



紅星美凱龍家居集團股份有限公司 Red Star Macalline Group Corporation Ltd.

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

H Stock Code: 01528 A Stock Code: 601828

2017

Environmental, Social and Governance Report





ABOUT THIS REPORT



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This report contains details about the performance of Red Star Macalline Group Corporation Ltd. in respect of social responsibilities for the period from 1 January 2017 to 31 December 2017 ("FY2017"). To facilitate presentation and reading, "Red Star Macalline Group Corporation Ltd." is referred to as "Red Star Macalline" and "we".

This report is prepared in accordance with "Environmental, Social and Governance Reporting Guide" issued by The Stock Exchange of Hong Kong Limited in December 2015 and "Guidelines on Environmental Information Disclosure by Companies Listed on the Shanghai Stock Exchange" issued by Shanghai Stock Exchange in May 2008 for strengthening listed companies' undertaking of social responsibilities.

Information contained in this report is from formal documents and statistic reports of Red Star Macalline, and summary and statistics provided by subsidiaries. As there is no assurance to the accuracy of information provided by Managed Shopping Malls, key environmental performance indicators disclosed in this report do not cover Managed Shopping Malls.

This report is available on the websites of Red Star Macalline (www.chinaredstar.com), Shanghai Stock Exchange (www.sse.com.cn) or The Stock Exchange of Hong Kong Limited (www.hkexnews.hk).



OVERVIEW

CHAIRMAN'S STATEMENT



CHE Jianxing

Chairman of Red Star Macalline &
Chief Executive Officer

Dear stakeholders,

For the home improvement and furnishings industry of China, the past two years marked an era when market players were vying for the throne, trying every means to secure bigger market share. Despite the fierce competition, Red Star Macalline recorded steady development and ranked among the top in terms of revenue. As the most well-known brand in home improvement industry, Red Star Macalline does not only position itself as a shopping mall, but also aims to help Chinese people improve their home life and promote Chinese design. While realizing continuous growth, Red Star Macalline tried hard to become a leader and pioneer in the home improvement and furnishings industry in China. With the enterprising spirit, Red Star Macalline consolidates all resources and power available to explore China's home improvement market, making contribution to the ambition of building China into a strong country with world-top home improvement brand.

While focusing on its growth, Red Star Macalline cares about shareholders, staff, customers, suppliers and other stakeholders. We hope to bring the best return to shareholders when we are pursuing excellence. We improve the training mechanism and promotion channel for staff, helping them realize self-improvement and career development. Striving to become a leader in the home improvement and furnishings industry, we set strict standards on suppliers, for the purpose of providing customers with high-quality products and services.

Aiming to develop China's most professional and advanced "omni-channel platform provider in home improvement and furnishings industry", we inherit the "Luban Spirit", select world-class design brands with ingenuity and originality, and

maintain a leading position in the home improvement and furnishings industry. In the meantime, we apply both online and offline marketing channels and promote the application of internet related products into the home improvement and furnishings industry, thereby offering customers better shopping experience.

With the commission of "improving Chinese people's home life", we promote home life aesthetics, home arts and "home culture", hoping to cultivate the consciousness of focusing on family among Chinese people, help Chinese customers better appreciate the value of home life and foster a hope for happy life, and build a better home living environment for Chinese people.

We never forget our social responsibilities and actively participate into charitable activities to support education, poverty alleviation, entrepreneurship and child care, so as to repay the society. Meanwhile, as the only shopping mall in the home improvement and furnishings industry that is titled as "China Green Home Shopping Mall Model", Red Star Macalline incorporates environmental protection awareness in the decision-making, management and operation process.

Looking ahead, Red Star Macalline will bring more value to its stakeholders, and forge ahead on the path to "world-top brand of Chinese nation". Together, we will witness the glory and the ambition of China's home improvement and furnishings industry!

CHE Jianxing
Chairman

Shanghai, 28 March 2018

OVERVIEW



ABOUT RED STAR MACALLINE

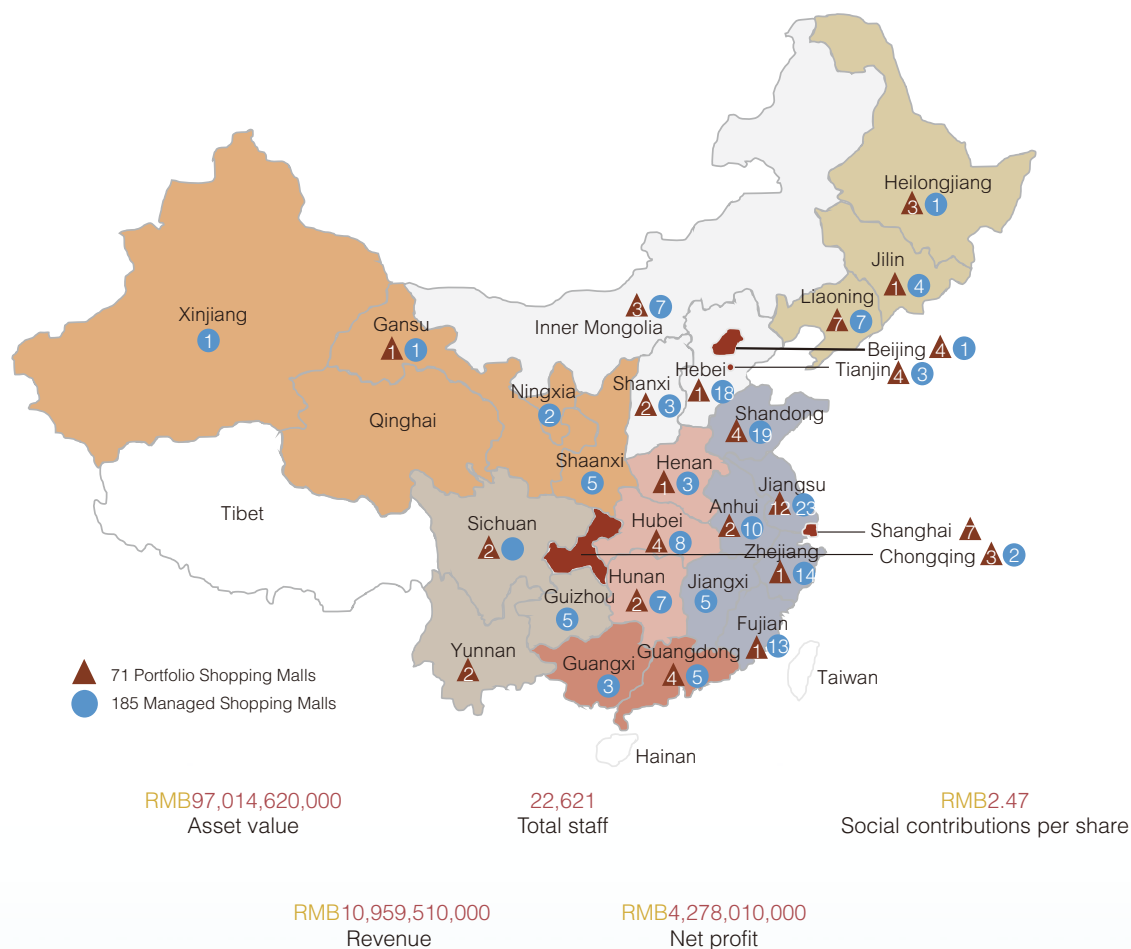
Corporate profile

Red Star Macalline Group Corporation Ltd. was listed on the main board of The Stock Exchange of Hong Kong on 26 June 2015 (stock code: 01528.HK). It is mainly engaged in operation, management and professional consulting services of home improvement and furnishings shopping malls.

