

**APPENDIX VII PROPOSED AMENDMENTS TO THE PROCEDURE RULES
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Existing articles	Proposed amendments	Reason for or basis of amendment
<p>Article 7 The general meeting is divided into the annual general meeting and the extraordinary general meeting. The annual general meeting will be held once every year within six months from completion of the preceding fiscal year. The extraordinary general meeting can be held every year without restriction of its frequency.</p>	<p>Article 7 The general meeting is divided into the annual general meeting and the extraordinary general meeting. The annual general meeting will be held once every year within six months from completion of the preceding fiscal year.</p> <p><u>The extraordinary general meeting will not be held at regular intervals. In case where an extraordinary general meeting should be held pursuant to the Articles of Association, it should be held within two months.</u></p> <p><u>If the Company cannot hold the extraordinary general meeting within the aforementioned period, it should report to the office of the CSRC where the Company is situated and the stock exchange where the Company’s shares are listed (“Stock Exchange”), stating and announcing the reasons for such event.</u></p>	<p>Modified in accordance with Article 4 of the <i>Rules of the General Meetings of Listed Companies</i>.</p>

**APPENDIX VII PROPOSED AMENDMENTS TO THE PROCEDURE RULES
OF THE GENERAL MEETINGS**

Existing articles	Proposed amendments	Reason for or basis of amendment
<p>Article 9 The general meeting shall be convened by the Board in accordance with the laws and the chairman of the Board should act as the chairman of the meeting. If the Board chairman cannot or fails to fulfill its duty, the vice-chairman should convene the meeting and act as the chairman; if the vice-chairman cannot or fails to fulfill its duty, the director who is elected by more than half of the Board members should convene the meeting and act as the chairman.</p>	<p>Article 9 The general meeting shall be convened by the Board in accordance with the laws and the chairman of the Board should act as the chairman of the meeting. If the Board chairman cannot or fails to fulfill its duty, the vice-chairman should convene the meeting and act as the chairman; if the vice-chairman cannot or fails to fulfill its duty, the director who is elected by more than half of the Board members should convene the meeting and act as the chairman.</p> <p><u>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.</u></p> <p><u>The general meetings convened by the shareholders should be chaired by the representative recommended by the convener.</u></p> <p><u>During the meeting, if the chairman breaches the rules herein leading to the suspension of the meeting, the meeting could elect another person to act as the chairman to restart the meeting upon obtaining consents from more than half of the shareholders who are present in the meeting and have the voting right.</u></p>	<p>Modified in accordance with Article 27 of the <i>Rules of the General Meetings of Listed Companies</i>.</p>

**APPENDIX VII PROPOSED AMENDMENTS TO THE PROCEDURE RULES
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Existing articles	Proposed amendments	Reason for or basis of amendment
	<p><u>Article 10 When convening the general meetings, the Company should consult a lawyer and obtain and publish their legal opinions on the following issues:</u></p> <p><u>1) whether the meeting is convened in accordance with the laws, administrative regulations, the rules contained herein and the Articles of Association;</u></p> <p><u>2) whether the qualification of the participants and the conveners are legally valid;</u></p> <p><u>3) whether the voting procedures and resolutions are legally valid;</u></p> <p><u>4) Other relevant questions upon the Company's request.</u></p>	<p>Added in accordance with Article 5 of the <i>Rules of the General Meetings of Listed Companies</i>.</p>
	<p><u>Article 11 The Board should convene the general meetings within the period stipulated in Article 7 herein.</u></p>	<p>Added in accordance with Article 6 of the <i>Rules of the General Meetings of Listed Companies</i>.</p>
<p>Article 12 Notice of the general meeting should meet the following requirements:</p> <p>1) it should be made in writing;</p> <p>2) it should specify the place, date and time of the meeting;</p> <p>3) it should specify the issues to be discussed in the meeting;</p>	<p>Article 14 Notice of the general meeting should meet the following requirements:</p> <p>1) it should be made in writing;</p> <p>2) it should specify the place, date and time of the meeting;</p> <p>3) it should specify the issues to be discussed in the meeting;</p>	<p>Modified in accordance with Articles 16, 18 and 19 of the <i>Rules of the General Meetings of Listed Companies</i>.</p>

**APPENDIX VII PROPOSED AMENDMENTS TO THE PROCEDURE RULES
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Existing articles	Proposed amendments	Reason for or basis of amendment
<p>4) it should provide the information and explanations required for shareholders to make a wise decision on the issues to be discussed; These include (but not limited to) providing specific conditions and contracts (if any) for the proposed transaction when the Company puts forward a proposal related to a merger, share repurchase, capital reorganisation or other restructuring, and giving careful explanation of the causes and effects of the proposed transaction;</p> <p>5) it should disclose the nature and extent of interest where any director, supervisor, general manager (CEO) or any other senior executive has material interests in the issue to be discussed; and explain the difference, if such issue has a different impact on such director, supervisor, general manager (CEO) or any other senior executive as a shareholder from other shareholders of the same class;</p> <p>6) it should include the full text of the special resolutions to be proposed in the meeting;</p>	<p>4) it should provide the information and explanations required for shareholders to make a wise decision on the issues to be discussed; These include (but not limited to) providing specific conditions and contracts (if any) for the proposed transaction when the Company puts forward a proposal related to a merger, share repurchase, capital reorganisation or other restructuring, and giving careful explanation of the causes and effects of the proposed transaction;</p> <p>5) <u>Where the proposed issues require comments from the independent non-executive directors, comments and explanations from the independent non-executive directors should be disclosed when dispatching the notice of the meeting or supplemental notice;</u></p> <p>6) it should disclose the nature and extent of interest where any director, supervisor, general manager (CEO) or any other senior executive has material interests in the issue to be discussed; and explain the difference, if such issue has a different impact on such director, supervisor, general manager (CEO) or any other senior executive as a shareholder from other shareholders of the same class;</p>	

**APPENDIX VII PROPOSED AMENDMENTS TO THE PROCEDURE RULES
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Existing articles	Proposed amendments	Reason for or basis of amendment
<p>7) it should indicate clearly that the shareholder who has the right to attend and vote at the meeting is authorised to assign one or more proxies to attend and vote at the meeting on behalf of him/her, and such proxy need not be a shareholder;</p> <p>8) it should specify the share registration date of the shareholders who have the right to attend the meeting;</p> <p>9) it should specify the delivery time and place of the proxy form; and</p> <p>10) it should specify the name and telephone number of the permanent coordinator of the general meeting.</p>	<p>7) it should include the full text of the special resolutions to be proposed in the meeting;</p> <p>8) it should set out clearly that the shareholder who has the right to attend and vote at the meeting is authorised to assign one or more proxies to attend and vote at the meeting on behalf of him/her, and such proxy need not be a shareholder;</p> <p>9) 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 confirmed;</u></p> <p>10) it should specify the delivery time and place of the proxy form; and</p> <p>11) it should specify the name and telephone number of the permanent coordinator of the general meeting.</p>	

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Existing articles	Proposed amendments	Reason for or basis of amendment
<p>Notice of the meeting should be delivered by hand or by mail (postpaid) to the address of the shareholders (whether or not the shareholder has the voting right at the meeting) specified in the share register, or published on the Company’s website and the website designated by the Hong Kong Stock Exchange in accordance with the applicable laws and regulations, Hong Kong Listing Rules and the Articles of Association. As for domestic shareholders, the notice can be published in the form of an announcement.</p> <p>The announcement mentioned above should be published in one or several newspapers designated by the securities authorities under the State Council within 45–50 days before convening the meeting. Once the announcement is published, all domestic shareholders are deemed to have received the notice of the meeting.</p>	<p>Notice of the meeting should be delivered by hand or by mail (postpaid) to the address of the shareholders (whether or not the shareholder has the voting right at the meeting) specified in the share register, or published on the Company’s website and the website designated by the Hong Kong Stock Exchange in accordance with the applicable laws and regulations, Hong Kong Listing Rules and the Articles of Association. As for domestic shareholders, the notice can be published in the form of an announcement.</p> <p>The announcement mentioned above should be published in one or several newspapers designated by the securities authorities under the State Council within 45-50 days before convening the meeting. Once the announcement is published, all domestic shareholders are deemed to have received the notice of the meeting.</p> <p><u>Once the notice is issued, the general meeting shall not be postponed or cancelled without valid reasons. Resolutions listed in the notice shall not be cancelled. For any postponement or cancellation, the convener should make an announcement and provide explanation at least 2 business days before the original date of the meeting.</u></p>	

**APPENDIX VII PROPOSED AMENDMENTS TO THE PROCEDURE RULES
OF THE GENERAL MEETINGS**

Existing articles	Proposed amendments	Reason for or basis of amendment
	<p><u>Article 16 The Company should convene its general meetings in its residential office or the place stipulated in its Articles of Association.</u></p> <p><u>The venue of the meeting should be set up for holding an on-site meeting. The Company should facilitate the shareholders' attendance at the general meetings by providing a safe, economical and efficient network or other means in accordance with the laws, administrative regulations and requirements of the CSRC and the Articles of Association. The shareholders should be deemed as present if they attend the meeting by the aforementioned means.</u></p>	<p>Added in accordance with Article 20 of the <i>Rules of the General Meetings of Listed Companies</i>.</p>
	<p><u>Article 17 If the meeting is convened online or by other means, the notice of the meeting should clearly state the voting time and procedures for the meeting convened online or by other means.</u></p> <p><u>Voting online or by other means should start not earlier than 3:00pm of the day before the on-site meeting, and not later than 9:30am of the day of the on-site meeting. It should not be closed earlier than 3:00pm of the day when the live meeting is closed.</u></p>	<p>Added in accordance with Article 21 of the <i>Rules of the General Meetings of Listed Companies</i>.</p>

**APPENDIX VII PROPOSED AMENDMENTS TO THE PROCEDURE RULES
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Existing articles	Proposed amendments	Reason for or basis of amendment
<p>Article 14 Shareholders can attend the meeting in person, or appoint a proxy to attend and vote at the meeting on their behalf. Shareholders who plan to attend the meeting should send the written reply slip to the Company at least 20 days before the date of the meeting.</p> <p>Shareholders should appoint their proxies in writing, and the proxy form shall be signed by the appointer or the proxy appointed in writing; where the appointer is a legal entity, the proxy form should also be stamped with the corporate seal, or signed by a director or the appointed proxy. The proxy form should indicate the number of shares represented by the proxy. If there are more than one proxies, the proxy form should indicate the number of shares represented by each proxy.</p> <p>.....</p>	<p>Article 18 Shareholders can attend the meeting in person, or appoint a proxy to attend and vote at the meeting on their behalf. <u>Directors, supervisors, secretary of the Board and lawyers engaged by the Company should attend the meeting; general manager and other senior executives should attend the meeting as non-voting attendees. All shareholders registered on the share registration date or their proxies have the right to attend the meeting, and the Company and the Board shall not reject such right whatsoever.</u></p> <p><u>The Board and other conveners shall take necessary measures to safeguard the normal order of the meeting. The Board and other conveners shall take measures to stop any actions which interfere with the meeting, create disturbance and infringe on the legitimate rights and interests of shareholders and report in time to the relevant authorities for investigation.</u></p> <p>Shareholders who plan to attend the meeting should send the reply slip to the Company at least 20 days before the date of the meeting.</p>	<p>Modified in accordance with Articles 22, 23 and 26 of the <i>Rules of the General Meetings of Listed Companies</i>.</p>

**APPENDIX VII PROPOSED AMENDMENTS TO THE PROCEDURE RULES
OF THE GENERAL MEETINGS**

Existing articles	Proposed amendments	Reason for or basis of amendment
	<p>Shareholders should appoint their proxies in writing, and the proxy form shall be signed by the appointer or the proxy appointed in writing; where the appointer is a legal entity, the proxy form should also be stamped with the corporate seal, or signed by a director or the appointed proxy. The proxy form should indicate the number of shares represented by the proxy. If there are more than one proxies, the proxy form should indicate the number of shares represented by each proxy.</p> <p>.....</p>	
<p>Article 15 Individual shareholders attending the meeting in person should show his/her ID card and proof of share ownership; proxies attending the meeting should show his/her ID card, the proxy form signed and sealed by the appointer and proof of share ownership.</p> <p>As for a corporate shareholder, its legal representative or the proxy appointed by the Board and other decision-making bodies should attend the meeting. Legal representatives attending the meeting should show his/her ID card, valid certificates which can prove its qualification as a legal representative and proof of share ownership; proxies attending the meeting should present his/her ID card, the written proxy form legally issued by the legal representative, the Board or other decision-making bodies, and proof of ownership.</p>	<p>Article 19 Individual shareholders attending the meeting in person should show his/her ID card and proof of share ownership; proxies attending the meeting should show his/her ID card, the proxy form signed and sealed by the appointer and proof of share ownership.</p> <p>As for a corporate shareholder, its legal representative or the proxy appointed by the Board and other decision-making bodies should attend the meeting. Legal representatives attending the meeting should show its ID card, valid certificates which can prove its qualification as a legal representative and proof of share ownership; proxies attending the meeting should present its ID card, the written proxy form legally issued by the legal representative, the Board or other decision-making bodies, and proof of ownership.</p>	<p>Modified in accordance with Article 25 of the <i>Rules of the General Meetings of Listed Companies</i>.</p>

**APPENDIX VII PROPOSED AMENDMENTS TO THE PROCEDURE RULES
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Existing articles	Proposed amendments	Reason for or basis of amendment
	<p><u>The convener and the lawyer should examine the legitimacy of the shareholders' qualification in accordance with the share register provided by the securities registration and clearing institution, and register the names of the shareholders and the number of voting shares that they hold. The registration for the meeting should be closed before the chairman announces the number of shareholders and proxies present at the meeting and the number of voting shares they hold.</u></p>	
	<p>Article 23 <u>If independent non-executive directors or the board of supervisors request an extraordinary general meeting to be convened, the following procedures should be followed:</u></p> <ol style="list-style-type: none"> 1) <u>signing one or more written requests with the same format and contents, requesting the Board to hold the extraordinary general meeting and explaining the agenda of the meeting. Within ten days after receiving the aforementioned written request, the Board should give written comments regarding its approval or rejection of the request.</u> 2) <u>If the Board approves the request, it should issue a notice about convening the meeting within five days after passing the Board resolution. If there are any modifications to the original request in the notice, consent should be obtained from the original requester.</u> 	<p>Added in accordance with Article 7 and 8 of the <i>Rules of the General Meetings of Listed Companies</i>.</p>

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Existing articles	Proposed amendments	Reason for or basis of amendment
	<p>3) <u>If the Board rejects such request from independent non-executive directors, it should explain and announce the relevant reasons.</u></p> <p>4) <u>If the Board rejects such request from the board of supervisors, or gives no comments within ten days after receiving the request, the Board will be deemed to be unable to or have failed to fulfill the obligations of convening the meeting and the board of supervisor can convene and chair the meeting themselves.</u></p> <p>5) <u>If the meeting is convened by the board of supervisors or the shareholders themselves, a written notice should be sent to the Board and filed with the office of the CSRC where the Company is located and the Stock Exchange. The board of supervisors and shareholders convening the meeting should submit relevant documentation to the office of the CSRC where the Company is situated and the Stock Exchange, when issuing the notice of the meeting and the announcement about the resolutions of the meeting.</u></p>	

