



紅星美凱龍家居集團股份有限公司

Red Star Macalline Group Corporation Ltd.

(一家於中華人民共和國註冊成立的中外合資股份有限公司)

(A SINO-FOREIGN JOINT STOCK COMPANY INCORPORATED IN THE PEOPLE'S REPUBLIC OF CHINA WITH LIMITED LIABILITY)

股票代號 STOCK CODE : 1528



2016

環境、社會及管治報告

Environmental, Social and Governance Report

1. About the Report

Principles of reporting

This report is prepared in accordance with the Environmental, Social and Governance Reporting Guide published in December 2015 by The Stock Exchange of Hong Kong Limited ("The Hong Kong Stock Exchange").

Reporting period

From 1 January 2016 to 31 December 2016.

Reporting scope

The scope of the report covers the majority of the business activities of Red Star Macalline Group Corporation Ltd. as well as relevant information on the physical shopping malls falling within the scope of listing.

For the convenience of presentation and reading, "Red Star Macalline Group Corporation Ltd." is referred as "Red Star Macalline", the "Company" or "we", "us" or "our".

Red Star Macalline mainly engages in the business of offering comprehensive services to the merchants, consumers and partners of the home improvement and furnishings shopping malls through the operation and management of both portfolio shopping malls and managed shopping malls. In order to improve the transparency of environmental, social and governance work, in addition to the information on operation and management of portfolio shopping malls and managed shopping malls, the report also covers home furnishings design and decoration, logistics and distribution, and other services.

In view of the nature of the business, the Company neither belong to the energy intensive consumption enterprise, such as electricity, steel and chemical, nor the heavy polluting enterprise, such as metallurgy, papermaking and tanning. Due to the few effect on the environment and resources, the report gives detailed explanations to the important factors for the Company's development and stakeholders, such as supply chain management, product innovation, environmental and quality management of products, staff development instead of disclosing the emission index of emissions, seeking suitable water resources, consumption index of packing materials and other aspects. However, we comply with the environmental protection laws of the operating place, adopt energy saving and emission reduction measures actively and commit to create the green consumption environment in the home furnishings industry.

Data sources

The report accurately reflects the Environmental, Social and Governance activities carried out by Red Star Macalline. The report adopts the information and data in the official documents and statistics reports of Red Star Macalline and the summarizations and statistics of its subsidiaries.

Disclosures

The report discloses information which is in compliance with the materiality principle for the preparation of Environmental, Social and Governance Report (hereinafter referred to as "ESG Report") in the ESG Reporting Guide to ensure the content disclosed can both reflect the strategic priorities of the Company and the concerns of key stakeholders (shareholders, customers, employees, suppliers and communities, etc.).

Report language

Chinese/English

Way of access

The report is available for download at the website of Red Star Macalline Group Corporation Ltd. (www.chinaredstar.com) or the website of The Hong Kong Stock Exchange (www.hkexnews.hk).

2. Chairman's Statement



A strong sense of social responsibility guides the healthy growth of enterprises. For Red Star Macalline, this translates to its self-entrusted mission, "To build warm and harmonious homes; to raise consumption and taste in household living." Focusing on the issues that are of concern to our stakeholders, such as shareholders, staff, clients, suppliers, environment, and community, we have elevated our standards in carrying out our responsibilities, strengthening communications with stakeholders, and comprehensively promote our corporate social responsibility activities. We carry out these responsibilities by supplying high-quality products and services to our clients and bringing better returns to our shareholders; and at the same time, we have launched various projects and measures dealing with corporate social responsibility, striving to build a wonderful household living environment for the public.

While creating value for suppliers and consumers, we have continuously deepened our partnership with manufacturers and dealers of home improvement and furnishings, as well as sustaining our improvements in the management of our brand presence in interior furnishing and furniture malls. Through precision marketing and cross-industry collaboration, we are providing better services to consumers, guiding them in knowing more about household living culture.

As the market leader in the home furnishing industry, we have high demands for the environmental-friendliness of our products. We set various market entry control mechanisms and green standards for our household living products, and we have launched a campaign of "Leading Green" brand appraisal incorporating environmental protection into the Company's mission. We are committed to ensuring that every product that we sell conforms to environmentally-friendly standards. Currently, "Leading Green" has become a highly recognized award among consumers and the industry.

Human resources is extremely important to sustaining the company's development. We are proactive in recruiting and training the most talented people. In compliance with legal regulations, every employee has a contract guaranteeing their lawful rights and interests as workers. We attach great importance to employee welfare, and provide our employees with industrially competitive salaries and benefits. We promote a healthy work-life balance to ensure that our workers maintain both mental and physical health. Furthermore, Red Star Macalline has established a management college with a focus on managing the training of our workers in order to help them continue to learn and develop with us.

The development of a company is tied to the stability and prosperity of society. In our pursuit for growth, we also actively promote energy conservation as a green concept, and maintain our concern for environmental-friendliness in the full process of construction, operation, and management of shopping malls. Our design, planning, and project management teams continue to innovate and implement various measures to improve a conservation of energy management system, increasing energy efficiency, building a green shopping environment, and reducing our footprint on the environment. At the same time, we are devoted to supporting public charities and community services, giving back to and sharing the fruits of our development with society.

Looking into the future, we will remain committed to taking social responsibility as the focus of the Company's strategy. Concentrating on the development goal of being an "omni-channel platform provider in pan-home improvement and furnishings industry," we will progressively expand the use of internet-related products and services in the household living business, promoting innovation and harmony in development, creating more value for all stakeholders, and contributing to the building of a better society.

CHE Jianxing

Chairman

May 2017

3. About Us

Company name: Red Star Macalline Group Corporation Ltd.

Address: 9/F Red Star World Trade Building, No. 598, Nujiang Road North, Putuo District, Shanghai, the PRC

Business of the Company: Red Star Macalline Group Corporation Ltd. is the operator and manager of home improvement and furnishings shopping malls under “Red Star Macalline” and is mainly engaged in operation, management and professional consulting services of home improvement and furnishings shopping malls.

The Company mainly engages in the business of offering comprehensive services to the merchants, consumers and partners of the home improvement and furnishings shopping malls under “Red Star Macalline” through the operation and management of both portfolio shopping malls and managed shopping malls. For tenants, the Company provides all-round services including design of exhibition space in malls, staff training, marketing and promotion, daily management and customer services. For consumers, the Company offers rich brands and products as well as high quality “one-stop” shopping experience. The high quality services provided by the Company also include free and informative shopping guide, and home furnishings design consulting. In addition, the Company provides a comprehensive service package including consulting services covering site selection, mall plan and design, investment attraction and opening plan, and subsequent operation and management services for partners of managed shopping malls.

As at 31 December 2016, the Company operated 200 shopping malls with a total operating area of approximately 12,692,393 sq.m. in 142 cities in 28 provinces in China. The shopping malls offer more than 18,000 brands in total.

Stock exchange of listing: Hong Kong

Total number of staff as at 31 December 2016: 19,060

Asset size as at 31 December 2016: RMB91,837.5 million

Operating revenue for financial year 2016: RMB9,282.4 million

Net profit for financial year 2016: RMB4,368.4 million

Development history of the Company

YEAR	MILESTONE
2000	<ul style="list-style-type: none"> The Company opened Shanghai Zhenbei Mall in Shanghai, which was the first shopping mall under the “Red Star Macalline” brand.
2002	<ul style="list-style-type: none"> The Company expanded its business to North China with the opening of the first portfolio shopping mall in Beijing.
2006	<ul style="list-style-type: none"> The Company expanded its business to West China by the opening of its first portfolio shopping mall in Chongqing.
2007	<ul style="list-style-type: none"> Shanghai Red Star Macalline Home Living and Decorating Company Limited* (上海紅星美凱龍家居飾品有限公司), predecessor of the Company, was established. The Company entered into the first shopping mall management agreement with its partners in relation to opening of the first managed shopping mall.
2008	<ul style="list-style-type: none"> The Company expanded its business to Southern China by the opening of its first portfolio shopping mall in Shenzhen.
2009	<ul style="list-style-type: none"> The Company opened its 50th home improvement and furnishings shopping mall, following which the Company became the first company operating 50 home improvement and furnishings shopping malls in the industry.
2010	<ul style="list-style-type: none"> The number of managed shopping malls (46) of the Company exceeded the number of portfolio shopping malls (33) for the first time. The light asset model was widely recognized in the market.
2012	<ul style="list-style-type: none"> The Company opened its 100th home improvement and furnishings shopping mall, following which the Company became the first company operating 100 home improvement and furnishings shopping malls in the industry. The Company made its first presence at the Milan International Furniture Fair.
2013	<ul style="list-style-type: none"> The Company opened Shanghai Pudong Jinqiao Mall, its first ninth-generation shopping mall, which offers an updated shopping environment and high-end products, and contains more artistic elements in its decoration.
2014	<ul style="list-style-type: none"> The Company started to expand into new businesses, including home design and prepaid cards. The Company expanded its operations across 100 cities in China. The Company opened its 150th home improvement and furnishings shopping mall. The Company further expanded into new businesses of consumer financing, and delivery and logistics.
2015	<ul style="list-style-type: none"> The Company launched the nationwide Red Star Macalline membership program and O2O business. The Company established HomeFax to further expand our internet finance business. The Company was listed on the main board of The Hong Kong Stock Exchange.