Red Star Macalline offers tenants, customers and partners integrated services through operation and management of Portfolio Shopping Malls and Managed Shopping Malls. Integrated services offered by Red Star Macalline to tenants include design of exhibition space, marketing and promotion, day-to-day management and customer services. To customers, Red Star Macalline offers plenty of brands and products, and premium “one-stop” shopping experience. Such first-rate services also include “unconditional return in 30 days”, free shopping guidelines with rich information and home design consulting services. In addition, Red Star Macalline offers services to partners under Managed Shopping Malls for the whole process from site selection, tenant sourcing and opening arrangements, and subsequent operation and management.

As at 31 December 2017, Red Star Macalline operates 256 shopping malls in 177 cities of 29 provinces in China, with the operating area approximately 15,137,728 square meters.

Distribution of our shopping mall

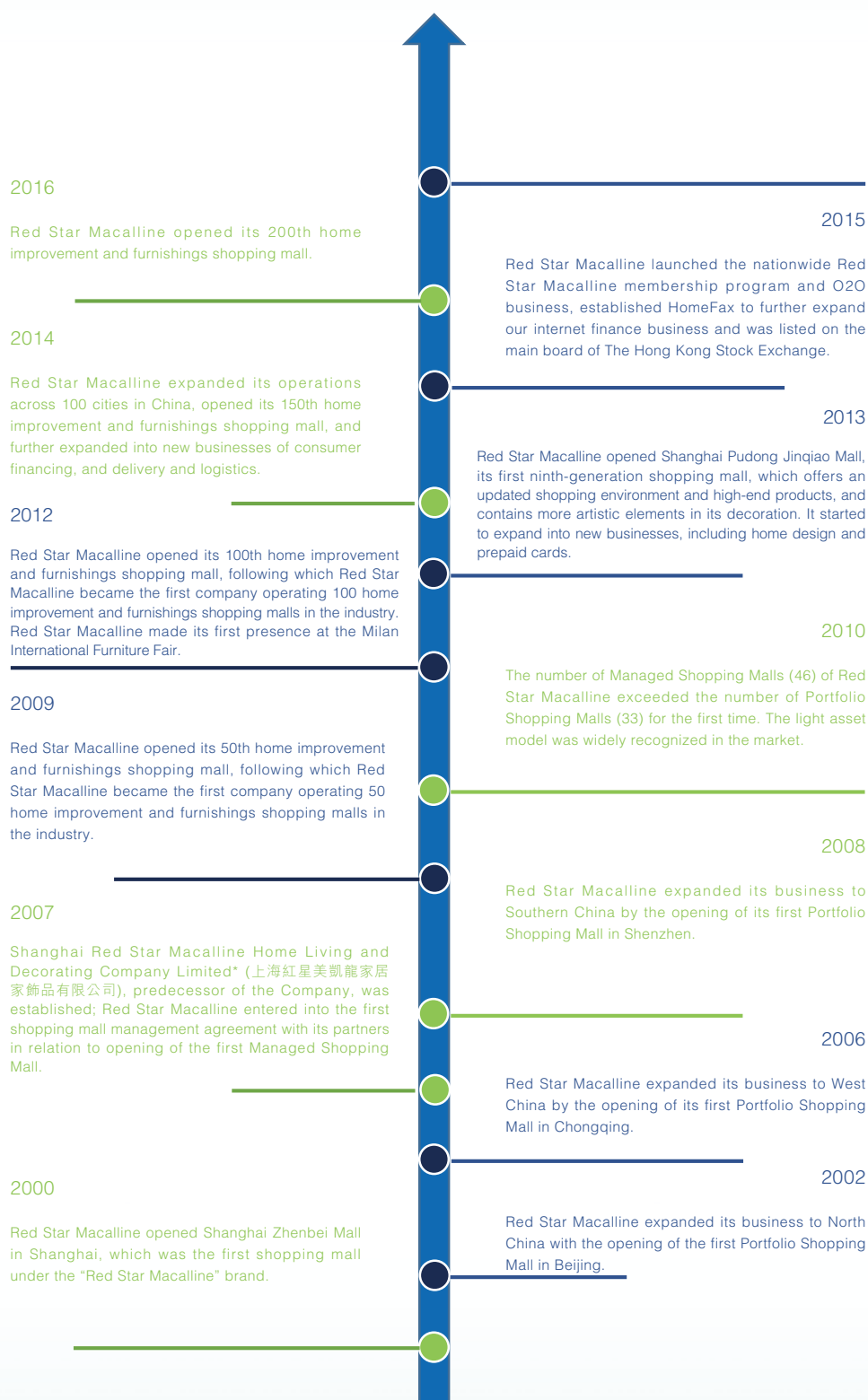


Overview of Data for FY2017



OVERVIEW

DEVELOPMENT HISTORY



OVERVIEW



PROMOTION AND IMPLEMENTATION OF SOCIAL RESPONSIBILITY STRATEGY

Corporate Social Responsibility Strategy

Stand in the position of customers; offer reliable and high-quality home product platform to the market; set an example for the industry; realize mutual development between income and the environment and the society; earnestly fulfil corporate social responsibility:

A company that serves customers with heartiness

Take the experience and demands of customers seriously; actively respond to customers' feedback; make adjustments according to five dimensions of the "Word of Mouth Advertising" project; improve the service system; strive for satisfaction from all customers and record no complaint.

A company that contributes to development of the home improvement and furnishings industry

Innovate management system and consumption services; set the benchmark for the home improvement and furnishings industry; promote industry consolidation and optimization; improve overall strength of the industry.

A green and environment-friendly company

Earnestly fulfil the environmental responsibility; put greater efforts to save energy and reduce emission; contribute to improvement and protection of ecological environment. Urge suppliers to fulfil their environmental and social responsibilities.

A company with sustainable development

Improve the value creation ability to bring steady returns to shareholders; care about the interest of staff, respond to their demands, care for their health, and offer them a working environment as warm as home; pay attention to social demands, participate in poverty alleviation, education support and other charitable activities, contribute to harmonious development of the society.





OVERVIEW

COMMUNICATION WITH STAKEHOLDERS

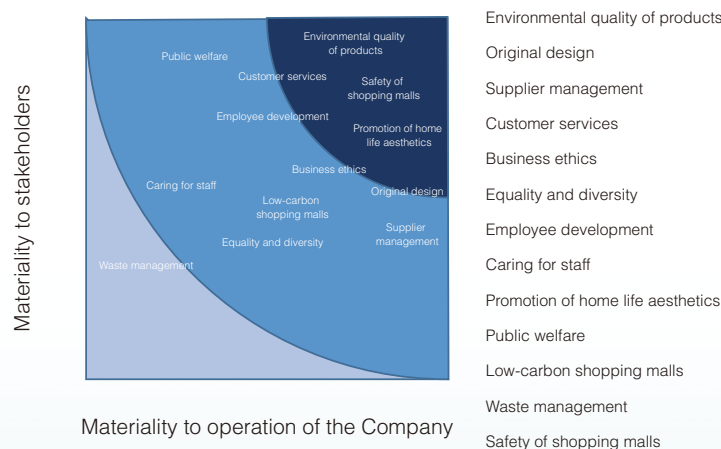
Red Star Macalline has extensive stakeholders including shareholders/investors, government/regulators, staff, customers, suppliers/partners, the environment, and communities/the public. With the vision of "building world-top brand of Chinese nation", we give full consideration to the demands of all stakeholders and maintain formal and informal contact with stakeholders.