**APPENDIX VII PROPOSED AMENDMENTS TO THE PROCEDURE RULES
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Existing articles	Proposed amendments	Reason for or basis of amendment
<p>Article 19 The board of supervisors and the shareholders who hold, individually or collectively, more than 10% of the total voting shares should follow the following procedures when proposing an extraordinary general meeting or a class meeting:</p> <p>1) The board of supervisors and the shareholders who hold, individually or collectively, more than 10% of the total voting shares can sign one or more copies of written requests with same format and contents, and request the Board to hold an extraordinary general meeting or a class meeting and explain the agenda of the meeting. The Board should convene the extraordinary general meeting or class meeting as soon as possible, after receiving the above-mentioned written request. The abovementioned shareholding percentage is calculated in accordance with the number of shares held as at the date of the written request.</p>	<p>Article 24 The board of supervisors and the shareholders who hold, individually or collectively, more than 10% of the total voting shares should follow the following procedures when proposing an extraordinary general meeting or a class meeting:</p> <p>1) <u>The shareholders who hold, individually or collectively, 10% or more of the total voting shares can sign one or more copies of written requests with the same format and contents, requesting the Board to hold the extraordinary general meeting or class meeting and explaining the agenda of the meeting. Within ten days after receiving the aforementioned written request, the Board should give written comments regarding its approval or rejection of the request. If the Board approves the request, it should issue a notice of the meeting within five days after passing the Board resolution. If there are any modifications to the original request in the notice, consent should be obtained from the original requester. The abovementioned shareholding percentage is calculated in accordance with the number of shares held as at the date of the written request.</u></p>	<p>Modified in accordance with Article 9 of the Rules of <i>the General Meetings of Listed Companies</i>.</p>

**APPENDIX VII PROPOSED AMENDMENTS TO THE PROCEDURE RULES
OF THE GENERAL MEETINGS**

Existing articles	Proposed amendments	Reason for or basis of amendment
<p>2) If the Board does not issue any notice convening the meeting within 30 days after receiving the aforementioned written request, the board of supervisors can convene the meeting within four months after receiving the foregoing written request by the Board. If the board of supervisors does not convene and chair the meeting, the shareholders who hold, individually or collectively, more than 10% of the total shares for more than 90 consecutive days can convene and chair the meeting. The procedures of convening such meeting should, as far as possible, be the same as the procedures adopted by the Board in convening general meeting.</p> <p>If shareholders or the board of supervisors convene and hold the meeting due to failure of the Board to do so, reasonable expenses incurred should be borne by the Company and deducted from payments payable to the directors who neglect their duties.</p>	<p>2) <u>If the Board does not issue any notice convening the meeting within 30 days after receiving the aforementioned written request, the shareholders who make such request can convene the meeting within four months after the receipt of such written request by the Board. The procedures of convening such meeting should, as far as possible, be the same as the procedures adopted by the Board in convening general meeting.</u></p> <p><u>If the general meeting or class meeting is convened by the shareholders, those shareholders should hold at least 10% of the total shares before publishing the resolutions of the general meeting or the class meeting.</u></p>	

**APPENDIX VII PROPOSED AMENDMENTS TO THE PROCEDURE RULES
OF THE GENERAL MEETINGS**

Existing articles	Proposed amendments	Reason for or basis of amendment
	<p><u>Article 25 The Board and secretary of the Board should provide assistance where the meeting is convened by the board of supervisors or the shareholders; the Board should provide the share register recorded on the share registration date. If the Board fails to provide the share register, the convener can apply to obtain the share register in the securities registration and clearing institution with the relevant notices of the general meeting. The convener shall not use the share register for purposes other than convening the meeting.</u></p> <p><u>The Company shall bear the necessary costs for the meeting convened by the board of supervisor or the shareholders.</u></p>	<p>Added in accordance with Articles 11 and 12 of the <i>Rules of the General Meetings of Listed Companies</i>.</p>
<p>Article 22 When a general meeting is held by the Company, the Board, the board of supervisors, or shareholders individually or collectively holding more than 3% of the Company’s shares have the right to submit a resolution. The content of the resolution should be within the terms of reference of the general meeting, with clear agenda and concrete resolutions in accordance with the laws and regulations and the Articles of Association.</p>	<p>Article 28 When a general meeting is held by the Company, the Board, the board of supervisors, or shareholders individually or collectively holding more than 3% of the Company’s shares have the right to submit a resolution. The content of the resolution should be within the terms of reference of the general meeting, with clear agenda and concrete resolutions in accordance with the laws and regulations and the Articles of Association.</p>	<p>Modified in accordance with the Article 14 of the <i>Rules of the General Meetings of Listed Companies</i>.</p>

**APPENDIX VII PROPOSED AMENDMENTS TO THE PROCEDURE RULES
OF THE GENERAL MEETINGS**

Existing articles	Proposed amendments	Reason for or basis of amendment
<p>Shareholders individually or collectively holding more than 3% of the Company’s shares may submit an additional proposal to the convener in writing at least ten days prior to the date of the meeting. The convener shall dispatch a supplemental notice of the general meeting and announce the content of such additional proposal within two days upon receipt of the proposal, and submit the additional proposal to the general meeting for shareholders’ consideration.</p> <p>Resolutions not listed in the notice of general meeting or in breach of the rules contained herein shall not be voted upon and approved at the general meeting.</p>	<p>Shareholders individually or collectively holding more than 3% of the Company’s shares may submit an additional proposal to the convener in writing at least ten days prior to the date of the meeting. The convener shall dispatch a supplemental notice of the general meeting and announce the content of such additional proposal within two days upon receipt of the proposal, and submit the additional proposal to the general meeting for shareholders’ consideration.</p> <p><u>Save as provided in the preceding paragraph, the convener shall not amend the proposals listed in the notice or add any new proposals after dispatching the notice of the general meeting.</u></p> <p>Resolutions not listed in the notice of general meeting or in breach of the rules contained herein shall not be voted upon and approved at the general meeting.</p>	
	<p><u>Article 33 At the annual general meeting, the Board and the board of supervisors shall report to the annual general meeting on their work during the year; each independent director shall also make a work report.</u></p>	<p>Added in accordance with the Article 28 of the <i>Rules of the General Meetings of Listed Companies</i>.</p>

**APPENDIX VII PROPOSED AMENDMENTS TO THE PROCEDURE RULES
OF THE GENERAL MEETINGS**

Existing articles	Proposed amendments	Reason for or basis of amendment
	<p><u>Article 41 Shareholders shall not vote on matters to be discussed at the general meeting to which they are a related party. Their voting shares shall not be included in the total number of voting shares at the general meeting. The announcement on resolutions of the general meeting shall fully disclose the poll results of non-interested shareholders. Where special circumstances render the related shareholders unable to refrain from voting, such related shareholders may vote in accordance with the normal procedures, as long as consent from the relevant authorities has been obtained by the Company. The announcement on the resolutions at the general meeting should provide detailed explanation of such event.</u></p> <p><u>If the general meeting is considering significant matters which affect the interests of medium and small investors, the voting rights of the medium and small investors shall be counted separately. The result of the separate voting shall be disclosed to the public in a timely manner.</u></p> <p><u>The Board, independent non-executive directors, and shareholders who satisfies relevant requirements can publicly solicit shareholders' voting rights by fully disclosing information such as their voting intention. Soliciting voting rights with direct or indirect compensation is prohibited. The Company shall not set a restriction on the minimum shareholding ratio required for soliciting voting rights.</u></p>	<p>Added in accordance with the Article 31 of the <i>Rules of the General Meetings of Listed Companies</i>.</p>

**APPENDIX VII PROPOSED AMENDMENTS TO THE PROCEDURE RULES
OF THE GENERAL MEETINGS**

Existing articles	Proposed amendments	Reason for or basis of amendment
	<p><u>Article 42 The general meeting can adopt cumulative voting when electing directors and supervisors in accordance with the requirements of the Articles of Association or the resolutions at the general meeting.</u></p> <p><u>The aforementioned cumulative voting means that when the shareholders are electing directors or supervisors, if each ordinary share (including the preference shares with voting rights recovered by the resolution) is allocated a number of voting rights that is equivalent to the number of the directors or supervisors to be elected, the voting rights owned by the shareholders can be exercised collectively.</u></p>	<p>Added in accordance with the Article 32 of the <i>Rules of the General Meetings of Listed Companies</i>.</p>
<p>Article 36 Before voting takes place at the general meeting, the following persons should be selected to count and supervise the votes:</p> <p>(I) 2 shareholder representatives;</p> <p>(II) 1 supervisor representative; and</p> <p>(III) The Company’s auditor, registrar of overseas listed foreign shares listed in Hong Kong or external accountant(s) who is/are qualified company auditor(s).</p>	<p>Article 45 Before voting takes place at the general meeting, the following persons should be selected to count and supervise the votes:</p> <p>(I) 2 shareholder representatives;</p> <p>(II) 1 supervisor representative; and</p> <p>(III) The Company’s auditor, registrar of overseas listed foreign shares listed in Hong Kong or external accountant(s) who is/are qualified company auditor(s).</p>	<p>Amendment in accordance with the Article 37 of the <i>Rules of the General Meetings of Listed Companies</i>.</p>

**APPENDIX VII PROPOSED AMENDMENTS TO THE PROCEDURE RULES
OF THE GENERAL MEETINGS**

Existing articles	Proposed amendments	Reason for or basis of amendment
<p>The related shareholders and their proxies shall not count or supervise the votes on matters to which they are related.</p> <p>When the general meeting is voting on the resolutions, the persons selected as mentioned in paragraph (I) of this Article shall be responsible for vote counting and supervision; the poll results should be announced at the meeting and recorded in minutes.</p>	<p>The related shareholders and their proxies shall not count or supervise the votes on matters to which they are related.</p> <p>When the general meeting is voting on the resolutions, the <u>lawyers and</u> persons selected as mentioned in paragraph (I) of this Article shall be responsible for vote counting and supervision; the poll results should be announced at the meeting and recorded in minutes.</p> <p><u>Shareholders or their proxies who voted online or by other means have the right to check the poll results through the corresponding voting system.</u></p>	
<p>Article 39 The shareholders at the general meeting shall vote for each item on the agenda. Voting should not be set aside or suspended for any reasons. Where various proposals are made for the same issue at the general meeting, voting should take place chronologically in the order of the time the proposals were made.</p>	<p>Article 48 <u>Except for cumulative voting,</u> the shareholders at the general meeting shall vote for each item on the agenda. Voting should not be set aside or suspended for any reasons. Where various proposals are made for the same issue at the general meeting, voting should take place chronologically in the order of the time the proposals were made.</p>	<p>Modified in accordance with to the Article 33 of the <i>Rules of the General Meetings of Listed Companies</i>.</p>
	<p>Article 49 <u>No amendment shall be made to a resolution when it is considered at the general meeting. Otherwise, the amended resolution shall be deemed to be a new resolution and no voting shall be held on such resolution at that general meeting.</u></p>	<p>Added in accordance with the Article 34 of the <i>Rules of the General Meetings of Listed Companies</i>.</p>

**APPENDIX VII PROPOSED AMENDMENTS TO THE PROCEDURE RULES
OF THE GENERAL MEETINGS**

Existing articles	Proposed amendments	Reason for or basis of amendment
	<p>Article 50 <u>The same voting right can only be exercised in one of the voting methods, including on-site voting, online voting or other means of voting. If there are duplicated voting of the same voting right, the first vote shall prevail.</u></p>	<p>Added in accordance with the Article 35 of the <i>Rules of the General Meetings of Listed Companies</i>.</p>
	<p>Article 51 <u>Shareholders present at the general meeting shall give to each resolution one of following opinions: for, against, or abstain, except for the declarations made by the securities registration and clearing institution as the nominal holder of shares traded through the Shanghai-Hong Kong Stock Connect programme on behalf of the actual shareholders.</u></p> <p><u>Votes that are not filled, mistakenly filled, illegible, or those that are not casted shall be treated as though the voters have given up their voting rights, and the votes shall be counted as “abstain”.</u></p>	<p>Added in accordance with the Article 36 of the <i>Rules of the General Meetings of Listed Companies</i>.</p>
<p>Article 40 If a shareholder raises questions to a director, supervisor or senior executive, the said person shall reply to the shareholders’ questions in a responsible manner.</p>	<p>Article 52 <u>Shareholders may raise questions to the Company at the general meeting. Directors, supervisors or senior executives should explain and give details in relation to the shareholders’ questions, except for questions that involve the Company’s commercial secrets which cannot be disclosed at the general meeting.</u></p> <p>If a shareholder raises questions to a director, supervisor or senior executive, the said person shall reply to the shareholders’ questions in a responsible manner.</p>	<p>Modified in accordance with the Article 29 of the <i>Rules of the General Meetings of Listed Companies</i>.</p>

**APPENDIX VII PROPOSED AMENDMENTS TO THE PROCEDURE RULES
OF THE GENERAL MEETINGS**

Existing articles	Proposed amendments	Reason for or basis of amendment
	<p><u>Article 53 The general meeting held on-site shall not be concluded earlier than the meeting held online or by other means. The chairman of the meeting shall announce the voting progress and results of each resolution, and shall announce whether the resolution is passed in accordance with the poll results.</u></p> <p><u>Before the poll results are officially announced, the Company, vote counters, vote supervisors, substantial shareholders, internet service providers and other relevant parties involved in the general meeting held on-site, online and by other means shall be obliged to keep the poll results confidential.</u></p>	<p>Added in accordance with the Article 38 of the <i>Rules of the General Meetings of Listed Companies</i>.</p>
	<p><u>Article 54 The general meeting shall decide on the specific resolutions.</u></p> <p><u>Before voting begins, the chairman of the meeting shall announce the number of shareholders and their proxies present at the meeting, as well as the total number of shares with voting rights. The number of shareholders and proxies, as well as total number of shares with voting rights will be based on the registration at the meeting.</u></p>	<p>Added in accordance with the Article 30 of the <i>Rules of the General Meetings of Listed Companies</i>.</p>

**APPENDIX VII PROPOSED AMENDMENTS TO THE PROCEDURE RULES
OF THE GENERAL MEETINGS**

Existing articles	Proposed amendments	Reason for or basis of amendment
<p>Article 47 Resolutions of the general meeting shall be announced in a timely manner, to set out the total number of shares the holders of which are entitled to attend and vote at the meeting, the number of shares the holders of which are entitled to attend the meeting but must forfeit the voting right in accordance with the Hong Kong Listing Rules, the total number of shares the holders of which must forfeit the voting right in accordance with the Hong Kong Listing Rules, the total number of shares voted for the proposal, the total number of shares voted against the resolutions, the method of voting, the poll results of each resolutions, details of all passed resolutions, identities of the vote supervisors and the content that must be disclosed in accordance with other laws and regulations and the Hong Kong Listing Rules.</p>	<p>Article 61 Resolutions of the general meeting shall be announced in a timely manner, to set out the <u>number of shareholders and proxies present at the general meeting</u>, total number of shares the holders of which are entitled to attend vote at the meeting, with <u>the number of percentage it presents in the total number of voting shares</u>, the number of shares the holders of which are entitled to attend the meeting but must forfeit the voting right in accordance with the Hong Kong Listing Rules, the total number of shares the holders of which must forfeit the voting right in accordance with the Hong Kong Listing Rules, the total number of shares voted for the proposal, the total number of shares voted against the resolutions, the method of voting, the poll results of each resolutions, details of all passed resolutions, identities of the vote supervisors and the content that must be disclosed in accordance with other laws and regulations and the Hong Kong Listing Rules.</p> <p><u>The attendance and voting of domestic shareholders and foreign shareholders should be counted and announced separately.</u></p> <p><u>If a resolution is not passed, or if a resolution passed at the previous general meeting is amended, a special notification shall be made in the announcement of resolutions of the general meeting.</u></p>	<p>Modified in accordance with the Articles 39 and 40 of the <i>Rules of the General Meetings of Listed Companies</i>.</p>