* for information purpose only

4. Communication with Stakeholders

Red Star Macalline has extensive stakeholders including shareholders/investors, government/regulators, staff, customers, suppliers/partners, environment, and community/public. Aiming at becoming China's most professional and advanced "omni-channel platform provider in home improvement and furnishings industry", we give full consideration to the demands of all stakeholders and maintain formal and informal contact with stakeholders.

While preparing this report, we interviewed the stakeholders of Red Star Macalline and received a number of recommendations, which were used as the basis for this report, so as to better respond to the social responsibility issues which are of concern to the stakeholders.

Communication with and participation of stakeholders		
Stakeholders	Way of communication	Expectations and demands
Shareholders/investors	<ul style="list-style-type: none"> • General meeting • News release and announcements • Corporate report • Publication of information on the website of the Company • Investors' meeting 	<ul style="list-style-type: none"> • Ensuring shareholders' rights and interests • Maintenance and appreciation of assets value • Corporate governance • Real, accurate, prompt and complete information disclosure
Government/regulators	<ul style="list-style-type: none"> • Conferences • Compliance report • Site inspection • Participation in meetings/seminars • Special inquiry/inspection • Proper submission of documents 	<ul style="list-style-type: none"> • Employment and labor relations • Health and safety • Environmental protection • Industry development • Repay the society
Staff	<ul style="list-style-type: none"> • Labour contract • Labour union • Leisure-time activities • Manger's mailbox • Voluntary activities • Daily communication 	<ul style="list-style-type: none"> • Employment and labor relations • Remuneration and welfare • Democratic management • Staff training • Career development • Humanistic care • Staff health and safety management
Customers	<ul style="list-style-type: none"> • Daily operation/interaction • Customer satisfaction survey • Regular visits • Customers service center/hotline 	<ul style="list-style-type: none"> • Customer satisfaction management • Customer complaint management • Product responsibility

Communication with and participation of stakeholders

Stakeholders	Way of communication	Expectations and demands
Suppliers/partners	<ul style="list-style-type: none"> • Management-level meetings • Seminars • Marketing summits • Supplier access and evaluation • Site visits • Daily communication 	<ul style="list-style-type: none"> • Industry development • Code of conduct of brand partners • Evaluation of Brand partners • Cooperation with materials suppliers • Logistics and distribution cooperation
Environment	<ul style="list-style-type: none"> • Environmental supervision • Environmental disclosure report • Implementation of green operation and management 	<ul style="list-style-type: none"> • Environmental protection policy and concept • Reduction of consumption of energy and resources • Reduction of pollutant discharge
Communities/public	<ul style="list-style-type: none"> • Public benefit activities • Community services • Environmental protection activities 	<ul style="list-style-type: none"> • Dissemination of household living aesthetics • Dedication to public welfare • Enthusiasm in community services • Focus on environmental protection activities

5. Green Supply Chain

Red Star Macalline always strives to foster win-win cooperation and a safe and reliable green supply chain with our suppliers. We are committed to establishing a coordinated development mechanism with common growth, mutual trust and mutual benefits. We work hard to establish strategic partnership with suppliers and customers for making common progress and development, and ultimately shaping for strong competitive advantage in the industry.

Industry Development

“Home furnishing changes life, creation and enjoyment of the beauty of home furnishing”. While witnessing and creating the development history of home furnishing industry, Red Star Macalline also influenced and changed the way of life of countless consumers and gradually enhanced consumers’ recognition of home furnishing taste.

Insistence on Innovation

Innovation is the inexhaustible impetus for the development of enterprises. Only eternal leadership in the market, insistence on innovation and outperformance over consumption requirements in the market can win satisfaction and loyalty of consumers and shape strong corporate branding. Willingness to make innovations and modern fashion are the concept connotations of Red Star Macalline brand.

Concentrating on core businesses, we proactively implement and continuously develop new value-added business models. Apart from the core business “home improvement and furnishings”, we have popularized a number of new business models including internet-based home improvement, internet finance and internet retail.

► Case: new business model — internet-based home improvement

We established an experienced household design team by the subsidiary, Shanghai Betterhome Decoration Engineering Co., Ltd.* (“BetterHome”), to provide customers with integrated service of home design and decoration. As at 31 December 2016, we have 30 offline home decoration stores. Based on the professional household design team of BetterHome, we established an internet-based home improvement platform focusing on design in 2016 to fully integrate and share the business resources of online home improvement and furnishings consumption platform with its off line physical shopping mall network. We have introduced such product programs as content, designers and investment attraction to offer users online display of design content and online communication and reservation of designers and a series of home decoration tool services etc. As at the end of 2016, our internet home decoration platform has entered into agreements with 143 shops and 1,093 original articles were published.



Red Star Macalline won the
“Retail Innovation Prize awarded by China Chain Store & Franchise Association” in 2016

Advocacy of Originality

As a leading company in the home furnishings industry, Red Star Macalline promotes industrial growth and progress, and in particular encourages home furnishing enterprises to focus on environmental protection and originality and adhere to the principle of originality and innovated design, in order to provide customers with better products and improve consumers' home improvement tastes. Through the introduction of design resources and innovative resources from other industries, including international famous designers and top domestic designers in the PRC, Red Star Macalline boosts and participates in research and development of new products, and offers support and subsidy for original design to help excellent new products enter the circulation channel to introduce more products with good designs in our consumers' life.

Road of originality of Red Star Macalline:

- In 2010, Red Star Macalline started to organise connection and cooperation of enterprises and design resources and sponsored the Beijing International Design Week;
- 2014 was the fiftieth anniversary of the establishment of diplomatic relations of China and France. As organised by the United Nations Educational, Scientific and Cultural Organization, Red Star Macalline, on behalf of Chinese design, led Chinese home furnishing enterprises and designers abroad to show the charm of Chinese design culture, and engaged in exchange of design culture; and
- From 2012 to 2016, Red Star Macalline organised Milan exhibition for four consecutive years.

Sponsorship of the first DDS themed by “design for Chinese life”

On 8 September 2016, Red Star Macalline, in cooperation with the innovative design alliance, sponsored the first Design Dream Show (“DDS”) with a theme of “design for Chinese life”, which was officially opened at the Furniture China held at Shanghai World Expo Exhibition & Convention Center. Dream Foundation, the first public welfare foundation for promoting the innovation of home furnishings design industry, facilitating integration of design resources and establishment of platform in China, was revealed for the first time at the opening ceremony.

The core idea of DDS is “provision of a platform for factories and designers to show themselves and integration of excellent design and production forces with integrity and innovation as exhibition characteristics”. Red Star Macalline wants to pay attention to the reform of consumers' way of life, innovation of people's life in this way and integrates forces in the industry to promote the development of original design.

Activity Site of Design Dream Show



Red Star Macalline is the first home furnishing enterprise as an art bystander and a sponsor to break fresh ground to engage in the field of art. The Company has a large number of internal design talents and has outstanding achievements in terms of house purchasing design, decoration and space design, home furnishing products design and soft decoration design services.

The awards obtained by Red Star Macalline in the field of home furnishings design in 2016 include:

- A number of professional designers of the Company were rated as “**Outstanding Designer**” and “**Prominent Designer**” by China Building Decoration Association; and
- Shanghai BetterHome Decoration Engineering Co., Ltd*. won the “**Annual Top 10 Most Influential Design Institutes**” by the organisation committee of China International Architectural Decoration and Design Art Fair.

Supply Chain Management

We are committed to implementing a set of code of business conduct focusing on integrity and make positive efforts in performing our social responsibilities. In respect of supply chain management, we make all efforts to cooperate with brand partners, materials suppliers, logistics and distribution service providers and other components of supply chain to jointly satisfy end customers' needs and deliver proper products at reasonable prices in a prompt and accurate way.

Code of Conduct of Brand Partners

For brand partners, we have prepared the Commodity Qualification Management Regulations, which clearly regulates the charging standard and compliance verification for brand merchants' access qualifications. The commodity qualifications under the Commodity Qualification Management Regulations include factory qualification and merchant qualification. The access of brand partners is only allowed when the supporting documents for factory qualification and merchant qualification have passed verification by the Company.