Stakeholders	Expectations and demands	Way of communication
Shareholders/investors	Ensuring shareholders' rights and interests; maintenance and appreciation of assets value; corporate governance; true, accurate, prompt and complete information disclosure	General meeting; press release and announcements; company reports; publication of information on the website of the Company; investors' meeting
Government/regulators	Equal employment opportunity; health and safety; environmental protection; industry development; repaying the society	Conferences; compliance reports; site inspections; participation in meetings/seminars; special inquiry/inspection; proper submission of documents
Staff	Equal employment opportunity; remuneration and welfare; staff training; career development; humanistic care; staff health and safety management	Labour contract; labour union; leisure-time activities; manager's mailbox; voluntary activities; daily communication
Customers	Customers' satisfaction management; customers' complaint management; product responsibility	Daily operation/interaction; customers' satisfaction survey; regular visits; customers' service center/hotline
Suppliers/partners	Industry development; code of conduct of suppliers; suppliers' evaluation; cooperation with suppliers	Management-level meetings; seminars; marketing summits; supplier access and evaluation; site visits; daily communication
The environment	Environmental protection policy and concept; reduction of consumption of energy and resources; reduction of pollutant discharge	Environmental supervision; environmental disclosure report; implementation of green operation and management
Communities/the public	Promotion of home life culture; dedication to public welfare; enthusiasm in community services; focus on environmental protection activities	Public benefit activities; community services; environmental protection activities

SELECTION OF MATERIAL ISSUES

We communicated with internal and external stakeholders this year, conducted surveys with them, and received plenty of suggestions. Judging by the impact on the operation of Red Star Macalline and the impact on stakeholders, we scored and sorted these social responsibility issues to reflect the material impact we have had on the environment and the society, and to better respond to expectations and demands of stakeholders. Material issues we have selected are as follows:

Materiality Matrix



MARKET



Red Star Macalline is in favour of win-win cooperation, and establishes a synergetic development mechanism featuring common growth and mutual trust and benefit with suppliers and customers, which fosters a strong competitiveness in the market. While having a strict control on product quality, we focus on product innovation and strive for improving customers' satisfaction, enhancing customers' engagement and promoting industry development. Furthermore, by reinforcing cooperation with suppliers, we improve supplier management and urge suppliers to perform their social responsibilities, thereby building a safe and reliable supply chain.

PRODUCT RESPONSIBILITY

Environmental quality of home products is closely related to the fundamental interest of each customer. As the leader in the home improvement and furnishings industry, Red Star Macalline initiates the formulation of industry standards, with an aim to lead the industry to a prosperous development. We also focus on original design and believe that innovation is the primary productive force. We are doing our part to help original design grow stronger and to facilitate the rejuvenation of the retail industry. When upgrading our services, we accept advice from customers and improve the quality of after-sales services, we strive to improve customers' satisfaction and offer customers the experience that they are having hearty services from Red Star Macalline.

Green Home

We execute strict environmental standards on products and promote green brands, hoping to upgrade each family to have a more environmental-friendly home.

Development of Standards on the Environmental Quality of Products

Red Star Macalline develops "Environmental Quality Assessment Standards for Red Star Macalline Products" and "Regulations on Environmental Quality Management of Products" in accordance with national standards, national recommended standards, recommended standards for building material industry, recommended standards for the forestry industry and with reference to GB18583 "Limit of Hazardous Substances in Adhesives for Interior Decoration Materials (《室內裝修材料膠粘劑中有害物質限量》)" and GB24410 "Limit of Hazardous Substances in Water-based Wood Coating for Interior Decoration Materials (《室內裝飾裝修材料水性木器漆塗料中有限物質限量》)". Such standards clearly set out environmental quality management plans, including environmental requirements on shopping mall operation and inspection procedures.



MARKET



Red Star Macalline introduces certification mechanism for imported brands and develops “Green Leader Brands – Verification Standards for Imported Products” (《家居綠色環保領跑品牌項目—進口產品核查標準》), so as to monitor imported brands more effectively.

“Environmental Quality Assessment Standards for Products”

- It specifies environmental protection items for spot check of 13 categories including contents of heavy metal (colour paints), formaldehyde emission, radioactivity, peculiar smell of products.
- With the filing of the Quality and Technical Supervision with the Shanghai Municipal Bureau, it has since become the first set of comprehensive environmental quality assessment standards for products.

“Regulations on Environmental Quality Management of Products”

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

During FY2017, Chinese authorities recognized the standards on product quality imposed by Red Star Macalline. We were designated as a member of the appraisal panel for “Standard Forerunner” (標準領跑者) of the State Administration for Market Regulation, and further deepened trust and cooperation with the China Quality Certification Centre by signing the second five-year strategic cooperation agreement.

MARKET



Strict Implementation of Environmental Quality Standards

We create an omni-directional environmental quality management system for pre-sales of commodity, sales and after-sales, and strictly execute the environmental quality standards.

- Pre-sales**
 Brands are permitted to be launched in shopping malls for operation only when the environmental quality reports show the standards are met.
- Sales**
 In the daily environmental quality management of products, we entrust a recognized testing organization to conduct spot checks on the products in the shopping mall on a regular basis. We ensure that every product should comply with environmental quality standards. For brands launched in shopping malls, Red Star Macalline allocates special funds to manage the inspection of environmental quality, ensuring that the sampling rate of brands launched in each shopping mall is not lower than 36% of the total. We carry out a nation-wide plan management to make sure that sampling rate for all brands launched in shopping malls reaches 100% and that any brand launched in shopping malls will be checked at least once every year.
- After-sales**
 Relying on the official enquiry access and credit classification system, Red Star Macalline extends the environmental quality control of products from downstream customers to the upstream of circulation, and conducts 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.



Establishment of "Official Enquiry Access To Chinese Home Furniture"

Responding to the call of "integrity for prosperity" (誠信興商) initiated by the Publicity Department of the CPC Central Committee and the National Development and Reform Commission, Red Star Macalline collaborated with China Quality Certification Centre and other major home brands in 2015 to launch the "Official Enquiry Access To Chinese Home Furniture" with the support of the Ministry of Commerce and the General Administration of Quality Supervision, Inspection and Quarantine. On the platform, customers can check whether the products they bought are certified, and we realize the vision of "green home and certified product traceability".

During FY2017, Red Star Macalline repurchased 100 counterfeit-proof labeled brands, and over 1,000 brands applied the counterfeit-proof labels for all series of products.





MARKET

Promotion of Green Brands

In a bid to regulate the quality and environmental protection standards in the home improvement and furnishings industry and promote green brands, Red Star Macalline extends cooperation with the China Quality Certification Centre in the “Green Leader” brand appraisal campaign. Establishing an appraisal system based on the 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, the campaign has a comprehensive evaluation on home products of brands in the campaign and their manufacturers, and selects the green brands for the year. “Green Leader” has now become a quality award highly recognized by customers and the industry.

FY2017 was the fifth year for “Green Leader” campaign, and we made remarkable progress, having 1,600 brand series and 31 categories. With the strong support of the China Quality Certification Centre, we followed stringent appraisal procedures and conducted comprehensive evaluation on participating brands. We selected 87 Green Leader brands, 471 recommended green brands and 13 imported green brands. In addition, we organized green run and a series of activities to promote the “Green Leader” campaign, hoping to stimulate other market brands to value the green home concept and to boost common progress of the home improvement and furnishings industry.

In March 2017, the conference for “Brand Growth Program” of Red Star Macalline green products was held in the Hunan shopping mall, Pudong, Shanghai, and we showed again our determination in promoting green products.



Green run under the “Green Leader” Campaign



The conference for “Brand Growth Program” of green products

MARKET

Originality

We announce the first home design selection standard – “Luban Index” to appreciate the ingenuity and originality of home product and to draw the attention of the entire industry on origin design. We also offer support to young designers, attend the Milan international design week and sponsor the fashion forum TALK, making contribution to the development of Chinese origin design.

