

*Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.*



**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)**

## **THE FIRST GRANT OF SHARE OPTIONS TO THE PARTICIPANTS AND THE ADJUSTMENTS TO THE LIST OF PARTICIPANTS AND THE NUMBER OF SHARE OPTIONS GRANTED UNDER THE FIRST GRANT OF SHARE OPTIONS OF THE A SHARE OPTION INCENTIVE SCHEME**

This announcement is made by Red Star Macalline Group Corporation Ltd. (the “**Company**”) in accordance with the Rule 17.06A of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

References are made to the announcements dated 23 February 2020 and 21 April 2020 and the circular dated 26 March 2020 (the “**Circular**”) of the Company in relation to the 2020 A Share Option Incentive Scheme of the Company (the “**Scheme**”). Unless otherwise defined in this announcement, capitalised terms used in this announcement shall have the same meanings as those defined in the Circular.

The Board and all Directors of the Company confirm that there are no false representations, misleading statements or material omissions in this announcement, and they shall individually and collectively accept full responsibility for the truthfulness, accuracy and completeness of contents herein.

Important notice:

- Date of Grant of Share Options: 13 May 2020
- Number of Participants: adjusted from 1,023 to 982.
- Number of Share Options granted: the number of Share Options granted of 30.8500 million remains unchanged, of which the number of the First Grant of Share Options is adjusted from 27.7650 million to 25.2360 million while the number of the Reserved Share Options is adjusted from 3.0850 million to 5.6140 million.

The conditions of the Grant required under the A Share Option Incentive Scheme of the Company have been satisfied. In accordance with the requirements under the A Share Option Incentive Scheme of the Company and the authorization by the 2020 First EGM, A Shareholders' Class Meeting and H Shareholders' Class Meeting held by the Company on 21 April 2020, the Company convened the ninth extraordinary meeting of the fourth session of the Board on 13 May 2020, which considered and approved the Resolution on the First Grant of Share Options to the Participants and the Resolution on the Adjustments to the List of Participants and Number of Share Options Granted under the First Grant of the 2020 Share Option Incentive Scheme, and determined 13 May 2020 as the Date of Grant under the Scheme and adjusted the list of Participants and the number of Share Options granted under the First Grant of Share Options. The relevant matters are explained as follows:

## **I. DETAILS OF THE GRANT OF SHARE OPTIONS**

### **(I) The implemented process of decision-making and information disclosure for this grant of interests**

1. On 22 February 2020 and 25 March 2020, the Company convened the fifth and seventh extraordinary meetings of the fourth session of the Board, which considered and approved the Resolution on the 2020 Share Option Incentive Scheme of the Company (Draft) and Its Summary, the Resolution on the Assessment Measures in respect of the Implementation of the 2020 Share Option Incentive Scheme of the Company, the Resolution on Proposing to the Shareholders' General Meeting to Authorize the Board to Handle Matters in relation to the 2020 Share Option Incentive Scheme of the Company and the Resolution on the Grant of Specific Mandate to the Board to Issue up to 30,850,000 A Shares in order to Satisfy the Company's Grant of Share Options to the Participants in accordance with the 2020 Share Option Incentive Scheme of Red Star Macalline Group Corporation Ltd., respectively. The Independent Directors issued an independent opinion on matters relevant to the Scheme. On 22 February 2020, the Company convened the second extraordinary meeting of the fourth session of the Supervisory Committee, which considered and approved the Resolution on the 2020 Share Option Incentive Scheme of the Company (Draft) and Its Summary and the Resolution on the Assessment Measures in respect of the Implementation of the 2020 Share Option Incentive Scheme of the Company.
2. From 24 February 2020 to 6 March 2020, the Company announced the list of the Participants via the website of the SSE and the Company's internal online advertising board. During the period of announcement, the Supervisory Committee has not received any objections to the list of proposed Participants from any employees, and it has reviewed the list of the Participants and issued a review opinion thereon believing that the qualifications of the Participants as a subject are legal and valid.