Meanwhile, we implemented the Standards for Evaluation for Factory Quality Guarantee Capacity, which raises requirements on our brand partners in terms of company qualification, quality guarantee resources, quality safety/design and development of environmental protection products, procurement and receiving inspection, production process control and process inspection, factory inspection and confirmation inspection, inspection instruments and equipment, control of disqualified products, package, transportation and storage, important environmental factors in the life cycle of products, etc. In addition, we require brand partners to comply with the laws, regulations and environmental protection requirements of the places where they operate.

In 2016, Red Star Macalline has approximately 18,000 qualified brand partners from all over the world.

Evaluation of Brand Partners

We implement strict and fair brand partner evaluation mechanism and urge brand partners to guarantee products' compliance with requirements on quality, environmental protection and technology through formulation of brand partner evaluation standards and regular or irregular brand partner evaluation to constantly improve supply chain management. We encourage our brand partners to pass certification of China Quality Certification Center on environmental protection or water saving products, China Environmental Labelling certification and International Standardization Organization (ISO) series system certification.

We conduct evaluation by way of field visit, goods source audit, spot check of service timeliness and contents and other means, and all the evaluation results are kept in a written form as basis for future selection of brand partners. We knock out disqualified brand partners based on the annual comprehensive evaluation results.

Cooperation with Materials Suppliers

In respect of materials purchase, Red Star Macalline has published the Purchase Management Policy to implement unified standard and centralized management for materials purchase to take advantage of centralized integration, improve purchase quality and reduce purchase costs.

We have set up the materials procurement method in combination of centralized purchase and regional independent purchase to form a materials purchase network with different levels and categories. We continuously enlarge the scope of centralized purchase, integrate purchase resources and proactively seek for excellent materials suppliers for strategic purchase to substantially reduce purchase costs and reduce energy consumption of operation, carbon emission and effects on the environment. In 2016, our purchases from the largest supplier represented approximately 32.7% of the total purchases and our total purchases attributable to the five largest suppliers accounted for approximately 49.5% of the total purchases.

“Last Mile” Logistics and Distribution Cooperation

To improve customer satisfaction and loyalty to the brands of our tenants as well as the brand of Red Star Macalline, Red Star Macalline cooperates with logistics and distribution service providers to provide “Last Mile” distribution services for consumers. We set up logistics trial centers in Nanjing, Wuxi, Shijiazhuang, Changsha and Shenyang to provide “one-stop” professional services for customers from purchase to professional product distribution and installation. As at the end of 2016, more than 330 brands have commenced operations with our logistics service business, with a storage area of over 30,000 sq.m. in total.

City Wide “Last Mile” Distribution Service Cooperation System

In respect of logistics and distribution service cooperation, in order to improve upstream and downstream integration of the industry and help tenants with the “Last Mile” distribution, installation and after-sales services, we have established a city wide “Last Mile” distribution and installation service system. With the help of the Ministry of Commerce of the People’s Republic of China, University of Hong Kong, Global Logistic Properties and other governments, scientific research institutions and international top logistics suppliers, we created the new generation of smart logistics system and prepared the complete supplier chain service standards of home furnishings industry covering factories to customers through introduction of radio frequency identification technology, warehouse inspection robot, 360 degree no dead zone goods monitoring and other advanced technologies. We cooperate with the extensive home furnishings brands to vigorously improve supplier chain efficiency, provide diversified professional services for customers and jointly unfold a new era of home furnishings distribution services.



Advanced Goods Management

Centralized System Management
Digital, Standard and Interactive
Logistics Management



First-rate warehouse environment

Global Logistic Properties,
Wanke Logistics Real Estate and
other partners to ensure
warehouse quality



Unified reservation, unified distribution

The research team of the University of
Hong Kong supports the research and
development of high level
service management system

Customer Management

Adhering to the principle of “Customers as foundation of an enterprise”, we are committed to seeking customer satisfaction and loyalty and building a strong brand by offering our clients superior and high-quality services and satisfying their demands.

Customer Satisfaction Management

We promoted the “Word of Mouth Advertising” project comprehensively, raised specific requirements on price, quality, service, operational standards, etc. and constantly improved customer satisfaction through customers return visit and other activities.

Pricing	<p>Promotion of “Price Discount Control”</p> <p>We continued to promote the first system of “Discount Control on Home Furnishings Industry” in the industry to guide the factories and dealers to adjust the inflated price, rectify the phenomenon of “high pricing, high discount”, promote reasonable pricing and guide value sales. In addition, we implemented strict price management nationwide through all-channel price comparison system and ensured reasonable commodity pricing.</p>
Quality	<p>Launch of “Query Platform of Chinese Household Certified Products”</p> <p>Leveraging on the Ministry of Commerce, the General Administration of Quality Supervision, Inspection and Quarantine of the PRC, together with the China Quality Certification Center, we launched the “Query Platform of Chinese Household Certified Products”, which realised the detection of counterfeit home furnishing products.</p>
Services	<p>Provision of “15-minute Refund” service</p> <p>We have launched the first “15-minute Refund” service in the industry which can be completed within 15 minutes from the customers putting forward the refund demand to all the refund formalities being completed. In addition, the Company has built up a unified image of national service personnel, established a unified service standard and launched in a number of pilot shopping malls.</p>
Operational Standards	<p>Establishment of a complete operation management standard system</p> <p>In 2016, we compiled the “Environmental Quality Assessment Standards for Red Star Macalline Products (《紅星美凱龍商品環保質量評價標準》) and have applied for the fling of industrial standards. Our “Credit Classification Management of Tenants” was nominated by the Publicity Department of the CPC Central Committee and recommended by the Ministry of Commerce of the People’s Republic of China as one of the “100 Renowned Experiences of Cultivating and Practicing the Socialist Core Values” cases; we participated in the drafting of laws and regulations of “Guiding Opinions of the Ministry of Commerce on Promoting and Standardizing the Construction of Credit Rating Mechanism for Marketization” (商務部關於促進和規範市場化信用評價機制建設的指導意見). We completed the information sharing of our credit platform in March 2016, which is one of the first sub-platforms of the Shanghai Commercial Credit Public Service Platform (上海市商務誠信公眾服務平台) and was selected as “2016 Top Ten Typical Cases of Credit in Shanghai”.</p>

► Case: Return Visit to One Million Customers

— Formation of a good atmosphere of focus on services and enhancement of customer satisfaction

In April 2016, we carried out the activity of “Return Visit to One Million Customers”, in which management members at all levels paid return visit.

- **124** shopping malls, **86** cities and **8,561** tenants participated in the activity
- **112,209** customers accepted visiting services and **335,655** customers participated in questionnaire survey
- We received **170,384** effective suggestions from customers and **11,112** purchases were involved (number of using exclusive universal card)



In addition, in respect of customer privacy, we control sales personnel's authority to access to customers' files based on their duties to safeguard our customers' privacy to the greatest extent.

Customer Complaints Management

We proactively and effectively treat customer complaints and provide high quality after-sales services. We have prepared a series of customer complaints treatment standards including the Detailed Implementation Rules for Treatment and Management of Customer Complaints, Requirements on Duties of Customer Complaint Positions, Standards and Basic Process of Customer Complaint Treatment Services, and Reference Verbal Trick for Treatment of Customer Complaint to clearly explain the process and skills of complaints treatment and the duties of all departments, to improve customer complaints treatment efficiency and enhance customer satisfaction.

Product Responsibility

Environmental protection quality of home furnishing products concerns the fundamental interests of every consumer. As a leader in the home furnishings industry, Red Star Macalline takes the management of environmental protection quality as top priority and also takes the lead on the way of pursuit of product quality in enhancement of industrial standards, purifying the industrial market and leading the healthy development of the industry.

Plan for Environmental Quality Management Standards for Products

Red Star Macalline has prepared the Environmental Quality Assessment Standards for Products and Regulations on Environmental Quality Management of Products in accordance with the Chinese national standards, national recommended standards, recommended standards for building materials industry and recommended standards for forestry industry, with reference to GB18401-2010 Basic Safety Technology Specification for National Textile Products, GB18580-2001 Release Limits of Formaldehyde in Artificial Board as Interior Decoration Materials and Its Products, GB18581-2009 Limits of Hazardous Substances in Solvent Wood Paints for Interior Decoration Materials, GB18583-2008 Limits of Hazardous Substances in Adhesives for Interior Decoration Materials, GB20400-2006 Limits of Hazardous Substances in Leather and Fur, GB24410-2009 Limits of Hazardous Substances in Water-Based Wood Paints for Interior Decoration Materials, QB/T1952.1-2012 Upholstered Furniture: Sofa, QB/T1952.2-2011 Upholstered Furniture: Spring/Soft mattress, GB/T3324-2008 General Technical Conditions of Wooden Furniture, GB28007-2011 General Technical Conditions of Children Furniture and other standards and requirements, to clarify environmental protection requirements on operation of goods in shopping malls, detection process and other environmental quality management plans.