Launch of “Luban Index”

Inheriting the “Luban” spirit, we launch standards for selecting top designs – Luban Index. The standards contain five dimensions: “attractive design, superior material, exquisite workmanship, ingenuity and style”, which reflect what customers care about most when they are selecting home products: design, material, workmanship, function and taste. We select top designs around the globe with these five dimensions for assessing the ingenuity and originality, and try to bring more high-quality products to customers.

Origin Design – Trump Card of Promotion

During FY2017, we discarded themes of “low prices” and “discounts” for “May 1st Promotion” and launched “Top Designs” and “May 1st Privileged Packages”. Design products were promoted with favorable terms, and designers were the trump cards in this promotion. During the promotion, we consolidated 2,356 designers, 506 home design companies, collaborated with 4,266 brands and organized 158 design events across the country.



DESIGN DREAM SHOW

Support to Chinese Origin Design

In promoting the development of Chinese origin design, we introduce design resources and crossover innovation resources (including world famous designers and China's top ranked designers) into development of new home products, and offer support and funds to facilitate their origin design.

As a regular visitor of the Milan international design week, we are committed to introducing Chinese origin design brands and origin designers to the international stage and inspiring Chinese originality to attract more attention from the industry. We also aim to improve the recognition of designers through an international fashion and design event as such and to improve the power and influence of Chinese origin design in the global market.

Launching the Red Star Macalline International Platform, we hope to enhance the communication of domestic and overseas designs, brands and markets, improve the influence of Chinese origin design, and to help China's home improvement and furnishings industry transform from “Made in China” to “Created in China”.

On the 23rd China International Furniture Expo held during FY2017, we sponsored the “origin design communication platform” and staged a DESIGN DREAM SHOW, building an exhibition space of 2,000 square meters, organizing six activities within four days, attracting 40,000 visitors and interacting with 10 million online audiences. On the fashion forum TALK, we invited China's design masters Liang Jinghua and Qiu Deguang to lectures, discussing about fashion trends and helping young designers to foster. The show was honored with the “Modern Charity Award of Furniture Expo 2017” (傢俱展2017 年摩登態度公益獎).



MARKET

Primacy of Service

We firmly believe that service is the foundation of an enterprise, and we hope to have satisfaction and loyalty from customers by offering them high-quality services, meeting all of their requirements, and taking their complaints and suggestions seriously and promptly. For customer privacy, we offer sales personnel the access to customer documents according to their duties and responsibilities, thereby maximizing privacy protection.

Improvement of Consumer Experience "Word of Mouth Advertising" Project

We advanced the "Word of Mouth Advertising" project and promoted normalized standards to word-of-mouth shopping malls across the country. We set specific requirements on price, service, operation, staff and environment. Since FY2017, we have been exploring new word-of-mouth patterns from aspects of information flow, favorable environment and superior service, and have launched pilot programs in seven word-of-mouth leading shopping malls.

Price

We launch price tag management, stock keeping unit management, price compliance management and discount management, to improve customers' shopping experience from the source. The price tag management requires that the price tag must match with the product. For stock keeping unit management, we are developing a coding system to ensure that a category of products has one code and that the source of every product can be traced, therefore offering guarantee to customers. For price compliance management, we ensure that every product is priced reasonably and ban any unreasonable pricing. In discount management, we ban any "high pricing, low discount" phenomenon.

Services

In shopping mall management, we set unified service standards. For return of products, we introduced a "15-minute Refund" service, which is the first in the industry. All the refund procedures can be completed within 15 minutes from the moment when customers put forward refund requests. The key of such service is the mechanism of compensation in advance, under which, customers who have disputes with tenants will have compensation in advance when they satisfy certain conditions, and the compensation is funded by deposits of tenants. Therefore, customers can get the compensation in a timely manner. With regard to logistics, we develop our logistic system and more logistic centers will be in place to ensure prompt delivery. When improving supporting services, we establish a home product maintenance team to offer professional home product maintenance services to customers.

Operation

We incorporate credit classification management of tenants into operation management, rating tenants by their quality, prices, delivery, services and contract execution and encouraging tenants to offer services of better quality. The "Credit Classification Management of Tenants" is 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. During FY2017, the credit classification standard was launched on the Credit Shanghai APP (誠信上海APP), 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).



MARKET



Xingyi•Home Loan (星易•家居貸)

We launch Xingyi•Home Loan (星易•家居貸), the online consumption financing product, to meet customers' consumption demands, and provide unsecured, unguaranteed and low-cost credit services for personal home furnishing consumption. We will collaborate with financial institutions in the future, engaging financial institutions to offer on-site services to satisfy consumers' requirements. We will also promote the "Home Loan" series to become a flagship service for the home improvement and furnishings industry.

BetterHome – One-stop Home Decoration Services Guaranteed by Technology

To consolidate upstream and downstream industry chain and to offer customers integrated services incorporating home design plan, sales of materials, furniture purchase and construction, we establish a subsidiary Shanghai Betterhome Decoration Engineering Co., Ltd.* ("BetterHome"), which provides customers with premium one-stop home decoration services. BetterHome is certified as High-Tech Enterprise by the Shanghai Science and Technology Committee, Shanghai Municipal Finance Bureau, Shanghai Municipal Office, SAT, and Shanghai Municipal Bureau of Local Taxation, and is rated as 5A Demonstration Enterprise of Whole-package Decoration Brand and Five Star Integrity Enterprise (五星級誠信創建企業).

With many exclusive patents, BetterHome can help customers save plenty of time and energy in home decoration and can also meet the personalization requirement, which significantly improve the service experience.

Green Showroom 3.0 (綠色展陳3.0)

To improve customers' experience, we launched Green Showroom 3.0 (綠色展陳3.0) in FY2017 and built "Green Home Decoration Classroom" in shopping malls. Customers can have interaction with home decoration companies and designers, and learn how to select green home decoration packages that fit their needs in a cost-effective way through the 15-step home decoration guideline. Currently, the Green Showroom 3.0 campaign has been launched in about 30 shopping malls across the country.



Customer Complaint Management

We set responsibility for first inquiry and compensation in advance, effectively handle customer complaints, and provide high-quality after-sales services. Leveraging the "Dragon's Wings" platform, we create a new customer service platform, which lays foundation for the information-based all-media customer communication center and realizes traceability of inquiries and complaints. We offer many channels including the 400 hotline, company website and WeChat Official Accounts Platform for customer complaints, and ensure the diversity and openness of complaint channels. In the meantime, we prepare a series of customer complaint 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 managing complaints and the duties and responsibilities of all departments. According to the severity of customer complaints, we have 24-hour treatment, 72-hour treatment and 7-day treatment. We also have call-back and return visit on irregular basis. While attaching great importance to customers' shopping experience and user experience, we will take prompt actions to remedy shortcomings and deficiencies, therefore improving customers' satisfaction.

During FY2017, we were honored with the "Top 10 Companies with Best After-sales Services" (全國行業十佳售後服務單位).





SUPPLIER MANAGEMENT

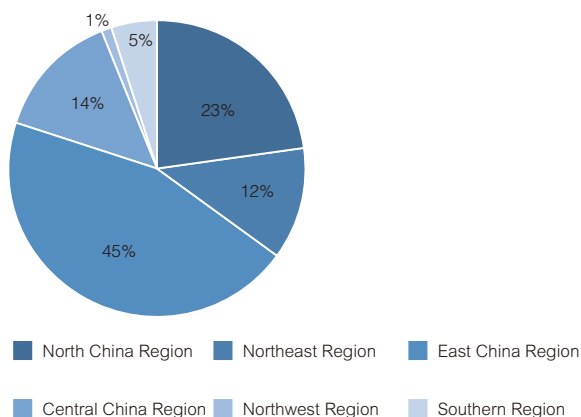
Our suppliers include brand partners and materials and service suppliers. Brand partners are responsible for providing home products sold in Red Star Macalline shopping malls, and materials and service suppliers are responsible for providing products other than home products (such as office supplies).