**APPENDIX VII PROPOSED AMENDMENTS TO THE PROCEDURE RULES
OF THE GENERAL MEETINGS**

Existing articles	Proposed amendments	Reason for or basis of amendment
<p>Article 50 The general meeting should compile minutes of meeting. Minutes of the general meeting shall include the following content:</p> <p>(I) the number of voting shares represented at the general meeting, and the proportion of the voting shares to the total number of shares of the Company;</p> <p>(II) Meeting time and place;</p> <p>(III) Name of the chairman of the meeting and agenda of meeting;</p> <p>(IV) Summary of speech of each speaker about each item of the agenda;</p> <p>(V) Poll result of each resolution (including number of votes for, against, or abstain to each resolution);</p> <p>(VI) Shareholders’ opinions and suggestions as well as corresponding reply or explanation of directors or supervisors;</p> <p>(VII) Other content that shall be recorded in the minutes as considered necessary by the general meeting, the Articles of Association and listing rules of the stock exchange where the Company’s shares are listed.</p>	<p>Article 64 The general meeting should compile minutes of meeting. <u>The secretary of the Board should be responsible for the minutes</u> which shall include the following content:</p> <p>(I) <u>the number of shareholders and proxies present at the meeting, the total number of voting shares and the proportion of the voting shares to the total number of shares of the Company;</u></p> <p>(II) Meeting time, place, <u>agenda and the convener’s name;</u></p> <p>(III) Name of the chairman of the meeting and agenda of meeting;</p> <p>(IV) <u>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;</u></p> <p>(V) Each speaker’s <u>approval process</u>, summary of speech and <u>poll results</u> of each resolution;</p> <p>(VI) Poll result of each resolution (including number of votes for, against, or abstain to each resolution);</p> <p>(VII) Shareholders’ opinions and suggestions as well as corresponding reply or explanation of directors or supervisors;</p>	<p>Modified in accordance with the Article 41 of the <i>Rules of the General Meetings of Listed Companies</i>.</p>

**APPENDIX VII PROPOSED AMENDMENTS TO THE PROCEDURE RULES
OF THE GENERAL MEETINGS**

Existing articles	Proposed amendments	Reason for or basis of amendment
	<p>(VIII) <u>Names of the lawyers, vote counters and vote supervisors;</u></p> <p>(IX) Other content that shall be recorded in the minutes as considered necessary by the general meeting, the Articles of Association and listing rules of the stock exchange where the Company's shares are listed.</p>	
<p>Article 51 The general meeting should compile minutes to record all decisions made for the matters discussed. The chairman of the meeting and directors who attended the meeting should sign on the minutes, which shall be kept together with the registration record of attending shareholders and proxy forms at the residential office of the Company for a period of at least 10 years.</p>	<p>Article 65 The general meeting should compile minutes to record all decisions made for the matters discussed. The chairman of the meeting, directors who attended the meeting, the <u>secretary of the Board, the convener or his/her proxy</u> should sign on the minutes, and <u>ensure that the contents of the minutes are true, accurate and complete.</u> The minutes shall be kept together with the registration record of attending shareholders, proxy forms, <u>valid record on voting via the web and other means of voting</u> at the residential office of the Company for a period of at least 10 years.</p>	<p>Modified in accordance with the Article 41 of the <i>Rules of the General Meetings of Listed Companies</i>.</p>

**APPENDIX VII PROPOSED AMENDMENTS TO THE PROCEDURE RULES
OF THE GENERAL MEETINGS**

Existing articles	Proposed amendments	Reason for or basis of amendment
	<p>Article 66 <u>The convener shall ensure an uninterrupted general meeting until the final resolution is decided on. If the general meeting is suspended or fails to decide on resolutions due to special reasons such as force majeure, the convener should adopt necessary measures to reconvene the general meeting as soon as possible, or directly close the meeting, and promptly make an announcement. Meanwhile, the convener shall report to the local office of the CSRC and the Stock Exchange.</u></p>	<p>Added in accordance with the Article 42 of the <i>Rules of the General Meetings of Listed Companies</i>.</p>
	<p>Article 67 <u>If resolutions on the election of directors and supervisors are passed at the general meeting, the newly elected directors and supervisors shall assume office in accordance with the Articles of Association.</u></p>	<p>Added in accordance with the Article 43 of the <i>Rules of the General Meetings of Listed Companies</i>.</p>
	<p>Article 68 <u>If the resolutions on cash distribution, stock dividend or transfer of capital reserve to share capital are passed at the general meeting, the specific plans should be implemented within two months after the end of the general meeting.</u></p>	<p>Added in accordance with the Article 44 of the <i>Rules of the General Meetings of Listed Companies</i>.</p>
	<p>Article 69 <u>Resolutions of the general meeting are invalid if the content violates the laws and administrative regulations.</u></p>	<p>Added in accordance with the Article 46 of the <i>Rules of the General Meetings of Listed Companies</i>.</p>

**APPENDIX VII PROPOSED AMENDMENTS TO THE PROCEDURE RULES
OF THE GENERAL MEETINGS**

Existing articles	Proposed amendments	Reason for or basis of amendment
	<p><u>The controlling shareholders and actual controller of the Company shall not restrict or obstruct the medium and small investors to legally exercise their voting rights, and shall not damage the legal rights and interests of the Company and the medium and small investors.</u></p> <p><u>If the convening and voting procedures of the general meeting are in violation of the laws, administrative regulations or the Articles of Association, or if the content of the resolution breaches the Articles of Association, shareholders can request the People’s Court of the PRC to revoke the resolution within 60 days from the date of approval.</u></p>	
<p>Article 54 This rule is 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 this rule shall take effect from the date the proposed H shares of the Company are listed on the Stock Exchange of Hong Kong Limited. The Company’s existing rules shall remain effective before the completion of the issuance and listing of H shares.</p>	<p>Article 72 This rule is 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 this rule shall take effect from the date that the <u>onshore-listed domestic shares of the Company are listed on a stock exchange.</u> The Company’s existing rules shall remain effective before the completion of the issuance and listing of <u>onshore-listed domestic shares.</u></p>	

Note: Due to the addition and removal of certain articles, the order number of the articles shall be adjusted accordingly for cross-indexing. In the event of any discrepancies between the Chinese version and the English version, the Chinese version shall prevail.

PROPOSED AMENDMENTS TO THE RULES FOR THE MANAGEMENT OF THE PROCEEDS
OF FUND RAISING BY THE COMPANY**List of Amendments to the Rules for the Management of Proceeds of Fund Raising by
Red Star Macalline Group Corporation Ltd.**

Existing Articles	Proposed Amendments
<p>Article 1 In order to strengthen and regulate the management of proceeds raised by Red Star Macalline Group Corporation Ltd. (the “Company”), and improve the efficiency and effectiveness of the use of proceeds, the <i>Rules for the Management of Proceeds of Fund Raising</i> (the “Rules”) are formulated according to the relevant laws, regulations and regulatory documents, such as the Company Law of the PRC and the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the “Hong Kong Listing Rules”), and the Articles of Association of Red Star Macalline Group Corporation Ltd. (hereinafter referred to as “Articles of Association”) in consideration of the Company’s actual condition.</p>	<p>Article 1 In order to strengthen and regulate the use and management of proceeds raised by Red Star Macalline Group Corporation Ltd. (the “Company”), and improve the efficiency and effectiveness of the use of proceeds, the <i>Rules for the Management of Proceeds of Fund Raising</i> (the “Rules”) are formulated according to the relevant laws, regulations and regulatory documents, such as the Company Law of the PRC, <u>Securities Law of the People’s Republic of China</u>, the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the “Hong Kong Listing Rules”), <u>Provisions on the Report on the Use of Previously Raised Capital, and Regulatory Guidelines for Listed Companies No.2 — Regulatory Requirements for the Management and Use of Proceeds Raised by Listed Companies</u>, and the Articles of Association of Red Star Macalline Group Corporation Ltd. (hereinafter referred to as “Articles of Association”) in consideration of the Company’s actual condition.</p>
<p>Article 2 The proceeds refer to the funds raised from investors by the Company in the Stock Exchange of Hong Kong Limited by the public issue of securities (including initial public offering of shares, allotment of shares, additional issue of shares, issuing convertible corporate bonds, etc.) and non-public offering of securities to investors.</p>	<p>Article 2 The proceeds refer to the funds raised from investors by our Company in <u>the stock exchange where the Company’s shares are listed (the “Stock Exchange”)</u> by the public issue of securities (including initial public offering of shares, allotment of shares, additional issue of shares, issuing convertible corporate bonds, etc.) and non-public offering of securities to investors.</p>

Existing Articles	Proposed Amendments
	<p><u>Article 3 The directors, supervisors and senior executives of the Company shall perform their duties diligently, monitor the Company to use the proceeds in a regulated manner, consciously uphold the security of the Company’s proceeds and shall not participate in, facilitate or condone an unauthorised or disguised change of the use of proceeds.</u></p>
	<p><u>Article 4 The controlling shareholders and actual controllers shall not directly or indirectly retain or misapply proceeds of the Company, nor use the proceeds and the investment projects in which the proceeds are invested (the “Investment Projects) to obtain improper benefits.</u></p>
	<p><u>Article 5 Sponsors should follow the <i>Administrative Measures for the Sponsorship Business of the Issuance and Listing of Securities</i> and the Rules to perform sponsor duties and implement the continuous supervision of management and use of proceeds of the Company.</u></p>

Existing Articles	Proposed Amendments
	<p data-bbox="810 283 1390 538"><u>Article 8 The Company shall sign the three-party supervision agreement for deposit into the special account of proceeds with the sponsors and the commercial bank in which the proceeds are deposited (the “Commercial Bank”) within one month after the proceeds are transferred to the account. The agreement shall at least include the following contents:</u></p> <ol data-bbox="810 570 1390 1372" style="list-style-type: none"> <li data-bbox="810 570 1390 634">(1) <u>The Company shall deposit all proceeds into the special account;</u> <li data-bbox="810 666 1390 793">(2) <u>The Commercial Bank shall provide the Company a bank statement of the special account on a monthly basis and make a copy for the sponsors;</u> <li data-bbox="810 825 1390 1081">(3) <u>If the Company withdraws more than RMB50 million at one time or in aggregate within 12 months from the special account for deposit of proceeds, and the amount reaches 20% of net proceeds deducting the issuing expense from the total proceeds (the “Net Proceeds”), the Company shall promptly notify the sponsors;</u> <li data-bbox="810 1112 1390 1240">(4) <u>The sponsors may visit the commercial bank for access of the information related to the special account for deposit of proceeds any time;</u> <li data-bbox="810 1272 1390 1372">(5) <u>Liability for breach of contract of the Company, the Commercial Bank and the sponsors.</u> <p data-bbox="810 1404 1390 1532"><u>The Company shall report to the Stock Exchange for filing and announcement within two trading days after the execution of the abovementioned agreement.</u></p> <p data-bbox="810 1564 1390 1819"><u>If the agreement is terminated before the expiry date due to changes of the sponsors or the Commercial Bank, the Company shall sign a new agreement with relevant parties within two weeks from the date of termination of the agreement, and report to the Stock Exchange for filing and announcement within two trading days after the execution of the new agreement.</u></p>

Existing Articles	Proposed Amendments
	Article 9 <u>If the sponsors find that the Company and the Commercial Bank have not performed the three-party supervision agreement for deposit of proceeds in the special account in accordance with the agreement, the sponsors shall promptly report to the Stock Exchange in writing upon knowledge of the relevant facts.</u>
Article 5 The use of proceeds shall strictly follow the Rules and the relevant provisions to perform related decision making and approval procedures of the Company, and perform information disclosure duties as required by relevant provisions.	Article 10 <u>The Company shall make specific provisions for the use of proceeds, authority for examination and approval at different levels, decision-making procedures, risk control measures, and information disclosure procedures.</u> The use of proceeds shall strictly follow the Rules and the relevant provisions to perform related decision making and approval procedures of the Company, and perform information disclosure duties as required by relevant provisions.
Article 6 The Board shall prepare detailed plans on the use of proceeds based on the purposes of funds raised as committed in the offering application documents, in order that the use of proceeds will be regulated, open and transparent. If the projects fail to be completed as planned due to unforeseeable objective factors, the Company, after discussing with compliance advisors of the Company, shall make public disclosure in respect of actual conditions according to relevant laws, regulations and regulatory requirements.	Article 11 <u>The Company shall use the proceeds according to the plan on the use of proceeds committed in the offering application documents.</u> The Board shall prepare detailed proceeds use plan for the purposes of funds raised as committed in the offering application documents, in order that the use of proceeds will be regulated, open and transparent. <u>In case of any circumstances which severely affect the normal implementation of the plan on the use of proceeds, the Company shall report to the Stock Exchange for the timely filing and announcement.</u>

Existing Articles	Proposed Amendments
	<p data-bbox="810 280 1390 570"><u>Article 12 If any of the following situations occurs for any Investment Project, the Company shall re-assess the feasibility and expected return, etc. of the Investment Project to determine whether the implementation of the Investment Project should proceed, and disclose the progress of the project and the reasons for the abnormalities and the adjusted Investment Project (if any) in the latest periodic report:</u></p> <ol data-bbox="810 600 1390 1051" style="list-style-type: none"> <li data-bbox="810 600 1390 697">(1) <u>Significant changes in the market environment relating to the Investment Project;</u> <li data-bbox="810 727 1390 795">(2) <u>The suspension of the Investment Project has been for over 1 year;</u> <li data-bbox="810 825 1390 953">(3) <u>The time of completion for the investment plan of proceeds has elapsed and the investment amount has not reached 50% of relevant expected amount;</u> <li data-bbox="810 983 1390 1051">(4) <u>Occurrence of other abnormalities for the Investment Project.</u>
	<p data-bbox="810 1068 1390 1195"><u>Article 13 The Company shall use the proceeds for its main business in principle, and shall not do the following in relation to the use of the proceeds:</u></p> <ol data-bbox="810 1225 1390 1962" style="list-style-type: none"> <li data-bbox="810 1225 1390 1515">(1) <u>Besides financial enterprises, raise Investment Projects for financial investments such as held-for-trading financial assets, available-for-sale financial assets, investments by lending and entrusted wealth management, or direct or indirect investment in companies whose main business involves the dealing of priced securities;</u> <li data-bbox="810 1544 1390 1642">(2) <u>Change the use of proceeds in disguised form of pledge, entrusted loan or other ways;</u> <li data-bbox="810 1672 1390 1868">(3) <u>Provide the proceeds to related parties such as controlling shareholders or actual controllers directly or indirectly and facilitate related parties to receive improper benefits through the Investment Projects;</u> <li data-bbox="810 1898 1390 1962">(4) <u>Other behaviors in violation of the rules regarding the use of proceeds.</u>

Existing Articles	Proposed Amendments
	<p><u>Article 14 If the Company invests its self-raised funds in Investment Projects, it may replace the self-raised funds with proceeds within six months after the proceeds are transferred to the account.</u></p> <p><u>The replacement shall be reviewed and approved by the Board, with an assurance report issued by an accounting firm and published with the express consent from the independent non-executive directors, the board of supervisors and the sponsors. The Company shall report to the Stock Exchange for filing and announcement within two trading days after the Board meeting.</u></p>
	<p><u>Article 15 Temporarily idle proceeds of the Company can be used for cash management and the products invested in must comply with the following conditions:</u></p> <ul style="list-style-type: none"><u>(1) a high degree of safety, and can meet the protection requirements of the principal, with undertaking by the product issuer;</u><u>(2) good liquidity and shall not affect the normal implementation of the Investment Projects.</u> <p><u>The investment products shall not be pledged and the funds other than the proceeds raised shall not be deposited in the special settlement account for the investment products (if applicable) and the account shall not be used for other purposes. The Company shall report to the Stock Exchange for filing and announcement within two trading days for the opening and closing of the special settlement account for such investment products.</u></p>