Environmental Quality Assessment Standards for Products

- It specifies environmental protection items for spot check of 21 categories including content of heavy metal (colour limited paints), formaldehyde emission, radioactivity, peculiar smell of products, etc.; and
- It has been filed with the Technical Supervision Bureau of the General Administration of Quality Supervision, Inspection and Quarantine of the People's Republic of China and become the first set of standards for quality enterprises in the circulation industry.

Regulations on Environmental Quality Management of Products

- It sets out specific specifications for daily inspection of products and disqualified products treatment process and provides operation basis for environmental quality management of products.

In 2016, the frequent news on suspected counterfeiting of imported home furnishing products posed serious disruption to the home furnishings market. Red Star Macalline proactively conducted certification of imported brands and established the Inspection Standard for Imported Home Furnishing Products Recommended by Red Star Macalline to provide beneficial reference for solving the disordered management of imported home furnishing products of China to bring benefits to consumers.

Whole-chain Environmental Quality Management System

Red Star Macalline initiated an omni-directional environmental quality management system for pre-sales of commodity, sales and after-sales, to regulate environmental protection standards of the industry.

Pre-sales	<ul style="list-style-type: none">For brands to enter shopping malls, we inspect environmental protection quality for products through qualification examination, 24h test with desiccator method, destructive test, etc. and only qualified products are allowed to enter the shopping malls.
Sales	<ul style="list-style-type: none">In daily environmental quality management of products, we entrust a recognized testing organization to conduct spot check for the products in shopping mall on a regular basis. The spot check for products is conducted in accordance with the specified spot check ratio based on the actual number of brands in shopping malls. For the products failing the preliminary check, the shopping mall shall submit the disqualification test report to the person in charge of the brand concerned and remove the products of the model under the brand concerned from shelves. The shopping mall must conduct secondary spot check for products of the same type and different models under the brand within the specified term. For the products failing the secondary spot check, the shopping mall should issue the Notice of Suspension of Operation for Internal Rectification to the brand concerned at the first time to ensure compliance of quality and environmental protection standards of each product sold.
After-sales	<ul style="list-style-type: none">In the process of after-sales environmental quality management, Red Star Macalline, relying on the certified products query platform and credit classification system, extends the environmental quality control of products from downstream consumers to the upstream of circulation, evaluated enterprises settled in shopping malls and conduct strict detection, control and screening for the quality safety and environmental protection performance of all products through exploring product quality at the source of factory.

In 2016, the percentage of products that have to be recovered due to safety and health reasons in the total number of products sold or delivered by the Company is zero. We are rated as “**2016 Quality Benchmark Enterprise**” by the organization committee of China “Light of Quality” in a appraisal activity.

Leading Green Campaign

In order to regulate the quality and environmental protection standards of the entire home furnishings industry, Red Star Macalline and China Quality Certification Center continuously carry out the “Leading Green” brand appraisal campaign. The appraisal gives a comprehensive and systematic analysis on home furnishing products and their manufacturers in accordance with Chinese national standards, industry standards and the latest domestic and international quality management systems and finally forms the grading system consisting of four dimensions including inspection of factory quality guarantee capacity, product quality inspection at the source of manufacturers, sampling inspection of shopping malls and statistics of customer complaints for comprehensive evaluation of brands.

The Leading Green project took unified process, requirements and standards as the appraisal basis and scores of famous Chinese detection organizations participated in the implementation of the campaign. The extensive detection data of the industry was collected as indicator references and was very representative, and played a guiding role in promotion of the idea of green and environmental protection in production of home furnishing products and leading the procedural and standard production of home furnishings industry. At present, “Leading Green” has become a quality award highly recognized by consumers and the industry, and has been entered as a quality document of the State Council of China.

“Leading Green” — quality award highly recognized by consumers and the industry

We held the “Leading Green” campaign for four consecutive years as at 2016. As compared with previous years, the appraisal size of the campaign was further increased. In the meantime, the appraisal standard system was comprehensively upgraded to cover domestic and imported brands of China. The regulatory system of the appraisal was electronic and the management was more convenient and the data query and analysis was more authoritative. In addition, the influence of “Leading Green” campaign was disseminated in a three-dimensional way through a series of campaigns including green healthy run.

“Leading Green” Brand Appraisal



On 3 December 2016, Red Star Macalline held the “Fourth Global Home-Based Industry Summit” (“GHIS”) in Changzhou. As witnessed by top home furnishings brands in the industry, industry associations and organizations, famous designers and media and other distinguished guests, Red Star Macalline solemnly undertook to “be responsible for environmental protection of every family” and “zero tolerance” for home furnishing products and brands that are not environment friendly, and formally declared green and environmental protection as a part of the corporate mission. It is the first time Red Star Macalline adopts green and environmental protection a corporate strategy, indicating that green and environmental protection will become a direction of transformation and upgrade of the home furnishings industry.

At the GHIS, the “2016 List of Shortlisted Brands of Green and Environmental Protection Home Furnishings Brands Recommended by Red Star Macalline” and “2016 List of Green and Environmental Protection Home Furnishings Leading Brands Recommended by Red Star Macalline” were formally announced. The appearance of a new wave of green and environmental protection leading brands establishes a new benchmark of green and environmental protection for the industry.

2016年红星美凯龙推荐家居绿色环保入围品牌



2016年红星美凯龙推荐家居绿色环保领跑品牌榜单
家居绿色环保 领跑品牌



Anti-corruption

In order to build an “incorrupt, efficient and harmonious” business environment, and prevent possible corruptions in various operation and management activities including investment attraction, properties, etc., Red Star Macalline has established an anti-corruption mechanism against corruption and clarified the way of whistle-blowing. It has prepared programmatic methods for prevention and control of corruption risks and formulated measures for prevention and control of corruption risks in terms of human resources management, engineering project management, etc. to clarify anti-corruption requirements on talent investigation, regular rotation of purchase staff, suppliers’ honesty undertaking, etc. to effectively control staff corruption risks and prevent losses caused in management.

为营造“廉洁、高效、和谐”的经营氛围，预防在招商、物业等经营管理活动中可能出现的不正之风，我们诚邀厂商、合作方、营业员等各界人士共同参与我们的廉政监督工作，现将举报方式公示如下：

集团纪委举报方式：
电话：021-22202850 手机：13917872533
地址：上海普陀区怒江北路598号20楼红星美凯龙纪委
邮箱：jt.jiwei@chinaredstar.com

集团督察部举报方式：
电话：021-22300829 021-22300802
手机：13818982132
地址：上海普陀区怒江北路598号9楼督察部 邮编：200333
邮箱：jt.dcb@chinaredstar.com

招商督察处举报方式：
电话：021-32510663 手机：13701840110

物业督察处举报方式：
电话：021-22300684 手机：13818782846

Whistle-blowing Publicity

Anti-corruption System

- I Establishment of an anti-corruption system and working mechanism for which the discipline inspection commission of the Company takes the main responsibility and the supervision department takes the responsibility of supervision and assistance.
- II Formulation of anti-corruption management and control rules to clarify relevant laws and regulations and anti-corruption policy of the Company.
- III Determination of clean, honest and self-disciplined standards for staff of key departments and critical positions and regular rotation system for critical positions.
- IV The management and staff enter into an anti-corruption agreement.
- V Carrying out anti-corruption education that is in line with the training system of the Company.

As at 31 December 2016, we complied with the relevant laws and regulations on anti-corruption and anti-money laundering, and we neither detected any corruption, bribery, blackmail, fraud or money laundering behaviors, nor found any lawsuits related to the aforementioned behaviors.

6. Harmonious Cultural Environment

As Red Star Macalline deems staff as our core resource and the most valuable asset, we adhere to the people-oriented management with the objectives of respecting, training and serving our people. We are committed to provision of a safe and healthy working environment and creation of a harmonious cultural environment, so as to proactively support the development of the Company and the progress of the society.

Interests Guarantee

Employment and Labour Relationship

Red Star Macalline strictly complies with human rights, International Labour Organization Convention, the Labour Law of the People's Republic of China, the Labour Contract Law of the People's Republic of China and the local labour employment regulations and relevant policies where it operates. We adhere to equal employment, oppose employment discrimination of various forms and employment of child labour and forced labour, and consolidate relevant requirements, such as equal employment, prohibition of use of child labour, opposition of forced labour into the Company's Recruitment management system and the Employee Manual. When recruiting new employees, we check the identity document of applicants and enter into labour contracts with employees, of which terms include working conditions and labour protection to avoid employment of child labour and forced labour, safeguarding the staff's legal interests according to the law and maintain the stable labour relationship.

The Company selects excellent talents that are suitable for the development of the Company through recruitment through a number of channels and internal selection. As of 31 December 2016, Red Star Macalline has 19,060 staffs in total.