For brand partners, we have prepared the “Commodity Qualification Management Regulations”, which clearly regulates the charging standard and compliance verification for tenants’ access qualifications. We evaluate brand partners through field visit, review of source of products, spot check of service timeliness and contents, and knock out disqualified brand partners according to the results of annual comprehensive evaluation. We implement 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 of inspection, inspection of 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, and encourage them 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.

MARKET

In respect of materials and service procurement, Red Star Macalline has published a “Purchase Management Policy” to implement unified standard and centralized management for materials and service procurement 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 excellent materials suppliers for strategic purchase to substantially reduce purchase costs and reduce energy consumption of operation, carbon emission and effects on the environment. During FY2017, we had 682 major materials and service suppliers, most of which were from East China, 4 from Hong Kong.

Distribution Map of Major Materials Suppliers



Notes: Major materials and service suppliers are the top 682 suppliers that are ranked by trading value with Red Star Macalline during FY2017 and, in aggregate, account for 80% of the total trading value with all suppliers.

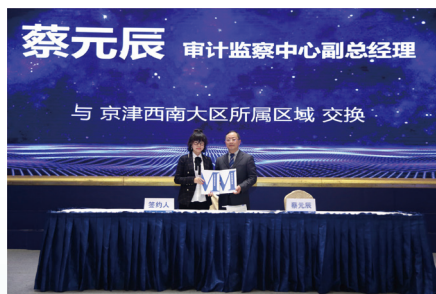
MARKET



BUSINESS ETHICS

Red Star Macalline is devoted to creating a clean, fair and transparent operation environment. It establishes the supervisory department, and has careful investigation and strict punishment for any violation of rules and regulations, such as embezzlement, receiving or asking for commercial bribery, seeking illegitimate benefits by taking advantage of duty. In 2017, to align with risk control, improve the integrity supervision mechanism and promote sound and rapid development, we issued "Supervision Management Rules" of the Red Star Macalline Group (紅星美凱龍家居集團督察管理制度), which was revised on the basis of "Supervision Regulations" (督察條例). The rules set out details about punishment of violation of rules and regulations. In addition, Red Star Macalline sets reporting channels to receive reporting from the public of any irregularities and perform regular inspections.

During FY2017, we neither detected any significant corruption issues and laundering behaviors in the Company, nor involved in any lawsuits related to the aforementioned behaviors.



Signs letters of responsibility for integrity and self-discipline with various regions, shopping malls and functional departments



STAFF

We regard staff as the most valuable asset. While protecting the basic interest of staff, we offer them competitive remuneration and improve the promotion system in accordance with employment laws and regulations. We also create a harmonious and open working environment, respect staff in service positions, offer trainings in the management school, making them feel that the Group is always there beside them and realizing the vision of happy growth and common development of company and staff. We have been awarded “CCFA Staff’s Favorite Chain Enterprise (CCFA中國連鎖業員工最喜愛公司)” and “CSTD Best Corporate University of China (CSTD中國最佳企業大學)” for many years. In FY2017, we won the titles of “Pioneer Employer of the Year (年度先鋒雇主)”, “China Top 100 Employers of the Year (中國年度百強雇主)” and “Work Different – Trends (風尚非凡雇主)”, and the honor of “Top Human Resources Management Awards (人力資源管理傑出獎)”.

EQUALITY AND DIVERSITY

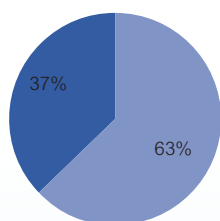
Red Star Macalline strictly complies with human rights, International Labor Organization Convention and the local labor employment regulations and relevant policies where it operates. We adhere to equal employment, oppose employment discrimination of various forms and enter into labor contracts with employees to ensure that employees are not discriminated due to race, gender and other factors.

We strictly prohibit the use of child labor and forced labor. When recruiting new employees, we require applicants to present valid identification documents to check if they reach the legal working age. We require employees to close stores and get off work on time. If overtime work is needed, overtime application must be submitted in advance. We did not find any violations of laws and regulations relating to the employment of child labor or forced labor in FY2017.

We attach great importance to the diversification of employee structure and recruit more employees with different backgrounds, thereby bringing diversified ideas and values to the Company and enhancing the vitality of the Company and employees. We focus on recruiting more female employees, especially increasing the proportion of female employees in management. In FY2017, our female employees make up 37%. Apart from Chinese nationality, our employees also include foreign ones from France, Australia, the United States and other countries. In addition, around 3.8% of our employees are from ethnic minorities, including Manchu, the Hui nationality, the Bai Nationality, the Zhuang nationality, the Mongolian nationality, the Bouyei nationality, Dong minority, the Miao nationality, the Tujia nationality and the Yi nationality.

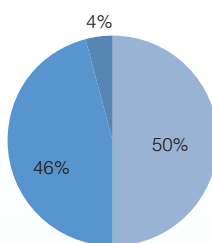
In FY2017, we had 22,621 employees.

Percentage of employees by gender



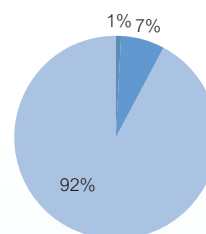
Male Female

Percentage of employees by age group



Aged 30 or below Aged 30-50 Aged 50 or above

Percentage of employees by type of employees



Senior management Middle management General employees

STAFF



TRAINING AND DEVELOPMENT

Red Star Macalline concerns about the career development of staff, advocates “happy study, happy work and happy life”. We make learning and development plans for employees, encourage and help staff to constantly improve their capacity and quality to become backbones of Red Star Macalline and even the society.

Talent Cultivation

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 each staff to explore the way of career development in personal work and provide theoretical support for the construction of a sustainable talent team. In FY2017, the average training hours of staff reached 219 hours.



Average training hours of employees

Male	219
Female	219
Senior management	192
Middle management	264
General employees	216



STAFF

We advocate all-staff study by combining online and offline learning models and launching various learning activities in many ways including class, sharing and interviews. At the same time, we also set up courses matched with capacity promotion based on the competency model and business requirements of different positions.

In FY2017, the management school launched a series of thematic training activities, including "talent training in key positions in home shopping malls", "home living experts", "serving merchants", "basic knowledge training for all staff", and "knowledge management and sharing system". We match corresponding courses with different needs of trainees and improve their comprehensive management capabilities and capabilities in the operation and management of shopping mall through the linking of learning with actual operation.

In FY2017, the management school obtained many awards and titles of honor, including "CCFA Top Ten Corporate Universities", "Trendsetting Award in Chinese Best Corporate Universities Ranking List", "CEFE Prize of Best Ecological Operation for Study for 2017" and "CSTD Best Corporate Universities in China".



Red Star Macalline has won the honor of "Employee's Most Favorite Enterprise Award" for consecutive years



Red Star Macalline management school has won the honor of "CCFA Top Ten Corporate Universities" for consecutive years

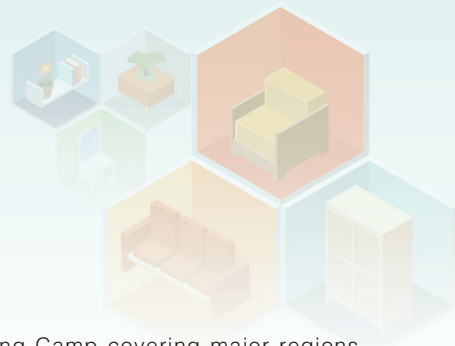
The management school develops targeted core talents training projects for graduates, primary and middle-level staff of shopping mall, general managers of shopping mall and senior management of the Company.