Existing Articles	Proposed Amendments
	<p data-bbox="810 283 1391 438"><u>Article 16 The use of idle proceeds in investment products shall be reviewed and approved by the Board with express consent from the independent non-executive directors, the board of supervisors and the sponsors.</u></p> <p data-bbox="810 476 1391 566"><u>The Company shall announce the following contents within two trading days after the Board meeting:</u></p> <ul data-bbox="810 604 1391 1336" style="list-style-type: none"><li data-bbox="810 604 1391 693">(1) <u>Basic information of the fund raising, including the time, amount of proceeds raised, Net Proceeds and investment plans;</u><li data-bbox="810 732 1391 757">(2) <u>Status of the use of proceeds;</u><li data-bbox="810 795 1391 1076">(3) <u>The limits of the idle proceeds that can be used to invest in products and the duration within which such proceeds can be used for this purpose; and if there are any behaviors that may change the purposes of the use of proceeds in a disguised form; and measures for ensuring the normal implementation of the projects funded by the proceeds;</u><li data-bbox="810 1115 1391 1204">(4) <u>Methods of profit distribution, scope of investment and safety of investing in the investment products;</u><li data-bbox="810 1242 1391 1336">(5) <u>Opinions of the independent non-executive directors, the board of supervisors and the sponsors.</u>

Existing Articles	Proposed Amendments
	<p data-bbox="810 283 1390 378"><u>Article 17 The following requirements shall be satisfied if the Company temporarily replenishes working capital with idle proceeds:</u></p> <ol data-bbox="810 410 1390 1087" style="list-style-type: none"> <li data-bbox="810 410 1390 538"><u>(1) The purposes of proceeds shall not be changed in disguise and the normal implementation of the Investment Projects shall not be affected;</u> <li data-bbox="810 570 1390 793"><u>(2) It is confined to the production and operation relating to the main business, and shall not be used directly or indirectly for issuing or placing new shares, subscription of shares, trading shares and its derivatives, convertible bonds, and other transactions;</u> <li data-bbox="810 825 1390 921"><u>(3) The period for a single amount of working capital replenishment shall not be more than 12 months;</u> <li data-bbox="810 953 1390 1087"><u>(4) The previous proceeds used for replenishing the working capital temporarily that are due have been repaid (if applicable).</u> <p data-bbox="810 1119 1390 1406"><u>The temporary replenishment of working capital with idle proceeds shall be considered and approved by the Board, and with express consent from the independent non-executive directors, the board of supervisors and the sponsors. The Company shall report to the Stock Exchange and make an announcement within two trading days after the Board meeting.</u></p> <p data-bbox="810 1438 1390 1661"><u>The Company shall return partial funds to the special account for deposit of proceeds before the due date for the working capital replenished, and shall report to the Stock Exchange and make an announcement within two trading days after full repayment of the capital.</u></p>

Existing Articles	Proposed Amendments
	<p><u>Article 18 Any actual net proceeds in excess of the planned amount (the “Excess Fund”) can be used to permanently replenish working capital or repay bank loans. However, the accumulative use shall not exceed 30% of the Excess Fund in every 12 months, and the Company shall undertake that high-risk investments and financial assistance to other parties will not be made within 12 months after the replenishment of working capital.</u></p>
	<p><u>Article 19 The use of the Excess Fund to replenish working capital shall be considered and approved by the Board and the general meeting. Online voting shall be provided to shareholders. Express consent shall be given by independent non-executive directors, the board of supervisors and sponsors. The Company shall report to the Stock Exchange and make an announcement within two trading days after the Board meeting with details of the following:</u></p> <ol style="list-style-type: none"> <u>(1) Basic information of the fund raising, including the time, amount of proceeds raised, the Net Proceeds, the Excess Fund and investment plans;</u> <u>(2) Status of the use of proceeds;</u> <u>(3) Necessity for, and detailed plan of, using the Excess Fund for permanent replenishment of working capital or repayment of bank loans;</u> <u>(4) Undertaking to not make high-risk investments and providing financial assistance to other parties within 12 months after the replenishment of working capital;</u> <u>(5) Impact of using the Excess Fund for permanent replenishment of working capital or repayment of bank loans on the Company;</u> <u>(6) Opinions of independent non-executive directors, the board of supervisors, and sponsors.</u>

Existing Articles	Proposed Amendments
	<p><u>Article 20 If the Company spends the Excess Fund on projects under development and new projects (including acquisition of assets), the funds shall be invested in the core business of the Company, and a feasibility analysis shall be scientifically and carefully conducted for such investment project in accordance with Articles 27 to Article 30 in the Rules, and disclosure shall be made in a timely manner.</u></p>
	<p><u>Article 21 Upon completion of a single Investment Project, if the remaining proceeds (including interest income) for use in that Investment Project are used for other Investment Projects, consideration and approval from the Board and express consent from the independent non-executive directors, sponsors and the board of supervisors are required before the remaining proceeds can be used. The Company shall report to the Stock Exchange and make an announcement within two trading days after the Board meeting.</u></p> <p><u>If the remaining proceeds (including interest income) is less than RMB1 million, or less than 5% of the promised investment amount of the proceeds, the procedure in the preceding paragraph can be waived, and its progress of use should be disclosed in the annual report.</u></p> <p><u>For the use of the remaining proceeds (including interest income) of any single Investment Project for purposes other than the Investment Projects (including replenishing working capital), the corresponding procedural and disclosure obligations for the change of Investment Projects shall apply.</u></p>

Existing Articles	Proposed Amendments
	<p data-bbox="810 283 1382 953"><u>Article 22 Upon completion of all of the Investment Projects, if the remaining proceeds (including interest income) account for more than 10% of the Net Proceeds, such surplus shall be used only after the consideration and approval of the Board and the general meeting, with express consent from independent non-executive directors, the sponsors and the board of supervisors. The Company shall report to the Stock Exchange and make an announcement within two trading days after the Board meeting. For the remaining proceeds (including interest income) which is less than 10% of the Net Proceeds, such surplus shall be used only after consideration and approval of the Board, with express consent from the independent non-executive directors, sponsors and board of supervisors. The Company shall report to the Stock Exchange and make an announcement within two trading days after the Board meeting.</u></p> <p data-bbox="810 991 1382 1176"><u>If the remaining proceeds (including interest income) is less than RMB5 million or less than 5% of the Net Proceeds, the procedure in the preceding paragraph can be waived, and its progress of use should be disclosed in the latest periodic report.</u></p>

Existing Articles	Proposed Amendments
<p>Article 11 The Company shall not alter the purpose of proceeds without adhering to the requirements of the laws and regulations, the listing rules and the Articles of Association of the Company. If it becomes necessary to alter the purpose of the use of proceeds due to market changes, such purposes can be altered only when such alteration has been considered by the Board, and approved by the general meeting (if necessary) after discussing with the Company's compliance advisors, obtaining approval by relevant authorities (if necessary) and disclosing such alteration in accordance with Hong Kong Listing Rules and other regulatory requirements.</p>	<p>Article 27 The Company shall not alter the purpose of proceeds without adhering to the requirements of the laws and regulations, the listing rules and the Articles of Association of the Company. If it becomes necessary to alteration the purpose of the use of proceeds due to market changes, such purposes can be altered only when such alternation has been considered <u>by the Board, approved by the general meeting in accordance with statutory procedures, with express consent from the independent non-executive directors, sponsors and the board of supervisors</u>, approved by the relevant authorities (if necessary), and disclosed in accordance with Hong Kong Listing Rules and other regulatory requirements. <u>Connected directors or shareholders shall not vote where such alteration involves connected transactions.</u></p> <p><u>Where changes are merely made to the implementation location of the Investment Project, the preceding procedures can be waived, but consideration and approval from the Board shall be obtained, and reported to the Stock Exchange within two trading days, with announcement regarding the reasons for the change and opinions of the sponsors.</u></p>

Existing Articles	Proposed Amendments
<p>Article 13 The Board should analyze scientifically and cautiously the feasibility of the proposed new Investment Project after alteration so as to effectively prevent the investment risks and improve efficiency of the use of proceeds.</p> <p>Disclosure regarding the changes in use of proceeds shall be made in a timely manner in accordance with the Articles of Association, the Company's Rule of Information Disclosure, the Hong Kong Listing Rules and other requirements of the securities regulators where the Company's shares are listed. New projects involving connected transactions, asset acquisition and foreign investments may constitute connected transactions and/or disclosable transactions under the Hong Kong Listing Rules and should be approved and disclosed according to relevant requirements of connected transactions and/or disclosable transactions under the Hong Kong Listing Rules.</p>	<p>Article 29 The Board should scientifically and cautiously analyze the feasibility of the proposed new Investment Project after alteration so as to effectively prevent investment risks and improve efficiency of the use of proceeds.</p> <p>Disclosure regarding the changes in use of proceeds shall be made in a timely manner in accordance with the Articles of Association, the Company's Rule of Information Disclosure, the Hong Kong Listing Rules and other requirements of the securities regulators where the Company's shares are listed. <u>The Company should report such change to the Stock Exchange within two trading days after approval by the Board, and make an announcement with details of the following:</u></p> <ol style="list-style-type: none"> <u>(1) The basic information of the original Investment Project and the specific reasons for the change;</u> <u>(2) Basic information, feasibility analysis and reminders of risks of the new Investment Project;</u> <u>(3) Investment plan of the new Investment Project;</u> <u>(4) Explanation of whether the new Investment Project has been approved by the relevant authorities (if applicable);</u> <u>(5) Opinions of the independent non-executive directors, the board of supervisors and sponsors in respect of the change of the Investment Project;</u> <u>(6) Explanation that the change of the Investment Project still requires approval at the general meeting;</u> <u>(7) Such other information as required by Stock Exchange.</u> <p>A new Investment Project that involves connected transactions, asset acquisition and foreign investments shall also be considered, approved and disclosed <u>in accordance with</u> the relevant requirements.</p>

Existing Articles	Proposed Amendments
	<p data-bbox="810 280 1390 570"><u>Article 31 Where an Investment Project is intended to be transferred to an external party or replaced (except for the ones that have been transferred to an external party or replaced in full during the Company’s significant asset reorganization), the Company should report it to the Stock Exchange within two trading days after approval by the Board, and announce the following:</u></p> <ol data-bbox="810 604 1390 1506" style="list-style-type: none"> <li data-bbox="810 604 1390 697">(1) <u>the specific reasons for the external transfer or replacement of the Investment Project;</u> <li data-bbox="810 732 1390 800">(2) <u>the amount invested in the project from the proceeds;</u> <li data-bbox="810 834 1390 902">(3) <u>the progress and realized profits of the project;</u> <li data-bbox="810 936 1390 1029">(4) <u>basic information, feasibility analysis and reminders of risks (if applicable) of the new project after replacement;</u> <li data-bbox="810 1064 1390 1132">(5) <u>pricing basis and related profit of the transfer or replacement;</u> <li data-bbox="810 1166 1390 1285">(6) <u>Opinions of independent non-executive directors, the board of supervisors and sponsors on the transfer or replacement of the Investment Project;</u> <li data-bbox="810 1319 1390 1412">(7) <u>Explanation that the transfer or replacement of the Investment Project requires approval at the general meeting;</u> <li data-bbox="810 1447 1390 1506">(8) <u>Other information required by the Stock Exchange.</u> <p data-bbox="810 1540 1390 1730"><u>The Company should pay full attention to the receipt and use of the proceeds from the transfer, as well as the ownership changes and continuous operation of the newly-replaced assets, and perform the necessary obligations of information disclosure as required.</u></p>

Existing Articles	Proposed Amendments
	<p data-bbox="810 283 1390 374"><u>Article 33 The Company shall disclose the actual use of proceeds accurately, truly and fully.</u></p> <p data-bbox="810 412 1390 597"><u>The Board should thoroughly examine progress of the Investment Projects every six months, and issue the Special Report on Deposit and Actual Use of Proceeds of the Company (the “Special Report on Proceeds”) in connection with the deposit and use of the proceeds.</u></p> <p data-bbox="810 636 1390 985"><u>In case of any difference between the actual progress and the investment plan of Investment Projects, the Company shall explain the specific reasons in the Special Report on Proceeds. If the idle proceeds are invested in investment products in the current reporting period, the Company shall disclose the income in the current report period, and the shares of investment, signatories, product names, duration and other information at the end of the period in the Special Report on Proceeds.</u></p> <p data-bbox="810 1023 1390 1372"><u>The Special Report on Proceeds should be approved by the Board and the board of supervisors, and reported to the Stock Exchange and an announcement made within two trading days after approval from the Board. When conducting the annual audit, the Company shall employ an accounting firm to issue an authentication report on the deposit and use of proceeds. Also, the annual report shall be submitted to the Stock Exchange and disclosed on the Stock Exchange website.</u></p>

Existing Articles	Proposed Amendments
<p>Article 18 Where necessary, Audit Committee of the Board, the board of supervisors or more than one half of the independent non-executive directors may employ a certified public accountant to conduct a special audit on the deposit and use of the proceeds and issue a special audit report. The Board shall actively cooperate while the necessary costs shall be borne by the Company.</p>	<p>Article 36 <u>Independent non-executive directors, the Audit Committee of the Board and the board of supervisors shall constantly pay attention to the actual management and the use of proceeds.</u> The Audit Committee of the Board, board of supervisors or more than one half of the independent non-executive directors may employ a certified public accountant to <u>issue an authentication report</u> on the deposit and use of the proceeds. The Board shall actively cooperate while the necessary costs shall be borne by the Company.</p> <p><u>The Board shall report to Stock Exchange and make an announcement within two trading days after receiving the authentication report specified in the clause above. If the authentication report opines that the management and the use of the proceeds involve a violation of the regulations, the Board shall also announce such violation regarding the deposit and use of the proceeds, as well as the actual or potential consequences or measures that have been or will be taken.</u></p>

Existing Articles	Proposed Amendments
	<p data-bbox="810 283 1390 374"><u>Article 37 The sponsors shall conduct an on-site investigation on the deposit and use of proceeds at least once every six months.</u></p> <p data-bbox="810 412 1390 634"><u>After the conclusion of each fiscal year, the sponsors shall issue a special annual audit report on the deposit and use of proceeds, and the audit report shall be submitted to the Stock Exchange and disclosed on the Stock Exchange website. The audit report should contain the following contents:</u></p> <ol data-bbox="810 668 1390 1438" style="list-style-type: none"> <li data-bbox="810 668 1390 732"><u>(1) The deposit and use of proceeds and balance of the special account;</u> <li data-bbox="810 763 1390 855"><u>(2) Progress of the Investment Project, including the deviation from the planned progress;</u> <li data-bbox="810 887 1390 978"><u>(3) Replacement of the self-raised funds invested in the Investment Project with the proceeds (if applicable);</u> <li data-bbox="810 1010 1390 1102"><u>(4) Replenishment of working capital with idle proceeds and the effects (if applicable);</u> <li data-bbox="810 1112 1390 1149"><u>(5) Use of Excess Fund (if applicable);</u> <li data-bbox="810 1181 1390 1272"><u>(6) Changes in the use of proceeds (if applicable);</u> <li data-bbox="810 1283 1390 1374"><u>(7) Conclusive comments on the compliance of the deposit and use of proceeds;</u> <li data-bbox="810 1385 1390 1438"><u>(8) Other information required by Stock Exchange.</u> <p data-bbox="810 1472 1390 1627"><u>After the conclusion of each fiscal year, the Board shall disclose the specific audit report of the sponsors and conclusive comments in the authentication report of the accounting firm in the Specific Report on Proceeds.</u></p>

Existing Articles	Proposed Amendments
Article 21 After approved at the general meeting of the Company, these Rules takes effect on the day that the H shares to be issued by the Company are listed in the Main Board of the Stock Exchange of Hong Kong Limited.	Article 40 <u>After being approved at the general meeting of the Company, these amended Rules shall come into effect upon listing of the domestic shares issued by the Company on the Stock Exchange.</u>

Note: Due to the addition and removal of certain articles, the order number of the articles shall be adjusted accordingly for cross-indexing. In the event of any discrepancies between the Chinese version and the English version, the Chinese version shall prevail.