In terms of management of staff's working hours, Red Star Macalline implements the standard working time system in China with daily hours of less than 8 hours and average weekly hours of less than 44 hours. For the employees who work overtime within the legal rules due to the requirement of work, the Company gives the priority to enjoy the compassionate leave of equal time or pays corresponding overtime wage according to the law.

Red Star Macalline established and performed the withdrawal mechanism according to the relevant laws and regulations, such as employees resign, termination of labour contract and retirement, stating the conditions and procedure of withdrawal. For the employees who are not competent for job requirement, we will suspend their work in a timely manner and arrange training for them, or adjust their job positions and arrange the transferring training. For the employees who still cannot meet the job requirement, we will terminate the labour contracts according to the required authority and procedures.

In 2016, Red Star Macalline won:

- "Annual National Top 100 Best Employers of Zhilian Zhaopin"; and
- "Pioneer Employer of Top HR".

Remuneration and Welfare

Advocating the employment philosophy of "high efficiency and high salary", Red Star Macalline provides competitive remuneration package for its employees. As a leading brand in the home furnishings industry, Red Star Macalline also takes a leading position in the industry in respect of remuneration and welfare. The Company pays endowment insurance, medical insurance, employment injury insurance, maternity insurance and other social insurance pensions and housing accumulation funds and other social security expenses for staff in strict accordance with the social security policies of the places of operation. We are committed to improvement of the remuneration and incentive system, combination of staff's capacity, performance and post performance and establishment of a fair and attractive career development channel.

Red Star Macalline provides the most competitive benefits including paid maternity leave and marriage leave, retirement plan, etc. The Company has also prepared the Attendance and Holiday Management System and provides more vacation time for staff of the same working age and reasonable guarantee for paid leave of staff.

Democratic Management

Red Star Macalline proactively promotes democratic management to practically safeguard staff's economic, political and cultural interests and give full play to staff's role of master. We have established a labour union committee, constantly improve the employee representative meeting system and offer a number of communication channels for staff to enhance staff's sense of participation. The Company regularly convenes employee representative meeting to discharge the duties of employee representative meeting to ensure staff's right to know and right of supervision for the material issues of corporate reform and development and their immediate interests, forming a harmonious environment with close cooperation and mutual support of operation management and democratic management of staff of the Company. The employee representative supervisors selected at the employee representative meeting participate in the discussion of matters of the supervisory committee to fully achieve democratic management of the Company.

Staff Growth

Staff Training

Red Star Macalline concerns about the career development of staff, advocates "happy study, happy work and happy life" and encourages and helps staff to constantly improve their capacity and quality to become backbones of Red Star Macalline and even the society.

Red Star Macalline has specially set up a management school and established and improved the staff training system to provide training support for staff's career development. Through development, opening and promotion of progressive courses for staff at different levels, the management school offers training for different industries, professional skills and management knowledge to help everyone of Red Star Macalline to grow with the Company and explore the way of career development in personal work and build a sustainable and renewable talent team for the Company.

In 2016, the management school carried out a series of training activities including "Cultivation of Talents for Critical Positions in Home Furnishings Shopping Mall", "Serve Merchants", "Knowledge Management and Share System", "Lu Ban Academy", etc. The courses were customized based on the needs of different staff, and the action and study plans were linked with actual performance, aiming at improving staff's comprehensive management capacity and shopping mall operation and management capacity.

► Case: Core talents training program

Red Star Macalline values the cultivation of core talents. In 2016, the management school set up different core talents training programs for new graduates, new youth and general managers of shopping malls.



Undergraduate · Star power plan

Three most representative shopping malls were selected as the bases for practice to let university graduates who had just started work apply what they learned in classrooms in theoretical knowledge, understand the overall operation of shopping malls through sufficient rotation at the specific positions in shopping malls and give fully play to the advantages of team and individuals to solve the practical problems of shopping malls through cooperation, ultimately convert the theories into practical experience and master basic work skills.



New youth · backbones training camp

The training camp covered major regions, property management, finance, cross-industry cooperation, and other regional lines. The courses were selected based on the needs of different business departments and the themes involved “public presentation skills, 360 degree communication and cooperation, emotion management and occupational pressure treatment”, etc. to help new youth to improve individual and team capacity and make backbones stronger.



General managers of shopping malls · based on capacity model

Red Star Macalline is building an industrial ecological chain. In the realization of strategic upgrade, external recruitment and internal promotion raise higher requirements on the comprehensive management capacity of the general managers of shopping malls. The Company has conducted an overall check for the existing general managers of shopping malls and built a general manager capacity model for undertaking the business development of Red Star Macalline to lay a good foundation for future talent recruitment and selection.

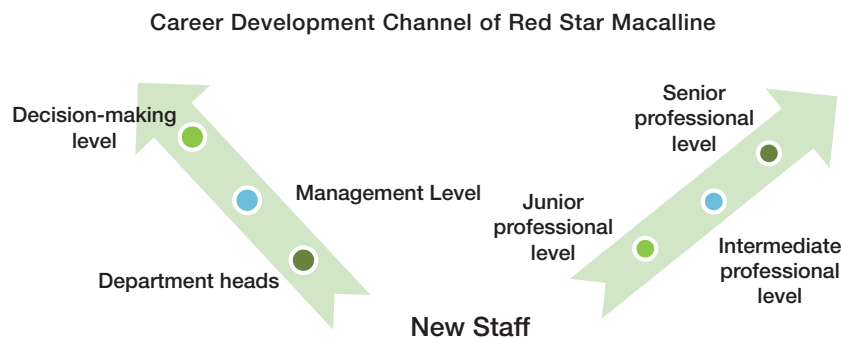
After years of development and accumulation, the management school of Red Star Macalline has built a high-standard and high-quality internal lecturer team and is committed to the integration of external education resources and proactively carrying out various external trainings. At present, the management school has reached extensive consensus and cooperation intentions with domestic and overseas famous comprehensive higher education institutions (e.g. University of Hong Kong, Peking University, Shanghai Jiaotong University, etc.), artistic colleges (e.g. Politecnico di Milano in Italy, Central Academy of Fine Arts, Academy of Arts & Design, Tsinghua University, etc.) and professional colleges (Domus Academy in Italy, Nanjing Forestry University, Central South University of Forestry and Technology, etc.) to provide academic upgrade trainings, non-academic upgrade trainings and position skill training programs for factories, distributors, store heads and shopping guide of shores.

► In 2016, the management school of Red Star Macalline:

- was rated as “**Best Enterprise University of China**” by Overseas Management School of Shanghai Jiaotong University for 5 consecutive years; and
- was awarded the “**Prize of Best Ecological Operation for Study**” by the online education information website.

Career Development

Red Star Macalline is committed to building core competitive advantages of industrial elites and industry leading talents. In order to help staff achieve personal career development in the Company, the Company has developed a supporting staff development system, created a diversified staff development platform and constantly optimised human resources configuration to provide multi-channel development path for the career development of staff.



We released the Manual for Comprehensive Evaluation, Self-improvement and Promotion to all staff to let everyone understand corporate strategy and achieve the requirements on talents' capacity, and ascertain their development direction based on our corporate strategy. Meanwhile, we utilize the "Sudoku" career development evaluation tool to evaluate and appraise every staff from the perspectives of growth, performance, etc. and build staff development routes suitable for staff's own conditions to help them exert the best advantages in the long term. In addition, we advocate the policy of "internal promotion of talents" and preferentially guarantee the career development of internal staff through execution of internal recruitment and internal promotion plans, laying a solid foundation for talent reserves of the Company.

Humanistic Care

Red Star Macalline proactively solves staff's difficulties in life and help staff balance their work and life by creating a safe, healthy and comfortable working and living environment centering on home culture and implementing various activities to care for its employees.

► Case: establishment of a staff gymnasium, carry out various sports activities

We have built a staff gymnasium in the Company, and irregularly held basketball, badminton games, interesting sports activity, labour emulation and other sports activities to help staff enhance their physical quality, relieve work pressure and enhance staff's sense of belonging, to proactively create a happy, open, healthy, friendly and harmonious working and living environment.



► Case: Enrich staff's leisure time

In order to enrich staff's spare time life, reflect the humanistic care spirit, further enhance team's collaboration ability and promote mutual understanding of departments, we organize group tour, parent-children interaction activities and other programs on a yearly basis. In 2016, we organized staff care tours to Sanxi Gorge, Japan, Korea, etc..



6.1 parent-children activity



Sanxi Gorge



Costa Japan-South Korea cruise

As the representative organization of staff's interests, the labour union committee of Red Star Macalline, aiming at enhancing staff's happiness, cares for staff's difficulties in work and life and assists staff solve problems including public rental housing, youth-targeted apartment, shuttles, household services, etc. to satisfy staff's needs in multiple dimensions.