3. On 21 April 2020, the Company convened the 2020 First EGM, A Shareholders' Class Meeting and H Shareholders' Class Meeting, considered and approved the Consideration and Approval on the 2020 Share Option Incentive Scheme of Red Star Macalline Group Corporation Ltd. (Draft) and Its Summary, the Consideration and Approval on the Assessment Measures in respect of the Implementation of the 2020 Share Option Incentive Scheme of Red Star Macalline Group Corporation Ltd., the Consideration and Approval on Authorizing the Board to Handle Matters in relation to the 2020 Share Option Incentive Scheme of Red Star Macalline Group Corporation Ltd. and the Consideration and Approval on the Grant of Specific Mandate to the Board to Issue up to 30,850,000 A Shares in order to Satisfy the Company's Grant of Share Options to the Participants in accordance with the 2020 Share Option Incentive Scheme of Red Star Macalline Group Corporation Ltd. On 22 April 2020, the Company has announced the Self-Inspection Report on Trading of Shares of the Company by Insider of the 2020 Share Option Incentive Scheme. For details, please refer to the relevant announcements disclosed by the Company on the website of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the website of the SSE ([www.sse.com.cn](http://www.sse.com.cn)) on 21 April 2020 and 22 April 2020, respectively.
4. On 13 May 2020, the Company convened the ninth extraordinary meeting of the fourth session of the Board and the fourth extraordinary meeting of the fourth session of the Supervisory Committee, considered and approved the Resolution on the Adjustments to the List of Participants and Number of Share Options Granted under the First Grant of the 2020 Share Option Incentive Scheme of the Company and the Resolution on the First Grant of Share Options to the Participants. On the same date, the Independent Directors issued an independent opinion on relevant matters.

## **(II) Explanation by the Board on the satisfaction of conditions of the Grant in respect of the Grant**

In accordance with the requirements in the A Share Option Incentive Scheme, the Company may only grant Share Options to the Participants if all of the following conditions are met; otherwise, the Company may not grant any Share Option to the Participants if any of the following conditions of Grant is not met:

### **1. There is no occurrence of any of the following in respect of the Company:**

- (1) issuance of the auditors' report with an adverse opinion or which indicates an inability to give opinion by a certified public accountant with respect to the financial report of the Company for its most recent accounting year;
- (2) issuance of the auditors' report with an adverse opinion or which indicates an inability to give opinion by a certified public accountant with respect to the internal control of the financial report of the Company for its most recent accounting year;
- (3) failure to conduct profit distribution in accordance with laws and regulations, the Articles of Association and public undertakings within the last 36 months after listing;

(4) prohibition from implementation of share incentives by laws and regulations;

(5) such other circumstances as determined by the CSRC.

**2. There is no occurrence of any of the following in respect of a Participant:**

(1) he or she has been determined by stock exchange as an ineligible person in the last 12 months;

(2) he or she has been determined by the CSRC or its delegated agencies as an ineligible person in the last 12 months;

(3) he or she has been imposed by the CSRC or any of its delegated agencies with administrative penalties or measures prohibiting access into the market in the last 12 months due to material violation of laws and regulations;

(4) he or she is prohibited from acting as a director or a member of the senior management of a company as required by the Company Law;

(5) he or she is prohibited from participating in share incentives of listed companies as required by laws and regulations;

(6) such other circumstances as determined by the CSRC.

The Board believes that the Company is under no circumstance whereby the Share Options cannot be granted under the Scheme and relevant laws and regulations, that all the Participants to whom the interests are granted meet the conditions of Grant as stipulated in the Scheme and that the conditions of Grant in the Scheme have been fulfilled. The Board agrees to determine 13 May 2020 as the date of the First Grant of Share Options, and to grant 25.2360 million Share Options to 982 Participants with an exercise price of RMB11.02 per Share.