PROPOSED AMENDMENTS TO THE RULES FOR THE MANAGEMENT OF THE RELATED
PARTY TRANSACTIONS OF THE COMPANYList of Amendments to the Rules for the Management of the Related Party Transactions of
Red Star Macalline Group Corporation Limited

Existing articles	Proposed amendments
<p>Article 1 In order to regulate the connected transactions of Red Star Macalline Group Corporation Limited (the “Company”), guarantee the fairness and reasonableness of connected transactions and safeguard the interests of the Company and shareholders, the following rules are hereby formulated in accordance with the <i>Company Law, Articles of Association of Red Star Macalline Group Corporation Limited</i> (“<i>Articles of Association</i>”) and <i>the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited</i> (“<i>the Hong Kong Listing Rules</i>”) and other relevant laws, regulations and regulatory documents.</p>	<p>Article 1 In order to regulate the <u>related party transactions (“connected transactions” under <i>Hong Kong Listing Rules, similar hereinafter</i></u> of Red Star Macalline Group Corporation Limited (the “Company”), guarantee the fairness and reasonableness of <u>related party</u> transactions and safeguard the interests of the Company and shareholders, the following rules are hereby formulated in accordance with the <i>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</i> (“<i>Articles of Association</i>”) and <i>the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited</i> (“<i>the Hong Kong Listing Rules</i>”) and other relevant laws, regulations and regulatory documents.</p>
<p>Article 2 The Company implements categorized management for connected transactions, determines the scope of connection persons in accordance with <i>the Hong Kong Listing Rules</i> and performs the procedures of approval and information disclosure for connected transactions in accordance with relevant requirements.</p>	<p>Article 2 The Company implements categorized management for <u>related party</u> transactions, determines the scope of <u>related parties</u> in accordance with the <i>Hong Kong Listing Rules, rules of the stock exchange of the place where the domestic shares are listed and other relevant laws and regulations</i> and perform the procedures of approval and information disclosure for <u>related party</u> transactions in accordance with relevant requirements.</p> <p><u>When conducting transactions, the Company shall consider the circumstances in accordance with the <i>Hong Kong Listing Rules</i> 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.</u></p>

Existing articles	Proposed amendments
<p>Article 4 The general meeting and the Board shall supervise, manage and approve the connected transactions of the Company in accordance with <i>the Hong Kong Listing Rules</i> and <i>the Articles of Association</i>. The Finance Department is responsible for the daily management of connected transactions, formulating the pricing principles of related party transactions, calculating the transaction amount of connected transactions and assisting the secretary of the Board for information disclosure of connected transactions. The secretary of the Board is responsible for the information disclosure of connected transaction.</p>	<p>Article 4 The general meeting and the Board shall supervise, manage and approve the <u>related party</u> transactions of the Company in accordance with <i>the Hong Kong Listing Rules</i>, <u>rules of the stock exchange of the place where the domestic shares are listed</u> and <i>the Articles of Association</i>. The Finance Department is responsible for the daily management of <u>related party</u> transactions, formulating the pricing principles of <u>related party</u> transactions calculating the transaction amounts of <u>related party</u> transactions and assisting the secretary of the Board for information disclosure of <u>related party</u> transactions. The secretary of the Board is responsible for the information disclosure of related party transaction.</p>
	<p>Article 5 <u>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.</u></p>
	<p>Article 6 <u>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:</u></p> <p>(I) <u>Legal persons or other organizations who directly or indirectly control the Company;</u></p> <p>(II) <u>Legal persons or other organizations directly or indirectly controlled by the legal persons referred to in Paragraph (I), excluding the Company and its subsidiaries;</u></p> <p>(III) <u>Legal persons or other organizations directly or indirectly controlled by the related natural persons or legal persons or other organizations in which the related natural persons referred to in Article 7 herein serve as directors or senior executives, excluding the Company and its subsidiaries.</u></p>

Existing articles	Proposed amendments
	<p>(IV) <u>Legal persons or other organizations which hold more than 5% of the Company’s shares;</u></p> <p>(V) <u>Legal persons who, based on the principle of substance over form, the Company considers having a special relationship with and whose interests may be favoured by the Company.</u></p> <p><u>If the circumstance described in Paragraph (II) occurs because the Company and the legal person listed in Paragraph (II) are controlled by the same state-owned asset management organization, it does not therefore constitute a related party, except when the circumstances of Paragraph (III) apply to the legal representative, general manager, or more than half of the directors of such legal persons.</u></p>
	<p>Article 7 <u>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:</u></p> <p>(I) <u>Natural persons who directly or indirectly hold more than 5% of the Company’s share;</u></p> <p>(II) <u>Directors, supervisors and senior executives of the Company;</u></p> <p>(III) <u>Directors, supervisors and senior related persons of the legal person listed in Paragraph (I) of Article 6 herein;</u></p> <p>(IV) <u>Close family members of the persons described in Paragraphs (I) and (II), including spouses, parents, spouses’ parents, siblings and their spouses, children aged 18 or above and their spouses, sibling of spouses and parents of children’s spouses;</u></p>

Existing articles	Proposed amendments
	(V) <u>Other natural persons who, based on the principle of substance over form, the Company considers having a special relationship with and whose favour may be favoured by the Company.</u>
	<p>Article 8 <u>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:</u></p> <p>(I) <u>When one of the circumstances described in Article 6 or Article 7 herein occurs related parties an agreement or arrangement which is signed or made with the Company or its related parties comes into effect or in the coming 12 months;</u></p> <p>(II) <u>When one of the circumstances described in Article 6 or Article 7 herein occurred in the past 12 months.</u></p>
	Article 9 <u>A relation between the parties mainly refers to the methods or means which can directly or indirectly control or impose major influence on the Company in terms of financial and operating policies it mainly includes relationships in respect of shareholding, personnels, management and commercial interests between the related person and the Company.</u>
	Article 10 <u>Determination of a related party relationship shall be based on the specific method, means and extent in which the related party controls or influences the Company.</u>

Existing articles	Proposed amendments
<p>Article 8 The transaction includes the transactions of capital and revenue nature, whether or not the transaction is carried out in the usual course of business of the Company. Apart from the exceptions prescribed in the <i>Hong Kong Listing Rules</i>, including the following categories of transactions:</p> <p>(I) Purchasing or selling assets, including the items regarded as disposals in <i>the Hong Kong Listing Rules</i>;</p> <p>(II) The granting, acceptance, transfer, exercise or non-exercise or terminating an option in order to purchase or sell assets or to subscribe securities;</p> <p>(III) Signing or terminating financial leasing or operating leasing, or subleasing (including rented or sublet properties);</p> <p>(IV) Providing indemnities or providing or accepting financial assistance. “Financial assistance” includes granting credit, providing loans or, indemnities, guarantees or mortgages for the loan;</p> <p>(V) Entering into agreement or arranging the establishment of joint ventures of any form (such as companies established as a partnership or as a company) or other forms of joint ventures;</p> <p>(VI) Issuing new securities of the Company or its subsidiaries;</p> <p>(VII) Providing, accepting or sharing services; or</p> <p>(VIII) Purchasing or providing raw materials, semi-finished and/or finished products.</p>	<p>Article 14 The transaction includes the transactions of capital and revenue nature, whether or not the transaction is carried out in the usual course of business of the Company. Apart from the exceptions prescribed in the <i>Hong Kong Listing Rules</i>, including the following categories of transactions:</p> <p>(I) Purchasing or selling assets, including the items regarded as disposals in <i>the Hong Kong Listing Rules</i>;</p> <p>(II) The granting, acceptance, transfer, exercise or non-exercise or terminating an option in order to purchase or sell assets or to subscribe securities;</p> <p>(III) Signing or terminating financial leasing or operating leasing, or subleasing (including rented or sublet properties);</p> <p>(IV) Providing indemnities or providing or accepting financial assistance. “Financial assistance” includes granting credit, providing loans or, indemnities, guarantees or mortgages for the loan;</p> <p>(V) Entering into agreement or arranging the establishment of joint ventures of any form (such as companies established as a partnership or as a company) or other forms of joint ventures;</p> <p>(VI) Issuing new securities of the Company or its subsidiaries;</p> <p>(VII) <u>Providing or accepting labor service;</u></p> <p>(VIII) <u>Making external investment (including trust management and entrusted loans, etc.);</u></p> <p>(IX) <u>Providing guarantees;</u></p> <p>(X) <u>Renting or leasing out assets;</u></p>

Existing articles	Proposed amendments
	<p><u>(XI) Signing management contracts (including entrusting or being entrusted to manage assets and businesses, etc.);</u></p> <p><u>(XII) Giving or accepting gifts of assets;</u></p> <p><u>(XIII) Debts or debt restructuring;</u></p> <p><u>(XIV) Signing licensing agreements;</u></p> <p><u>(XV) Transferring or accepting the transfer of research and development projects;</u></p> <p><u>(XVI) Purchasing or selling raw materials, fuel and power;</u></p> <p><u>(XVII) Purchasing or selling products and commodities;</u></p> <p><u>(XVIII) Entrusting or being entrusted to purchase or sell;</u></p> <p><u>(XIX) Making loan deposit in the related financial companies;</u></p> <p><u>(XX) Making joint investment with related parties;</u></p> <p>(XXI) Providing, accepting or sharing services;</p> <p><u>(XXII) Other arrangements that may lead to the transfer of resources or obligations; or</u></p> <p><u>(XXIII) Other issues which the stock exchange where the Company's shares are listed considers as related party transactions.</u></p>

Existing articles	Proposed amendments
<p>Article 14 When the Board reviews connected transactions, directors who are connected to the counterparty shall not vote, nor exercise voting rights on behalf of other directors. Resolutions made by the Board meetings shall be approved by more than half of the non-connected directors.</p> <p>Directors who have connected relations referred to in the preceding paragraph are directors who have material interests in the transactions (“connected directors”) according to the <i>Hong Kong Listing Rules</i>.</p>	<p>Article 20 When the Board reviews <u>related party</u> transactions, directors who are related to the counterparty shall not vote, nor exercise voting rights on behalf of other directors. Resolutions made by the Board meetings shall be approved by more than half of non-related directors. <u>If the number of non-related directors attending the Board meeting is less than three, the issue should be submitted for the review at the general meeting.</u></p> <p><u>Related directors referred to in the preceding paragraph include the following directors or directors with one of the following circumstances:</u></p> <p>(I) <u>As a counterparty of the transaction;</u></p> <p>(II) <u>Employed by the counterparty of the transaction, or employed by the legal persons or other organizations which directly or indirectly control the counterparty of the transaction, or employed by the legal persons or other organizations directly or indirectly controlled by the counterparty of the transaction;</u></p> <p>(III) <u>Has the right to directly or indirectly control the counterparty of the transaction;</u></p> <p>(IV) <u>Close family members of the counterparty of the transaction or of the direct or indirect controller of the counterparty (details could be found in Paragraph (IV) of Article 7 herein);</u></p> <p>(V) <u>Close family members of the directors, supervisors and senior executives of the counterparty of the transaction or of the direct or indirect controller of the counterparty (details could be found in Paragraph (IV) of Article 7 herein);</u></p>

Existing articles	Proposed amendments
	<p>(VI) <u>Persons whose independent business judgment might be influenced for other reasons as identified by the Company based on the principle of substance over form;</u></p> <p>(VII) <u>Other circumstances where, under the <i>Hong Kong Listing Rules</i>, the person or any of his/her affiliates has material interests in the transactions.</u></p>
	<p>Article 22 <u>Related shareholders include the shareholders with one of the following circumstances:</u></p> <p>(I) <u>Being a counterparty of the transaction;</u></p> <p>(II) <u>Having the right to directly or indirectly control the counterparty of the transaction;</u></p> <p>(III) <u>Being controlled directly or indirectly by the counterparty of the transaction;</u></p> <p>(IV) <u>Under the direct or indirect control of the same legal persons or other organizations or natural persons as the counterparty of the transaction;</u></p> <p>(V) <u>Whose voting rights are restricted or influenced due to the incomplete performance of an equity transfer agreement or other agreements with the counterparty of the transaction or its related parties;</u></p> <p>(VI) <u>Shareholders whose interests, in the Company's view, may be favoured by the Company;</u></p> <p>(VII) <u>Other circumstances where, under the <i>Hong Kong Listing Rules</i>, the person or any of his/her affiliates has material interests in the transactions.</u></p>

Existing articles	Proposed amendments
	<p data-bbox="810 287 1390 597"><u>Article 25 Subject to satisfaction of the requirements under the <i>Hong Kong Listing Rules</i> 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:</u></p> <p data-bbox="810 634 1390 772">(I) <u>One party subscribes for the shares, corporate bonds or enterprise bonds, convertible bonds or other derivative products of the other party in cash;</u></p> <p data-bbox="810 808 1390 981">(II) <u>One party, as a member of the underwriters, underwrites the shares, corporate bonds or enterprise bonds, convertible bonds or other derivative products of the other party;</u></p> <p data-bbox="810 1017 1390 1155">(III) <u>One party receives dividends, bonuses or remuneration in accordance with the resolution of the general meeting of the other party;</u></p> <p data-bbox="810 1191 1390 1293">(IV) <u>One party participates in the related party transactions via public tenders, public auctions and other activities;</u></p> <p data-bbox="810 1330 1390 1432">(V) <u>Other transactions identified by the stock exchange where the Company's shares are listed.</u></p>

Existing articles	Proposed amendments
<p>Article 18 Decision making authority for connected transactions:</p> <p>According to <i>the Hong Kong Listing Rules</i>, the Company shall carry out size tests based on <i>the Hong Kong Listing Rules</i> for the connected 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 market capitalization of the Company; and (IV) equity capital ratio, that is the percentage of the number of shares to be issued by the Company as consideration divided by the total number of issued shares of the Company immediately before the transaction. The data used in above size tests shall be adjusted in certain circumstances based on <i>the Hong Kong Listing Rules</i>, and the calculations shall be based on the provisions in the <i>Hong Kong Listing Rules</i>.</p>	<p>Article 26 Decision making authority for <u>related party</u> transactions:</p> <p>According to <i>the Hong Kong Listing Rules</i>, the Company shall carry out size tests based on <i>the Hong Kong Listing Rules</i> for the <u>related party</u> 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 market capitalization of the Company; and (IV) equity capital ratio, that is the percentage of the number of shares to be issued by the Company as consideration divided by the total number of issued shares of the Company immediately before the transaction. The data used in above size tests shall be adjusted in certain circumstances based on <i>the Hong Kong Listing Rules</i>, and the calculations shall be based on the provisions in the <i>Hong Kong Listing Rules</i>.</p>