Red Star Macalline convened the second meeting of the second session of the labour union committee

On 8 September 2016, Red Star Macalline convened the second meeting of the second session of the labour union committee, at which it reviewed the key work conducted in the first half of 2016 and clarified the work focus including staff protection plan, physical and mental care for staff, etc. At the meeting, a number of proposals presented by staff including meal fee standard, benefits for female staff, etc., and corresponding solutions were proposed to practically guarantee staff's practical interests.

Red Star Macalline won nearly one hundred honors due to its outstanding labour union services:

- In 2016, Red Star Macalline was rated as “**National Demonstration Site for Staff Education and Training**” by All-China Federation of Trade Unions; and
- In 2016, Heping Shopping Mall in Shijiazhuang, Hebei Province was awarded the titles of “**Demonstration Unit of Standard Construction of Female Staff Organization**”, “**Home of Model Staff**”, etc. by Chang'an District Federation of Trade Unions of Shijiazhuang City.

Health and Safety

Staff's Health

Healthy and fit staff is the productive force of the Company. The Company has continuously improved the health management of staff in strict accordance with the Labour Law of the People's Republic of China, the Law on the Prevention and Control of Occupational Diseases and local regulations related to prevention and control of occupational diseases.

► Case: establishment of a staff health management system covering regular physical examination and customized physical examination

The Company has established a staff health management system covering regular physical examination and customized physical examination and provide staff with green health services through regular physical examination, famous doctor lecture, green channel for medical services, basic guarantee policy for serious illnesses, etc. Meanwhile, the Company gives special care to female staff and spends money on the purchase of female supplies for female staff to strengthen female staff's self-care awareness.



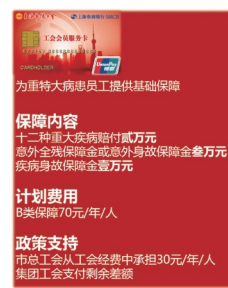
Regular physical examination



Famous doctor lecture



Green channel for medical services



Basic guarantee policy for serious illnesses

► Case: establishment green roof farm

In addition, the Company utilizes the roofs of shopping malls to build roof farms for plantation of green crops. At present, the farm area has reached nearly 4,000 m² and the farms supply over 30,000kg green pollution-free vegetables for staff's canteen each year to guarantee the safety of staff's food materials, which is beneficial to staff's physical and psychological health.



Innovative Development of
Red Star Macalline — Roof Farm

Roof farm also serves as the scientific education base and parent-children interaction center integrating staff's needs, green and environmental protection, scientific popularization and education and industrial returns. It is a way for Red Star Macalline's green and innovative development and has been widely recognized by the society.

Safety Management

Red Star Macalline has always regarded our staff as the most valuable asset and created a safe and guaranteed working environment within the scope of operation of various businesses to guarantee staff's physical and psychological safety.

The construction of shopping malls is in strict compliance with standards and requirements on creation of civilized and safe construction site under national construction standards of the PRC, and we perform safety and production management in strict accordance with the relevant provision on management of building construction sites of the place of operation. We manage construction sites according to the Rules on Safety and Production Management of Construction Engineering issued by the State Council of the PRC and Standards on Safety Inspection of Building Construction issued by the Ministry of Housing and Urban-Rural Construction of the PRC and have established the site safety management system and formulated the safety production responsibility system and corresponding measures and systems to ensure realization of production safety goals.

Upon completion of shopping malls, we prepare the Detailed Opening Rules on Property Management of New Shopping Mall, Detailed Rules on Management of Property Decoration and other systems and standards in accordance with the GB/T28001-2001 Standards on Occupation Health Safety Management System of the PRC to clarify safety management requirements including property risk assessment for new stores, safety training for staff engaged in preparation of new stores, site safety management, opening safety plan, safety management standards of decoration engineer, etc., thus to guarantee the safe operation of new stores. In addition, before opening of new stores, the Safety Management Department, Quality Service Department and Human Resources & Administrative Department of Red Star Macalline will provide special training for the staff of shopping malls and give guidance and evaluation of safety management and control of new stores to ensure that various indicators of new stores meet standards. In 2016, the occupational health and safety management system of Shanghai Betterhome Decoration Engineering Co., Ltd.* passed the certification of OHSAS18001 standard.

In the daily operation of shopping malls, we have prepared the Detailed Rules on Daily Management of Facilities and Equipment in Properties and Technical Management Manual of the Properties of Shopping Malls, which set out the rules on safe operation and emergency plan of relevant facilities and equipment in properties to prevent potential hazards. In actual safety management, we conduct preventive management and control for risks through measures including utilization of professional instruments to eliminate potential safety hazards in shopping malls, addition of automatic fire extinguishing devices in kitchens, employment with certificates for the positions requiring certificates, etc. to enhance the safety of shopping malls.

► Case: daily safety management

- In 2016, we organized "safety inspection, training and publicity on fire prevention days" twice, conducted 363 fire evacuation drills and 366 fire fighting drills, and published 364 articles. The potential safety hazards have been completely eliminated, and all staff's emergency response capacity was enhanced by such activities and promotions; and
- In 2016, we completed 159 capitalized renovation projects, of which 40 were in relation to the safety of shopping malls, for 45 shopping malls including the renovation of exterior walls, fire fighting, monitoring, elevator, electrical, etc., in which 30 potential safety hazards were eliminated.

In 2016, the organizations at all levels of the properties of Red Star Macalline won 42 municipal and regional honorary titles of the PRC including "Fire Safety Unit", "Advanced Unit of City Civilization", "Prize of Production Safety and Quality Standard", etc.

7. Environmental Protection

Green environmental protection has always been the goal of Red Star Macalline. The Company intends to purify the complicated and disordered shopping choice with green commitment and integrates the concept of environmental protection in our products and services, striving to provide more guarantees for consumers' healthy and environment-friendly life. Meanwhile, as the first enterprise winning the title of "China Green Home Shopping Mall Model" (中國綠色生態家居示範商場) in the home furnishings industry of the PRC, Red Star Macalline proposed the initiative of green commitment in the industry for joint construction of a green and harmonious consumption environment in the home furnishings industry and lead the high quality life idea and way of life of the public.

Environmental Protection Policy and Idea

The environmental protection policy of Red Star Macalline is reflected in the principle that decision making process, management and corporate culture give consideration to the environment, and is applicable to each link and phase of business operation from planning and design of shopping mall construction projects, building construction to project completion and property management, office building management, etc. It covers green building certification, saving of natural resources, optimization of energy efficiency, environment friendly purchase, etc.

Environment friendly operation requires a complete management system and the implementation of relevant policies relies on the cooperation and support of staff. Red Star Macalline endeavours to form the corporate culture of cherishing resources, enhance staff's awareness of environmental protection and encourage staff to proactively participate in and fulfill environmental protection commitment.

Red Star Macalline exerts concerted efforts to implement management and control in strict compliance with the "green and environmental protection management system" of the Company. In 2016, there was no activity or event with material impact on the environment and natural resources.

Dedication to Energy Conservation and Emission Reduction

Red Star Macalline attaches great importance to resources conservation and environmental protection and has developed a series of energy saving strategies including energy conservation and emission reduction for major energy resources, e.g. water, electricity, natural gas, building materials, etc., with a view to reduce carbon emission and save energy costs.

Reduction of Energy and Resources Consumption

The energy resources mainly consumed by Red Star Macalline include water, electricity, natural gas, etc.. As at 31 December 2016, the portfolio shopping malls of the Company consumed water of 2,084,000 tonnes, electricity of 350,458,000 kWh, and natural gas of 19,564,000m³. In 2016, the electricity consumption of 47 shopping malls of the Company decreased by approximately 4.9% as compared with the same period of 2015.

Construction of Environment-friendly Shopping Malls

In respect of construction of shopping malls, we will set goals of enhancement of energy efficiency in the planning and design stages of shopping mall projects to proactively promote green building.

Green building materials	We adopt the environmental friendly building model and apply recyclable and renewable materials as well as other feasible and more environmental friendly materials and plans to save natural resources, e.g. avoidance of using materials made of trees in construction; purchase of building materials from nearby regions to reduce effects on the environment in the process of transportation.
Green access mechanism for suppliers	We proactively encourage our suppliers to prepare product design standards or regulations, which should not be lower than the national standards or industrial standards on product quality and environmental protection of China, and equip necessary production equipment, inspection equipment, and environmental protection equipment, so as to produce products meeting requirements on quality, environmental protection and technology and guarantee environmental friendly supply of building materials. We have access qualification review system for merchants and suppliers of the major and auxiliary materials and furniture used in construction, and standard construction technologies to prevent secondary pollution of indoor air and drinking water.
Green construction procedures	In construction of shopping malls, we strictly monitor all procedures, abide by environmental protection standards and promote energy saving design and construction. Upon completion of shopping malls, we will promptly submit the Report on Application for Acceptance of Environmental Protection for Construction Project Completion to the environmental regulatory department, and the environmental protection facilities and measures in relation to shopping mall projects can only be put into operation after passing the acceptance by the competent departments to ensure compliance with environmental protection requirements of shopping malls' subsequent operation.