**(III) The specific situations of the Grant under the Scheme**

1. Date of Grant: 13 May 2020.

2. Number of Grant: 25.2360 million.

3. Number of Participants of Grant: 982.

4. Exercise Price: RMB11.02 per Share. In the event of capitalization of capital reserves, bonus issue, dividend distribution, subdivision or consolidation of Shares, rights issue, etc. of the Company during the period from the date of the announcement of the Scheme to the completion of share registration of Share Options by the Participants, the Exercise Price and the total number of underlying Shares involved would be adjusted in accordance with the Scheme.
5. Source of Shares: A Shares of the Company to be directly issued to the Participants by the Company.
6. The Arrangement of Validity Period, Vesting Period and Exercise Period of the Scheme:
  - (1) The Validity Period of the Scheme is the period from the Date of Grant of the Share Options to the date on which all Share Options granted to the Participants are exercised or cancelled, and shall not be longer than 36 months.
  - (2) All Share Options granted to the Participants are subject to different Vesting Periods, and each of them commences on the date on which the registration of the grant of Share Options is completed. The interval between the Date of Grant and the first Exercise Date shall not be less than 12 months.
  - (3) The Participants of the Scheme may only begin to exercise the Share Options upon the expiration of the Vesting Period. The Exercise Date must be the trading day within the Validity Period of the Scheme, but the Share Options cannot be exercised in the following periods:
    - 1) 60 days prior to the announcement of the Company's annual report, including the date of announcement of the Company's annual report, or the period from the last day of relevant financial year up to the date of announcement of the Company's annual report (the shorter one prevails);
    - 2) 30 days prior to the Company's review of the announcement of interim report or quarterly reports, including the date of announcement of interim report or quarterly reports, or the period from the last day of relevant quarter or half-year up to the date of announcement of the Company's periodical reports (the shorter one prevails);
    - 3) 10 days prior to the release of the Company's results preview or preliminary report;
    - 4) the period starting from the date when a material event, which may significantly affect the trading price of the Company's stock and its derivatives, occurs or is in the process of decision-making, up to two trading days after the event has been disclosed in accordance with laws;
    - 5) other periods as stipulated by the CSRC and stock exchange.

- (4) The exercise arrangement for the First Grant of Share Options under the Scheme is shown in the following table:

<b>Exercise Arrangement</b>	<b>Exercise Period</b>	<b>Exercise Ratio</b>
First Exercise Period	Commencing from the first trading day after the expiry of the 12 <sup>th</sup> month from the Date of Grant of the First Grant of Share Options, and ending on the last trading day of the 24 <sup>th</sup> month from the First Date of Grant	50%
Second Exercise Period	Commencing from the first trading day after the expiry of the 24 <sup>th</sup> month from the Date of Grant of the First Grant of Share Options, and ending on the last trading day of the 36 <sup>th</sup> month from the First Date of Grant	50%

The exercise arrangement for the Reserved Share Options is as follow:

<b>Exercise Arrangement</b>	<b>Exercise Period</b>	<b>Exercise Ratio</b>
First Exercise Period	Commencing from the first trading day after the expiry of the 12 <sup>th</sup> month from the Date of Grant of the Reserved Share Options, and ending on the last trading day of the 24 <sup>th</sup> month from the Date of Grant of the Reserved Share Options	50%
Second Exercise Period	Commencing from the first trading day after the expiry of the 24 <sup>th</sup> month from the Date of Grant of the Reserved Share Options, and ending on the last trading day of the 36 <sup>th</sup> month from the Date of Grant of the Reserved Share Options	50%

Share Options for which the Exercise Conditions are not fulfilled during the above agreed period shall not be exercised or deferred to the next exercise period, and the relevant Share Options of such Participants shall be cancelled by the Company in accordance with the principles stipulated in the Scheme. After the end of each Exercise Period of the Share Options, the Share Options exercisable by the Participants for the current period that have not been exercised shall be terminated and cancelled by the Company.