Existing articles	Proposed amendments
<p>(1) Connected transactions which the General Manager has the authority to approve:</p> <p>In accordance with the <i>Hong Kong Listing Rules</i> as amended from time to time, connected transactions which have total exemption (exempt from obligations of reporting, announcing and independent shareholder's approval). Under the existing <i>Hong Kong Listing Rules</i>, that is when each ratio is (1) lower than 0.1%, or (2) lower than 1% and when relevant transactions become connected transactions only because the connected persons have relations with one of 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 connected transactions. Connected 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 Office shall examine the necessity, reasonableness and fairness of pricing of the connected transaction. Necessary connected transactions shall be implemented upon the General Manager's or General Manager Office's approval. The General Manager shall fully report to the Board about the connected transactions in the usual course of business of the Company which involve the Board's approval.</p>	<p>(1) <u>Related party</u> transactions which the General Manager has the authority to approve:</p> <p>In accordance with the <i>Hong Kong Listing Rules</i> as amended from time to time, <u>related party</u> transactions which have total exemption (exempt from obligations of reporting, announcing and independent shareholder's approval). Under the existing <i>Hong Kong Listing Rules</i>, that is when each ratio is (1) lower than 0.1%, or (2) lower than 1% and when relevant transactions become <u>related party</u> transactions only because the <u>related</u> persons have relations with one of 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 <u>related party</u> transactions;</p> <p><u>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.</u></p>

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

Existing articles	Proposed amendments
<p>Connected 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 procedure of convening a Board meeting, and make rational judgment and review whether the transaction is a connected transaction.</p>	<p><u>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 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 non-executive directors or the board of supervisors 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.</u></p> <p>Connected <u>related party</u> 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 procedure of convening Board meeting, and make rational judgment and review whether the transaction is a <u>related party</u> transaction.</p>

Existing articles	Proposed amendments
<p>(III) Connected 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, connected 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), such transactions submitted to the general meeting for shareholders' review and approval after examination and approval of the Board;</p>	<p>(III) <u>Related party</u> 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, <u>related party</u> 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), such transactions submitted to the general meeting for shareholders' review and approval after examination and approval of the Board;</p> <p><u>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 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 non-executive 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.</u></p>

Existing articles	Proposed amendments
<p>Where the Board considers that the connected 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, agenda of the general meeting, as well as the details nature and the connected party of the connected transaction; independent non-executive directors shall disclose their opinions on the fairness of the connected transaction, whether it is in the interests of the Company and its shareholders, whether the annual caps of the connected transaction are fair and reasonable (in the case of continuing connected transactions) and recommendations for voting. Meanwhile, the circular shall also disclose the opinions of independent financial advisers engaged by Independent Director Committee concerning the fairness of the connected transaction, whether it is in the interests of the Company and its shareholders, whether the annual caps of connected transaction are fair and reasonable (in the case of continuing connected transactions) and recommendations for voting.</p>	<p>Where the Board considers that the <u>related party</u> 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, agenda of the general meeting, as well as the details nature and the connected party of the <u>related party</u> transaction. Independent non-executive directors shall disclose their opinions on the fairness of the <u>related party</u> transaction, whether it is in the interests of the Company and its shareholders, whether the annual caps of the <u>related party</u> transaction are fair and reasonable (in the case of continuing <u>related party</u> transactions) and recommendations for voting. The circular shall also disclose the opinions of independent financial advisers engaged by Board of Independent Director concerning the fairness of the <u>related party</u> transaction, whether it is in the interests of the Company and its shareholders, whether the annual caps of <u>related party</u> transaction are fair and reasonable (in the case of continuing <u>related party</u> transactions) and recommendations for voting.</p>
	<p><u>Article 27 Related party transactions entered into between the Company and related parties the value of which is 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 non-executive directors. Before independent non-executive directors can engage an intermediary to issue an independent financial report as the basis of determination before the independent directors make such determination.</u></p>

Existing articles	Proposed amendments
	<p data-bbox="810 287 1380 697"><u>Article 28 For related party transactions entered into between the Company and related parties (excluding the cases in which the Company receives cash assets and debt reduction and provision of guarantee) the value of which is higher than RMB30 million and higher than 5% of the latest audited net assets of the Company, an intermediary qualified to deal with securities and futures shall be engaged to evaluate or appraise the subject matter of the transaction. Such transaction should also be submitted to the general meeting for approval.</u></p> <p data-bbox="810 740 1380 1427"><u>If the subject matter of the transaction is the shares of the Company, the Company shall engage an accounting firm qualified to deal with securities and futures to audit the financial reports of the current financial year and of the last quarter of the subject matter of the transaction. The cut-off date for the audit shall not be more than 6 months prior to the date of the general meeting for the approval of the transaction. If the subject matter of the transaction is assets other than shares, the Company shall engage an asset valuer qualified to deal with securities and futures to carry out assets valuation. The base date of the valuation shall not be more than one year from the date of execution of agreement. The subject matter of the related party transaction in the usual course of business of the Company as described in Article 29 herein is exempted from the evaluation or appraisal requirements.</u></p>

Existing articles	Proposed amendments
	<p>Article 30 <u>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 satisfaction of the requirements under the <i>Hong Kong Listing Rules</i> 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.</u></p>
	<p>Article 31 <u>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 executive.</u></p>

Existing articles	Proposed amendments
	<p>Article 32 <u>Where the Company intends to provide guarantee for the related parties, such proposal shall be submitted to the general meeting for scrutiny upon approval of the Board, regardless of the amount involved.</u></p> <p><u>If the Company provides guarantee for a shareholder who holds less than 5% of the Company's shares, it shall be subject to the requirements as prescribed in the preceding paragraph, and such shareholder shall not vote at the general meeting.</u></p>
	<p>Article 34 <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 executives. 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.</u></p>
<p>Article 21 Connected transactions between subsidiaries of the Company (as defined in <i>Hong Kong Listing Rules</i>) and connected parties shall be considered as acts of the Company and shall be subject to the examination and approval procedures of the rules herein.</p>	<p>Article 35 <u>Related party</u> transactions between subsidiaries of the Company (as defined in <i>Hong Kong Listing Rules</i>), <u>holding subsidiaries (the companies in which the Company holds more than 50% of its equity or has the right to determine the election of more than one half of its board of directors or actually controls by means of agreements or other arrangements)</u> and <u>related parties</u> shall be considered as acts of the Company and shall be subject to the examination and approval procedures of the rules herein.</p>

Existing articles	Proposed amendments
<p>Article 24 The rules herein shall be approved at the general meeting of the Company. The same applies to amendment of these rules. The revised rules will come into effect after the H shares to be issued by the Company are listed on the main board of Hong Kong Stock Exchange. Prior to the completion of the issue and listing of H shares, the existing rules of the Company continues to be valid.</p>	<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 <u>come into effect after the RMB ordinary shares issued by the Company are listed.</u> Prior to the completion of the issue and listing of <u>RMB ordinary shares</u>, the existing rules of the Company continues to be valid.</p>

Note: Due to the addition and removal of certain articles, the order number of the articles shall be adjusted accordingly for cross-indexing. In the event of any discrepancies between the Chinese version and the English version, the Chinese version shall prevail.

**APPENDIX X PROPOSED AMENDMENTS TO THE WORKING RULES OF
THE INDEPENDENT NON-EXECUTIVE DIRECTORS**

**PROPOSED AMENDMENTS TO THE WORKING RULES OF
THE INDEPENDENT NON-EXECUTIVE DIRECTORS**

List of amendments to the Working Rules of the Independent Non-executive Directors

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 <i>Company Law of the People’s Republic of China</i>, the Articles of Association of Red Star Macalline Group Corporation Ltd. (“Articles of Association”), <i>Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited</i> (“<i>Hong Kong Listing Rules</i>”) and requirements of other relevant laws, regulations and regulatory documents, in combination with the Company’s actual circumstances, this rule is formulated. If any provisions of this rule are inconsistent with any provisions of any relevant laws, regulations, the Articles of Association or the <i>Hong Kong Listing Rules</i>, 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 <i>Company Law of the People’s Republic of China</i>, <u>the Guidance for Establishment of Policies for of Independent Non-executive Directors of Listed Companies (the “Guidance”)</u>, the Articles of Association of Red Star Macalline Group Corporation Ltd. (“Articles of Association”), <i>Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited</i> (“<i>Hong Kong Listing Rules</i>”) and requirements of other relevant laws, regulations and regulatory documents, in combination with the Company’s actual circumstances, this rule is formulated. If any provisions of this rule are inconsistent with any provisions of any relevant laws, regulations, the Articles of Association or the <i>Hong Kong Listing Rules</i> or provisions of <u>the listing rules of the stock exchange of the onshore-listed domestic shares</u>, the more stringent provisions shall prevail.</p>
<p>Article 2 Independent non-executive directors refer to those who do not serve any position other than a director in the Company and have no relationship with the Company or its major shareholders that is likely to interfere with their own independent and objective judgment. Their qualifications shall be subject to the <i>Hong Kong Listing Rules</i> and shall be approved by the relevant regulatory authority.</p>	<p>Article 2 Independent non-executive directors (“independent directors”) refer to those who do not serve any position other than a director in the Company and have no relationship with the Company or its major shareholders that is likely to interfere with their own independent and objective judgment. Their qualifications shall be subject to the <i>Hong Kong Listing Rules</i> and <u>the listing rules of the stock exchange of the onshore-listed domestic shares</u>, and shall be approved by the relevant regulatory authority.</p>

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THE INDEPENDENT NON-EXECUTIVE DIRECTORS**

Existing articles	Proposed amendments
<p>Article 5 Independent non-executive directors need to ensure that they have enough time and energy to effectively perform their duties of independent non-executive directors.</p>	<p>Article 5 Independent directors need to ensure that they have enough time and energy to effectively discharge their duties.</p> <p><u>Independent directors shall work for the Company for not less than 15 working days per year and serve as independent directors for up to five listed companies (including the Company), and ensure that they have enough time and energy to effectively perform their duties as independent directors.</u></p>
<p>Article 6 Member of the Board of the Company shall include at least one-third (at least 3) independent non-executive directors. The independent non-executive directors of the Company should include at least one member who has the appropriate professional qualification according to the regulatory requirements, or has appropriate accounting or related financial management expertise (specifically, he shall have relatively rich accounting expertise and experience, and to be qualified for internal control, preparing or auditing financial report similar to the one of the Company, or making an analysis of audited financial report of listed companies by serving as a practicing accountant, auditor, chief financial officer or chief accounting officer of listed companies, or performing similar duties). At least one member of independent non-executive directors shall ordinarily reside in Hong Kong.</p>	<p>Article 6 Member of the Board of the Company shall include at least one-third (at least 3) independent directors. <u>The independent directors should include at least one member who is an accounting professional (the accounting professional refers to a person who has senior accounting professional title or certified public accountant qualification).</u></p> <p>At least one member of independent directors shall ordinarily reside in Hong Kong.</p>
<p>Article 7 Where the independent non-executive director fails to comply with the independence requirements or becomes unsuitable to discharge the responsibilities of independent non-executive directors, thus resulting in non-conformity to the number of independent non-executive directors required by the Hong Kong Listing Rules, the Company shall make up the number of independent non-executive directors as required.</p>	<p>Article 7 Where the independent director fails to comply with the independence requirements or becomes unsuitable to discharge the responsibilities of independent directors, thus resulting in the number of independent directors less than the <u>statutory required number</u>, the Company shall make up the number of independent directors as required.</p>

**APPENDIX X PROPOSED AMENDMENTS TO THE WORKING RULES OF
THE INDEPENDENT NON-EXECUTIVE DIRECTORS**

Existing articles	Proposed amendments
<p>Article 8 Independent non-executive directors and independent non-executive directors to be appointed shall, according to the requirements of <i>Hong Kong Listing Rules</i> 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 <u>the China Securities Regulatory Commission (“CSRC”) and other relevant competent authorities</u>, <i>Hong Kong Listing Rules</i> and other laws and regulations, participate in accredited training.</p>
<p>Article 9 The person who shall serve as the Company’s independent non-executive directors shall meet the following basic conditions:</p> <p>(1) Be eligible to be a director of the Company according to the laws, regulations and other regulatory documents, the <i>Hong Kong Listing Rules</i> and other relevant provisions;</p> <p>(2) Possess the independence as required by the <i>Hong Kong Listing Rules</i>;</p> <p>(3) Possess basic knowledge of the operation of listed companies and be familiar with the relevant laws, administrative rules and regulations;</p> <p>(4) Possess more than five years of experience of legal economic affairs or other necessary work experience as required to be an independent non-executive director;</p> <p>(5) Other conditions under the Articles of Association and the <i>Hong Kong Listing Rules</i>.</p>	<p>Article 9 The person who shall serve as the Company’s independent directors shall meet the following basic conditions:</p> <p>(1) Be eligible to be a director of the Company according to the laws, regulations and other regulatory documents, the <i>Hong Kong Listing Rules</i> and other relevant provisions;</p> <p>(2) Possess the independence as required by the <u>Guidance issued by the CSRC</u> and <i>Hong Kong Listing Rules</i>;</p> <p>(3) Possess basic knowledge of the operation of listed companies and be familiar with the relevant laws, administrative rules and regulations;</p> <p>(4) Possess more than five years of experience of legal economic affairs or other necessary work experience as required to be an independent director;</p> <p>(5) Other conditions under the Articles of Association and the <i>Hong Kong Listing Rules</i>.</p>
<p>Article 10 The independent non-executive director shall have his own independence and the following persons may not serve as independent non-executive directors:</p> <p>(1) The person who holds more than 1% of the total issued share capital;</p>	<p>Article 10 The independent director shall have his own independence and the following persons may not serve as independent directors:</p> <p>(1) The person who <u>directly or indirectly</u> holds more than 1% of the total issued share capital, <u>or the top ten natural person shareholders of the Company and their immediate family members</u>;</p>

**APPENDIX X PROPOSED AMENDMENTS TO THE WORKING RULES OF
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Existing articles	Proposed amendments
<p>(2) Such person who once obtained any interest in securities from the core connected person or the Company itself in the form of gifts or other means of financial assistance (save as allowed under the <i>Hong Kong Listing Rules</i>);</p> <p>(3) Such person is the director, partner or principal of professional consultants who is providing services to the following company/people or did so within one year before being appointed, or is an employee of the professional consultants who provide or provided the relevant services:</p> <ol style="list-style-type: none"> 1. The Company, its holding company or any of their respective affiliates or core connected persons; or 2. The person who once held any position or title at the controlling shareholder of the Company within one year prior to being appointed as an independent non-executive director, or if the Company has no controlling shareholder, such person was once the chief executive officer or director of the Company (other than an independent non-executive director) or any of his close contacts; <p>(4) Such person has substantial interests in any core business activities of the Company, its holding company or any of their respective affiliates, or is involved in major commercial transactions between the Company, its holding company or any of their respective affiliates, or between any core connected person of the Company;</p> <p>(5) Such person serves as a director in order to protect a certain entity whose interest is different from the interests of shareholders as a whole;</p>	<p>(2) Such person who once obtained any interest in securities from the core connected person or the Company itself in the form of gifts or other means of financial assistance (save as allowed under the <i>Hong Kong Listing Rules</i>);</p> <p>(3) Such person is the director, partner or principal of professional consultants who is providing services <u>(including financial, legal and advisory services)</u> to the following company/people or did so within one year before being appointed, or is an employee of the professional consultants who provide or provided the relevant services:</p> <ol style="list-style-type: none"> 1. The Company, its holding company or any of their respective affiliates or core connected persons; or 2. The person who once held any position or title at the controlling shareholder of the Company within one year prior to being appointed as an independent non-executive director, or if the Company has no controlling shareholder, such person was once the chief executive officer or director of the Company (other than an independent director) or any of his close contacts; <p>(4) Such person has substantial interests in any core business activities of the Company, its holding company or any of their respective affiliates, or is involved in major commercial transactions between the Company, its holding company or any of their respective affiliates, or between any core connected person of the Company;</p> <p>(5) Such person serves as a director in order to protect a certain entity whose interest is different from the interests of shareholders as a whole;</p>