► Case: construction of green shopping malls

In 2016, Red Star Macalline promoted the shopping mall construction projects in Hefei Silihe, Tianjin Beichen, Dongguan, etc. and the design of such shopping malls gave consideration to environmental protection elements.

- Outdoor greening applied indigenous plants and adopted stratified greening of trees and shrubs;
- Energy-saving transformers, energy-saving control equipment and electric equipment were used;
- Reactive power compensation device with automatic adjustment function was used to reduce loss of transformers;
- Efficient water supply equipment was used and sanitary ware adopted water-saving products;
- Energy-saving and efficient lighting source and lamps were used to improve power factor and power consuming efficiency; and
- A time-controlled system was used for the lighting for landscape, garages and common aisles and an acoustooptic controlled switch was applied for staircase lighting to reduce waste.

Low-carbon Development of Properties

For subsequent operation and property management of shopping malls, we proactively promote the green and low-carbon development ideas and have formulated a series of environmental protection measures.

Low carbon measures



The decoration materials used by merchants in shopping malls must comply with environmental protection standards, and the shopping malls must publicize the brands, models and specifications of environmental protection materials for purchase by merchants.



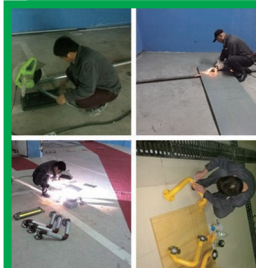
We proactively advocate recycling of “wastes” and encourage recovery of various waste materials to save costs of shopping malls and substantially reduce the use of resources.

In operation and management, the shopping malls of Red Star Macalline follow the environmental protection principles of “transformation of wastes and regeneration of old materials” and proactively study the plan for recycling of waste materials to improve the resources recovery ratio and reduce resources consumption.



Utilisation of waste truss for preparation of green plants

On 15 April 2016, the property department of Datong Dongxin Shopping Mall of Red Star Macalline proposed the plan for using waste truss for preparation of green plants. Unexpected landscape images were formed using truss pipes of different heights used as the base material and waste green carpet which was cut into pieces of bamboo leaf shape, without incurring any expenses, which was unanimously praised by the shop assistants and customers in the shopping mall.



Recycling of waste materials

The property safety department of Tianjin Jinghai Yingbin Shopping Mall of Red Star Macalline made full use of waste steel pipes, iron plates, carpet and other “wastes” discarded by certain merchants. They carefully polished and processed the wastes and processed iron plates into protective corners for entrance to shopping malls, door of garage chamber, railings, etc. to protect brand and save costs of shopping malls, greatly enhancing shopping malls’ brand services.

Energy Saving Management of Office Buildings

Red Star Macalline has always placed focus on resources saving and environmental protection and advocated the new ideas of energy saving and environmental protection, and improved the energy saving management system of office buildings with modern energy saving technologies relying on scientific advancement. It conducts demonstration, increases publicity efforts and has established a long-term mechanism to promote energy saving and environmental protection. It has made contributions to establishment of an efficient company and promotion of comprehensive, coordinated and sustainable development of economy and society to achieve a win-win situation between economic and social benefits.

The specific measures for energy saving management of offices are mainly divided into two categories, i.e. refined management and energy saving transformation.

Refined management	The Company optimises daily management process, and conducts analysis on energy saving for existing key energy using equipment or systems and proposes plans for technical transformation of energy conservation.
Energy saving transformation	If conditions allow, relevant technical transformations of energy conservation can be applied in accordance with the actual conditions, e.g. LED lights, installation of frequency conversion escalator, air-conditioning transformation, photovoltaic power, etc.

Shanghai Pujiang Shopping Mall and business department of Shanghai BetterHome of Red Star Macalline have constantly promoted energy saving transformation for buildings through their independent innovation to reduce energy consumption. The energy saving and environmental protection project and design of the shopping malls won the “Award for Innovation of Advanced Operation Method for Staff of Shanghai” in 2016, making prominent contributions to the urban environmental protection.

Reduction of Pollutants Emission

While advocating energy saving and environmental protection measures, Red Star Macalline is committed to the reduction of pollutants emission to reduce damages to and effects on the ecological environment. The treatment and emission of pollutants of the Company comply with the regulatory standards of the places of operations.

Waste Water Treatment

The waste water produced by us is mainly domestic sewage. We strictly comply with the regulatory standards of local environmental protection department and discharge waste water after treatment. The shopping malls of Red Star Macalline are set with septic tanks for pre-treatment (primary treatment) and sedimentation of impurities for domestic sewage to hydrolyze larger molecular organics into smaller molecular organics including acids, alcohols, etc., improving subsequent waste water treatment. The shopping malls with restaurants are set with oil separators for separation of oil, and only the waste water passing treatment acceptance can be discharged to reduce pollution of the environment.

Waste Disposal

Wastes are produced throughout the development of shopping malls of Red Star Macalline from construction to operation. We continuously conduct proactive waste management in every stage of the life cycle of buildings and strengthen wastes management on construction sites and wastes recovery of shopping malls to reduce the generation of wastes.

Upon completion of shopping mall projects, we proactively recover waste cables, waste reinforcing steel bars and other waste materials for recycling or secondary sales to increase sales revenue and substantially reduce the use of resources.

In property management, we proactively reduce wastes and implement classified management for household garbage and construction wastes in shopping malls which are set with appropriate garbage chambers. Rubbish is discharged on a daily basis. The household garbage is sealed and construction wastes are bagged before cleared by professional cleaning companies each day. Meanwhile, we advocate classification of household garbage in shopping malls based on the possibility for recycling. Due to scientific and reasonable garbage classification, the toxic and hazardous substances including lead, plastics, paints, etc. in garbage are subject to centralized harmless treatment by professional organizations and certain toxic and hazardous garbage can be converted into useful materials after treatment. Garbage classification contributes to a garbage-free shopping mall and a society with recycling of resources.

Classified Management of Garbage in Wuxi Binhu Shopping Mall



- Separation of “recyclable garbage can” and “unrecyclable garbage can”;
- In daily management and control, plastic bags are used for management. In collecting garbage, the cleaner will package the garbage bags separately and place the same in garbage can; and
- In case a tenant is found to discharge of garbage, the property management personnel will inform the tenant of garbage classification.

Classified Management of Garbage in Hangzhou Gudun Shopping Mall



- Large garbage cans are removed in public areas of shopping malls;
- Personnel will be arranged for door-to-door collections of garbage for tenants twice; and
- A garbage collection station is set at the outside square for classified treatment of garbage.

Noise Treatment

Noise generated by Red Star Macalline mainly comes from the power equipment including air conditioning units, air compressors, cooling towers and heat treatment equipments. We control the noise by using environment friendly equipments, installing noise-abatement equipment surrounding equipment and other measures. The noise measurement results of Red Star Macalline can reach the limits of the places of operations, posing little influence on environment of surrounding communities.

Main noise reduction measures of Red Star Macalline include:

- Outdoor units of air conditioning, ventilators, etc. apply efficient and low noise products;
- The inlet and outlet ducts of ventilators and air conditioners are set with muffler, and the air intakes and air outlets are set with mufflers or silencing shutters;
- the water inlet and outlet pipes of pumps and cabinet air conditioners are equipped with vibration damping connectors; refrigerators, fans, pumps, etc. are set with a vibration damping foundation;
- The water pipe elbows in refrigeration machine rooms are installed with vibration damping hangers;
- Vibration damping hanger or pad is applied in hoisting of cabinet air conditioners; and
- The air inlet and outlet ducts of cabinet air conditioners and all ventilators are set with flexible soft joints.

8. Repay the Society

Red Star Macalline insists on sharing its development achievements with society while pursuing its self-growth. As a leader in the home furnishing industry, we proactively spread home culture, participate in public welfare and carry out a number of public welfare undertakings, community services and environmental protection activities, striving to make contributions to the society, economy and environment.

Dissemination of Home Aesthetics

Red Star Macalline has persistently adhered to the mission of building a warm and harmonious homeland enhancing consumption and living taste and spare no efforts to spread the idea of home aesthetics to staff and the public in the society.

Riding on our expertise, Red Star Macalline created the WeChat official account named “Yudao” in the principle of serving the public and customers. Through the study on larger space residence and high quality living aesthetics, we provide beautiful pictures and practical living suggestions to the public. “Yudao” irregularly publishes articles on home furnishings design and aesthetic research to spread the aesthetic value of home furnishings industry and constantly enhance the public’s tastes for home life and aesthetic appreciation.