College Student Project "New Youth • Star Power Project"

By FY2017, the "Star Power Plan" has operated successfully for ten years. We have cooperated with universities such as Perking University, Nanjing University, Shanghai Jiao Tong University and Wuhan University and have brought 1,895 outstanding undergraduates to the Company. In FY2017, 315 undergraduates joined in business units of the Company through the "Star Power Plan". In the plan, undergraduates understand the overall operation of shopping malls through sufficient rotation at different positions in shopping malls and give full play to the advantages of team and individuals to solve the practical problems of shopping malls through cooperation, ultimately apply the theories into practical experience and master basic work skills.

STAFF



New Youth • Main Force Training Camp

We launch Main Force Training Camp covering 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. The training camp provides sustainable and standard personnel training and is committed to cultivating mid-level personnel of shopping mall from professional backbones to all-around management. Meanwhile, the training camp can help new mid-level management rapidly understand the corporate culture, workflow and positions of Red Star Macalline.



New Youth • Training Workshop For General Managers of Newly Opened Shopping Malls

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. In FY2017, 49 general managers took part in training. The training focused on the core business skills and management knowledge of new stores, adopted action learning model, took real scene of opening a store as its theme task and set action plan to help apply the training knowledge to work performance.

Career Development

In order to help staff achieve personal career development in the Company, Red Star Macalline has developed a staff development system and created a diversified staff development platform to provide multi-channel development path for the career development of staff. We have established a relatively well-established performance appraisal system, attaching great importance to the value contribution of staff. We do not assess the capability of staff only based on their positions. We conduct talent review every year and explore potential talents to place the most suitable personnel in the most matched positions.

We released the “Manual for Comprehensive Evaluation, Self-improvement and Promotion” to all staff to let everyone understand the corporate strategy and achieve the requirements on talents’ capacity, and ascertain their development direction based on our corporate strategy. Meanwhile, we evaluate and appraise every staff from the perspectives of growth and performance and carry out the classified management of staff. 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.



STAFF

In terms of the development of departments, we launched the “List of best teachers of development team” project, in which, 27 teachers and 104 students formed a team and communicated in time through monthly and annual conference summary, daily communication by WeChat groups, etc. to help staff grow and get better career development.



STAFF



CARING FOR STAFF

Red Star Macalline is concerned about staff's difficulties in their work and life, and willing to listen to them and strengthen their sense of belonging and well-being so that each staff can feel the warmth of the Group at all times. In addition, strictly complying with the "Labor Law of the PRC, the Law on Prevention and Control of Occupational Diseases" and local regulations on the prevention and control of occupational diseases, we are striving to create a safe, healthy and comfortable working and living environment centering on home culture.

Care staff's health

We attach great importance to physical and mental health of staff. The Company utilizes the roofs of shopping malls to build roof farms for plantation of green crops. The farms produce green pollution-free vegetables for staff's canteen to guarantee the safety of staff's food materials. Meanwhile, under the condition of ensuring good catering hygiene, we insist on the principle that canteens must not be outsourced, canteen's staff must have health certificates and the canteens must be kept tidy and clean.

In creating a tidy and clean working environment, we employ professional cleaning companies to clean the office area regularly. In order to improve the health of staff, prevent and reduce incidence rate, we have access to excellent medical platforms, launch lectures on health knowledge in an extensive way and establish a green channel for the health of staff.

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

Establish Green Roof Farm

Through the "Roof Farm" project, staff of the Company can enjoy the beauty of a garden-like roof farm. The project has rolled out many experience programs including vegetable picking and planting, Doufu making, ceramics making, flavored juice making and DIY workshops, and also has established parent-child education, science popularization corridor and other scenic spots. The green roof farm has developed into a place integrating science popularization, leisure, communication and activities. In this farm, 80 full-time or part-time undergraduates had successively worked here or learned agricultural knowledge here. We will continue to shoulder the mission of green environmental protection, constantly develop, expand and extend more healthy and green industries to cover more business entities of Red Star Macalline and lead a new living way.



Roof Farm



Staff gymnasium



Lecture by renowned physician



STAFF

Guarantee the Safety of Shopping Malls

The safety management of shopping malls involves the safety issues of staff and customers, so we pay special attention to it.

Before the opening of new shopping malls, we will conduct management and control over five key nodes of property, that is, clarifying safety management requirements including property risk assessment for new stores, safety training for staff engaged in the 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 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.

In FY2017, we organized 4 "safety inspection, training and publicity on fire prevention days" activities, conducted 805 fire evacuation drills and 954 firefighting drills. We conducted a thorough investigation of risks in our shopping malls, specified relevant management and control measures and proposed 19 property contingency plans.

Such activities not only enhanced all staff's emergency response capacity, but also completely eliminated the potential safety hazards. In FY2017, we completed 219 capitalized renovation projects in 60 shopping malls, of which 97 were in relation to the safety of shopping malls, including the renovation of exterior walls, firefighting, monitoring, elevator, electrical, etc.



STAFF

Care Female Staff

We opened the love mommy room, equipped with all-weather refrigerator, sofa, tea table, microwave oven, etc., and also prepared the "love mommy package", including cleaning supplies such as wet tissue, soap and liquid soap, to provide mothers with a warm and private space. In March 2017, the "Creative Flower Arrangement Training Activity" organized by the Company's union to celebrate Women's Day was held and the activity enriched the cultural life of female staff. In November 2017, in order to call on female staff to enhance their awareness of self-care and advocate a relaxed and healthy lifestyle, we held a "2017 Happy Pink Ribbon" lecture on female health for our female staff.



Help Staff with Financial Difficulties

In 2016, the Company set up the "Red Star Love Fund", targeting the internal staff of Red Star Macalline and providing targeted difficulty alleviation, to provide assistance uncovered by health insurance. Since its establishment, the fund size has increased from over RMB1 million to RMB2.5 million in 2017 and spent RMB0.905 million in critical illness medical care for our staff, through donations, charity bazaars, investment and wealth product management, and the first, second and third industries of union, etc.



Public Rental Housing of Staff

We proactively improve the living conditions of our staff and link up with the excellent social resources. The Company together with Wanliu International Youth Community launched the "Rental Benefit Plan for Enterprise Staff". So far, 400 public rental housings have been allocated, benefiting 1,000 staff and their families and solving problems such as the difficulty in house renting and bad housing environment.





COMMUNITY

Red Star Macalline insists on sharing its development achievements with society while pursuing its self-growth, and corporates social responsibility as one of the core strategies for the sustainable development of the Company.

As a leader in the home improvement and furnishings industry, we proactively disseminate home aesthetics and home art. The Company has set up successively a variety of special funds to support local economic development. In addition, we are enthusiastic and care about the public welfare, education, serve communities and launch a number of volunteer services. We adhere to sustainable development and strive to make contributions in terms of social, economic, environmental and other aspects.

PROMOTION OF HOME AESTHETICS

Always adhering to the goal of creating artistic taste and disseminating home arts and taking improving the home taste of the Chinese people as its duty, we are committed to pursuing the aesthetic development of the Chinese home furnishing industry and gradually enhancing the Chinese customers' cognition to home taste. The Chinese phrase "Jiaju" consists of two words "Jia" and "Ju", which mean "passion" and "scene" respectively. "Ju" is indeed very important, but "Jia" is just fundamental. Without "Jia", "Ju" will lose its meaning even if it is the most beautiful. Since its establishment, we are committed to creating the most beautiful "Ju", but also to bring a happier "Jia", in the hope of awakening people's internal awareness of loving family in the modern busy social life.