7. The distribution of the number of Share Options Granted among the Participants is as follows:

<b>Position(s)</b>	<b>Number of Share Options granted (0'000)</b>	<b>Percentage of the total Share Options granted under the Scheme</b>	<b>Percentage of total share capital as at the Date of Grant</b>
Core cadres (982 persons)	2,523.60	81.80%	0.71%
Reserved Share Options	561.40	18.20%	0.16%
Total	<u>3,085.00</u>	<u>100.00%</u>	<u>0.87%</u>

## **II. EXPLANATION ON THE DIFFERENCES BETWEEN THIS GRANT AND THE A SHARE OPTION INCENTIVE SCHEME CONSIDERED AND APPROVED AT THE EGM**

Given that 41 Participants determined by the Scheme voluntarily waived the Share Options (2.5290 million in total) proposed to be granted by the Company, the Company convened the ninth extraordinary meeting of the fourth session of the Board, at which the adjustments to the list of Participants of the First Grant of Share Options and number of Shares Options granted under the Scheme have been made, in accordance with the authorizations delegated at the 2020 First EGM, A Shareholders' Class Meeting and H Shareholders' Class Meeting. After such adjustments, the number of Participants of the Scheme is adjusted from 1,023 to 982, and the number of Share Options granted of 30.8500 million remains unchanged, of which the number of the First Grant of Share Options is adjusted from 27.7650 million to 25.2360 million while the number of the Reserved Share Options is adjusted from 3.0850 million to 5.6140 million.

The adjustments fell within the scope of the authorization granted to the Board at the Company's 2020 First EGM, A Shareholders' Class Meeting and H Shareholders' Class Meeting, and need not to be submitted to the Shareholders' general meeting for consideration.

Save for circumstances stated above, there is no difference between this grant of Share Option and the A Share Option Incentive Scheme disclosed. The Supervisory Committee verified the adjusted list of Participants, and the Independent Directors issued their independent opinions in this respect.

### **III. THE IMPACT OF THE ADJUSTMENTS ON THE COMPANY**

The adjustments made by the Company to the list of Participants and the number of Share Options granted under the First Grant of Share Options of the Scheme will not have a substantial impact on the Company's financial positions and operating results.

### **IV. OPINIONS OF THE SUPERVISORY COMMITTEE**

- (I) There are no circumstances whereby a Participant under this grant was ineligible as a Participant in accordance with requirements of the Article 8 of the Administrative Measures:
1. he or she has been determined by stock exchange as an ineligible person in the last 12 months;
  2. he or she has been determined by the CSRC and its delegated agencies as an ineligible person in the last 12 months;
  3. he or she has been imposed by the CSRC and any of its delegated agencies with administrative penalties or measures prohibiting access into the market in the last 12 months due to material violation of laws and regulations;
  4. he or she is prohibited from acting as a director or a member of the senior management of a company as required by the Company Law;
  5. he or she is prohibited from participating in share incentives of listed companies as required by laws and regulations;
  6. such other circumstances as determined by the CSRC.
- (II) The Participants under this grant do not include Independent Directors, Supervisors and any Shareholder or actual controller individually or jointly holding more than 5% of the Shares of the Company and their spouse, parents and children.
- (III) The Participants in the list of Participants under the Scheme meet the Participants conditions stipulated under the Administrative Measures and other documents, and their qualifications as the subject of the Scheme are legal and valid.
- (IV) The list of Participants under this Grant is consistent with the scope of the Participants determined in the Incentive Scheme approved at the Company's 2020 First EGM, A Shareholders' Class Meeting and H Shareholders' Class Meeting, being core cadres of the Company.
- (V) This grant has met the conditions of Grant stipulated in the Administrative Measures and the Scheme.

Given the above, the Supervisory Committee agreed to 13 May 2020 as the Date of Grant, on which the Company initially grants 25.2360 million share options to 982 Participants.