Aesthetic Idea
Spread by
“Yudao”



这是我们关于居住美学研究的第72集

家的人情味

在于家人，也在家居布置

我们在看别人家的图片时，常常会想，为什么有的人家透露着一种温馨感，仿佛从家的布置就能看出主人的模样，而有的人家却似冷冰冰没有感情。可见所谓家的温暖，除了家人，和家居布置也不无关系。本期，我们为大家总结了几个家居布置，让你的家更有人情味。

Memories
回忆
饱含记忆和经历的家饰品
能和居住者产生情感联结的家饰品

Dedication to Public Welfare

Red Star Macalline has always kept to its social responsibility and been committed to invest in public welfare undertakings. It discharges its social responsibilities and obligations through participation in public welfare activities. In 2016, Red Star Macalline made charitable donation in a total amount of RMB5.9 million.

Public Welfare Undertakings in All Regions in 2016

Large Region/ Independent Medium Region	Program	Public Support Provided and Social Benefits Generated in 2016
Northern and Northeast China Large Region	Public welfare activity of sending love to countryside in March and caring leftover children	The activity was jointly conducted by the shopping mall, the labour union committee of Anshan City of the Communist Youth League, Dadaowan District Education Bureau of Anshan City and Anshan Baode Primary School. In addition to warmth, they sent school supplies and other materials to the children in several remaining households in Ningyuantun Village. The "Send Love the Countryside in March" activity caught the attention of the municipal government departments and media and was widely covered.
Fujian Medium Region	"Star gives support, Red lights up the future" — Red Star Student Assistance Activity	The shopping mall, together with the Party committee of the Company, the Party branch of Fujian Medium Region and 10 tenants, donated teaching materials to Shiming Red Army Primary School in Caixi Town, Shanghang County, Longyan City, and 10 tenants gave one-on-one support to poor students. The Company and tenants were awarded the medal of "Donations to Education, Benefit the Descendants".
Northwest Central Plains Medium Region	"Look for Children from Mountains" charity bazaar	Yichang Xiling Shopping Mall held the public welfare trip to Wufeng, i.e. "Look for Children from Mountains" charity bazaar. The Communist Youth League Committee of Wufeng Tujia Autonomous County granted the "Love Enterprise" honorary title to Red Star Macalline.
Eastern China Large Region	Love donation	Yangzhou Runyang Shopping Mall organized a love donation for the dealer who passed away due to sudden cerebral hemorrhage. A total of RMB520,000 was raised.
	"We are on the way..." Student Assistance Activity in Golden Autumn	The Party committee, labour union and Youth League Committee of Taizhou Gaogang Shopping Mall carried out the "We are on the way..." Student Assistance Activity in Golden Autumn. They helped 3 poor students and encouraged them to regain confidence and change their life through pursuit of college education.
Beijing — Shanghai Southwest Large Region	"Lei Feng Day" charity bazaar	Shanghai Pudong Hunan Shopping Mall organized the "Lei Feng Day" charity bazaar to publicize and inherit the spirit of Lei Feng. The donations raised through the charity bazaar were given to the philanthropic foundation for helping the youth in difficulties.
	"Love in 2016" care for children in mountains	Chongqing Jiangbei Shopping Mall cooperated with large media in initiating the public welfare activity of care for children in mountains to let all levels in the society to attach great importance to the activity. The primary schools in the main urban areas and warm-hearted people in the society registered for the activity. The shopping mall also organized internal donation, in which large brand tenants donated quilts for summer, sports apparatus and stationery with an aggregate value of scores of thousand Yuan to the children.

Enthusiastic in Community Services

Community Service Activities in All Regions in 2016

Large Region/ Independent Medium Region	Social Activities Conducted in 2016
Beijing — Shanghai Southwest Large Region	<ul style="list-style-type: none"> • Upholding the tenet of serving the society of Red Star Macalline, volunteers of the shopping mall widely provided voluntary services. In 2016, 24 free repair activities were organized for residents of nearby communities; rest areas were provided for outdoor workers; in the “Love Assistance for College Entrance Examination”, staff and tenants were called upon to voluntarily offer their private cars to provide pickup and delivery service for students to attend the college entrance examination; • Proactive preparation of community fitness activities and sports meetings, children singing contest; • Irregular provision of services for the old and personnel in welfare houses to make due contributions to the aging society.
Eastern China Large Region	<ul style="list-style-type: none"> • Provision of free home furnishings design, free maintenance of home furnishings, free haircut, free diagnosis and treatment and other services to community residents; • Staff organized visits to the old in welfare houses, bring them electric fans, cattail leaf fans, fruits and other materials, and cleaned the rooms for them; • The human resources public welfare saloon Analysis on Labour Employment Cases and Risk Avoidance was held to improve the quality of local human resources practitioners.
Northern and Northeast China Large Region	<ul style="list-style-type: none"> • By virtue of building a civil platform with integrity, civilized and honest market activity was carried out, greatly enhancing the awareness of honest operation and market operators' self-discipline capacity; • Staff organized activities to care for old Party members, old experts, old teachers, old soldiers and old models as well as the next generation.
Fujian Medium Region	<ul style="list-style-type: none"> • Activities including “Childlike Innocence” children’s performance for “Denial of Domestic Violence and Caring the Healthy Growth of the Next Generation”, “Contest of Knowledge on Safeguarding Rights by Women”, and visits to gerocomiums were organized to show care and concern about vulnerable groups in the society; • Provision of voluntary diagnosis for staff, shopping guides and customers in the shopping mall.
Northwest Central Plains Medium Region	<ul style="list-style-type: none"> • Volunteers were organized to provide comprehensive improvement services for Huangshi City to welcome the “Garden Expo & Minerals Expo” and create “national sanitary” city; • Organization of “voluntary tree planting” activity; • “Little Cook” activity was organized to create family happiness and let children grow in happiness; • With the help of the public welfare activity platform, the activity for respecting the old was held on the Double Ninth Festival.



Visiting the old in welfare houses organized by Red Star Cixi shopping mall in Eastern China Large Region



Focus on Environmental Protection Activities

Environmental Protection Activities in All Regions in 2016

Large Region/ Independent Medium Region	Program	Environmental Protection Activities Conducted in 2016
Beijing — Shanghai Southwest Large Region	“Fixed Environmental Protection Day of Jinqiao Shopping Mall”	Jinqiao Shopping Mall determines the first Saturday of each month as the “Fixed Environmental Protection Day of Jinqiao Shopping Mall”, and cooperated with surrounding communities in publicity of environmental protection and dissemination of knowledge on garbage classification.
Eastern China Large Region	“Protection of Mother River” program	Nanjing Zhongyang Road Shopping Mall cooperated with Nanjing Water Bureau and other relevant units in carrying out the “Protection of Mother River” program to promote the prevention of floods in an ecological way and advocate all people to protect the ecological environment.
	“Prevention of Pollution of Moat — Regulation of Five Rivers, River Adoption” action	The labour union committee of Shaoxing Ring Road Two Shopping Mall organized the “Regulation of Five Rivers, River Adoption” action to enhance staff’s awareness of flood control, public welfare and social responsibility.
Northern and Northeast China Large Region	“Date with the Spring, Embrace Green” tree planting activity	Fushun Shopping Mall organized the large “Date with the Spring, Embrace Green” tree planting activity on the Yueya Island in the Green Theme Park in Fushun City to make contributions to a green earth.
Fujian Medium Region	Passionate Wuyuan Bay “Create New Low Carbon, Green Run” and Publicity and Commemorative Activity on the World Environment Day	On the World Environment Day, advocacy and publicity on ecology, green, low carbon and recycling were organized to enhance the awareness of protection of natural environmental quality and social environmental quality and create a good atmosphere in which the entire community jointly participate in construction of ecological civilization, improvement of environmental quality and promotion of green development.

Environmental Protection Activities in All Regions in 2016

Large Region/ Independent Medium Region	Program	Environmental Protection Activities Conducted in 2016
Northwest Central Plains Medium Region	“Green Travel Joy in Riding — I speak for low carbon” public welfare riding	The riding activity combined public welfare with sports. The riding team called upon more citizens to adopt low-carbon travel, green travel, civilized travel and healthy travel with their practical actions to make contributions to environmental protection.
	“Protection of Mother River, Joint Construction of an Ecological Corridor” Yellow River Wetland green public welfare activity	The young volunteer team carried out a series of activities in Zhengzhou Yellow River Wetland Park including visit to the scientific popularization corridor, watching the “Beautiful Wetland” environmental protection advertising video, organization of green brisk walking competition, pickup of garbage, release of “Protection of Mother River” action proposal, etc. to publicize green and environmental protection idea with practical actions.
	“Cherish the Memory of May Fourth, Inspirit the Youth Dream” Green brisk walking activity	The young environmental protection volunteer team carried out publicity for environmental protection and picked up garbage along the West Ring Road Three Ecological Corridor and initiated green brisk walking in Pengqing Medical College to advocate green and environmental protection idea with practical actions.

Tree Planting Activity in Northern and Northeast China Large Region





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