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.

We set 3 December every year as the "Family Love Day" and initiated big and grand activities themed with family love. In each activity, the Company will have some corresponding promotions and will also hold many special and small activities, such as "Family Love Consultancy" "Family Love Interaction" games and "Family Love Gestures" shooting activities, to attract customers and awaken more people's

sense of loving their families. Through these activities on the "Family Love Day", what we want to convey, is not only to provide high-quality home life for users, but also hope that we can be together with our customers to understand the meaning of home from the perspective of relations and guide to explore the real essence of home, so that more people can discover and create their own happy home. On the "Family Love Day" of 2017, we hold an activity of "Showing the Most Beautiful Family Picture" to call on customers to care their families and create warm and happy family atmosphere.



QR code of the official account named "Yudao"

A mess destroys all! Get these storage skills to have an organized living room
11 December 2017 (Original)



Freezing winter is here again, use a rug to save you and your home
24 November 2017 (Original)



How do you manage the eggshell colour which exists in every family? These 7 super cool mix-and-match ideas will increase the texture of your home
7 December 2017 (Original)



Yu Ting: It's shameful to live a lonely life
23 November 2017 (Original)



White wall seems to be the biggest challenge for mix and match. Start with these 6 skills to make your home decoration never out of fashion



Do not put your clothes on the toilet lid when you bathe. These storage skills helps you solve the embarrassing moment in the bathroom



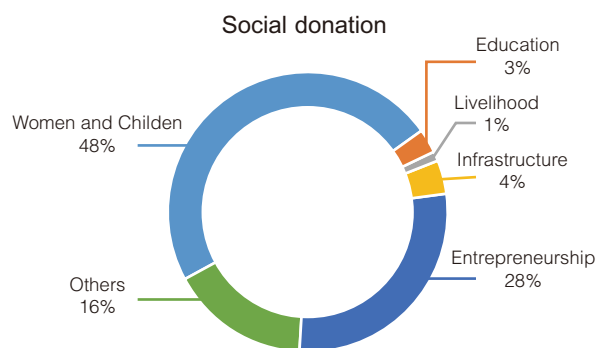
COMMUNITY



PUBLIC WELFARE

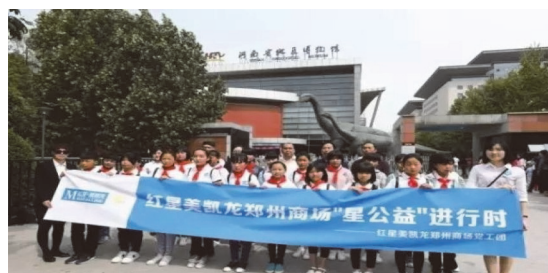
We have always advocated being corporate citizenship with a sense of social responsibility, proactively participated in social public welfare undertakings, focused on poverty and education, been enthusiastic to public welfare, made contributions, and actively promoted the “home culture” of Red Star Macalline. We are committed to assisting regional economic development and taking part in the urban construction proactively. We help local brand suppliers integrate and promote the competitiveness of their brands, provide employment for local residents, and promote the local economic development.

In FY2017, we invested approximately RMB10.95 million in women and children, helping youth entrepreneurship, supporting infrastructure construction, etc.



Public Welfare in Education

We care about the education industry and actively promote the development of education. In FY2017, we promoted the public welfare activities in education in a well-grounded way, with a total amount of over RMB380,000 in patronage, starting from various aspects such as the construction of hardware facilities, caring children with difficulties, charitable donations, and providing students with financial aids.



“Thank You for the Chance to Receive Education” —
Star Public Welfare of Red Star Macalline Shopping Malls
in Zhengzhou

In May 2017, the ceremony of the library donation to Shiziling Primary School was held in the shopping mall of Red Star Macalline in Zhengzhou. We encouraged merchants to respond positively and to join in this public welfare activity. The donation amount on site reached as high as RMB100,000, which will be used in the education of the mountainous area, including the construction of a library. We will also make follow-up public welfare assistance plans based on the actual situation.



COMMUNITY

Public Welfare in Poverty Alleviation

Red Star Macalline focuses on poverty alleviation to promote the development of economy and society. We have the Glory Fund (光彩基金) and donate RMB1.40 million each year to the Shanghai Glory Society (上海市光彩事業促進會).

Friendly Community

We are actively establishing a good relationship with the community, encourage employees to initiate volunteer services, pay attention to caring for disadvantaged groups, and donate daily necessities to poor areas, orphanages, and nursing homes. The accumulated charity amount amounted to RMB180,000 in FY2017.

In May 2017, the shopping malls of Red Star Macalline in East China organized the activity of paying tribute to the "urban beautician" to convey the positive energy of public welfare by condoling to sanitation workers.

In addition, we have concerns to disasters, and donate and pray for disaster areas. In the earthquake relief work in Jiuzhaigou, Sichuan province in August 2017, over RMB20,000 amount and over 200 boxes of spring water, instant noodles, etc. were donated from the Fujian Medium Region and Northwest Central Plains Medium Region of Red Star Macalline.

Public Welfare in Environmental Protection

Red Star Macalline has always been concerned about environmental sustainability, organized environmental charity activities, and used practical actions to implement and disseminate the concept of green environmental protection.

We organized green and low-carbon walking tours and green riding activities to promote low-carbon travel while promoting the health of employees.

In the Eastern China Large Region, we organized the activity of "helping water control and joint construction of youth". We conducted one to two river channel cleansing and the supervision of the water use of river channel activities every week, and organized spontaneously the public welfare activities on wastewater treatment or participated in such activities organize by government departments from time to time. In the Fujian Medium Region, we took part in the volunteer activity of "Keeping Sands Clean by 100 People" to contribute to the environmental construction.

We encourage employees to actively participate in environmental protection volunteer activities. During the 13th Meeting of the Parties to the "United Nations Convention to Combat Desertification", our employees actively took part in it and became volunteers in traffic.

Support to Youth Startup

In order to help the contemporary Chinese aspirational young people to start their own business and establish a correct entrepreneurship, we made a subscription of RMB20 million to the China Foundation for Youth Entrepreneurship and Employment, with a term of seven years starting from 2017. We donated RMB3 million in FY2017.

Care for Children

In FY2017, we donated home furnishing products worth approximately RMB5 million to China Charities Aid Foundation for Children to help the growth of children in difficulties. Among which, the Company donated some small household items to Sunvillage, a non-government charitable organization who brings up the minor children of prisoners free on behalf of the prisoners. Sunvillage organized the charity bazaar of these small household items, and the donation will be used to support the daily supplies of Sunvillage. In addition, there are some household items to be donated to Children (Orphan) Development Assistance and Jiangxi Gongqingcheng Children's Village.

The self-startup project of Red Star Macalline was conducted in FY2017: The proxy project of autism children's art painting mobile phone shell of "The Innocent" by the "Qidu New Home Life Art Museum and Beijing Art Actually Development Center". The 1/3 of the income was given to the original painters and their families to help their lives and treatment. Another 1/3 was used as autism medical rehabilitation fund. The remaining 1/3 was used for the art therapy courses and activity fund of "Paintings of the Innocent". The promotion and sales of painting derivatives of autistic art lovers support more autistic children in realizing their self-value with their own strength.

ENVIRONMENT



Red Star Macalline has raised the “green environmental protection” to the strategic level of the Company since 2016. Except the “zero tolerance” for non-environmentally household products and brands, 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 stage and phase of business operation.