As for the adjustments to the Participants and the number of Share Options granted under the First Grant of Share Options of the Scheme, the Supervisory Committee is of the view that: the adjustments made by the Company on the Participants and the number of Share Options granted under the First Grant of Share Options of the Scheme are in compliance with the relevant provisions in the Administrative Measures and the Scheme, and that the procedures of the adjustments are in compliance with laws and regulations. There is no circumstance that would be prejudicial to the interests of Shareholders.

The adjusted Participants under the First Grant of Share Options of the Company are core cadres of the Company, each of whom has the position qualification as required by the Company Law, the Securities Law and the Administrative Measures and other laws, regulations and normative documents, as well as the Articles of Association, and there is no circumstance where a person is forbidden to become a Participant as stipulated in the Administrative Measures. No Independent Directors, Supervisors, Shareholders or actual controllers who hold individually or jointly more than 5% of the Shares of the Company and their spouse, parents and children are included in the Participants. The adjusted Participants meet the Participant conditions as stipulated in the relevant laws, regulations and the Articles of Association, and their qualifications in the Scheme as a subject are legal and valid.

The Supervisory Committee agreed with the adjustments made by the Company to the list of Participants and the number of Share Options granted under the First Grant of Share Options of the Scheme.

## **V. OPINIONS OF THE INDEPENDENT DIRECTORS**

The Independent Directors believe that:

- (I) The Board determined that the date of the first grant of the Scheme shall be 13 May 2020, which is in line with the provisions on the Date of Grant in the Administrative Measures and the Scheme, and at the same time this Grant also meets the conditions of the Scheme regarding the Participants to be granted Share Options.
- (II) The Participants of the Scheme meet the Participant conditions stipulated in the Administrative Measures and other regulations, as well as the scope of Participants specified in the Scheme. The qualifications of the Participants as a subject under the Scheme are legal and valid.
- (III) The Company does not have any plans or arrangements for providing loans, loan guarantees or other financial assistance to the Participants.

(IV) The Company's implementation of the Scheme can further improve the Company's incentive and restraint mechanism, ameliorate the salary appraisal system, enhance the Company's ability for sustainable development, enable the operators and Shareholders to form a community of interests, improve management efficiency and the enthusiasm, creativity and responsibility of the operators, which are ultimately conducive to improving the performance of the Company, and ensuring the Company achieves its future development strategy and business objectives, which could bring more efficient and lasting returns to Shareholders.

(V) When the Board reviewed the resolutions, related Directors have abstained from voting on relevant resolutions in accordance with provisions in the Company Law, the Securities Law, the Administrative Measures and other relevant laws, regulations and normative documents, as well as the Articles of Association.

Given the above, the Independent Directors agreed with one accord that the date of the First Grant of Share Options will be 13 May 2020, and 25.2360 million Share Options will be granted to 982 Participants.

As for the adjustments to the Participants and the number of Share Options granted under the first grant of the Scheme, the Independent Directors are of the view that: in view of the fact that among the list of Participants determined in the Scheme, 41 Participants voluntarily waived the Share Options (2.5290 million in total) proposed to be granted by the Company, the Board made adjustments to the list of Participants and the number of Share Options granted under the First Grant of Share Options. After verification, the Independent Directors believed that the adjustments complied with the provisions in relation to adjustments in the Administrative Measures and the Scheme. The adjustments fell within the scope of the authorization granted to the Board at the Company's 2020 First EGM, A Shareholders' Class Meeting and H Shareholders' Class Meeting, and the procedures of the adjustments were in compliance with laws and regulations. Related Directors have abstained from voting on relevant resolutions in accordance with relevant provisions in relevant laws, regulations and normative documents, as well as the Articles of Association. There is no circumstance that would be prejudicial to the interests of the Company and all Shareholders, nor is there any circumstance where the adjusted Participants under the First Grant of Share Options are forbidden from being granted with the Share Options. The qualifications of the Participants as a subject are legal and valid.