**APPENDIX X PROPOSED AMENDMENTS TO THE WORKING RULES OF
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Existing articles	Proposed amendments
<p>(6) Within 2 years prior to being proposed to be an independent non-executive director, such person was connected with the director, chief executive officer or major shareholders of the Company according to the <i>Hong Kong Listing Rules</i>;</p> <p>(7) Such person is (or once was within 2 years prior to being proposed director) an executive or a director (save for an independent non-executive director) of the Company, its holding company or any of their respective affiliates or any core connected persons of the Company; and</p> <p>(8) Such person is financially dependent on the Company, its holding company or any of their respective affiliates or the core connected persons of the Company.</p>	<p>(6) Within 2 years prior to being proposed to be an independent director, such person was connected with the director, chief executive officer or major shareholders of the Company according to the <i>Hong Kong Listing Rules</i>;</p> <p>(7) Such person is (or once was within 2 years prior to being proposed director) an executive or a director (save for an independent non-executive director) of the Company, its holding company or any of their respective affiliates or any core connected persons of the Company;</p> <p>(8) Such person is financially dependent on the Company, its holding company or any of their respective affiliates or the core connected persons of the Company.</p> <p>(9) <u>The staff of the Company or its affiliates, and their immediate family members and their main social relations (immediate family members refer to spouses, parents and children etc; main social relations refer to siblings, parents-in-law, the siblings' spouses and the spouses' siblings, etc);</u></p> <p>(10) <u>The staff of the shareholder entities who directly or indirectly hold more than 5% of the Company's issued shares or the staff of the top five shareholder entities of the Company, and their immediate family members;</u></p> <p>(11) <u>The persons to whom the circumstances stated in (A), (I) and (J) are applicable in the previous year;</u></p> <p>(12) <u>Other persons prescribed in the Articles of Association;</u></p> <p>(13) <u>Other persons identified by the CSRC or the regulatory authorities of places where the Company's shares are listed.</u></p>

**APPENDIX X PROPOSED AMENDMENTS TO THE WORKING RULES OF
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Existing articles	Proposed amendments
<p>Article 12 The candidates for independent non-executive directors may be proposed by the Board, the board of supervisors or shareholders who individually or collectively hold more than 3% of the Company’s issued shares (“Nominator”), and shall be determined by election at the general meeting.</p>	<p>Article 12 The candidates for independent directors may be proposed by the Board, the board of supervisors or shareholders who individually or collectively hold more than <u>1%</u> of the Company’s issued shares (“Nominator”), and shall be determined by election at the general meeting.</p>
<p>Article 15 Each term of the independent non-executive director is identical to the term of other directors, and shall be eligible for re-election upon expiration of their term. However, the consecutive terms may not exceed nine years. Where the independent non-executive director has been in office for over 9 years, whether he can be re-appointed shall be decided at the general meeting in the form of a standalone resolution in accordance with the <i>Hong Kong Listing Rules</i>; documents accompanying the resolution to shareholders shall set forth why the Board consider such person is still an independent person and the reason for re-election.</p>	<p>Article 15 Each term of the independent director is identical to the term of other directors, and shall be eligible for re-election upon expiration of their term. However, the consecutive terms may not exceed <u>six</u> years.</p>
<p>Article 16 In the case where the independent non-executive director fails to attend the Board meetings in person for three consecutive times, and fails to appoint other directors to be present, and he has other serious failure to perform his/her duties, the Board and the board of supervisors may propose to the general meeting to replace the independent non-executive director. Nevertheless, he shall not be unreasonably dismissed from office before the expiry of the term except in the situation aforesaid or other circumstances stated in the <i>Company Law of the PRC</i> or the <i>Hong Kong Listing Rules</i> under which certain person is disqualified to be the independent non-executive director. If an independent non-executive 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 <u>In the case where the 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.</u> Nevertheless, he shall not be unreasonably dismissed from office before the expiry of the term except in the situation aforesaid or other circumstances stated in the <i>Company Law of the PRC</i>, the <i>Hong Kong Listing Rules</i> or <u>the listing rules of the stock exchange of the onshore-listed domestic shares</u> 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>

**APPENDIX X PROPOSED AMENDMENTS TO THE WORKING RULES OF
THE INDEPENDENT NON-EXECUTIVE DIRECTORS**

Existing articles	Proposed amendments
<p>Article 18 In the event that minimum requirements for the number of independent non-executive directors under this rule, the <i>Hong Kong Listing Rules</i> and the Articles of Association are not met as a result of the resignation or dismissal of the independent non-executive directors or otherwise, the Board shall notify Stock Exchange of Hong Kong immediately and publish an announcement, setting forth the relevant details and reasons. And the Board shall appoint enough independent non-executive directors within three months upon non-compliance with such requirements.</p>	<p>Article 18 In the event that minimum requirements for the number of independent directors under this rule, the <i>Hong Kong Listing Rules</i>, <u>the Guidance</u> 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 Stock Exchange of Hong Kong immediately and publish an announcement, setting forth the relevant details and reasons. And the Board shall appoint enough independent directors within three months upon non-compliance with such requirements. <u>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.</u></p> <p><u>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.</u></p>
	<p>Article 19 <u>Apart from the Directors’ power granted under the <i>Company Law of the PRC</i> and other related laws and regulations, the independent director is entitled to special rights described below:</u></p> <ol style="list-style-type: none"> <u>1. Substantial 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;</u> <u>2. To advise the Board on the engagement or dismissal of an accounting firm;</u> <u>3. Propose an extraordinary general meeting to the Board;</u>

**APPENDIX X PROPOSED AMENDMENTS TO THE WORKING RULES OF
THE INDEPENDENT NON-EXECUTIVE DIRECTORS**

Existing articles	Proposed amendments
	<p>4. <u>Propose to hold a Board meeting;</u></p> <p>5. <u>Independently engage an external audit or advisory institution;</u></p> <p>6. <u>Solicit the voting rights of shareholders prior to the general meeting;</u></p> <p><u>To exercise the above powers, an independent director shall obtain consent from more than half of the independent directors.</u></p>
<p>Article 19 As a member of the Board, the independent non-executive directors are of equal status with other directors. The Company shall provide the working conditions necessary for independent non-executive directors to perform their duties and ensure that they have the same right to information as other directors. While the independent non-executive directors are exercising their powers, the secretary of the Board and other relevant personnels shall actively cooperate.</p>	<p>Article 20 As a member of the Board, the independent directors are of equal status with other directors. The Company shall provide the working conditions necessary for independent directors to perform their duties and ensure that they have the same right to information as other directors. While the independent directors are exercising their powers, the secretary of the Board and other relevant personnels shall actively cooperate.</p>

**APPENDIX X PROPOSED AMENDMENTS TO THE WORKING RULES OF
THE INDEPENDENT NON-EXECUTIVE DIRECTORS**

Existing articles	Proposed amendments
	<p><u>In order to ensure effective exercise of powers by the independent directors, the Company shall provide the necessary conditions for independent directors:</u></p> <ol style="list-style-type: none"> <li data-bbox="810 470 1391 1229">1. <u>The Company shall ensure that independent directors have the same right to information as other directors. Where a matter is subject to the decision of the Board, the Company shall inform the independent directors in advance according to the statutory time and provide sufficient information. The independent directors may require supplemental information if he considers the information provided is inadequate. Where two or more independent directors conclude that the information provided is insufficient or the reasoning is unclear, they may jointly request the Board in writing for postponement of the Board meeting or scrutiny of such resolution, which shall be accepted by the Board. The information provided to the independent directors of the Company shall be kept for at least five years by the Company and the independent directors themselves;</u> <li data-bbox="810 1272 1391 1719">2. <u>The Company shall provide the necessary working conditions for independent directors to perform their duties. The secretary of the Board shall actively assist the independent directors in their performance of duties, such as providing briefings and materials etc. For publishable independent opinions, proposals and written statements issued by independent directors, the secretary of the Board shall promptly deal with the matters relating to the announcements at the stock exchange where the Company is listed;</u>

**APPENDIX X PROPOSED AMENDMENTS TO THE WORKING RULES OF
THE INDEPENDENT NON-EXECUTIVE DIRECTORS**

Existing articles	Proposed amendments
	<p>3. <u>When independent directors exercise their powers, the Company’s personnels concerned shall collaborate in a proactive manner, and shall not refuse, hinder, conceal or interfere with their independent exercise of powers;</u></p> <p>4. <u>The cost of hiring an intermediary or exercising other powers by independent directors shall be borne by the Company;</u></p> <p>5. <u>Appropriate allowance shall be paid to independent directors by the Company, the standard of which shall be formulated and proposed by the Board, approved at the general meeting, and be disclosed in the Company’s annual report. In addition to the above allowances, no extra or undisclosed interests shall be accepted by independent directors from the Company, its major shareholders or other interested institutions and persons;</u></p> <p><u>A proper independent director liability insurance system may be established by the Company for purpose of reducing the risks possibly incurred during the independent directors’ normal performance of duties.</u></p>
<p>Article 20 The independent non-executive directors shall occupy more than half of the seats in the Remuneration and Appraisal Committee, Audit Committee and Nomination Committee and some other committees under the Board; The Audit Committee and Remuneration and Appraisal Committee shall be chaired by independent non-executive directors.</p>	<p>Article 21 The independent directors shall occupy more than half of the seats in the Remuneration and Appraisal Committee, Audit Committee and Nomination Committee and some other committees under the Board, and serve as the convener; The Audit Committee and Remuneration and Appraisal Committee shall be chaired by independent directors.</p>

**APPENDIX X PROPOSED AMENDMENTS TO THE WORKING RULES OF
THE INDEPENDENT NON-EXECUTIVE DIRECTORS**

Existing articles	Proposed amendments
<p>Article 27 The independent non-executive director shall express objective and impartial independent opinions on matters discussed at the general meeting or Board meeting, in particular on the following matters to the Board, board committee or the general meeting:</p> <ol style="list-style-type: none"> 1. The connected transactions under the <i>Hong Kong Listing Rules</i> that require review and/or opinions by independent non-executive directors; 2. Other substantial transactions under the <i>Hong Kong Listing Rules</i> that require review and/or opinions by independent non-executive directors; 3. The matters that independent non-executive directors consider may be detrimental to the interests of medium and small shareholders; 4. The matters that independent non-executive directors consider may result in heavy losses of the Company; 5. Other matters provided for under the laws, regulations, regulatory documents, <i>Hong Kong Listing Rules</i>, regulatory requirements of the securities regulatory body where the Company is listed or the Articles of Association. 	<p>Article 28 The independent director shall express objective and impartial independent opinions on matters discussed at the shareholders meeting or Board meeting, in particular on the following matters to the Board, board committee or the general meeting:</p> <ol style="list-style-type: none"> (1) <u>Nomination, appointment and removal of directors;</u> (2) <u>Appointment or dismissal of senior executives;</u> (3) <u>Determination or adjustment of the remuneration of the directors and the senior executives of the Company;</u> (4) <u>Loans or other capital flows from the shareholders, actual controller and its affiliates to the Company with a total amount exceeding RMB3 million or higher than 5% of the latest audited net asset value of the Company; and whether the Company has taken effective measures to recover payments;</u> (5) <u>Where the Company generated profits in the current year, but no profit distribution plans including cash dividends were put forward by the Board;</u> (6) <u>Major issues that require disclosure, including connected transactions, external guarantee, trust financing, financial assistance to external parties, the alteration in use of proceeds and investment in shares and its derivatives;</u> (7) <u>Major assets restructuring plans and equity incentive plans;</u> (8) The connected transactions under the <i>Hong Kong Listing Rules</i> that require review and/or opinions by independent directors;

**APPENDIX X PROPOSED AMENDMENTS TO THE WORKING RULES OF
THE INDEPENDENT NON-EXECUTIVE DIRECTORS**

Existing articles	Proposed amendments
	<p>(9) Other substantial transactions under the <i>Hong Kong Listing Rules</i> that require review and/or opinions by independent directors;</p> <p>(10) The matters that independent directors consider may be detrimental to the interests of medium and small shareholders;</p> <p>(11) The matters that independent directors consider may result in heavy losses of the Company;</p> <p>(12) Other matters provided for under the laws, regulations, regulatory documents, the <i>Hong Kong Listing Rules</i>, regulatory requirements of the securities regulatory body where the Company's shares are listed or the Articles of Association.</p>
	<p>Article 30 <u>The independent opinions on major matters issued by the independent directors shall at least include the following:</u></p> <ol style="list-style-type: none"> 1. <u>The basic information of the major matters;</u> 2. <u>The basis of the issued opinions, including procedures followed, the documents verified and details of on-site inspection, etc;</u> 3. <u>The legality and compliance of major matters;</u> 4. <u>Impact on the listed company and the interests of medium and small shareholders, possible risks and the effectiveness of the measures taken;</u> 5. <u>Conclusive statement. The independent directors shall clearly state the reasons for advice on major matters, such as reservations, objection or no comments.</u>

**APPENDIX X PROPOSED AMENDMENTS TO THE WORKING RULES OF
THE INDEPENDENT NON-EXECUTIVE DIRECTORS**

Existing articles	Proposed amendments
	<p><u>Article 31 The independent opinion issued shall be signed by the independent directors for confirmation and shall be promptly reported to the Board, and shall be released simultaneously with the corresponding announcement of the Company.</u></p>
	<p><u>Article 32 For matters that require disclosure, opinion of independent directors shall be announced by the Company. Where consensus cannot be reached between the independent directors, the opinion of each independent director shall be separately disclosed by the Board.</u></p>
	<p><u>Article 33 Independent directors shall attend the Company’s Board meetings and learn about the Company’s production and operation, initiate investigation, and gain access to information and data for making decisions. The independent directors shall submit annual work report to the general meeting of the Company, detailing their performance of duties.</u></p> <p><u>Whenever the independent directors notice the following circumstances, he shall actively carry out due diligence obligations and, if necessary, employ an intermediary to conduct a special investigation:</u></p> <ol style="list-style-type: none"> <u>1. Important matters are not submitted to the Board for scrutiny in accordance with the relevant requirements;</u> <u>2. Failure to comply with disclosure obligations;</u> <u>3. False record, misleading statement or material omission in public information;</u> <u>4. Other circumstances of suspected violations or circumstances which are prejudicial to the interests of shareholders.</u>

**APPENDIX X PROPOSED AMENDMENTS TO THE WORKING RULES OF
THE INDEPENDENT NON-EXECUTIVE DIRECTORS**

Existing articles	Proposed amendments
	<p>Article 35 <u>In the event of any of the following circumstances, the independent directors shall make a public statement:</u></p> <ol style="list-style-type: none"> 1. <u>Where an independent director consider grounds for his removal inappropriate;</u> 2. <u>Where the independent director resigns due to certain circumstances preventing him from exercising powers legally;</u> 3. <u>Where the Board meeting materials are inadequate, and more than two independent directors jointly request in writing for postponement of the Board meeting or scrutiny of the relevant matters, but such proposals are not adopted;</u> 4. <u>Where the suspected violations are reported to the Board, and the Board fails to take effective measures;</u> 5. <u>Other circumstances which are serious obstacles to independent directors' performance of their duties.</u>

**APPENDIX X PROPOSED AMENDMENTS TO THE WORKING RULES OF
THE INDEPENDENT NON-EXECUTIVE DIRECTORS**

Existing articles	Proposed amendments
	<p>Article 36 <u>A work report shall be submitted to the annual general meeting of shareholders of the Company by the independent directors, describing their performance of duties. Such report shall set forth the following:</u></p> <ol style="list-style-type: none"> 1. <u>His attendance at Board meetings and general meetings and his voting thereat, and the number of times he sat at general meetings;</u> 2. <u>Independent views;</u> 3. <u>Proposals for convening Board meeting and employing or dismissing an accounting firm, independently employing an external auditor and an advisory body, and conducting on-site understanding and inspection;</u> 4. <u>What he did to protect legitimate rights and interests of shareholders.</u>
<p>Article 33 This rule is considered and approved by the general meeting, which is also applicable when being revised. The revision 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 Company's existing policies continue to be valid.</p>	<p>Article 40 The rule is considered and approved by the general meeting, which is also applicable when being revised. The revision shall <u>come into effect on the date the RMB ordinary shares of the Company are publicly listed.</u> Prior to completion of listing of <u>RMB ordinary shares,</u> the Company's existing policies continues to be valid.</p>

Note: Due to the addition and removal of certain articles, the order number of the articles shall be adjusted accordingly for cross-indexing. In the event of any discrepancies between the Chinese version and the English version, the Chinese version shall prevail.