We require that brand partners must comply with the laws, regulations, and environmental requirements of the place where they are operating, and encourage them to pass certification standards such as China's CQC environmental protection or water-saving product certification, China Environmental Labelling certification and ISO series system certification. In addition, we integrate the concept of environmental protection into the planning and design of the construction projects of shopping mall, building construction, as well as property management, office building management, etc. after the completion of a project, covering green building certification, natural resource conservation, energy efficiency optimization, environmental protection procurement, etc. We strive to create a kind of corporate culture that cherishes resources, raise employees' awareness of environmental protection, and encourage employees to actively participate in environmental activities and put into practice environmental commitments.

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 FY2017, there was no activity or event with material impact on the environment and natural resources.

LOW-CARBON SHOPPING MALLS

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 greenhouse gas emissions and contribute to the control of global warming. We consumed electricity of 258,604.77 MWh and natural gas of 213,323.94 MWh in FY2017.

Construction of Shopping Malls

In order to reduce energy consumption, we set the goal of improving energy efficiency in the project planning and design stage. In FY2017, when the Company was launching its construction projects of shopping malls, the design of such shopping malls gave consideration to environmental protection elements.

- 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.

Office Management

We improve the energy saving management system of office buildings with modern energy saving technologies. The Company optimizes 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. 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.



Energy consumption

	Total volume (MWh/year)
Energy consumption	637,078.28
Electricity	423,595.30
Natural gas	213,323.94
Gasoline	159.04



Volume of carbon dioxide

	Total volume (tonnes/year)
Emission volume of greenhouse gas	342,480.31
Emission volume of greenhouse gas (Scope 1)	43,648.67
Emission volume of greenhouse gas (Scope 2)	298,831.64

EMISSIONS MANAGEMENT

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. Our waste mainly includes domestic garbage, construction waste, waste steel bars, sewage, etc.

Waste Water Treatment

As the main business of Red Star Macalline is the operation, management and professional consulting services for the home improvement and furnishings malls, so water is mainly used for living and office operations and not our material issue. In daily operations, we remind employees and customers of paying attention to save water so as to reduce the use of water resources.

ENVIRONMENT

In FY2017, we consumed a total of 2,488,038.92 cubic meters of water. 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 waste management on construction sites and waste recovery of shopping malls to reduce the generation of waste.

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 waste, comply with the principle of environmental protection of "waste renovation and used things recycling" and implement classified management for household garbage and construction waste 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 and conduct the classification of designated household garbage according to government requirements and encourage that waste can be converted into useful materials after treatment to increase resource recycling and utilization rate.

ENVIRONMENT



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 equipment. We control the noise by using environmental friendly equipment, 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.





DATA OVERVIEW

DATA OVERVIEW OF ESG FOR FY2017

Employment

Number of employees	22,621
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By gender

Male	14,196
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Female	8,425
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By age group

Below 30	9,815
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Between 30 to 50	11,830
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Above 50	976
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By type of employees

Senior management	504
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Middle management	4,095
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General employees	18,022
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Safety

Number of work-related fatalities	0
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Ratio of work-related fatalities	0
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Number of lost days due to work injury	1,064
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DATA OVERVIEW



Development

Percentage of employees trained	100%
By gender	
Male	100%
Female	100%
By type of employees	
Senior management	100%
Middle management	100%
General employees	100%
Average hours of training completed per staff (hour per year)	219
By gender	
Female	219
Male	219
By type of employees	
Senior management	192
Middle management	264
General employees	216

Emissions

Total emission of greenhouse gas (scope 1 & 2) (tonne)	342,480.31
Total emission of direct greenhouse gas (scope 1)	43,648.67
Total emission of indirect greenhouse gas (scope 2)	298,831.64
Total emission of greenhouse gas per m ² operating area of self-operated shopping mall (tonne/m ²)	600.22
Total emission of waste gas (kg)	14.49
NO _x emission	13.10
SO _x emission	0.28
PM emission	1.11
Total emission of hazardous garbage (tonne)	1.42
Oil paint	0.89
Glue	0.53
Total emission of non-hazardous garbage (tonne)	257,516.77



DATA OVERVIEW

Domestic garbage	50,858.70
Construction garbage	206,046.00
Scrap steel	23.71
Scrap cable	588.36
Total emission of non-hazardous garbage per m ² operating area of self-operated shopping mall (tonne/m ²)	451.31

Water resource consumption

Total water consumption (m ³)	2,488,038.92
Fresh tap water	2,488,038.92
Total water consumption per m ² operating area of self-operated shopping mall (m ³ /m ²)	4,360.43

Energy consumption

Total energy consumption (MWh)	637,078.28
Electricity	423,595.30
Natural gas	213,323.94
Gasoline	159.04
Total energy consumption per m ² operating area of self-operated shopping mall (MWh/m ²)	1,116.51

Community investment (RMB)

Women and children	5,207,767
Education	339,440
Livelihood	100,000
Infrastructure	450,000
Startup	3,000,000
Others	1,750,000

APPENDIX I – INDEX OF THE ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORTING GUIDE OF SEHK

DATA OVERVIEW OF ESG FOR FY2017

Aspect	Description	Page number/ notes
A. Environment		
Aspect A1: Emissions		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	27
A1.1	The types of emissions and respective emissions data	28
A1.2	Greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	31
A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	31
A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility)	31
A1.5	Description of measures to mitigate emissions and results achieved.	27
A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved	28
Aspect A2: Use of Resources		
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials. Note: Resources may be used in production, in storage, transportation, in buildings, electronic equipment, etc.	27
A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility)	32
A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility)	32
A2.3	Description of energy use efficiency initiatives and results achieved	27
A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	28
A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	N/A



APPENDIX I – INDEX OF THE ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORTING GUIDE OF SEHK

Aspect	Description	Page number/ notes
A3 The Environment and Natural Resources		
General Disclosure	Policies on minimising the issuer's significant impact on the environment and natural resources.	27
A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	27
B. Social		
Aspect B1: Employment		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	16
B1.1	Total workforce by gender, employment type, age group and geographical region.	16
B1.2	Employee turnover rate by gender, age group and geographical region.	undisclosed
Aspect B2: Health and Safety		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	21
B2.1	Number and rate of work-related fatalities	30
B2.2	Lost days due to work injury	30
B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	21

APPENDIX I – INDEX OF THE ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORTING GUIDE OF SEHK



Aspect		Description	Page number/ notes
Aspect B3: Development and Training			
General Disclosure		Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	17
B3.1		The percentage of employees trained by gender and employee category (e.g. senior management, middle management)	17
B3.2		The average training hours completed per employee by gender and employee category	17
Aspect B4: Labor Standards			
General Disclosure		Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	16
B4.1		Description of measures to review employment practices to avoid child and forced labor	16
B4.2		Description of steps taken to eliminate such practices when discovered	16
Aspect B5: Supply Chain management			
General Disclosure		Policies on managing environmental and social risks of the supply chain.	14
B5.1		Number of suppliers by geographical region	14
B5.2		Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	14



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Aspect		Description	Page number/ notes
Aspect B6: Product Responsibility			
General Disclosure		Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	7
B6.1		Percentage of total products sold or shipped subject to recalls for safety and health reasons.	undisclosed
B6.2		Number of products and services related complaints received and how they are dealt with.	13
B6.3		Description of practices relating to observing and protecting property rights.	11
B6.4		Description of quality assurance processes and recall procedures.	9
B6.5		Description of consumer data protection and privacy policies, and how they are implemented and monitored.	12
Aspect B7: Anti-corruption			
General Disclosure		Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	15
B7.1		Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	15
B7.2		Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored.	15
Aspect B8: Community			
General Disclosure		Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	24
B8.1		Focus areas of contribution (e.g. education, environmental concerns, labor needs, health, culture, sport)	25
B8.2		Resources contributed (e.g. money or time) to the focus area.	25