The Independent Directors agreed with the adjustments made by the Company to the list of Participants and the number of Share Options granted under the first grant of the Scheme.

## VI. IMPACT ON THE FINANCIAL POSITION OF THE COMPANY AFTER THE GRANT OF INTERESTS

In accordance with the relevant requirements of the Accounting Standards for Business Enterprises No. 11 — Share-based Payments (《企業會計準則第 11 號 — 股份支付》) and the Accounting Standards for Business Enterprises No. 22 — Recognition and Measurement of Financial Instruments (《企業會計準則第 22 號 — 金融工具確認和計量》), the Company shall, on each balance sheet date within the Vesting Period, modify the number of Share Options expected to be exercisable according to the latest changes in the number of persons entitled to exercise and the completion of performance indicators and other follow-up information, and recognize the relevant costs or expenses and capital reserves for the services acquired during the particular period at the fair value of the Share Options on the Date of Grant.

Upon calculation, the total expenses to be amortized of 25.2360 million Share Options granted by the Company on 13 May 2020 is RMB12.0436 million. The amortization of the Share Options costs from 2020 to 2022 is as follows:

*Unit: RMB ten thousand*

<b>Amortized costs of the Share Options</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>
1,204.36	445.17	575.35	183.84

The costs of the Scheme shall be charged to the costs and expenses. Based on the current information, the Company estimates that without considering the positive effect of the Scheme on the Company's performance, the amortization of the costs and expenses of the Scheme will have an impact on the net profit each year within the Validity Period, but the impact is not significant. Taking into account the positive effect of the Scheme on the Company's operation and development, which stimulates the enthusiasm of management and business teams, improves operating efficiency and reduces operating costs, the performance improvement of the Company brought by the Scheme will be higher than the increase in costs caused by it.

## VII. CONCLUSIVE OBSERVATIONS OF LEGAL OPINIONS

Shanghai Jayden Law Firm is of the view that: according to the authorization granted to the Board at the Company's 2020 First EGM, A Shareholders' Class Meeting and H Shareholders' Class Meeting, as of the date on which these legal opinions are issued, the adjustments and the Grant made by the Company have obtained all the necessary approval and authorization; the reasons for the adjustments, the number of Share Options granted and determination of the Date of Grant are in compliance with the relevant provisions in the Administrative Measures and other laws, regulations and normative documents, as well as the Scheme; the Company and the Participants under the Grant have met the conditions of the Grant for Share Options as stipulated in the Administrative Measures and other laws, regulations and normative documents, as well as the Scheme.

## VIII. PROFESSIONAL ADVICE FROM THE INDEPENDENT FINANCIAL ADVISER

Shanghai InFaith Business Management Consulting Co., Ltd. (上海信公企業管理諮詢有限公司) is of the view that: the relevant matters on the First Grant of Share Options under the Scheme have obtained the necessary authorization and approval at the current stage; the Date of Grant, the Exercise Price, the Participants, the determination of the number of Share Options granted under the Scheme, and the adjustment and matters of the Grant under the Scheme are in compliance with the Company Law, the Securities Law, the Administrative Measures and other relevant laws, administrative regulations, normative documents, as well as the relevant provisions of the Articles of Association and the Scheme. There is no circumstance whereby the Company does not meet the conditions of the Grant for the Share Options as stipulated in the Scheme.

By Order of the Board  
**Red Star Macalline Group Corporation Ltd.**  
**GUO Binghe**  
*Vice Chairman*

Shanghai, the PRC  
14 May 2020

*As at the date of this announcement, the executive Directors of the Company are CHE Jianxing, GUO Binghe, CHE Jianfang and JIANG Xiaozhong; the non-executive Directors are CHEN Shuhong, XU Guofeng, JING Jie and XU Hong; and the independent non-executive Directors are QIAN Shizheng, LEE Kwan Hung, Eddie, WANG Xiao and ZHAO Chongyi.*