NOTICE OF THE EXTRAORDINARY GENERAL MEETING



Red Star Macalline Group Corporation Ltd.

紅星美凱龍家居集團股份有限公司

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

(Stock Code: 1528)

NOTICE OF THE EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that the 2016 second extraordinary general meeting (the “**EGM**”) of Red Star Macalline Group Corporation Ltd. (the “**Company**”) will be held at 10:00 a.m. on Wednesday, 30 March 2016 at 28/F Red Star World Trade Building, No. 598, Nujiang Road North, Putuo District, Shanghai, PRC, People's Republic of China (the “**PRC**”) for the purpose of considering, and if thought fit, passing the following resolutions:

SPECIAL RESOLUTIONS

To consider and approve:

- (1) the proposal of the A Share Offering;
 - (a) Type of securities to be issued;
 - (b) Nominal value per Share;
 - (c) Proposed stock exchange for the listing of the A Shares;
 - (d) Offering size;
 - (e) Target subscriber;
 - (f) Method of offering;
 - (g) Pricing methodology;
 - (h) Method of underwriting;
 - (i) Conversion of the form of the Company; and
 - (j) Validity period of the resolution for the proposal of the A Share Offering.
- (2) the authorisation to deal with all matters relating to the A Share Offering;

NOTICE OF THE EXTRAORDINARY GENERAL MEETING

- (3) the plan for distribution of profits accumulated before the A Share Offering;
- (4) the use of proceeds of the A Share Offering and the feasibility analysis;
- (5) the proposed amendments to the Articles of Association;
- (6) the proposed amendments to the Procedure Rules of the General Meetings; and
- (7) that the Board, or any person(s) authorised by the Board, shall be authorised to handle the issue of the Super Short-term Commercial Papers and deal with all matters relating to such issue at its sole discretion, including but not limited to the following:
 - (a) to determine, according to the market conditions, the specific plan of the issue of the Super Short-term Commercial Papers, including the timing of issue, issue size, term of maturity, coupon rate and the method of determining such rate, detailed use of proceeds, term and method for repayment of the principal amount and the interest, guarantee arrangement (if any) and other particulars;
 - (b) to amend, execute and file all agreements and legal documents relevant to the issue of the Super Short-term Commercial Papers and to handle the relevant reporting, registration and filing procedures relating to the issue of the Super Short-term Commercial Papers;
 - (c) to determine and appoint lead underwriter(s) and other intermediaries for the issue of the Super Short-term Commercial Papers;
 - (d) in the event of any changes to the policies of the relevant regulatory authorities and/or the market conditions, to make corresponding adjustments to the particulars of the issue of the Super Short-term Commercial Papers in accordance with the opinions of the relevant regulatory authorities; and
 - (e) to handle all other matters in relation to the issue of the Super Short-term Commercial Papers.

ORDINARY RESOLUTIONS

To consider and approve:

- (8) the future dividend plan for the three years after the A Share Offering;
- (9) the A Share price stabilisation plan for the three years after the A Share Offering;
- (10) the dilution of immediate return as a result of the A Share Offering and remedial measures;
- (11) the report on the use of proceeds of the H Share Offering;
- (12) the undertakings on the disclosure of information in the prospectus published for the A Share Offering;
- (13) the appointment of domestic auditor;

NOTICE OF THE EXTRAORDINARY GENERAL MEETING

- (14) the proposed amendments to the Rules for the Management of Proceeds of Fund Raising by the Company;
- (15) the proposed amendments to the Rules for the Management of the Related Party Transactions;
and
- (16) the proposed amendments to the Working Rules of the Independent Directors.

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

Hong Kong
12 February 2016

NOTICE OF THE EXTRAORDINARY GENERAL MEETING

Notes:

1. For the purpose of holding the EGM, the register of members of the Company will be closed from Monday, 29 February 2016 to Wednesday, 30 March 2016 (both days inclusive), during which period no transfer of Shares can be registered.

In order for holders of H Shares to be qualified to attend and vote at the EGM, all transfer documents accompanied by the relevant share certificates must be lodged with the H Share Registrar of the Company, Computershare Hong Kong Investor Services Limited at Room 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, no later than 4:30 p.m. on Friday, 26 February 2016 for registration.

In order for holders of Domestic Shares to be qualified to attend and vote at the Domestic Shareholders' Class Meeting, all transfer documents accompanied by the relevant share certificates must be lodged the registered office of the Company in the PRC at Suite F801, 6/F, No. 518, Linyu Road, Pudong New District, Shanghai, PRC, no later than 4:30 p.m. on Friday, 26 February 2016.

The Shareholders whose names appear on the register of members of the Company on Friday, 26 February 2016 after close of business are entitled to attend and vote at the EGM.

2. Shareholders who are entitled to attend and vote at the EGM may appoint one or more proxies to attend and vote on their behalves. A proxy need not 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 authorised 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 authorised to sign the same on its behalf. If that instrument is signed by an attorney of the Shareholder, the power of attorney authorising that attorney to sign or other authorisation document must be notarised.
4. In order to be valid, the proxy form must be deposited, for holders of H Shares 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, or for holders of Domestic Shares of the Company, 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 EGM. If the proxy form is signed by a person under a power of attorney or other authority, a notarised 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 EGM 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 EGM. If corporate Shareholders appoint authorised representative to attend the EGM, the authorised representative shall produce his/her identity documents and a notarised copy of the relevant authorisation instrument signed by the board of directors or other authorised parties of the corporate Shareholders or other notarised 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 EGM.
6. Shareholders who intend to attend the EGM 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 (for holder of H Shares) and the registered office of the Company in the PRC (for holders of Domestic Shares) by hand, by post or by fax (+852 2865 0990, for holder of H Shares and +86 21 5282 0272, for holder of Domestic Shares) on or before Thursday, 10 March 2016.
7. The EGM is expected to take less than a day. Shareholders attending the EGM shall be responsible for their own travel and accommodation expenses.
8. All voting at the EGM will be conducted by poll.

NOTICE OF DOMESTIC SHAREHOLDERS' CLASS MEETING



Red Star Macalline Group Corporation Ltd.

紅星美凱龍家居集團股份有限公司

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

NOTICE OF DOMESTIC SHAREHOLDERS' CLASS MEETING

NOTICE IS HEREBY GIVEN that the Domestic Shareholders' Class Meeting of Red Star Macalline Group Corporation Ltd. (the "**Company**") will be held at 11:00 a.m. on Wednesday, 30 March 2016 at 28/F Red Star World Trade Building, No. 598, Nujiang Road North, Putuo District, Shanghai, PRC, People's Republic of China (the "**PRC**") for the purpose of considering, and if thought fit, passing the following resolutions:

SPECIAL RESOLUTIONS

To consider and approve:

- (1) the proposal of the A Share Offering;
 - (a) Type of securities to be issued;
 - (b) Nominal value per Share;
 - (c) Proposed stock exchange for the listing of the A Shares;
 - (d) Offering size;
 - (e) Target subscriber;
 - (f) Method of offering;
 - (g) Pricing methodology;
 - (h) Method of underwriting;
 - (i) Conversion of the form of the Company; and
 - (j) Validity period of the resolution for the proposal of the A Share Offering.
- (2) the authorisation to deal with all matters relating to the A Share Offering;
- (3) the plan for distribution of profits accumulated before the A Share Offering; and
- (4) the use of proceeds of the A Share Offering and the feasibility analysis.

NOTICE OF DOMESTIC SHAREHOLDERS' CLASS MEETING

ORDINARY RESOLUTIONS

To consider and approve:

- (5) the future dividend plan for the three years after the A Share Offering;
- (6) the A Share price stabilisation plan for the three years after the A Share Offering;
- (7) the dilution of immediate return as a result of the A Share Offering and remedial measures;
- (8) the report on the use of proceeds of the H Share Offering; and
- (9) the undertakings on the disclosure of information in the prospectus published for the A Share Offering.

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

Hong Kong
12 February 2016

Notes:

1. For the purpose of holding the Domestic Shareholders' Class Meeting, the register of members of Domestic Shares of the Company will be closed from Monday, 29 February 2016 to Wednesday, 30 March 2016 (both days inclusive), during which period no transfer of Domestic Shares of the Company can be registered.

In order for holders of Domestic Shares to be qualified to attend and vote at the Domestic Shareholders' Class Meeting, all transfer documents accompanied by the relevant share certificates must be lodged the registered office of the Company in the PRC at Suite F801, 6/F, No. 518, Linyu Road, Pudong New District, Shanghai, PRC, no later than 4:30 p.m. on Friday, 26 February 2016.

Holders of Domestic Shares whose names appear on the register of members of the Company on Friday, 26 February 2016 after close of business are entitled to attend and vote at the Domestic Shareholders' Class Meeting.

2. Holders of Domestic Shares who are entitled to attend and vote at the Domestic Shareholders' 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 holder of Domestic Shares or his attorney duly authorised in writing. If the holder of Domestic Shares is a legal person, that instrument must be executed either under its seal or under the hand of its director or other attorney duly authorised to sign the same on its behalf.

NOTICE OF DOMESTIC SHAREHOLDERS' CLASS MEETING

4. In order to be valid, for holders of Domestic Shares, the proxy form must be deposited at 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 Domestic Shareholders' Class Meeting. If the proxy form is signed by a person under a power of attorney or other authority, a notarised 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 holders of Domestic Shares from attending and voting in person at the Domestic Shareholders' Class Meeting or any adjourned meetings should they so wish.
5. Holders of Domestic Shares shall produce their identity documents and supporting documents in respect of the Domestic Shares held when attending the Domestic Shareholders' Class Meeting. If corporate holders of Domestic Shares appoint authorised representative to attend the Domestic Shareholders' Class Meeting, the authorised representative shall produce his/her identity documents and a notarised copy of the relevant authorisation instrument signed by the board of directors or other authorised parties of the corporate holders of Domestic Shares or other notarised documents allowed by the Company. Proxies shall produce their identity documents and the proxy form signed by the holders of Domestic Shares or their attorney when attending the Domestic Shareholders' Class Meeting.
6. Holders of Domestic Shares who intend to attend the Domestic Shareholders' Class Meeting should complete the reply slip and return it to the registered office of the Company in the PRC by hand, by post or by fax (+86 21 5282 0272) on or before Thursday, 10 March 2016.
7. The Domestic Shareholders' Class Meeting is expected to take less than a day. Holders of Domestic Shares attending the Domestic Shareholders' Class Meeting shall be responsible for their own travel and accommodation expenses.
8. All voting at the Domestic Shareholders' Class Meeting will be conducted by poll.

NOTICE OF H SHAREHOLDERS' CLASS MEETING



Red Star Macalline Group Corporation Ltd.

紅星美凱龍家居集團股份有限公司

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

(Stock Code: 1528)

NOTICE OF H SHAREHOLDERS' CLASS MEETING

NOTICE IS HEREBY GIVEN that the H Shareholders' Class Meeting of Red Star Macalline Group Corporation Ltd. (the "**Company**") will be held at 12:00 p.m. on Wednesday, 30 March 2016 at 28/F Red Star World Trade Building, No. 598, Nujiang Road North, Putuo District, Shanghai, PRC, People's Republic of China (the "**PRC**") for the purpose of considering, and if thought fit, passing the following resolutions:

SPECIAL RESOLUTIONS

To consider and approve:

- (1) the proposal of the A Share Offering;
 - (a) Type of securities to be issued;
 - (b) Nominal value per Share;
 - (c) Proposed stock exchange for the listing of the A Shares;
 - (d) Offering size;
 - (e) Target subscriber;
 - (f) Method of offering;
 - (g) Pricing methodology;
 - (h) Method of underwriting;
 - (i) Conversion of the form of the Company; and
 - (j) Validity period of the resolution for the proposal of the A Share Offering.
- (2) the authorisation to deal with all matters relating to the A Share Offering;
- (3) the plan for distribution of profits accumulated before the A Share Offering; and
- (4) the use of proceeds of the A Share Offering and the feasibility analysis.

NOTICE OF H SHAREHOLDERS' CLASS MEETING

ORDINARY RESOLUTIONS

To consider and approve:

- (5) the future dividend plan for the three years after the A Share Offering;
- (6) the A Share price stabilisation plan for the three years after the A Share Offering;
- (7) the dilution of immediate return as a result of the A Share Offering and remedial measures;
- (8) the report on the use of proceeds of the H Share Offering; and
- (9) the undertakings on the disclosure of information in the prospectus published for the A Share Offering.

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

Hong Kong
12 February 2016

Notes:

1. For the purpose of holding the H Shareholders' Class Meeting, the register of members of H Shares of the Company will be closed from Monday, 29 February 2016 to Wednesday, 30 March 2016 (both days inclusive), during which period no transfer of H Shares of the Company can be registered.

In order for holders of H Shares to be qualified to attend and vote at the H Shareholders' Class Meeting, all transfer documents accompanied by the relevant share certificates must be lodged with the H Share Registrar of the Company, Computershare Hong Kong Investor Services Limited at Room 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, no later than 4:30 p.m. on Friday, 26 February 2016.

Holders of H Shares whose names appear on the register of members of the Company on Friday, 26 February 2016 after close of business are entitled to attend and vote at the H Shareholders' Class Meeting.

2. Holders of H Shares who are entitled to attend and vote at the H Shareholders' Class Meeting may appoint one or more proxies to attend and vote on their behalves. A proxy need not be a member of the Company.
3. The instrument appointing a proxy must be in writing under the hand of a holder of H Shares or his attorney duly authorised in writing. If the holder of H Shares is a legal person, that instrument must be executed either under its seal or under the hand of its director or other attorney duly authorised to sign the same on its behalf.

NOTICE OF H SHAREHOLDERS' CLASS MEETING

4. In order to be valid, for holders of H Shares, 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 Shareholders' Class Meeting. If the proxy form is signed by a person under a power of attorney or other authority, a notarised 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 holders of H Shares from attending and voting in person at the H Shareholders' Class Meeting or any adjourned meetings should they so wish.
5. Holders of H Shares shall produce their identity documents and supporting documents in respect of the shares of the Company held when attending the H Shareholders' Class Meeting. If corporate holders of H Shares appoint authorised representative to attend the H Shareholders' Class Meeting, the authorised representative shall produce his/her identity documents and a notarised copy of the relevant authorisation instrument signed by the board of directors or other authorised parties of the corporate holders of H Shares or other notarised documents allowed by the Company. Proxies shall produce their identity documents and the proxy form signed by the holders of H Shares or their attorney when attending the H Shareholders' Class Meeting.
6. Holders of H Shares who intend to attend the H Shareholders' 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, by hand, by post or by fax (+852 2865 0990) on or before Thursday, 10 March 2016.
7. The H Shareholders' Class Meeting is expected to take less than a day. Holders of H Shares attending the H Shareholders' Class Meeting shall be responsible for their own travel and accommodation expenses.
8. All voting at the H Shareholders' Class Meeting will be conducted by poll.