



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)
STOCK CODE: 1528



2022

Environmental, Social and Governance Report

About this report



Introduction

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 2022 to 31 December 2022. To facilitate presentation and reading, “Red Star Macalline Group Corporation Ltd.” is referred to as “Red Star Macalline”, “the Company” or “we” in this report.

Preparation Basis

This report is prepared in accordance with the Environmental, Social and Governance Reporting Guide issued by The Stock Exchange of Hong Kong Limited (“Hong Kong Stock Exchange”) in December 2019 and the 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. The Company has complied with the provisions of “Comply or Explain” set out in the Environmental, Social and Governance Reporting Guide.

This report has been prepared mainly in accordance with the following basic principles:

Materiality: This report should disclose ESG-related matters that, as determined by the Board, will have a significant impact on investors and other stakeholders;

Quantitative: KPIs in respect of historical data should be measurable, and targets (which may be actual numerical figures or directional, forward-looking statements) should be set to reduce a particular impact. In this way, the effectiveness of ESG policies and management systems can be evaluated and validated. Quantitative information should be accompanied by a narrative, explaining its purpose, impacts, and giving comparative data where appropriate;

Balance: The ESG report should provide an unbiased picture of the issuer’s performance. The report should avoid selections, omissions, or presentation formats that may inappropriately influence a decision or judgment by the report reader;

Consistency: The issuer should use consistent methodologies to allow for meaningful comparisons of ESG data over time.

Source of Data

The information and data in this report are derived from official documents and statistical reports of Red Star Macalline Group Corporation Ltd. as well as summaries and statistics of subsidiaries. The Board of the Company is responsible for the authenticity, accuracy and completeness of this report. The scope of environmental performance indicators disclosed in the 2022 report is consistent with that in 2021, including Portfolio Shopping Malls and Managed Shopping Malls.

Way of Access

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

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ESG Statement of the Board

Dear stakeholders,

Looking back to 2022, an extraordinary year, there were challenges and opportunities. As a leader in the home furnishing retail industry, Red Star Macalline connected the upstream and downstream of the 4-trillion-level home furnishing ecosystem as well as the family life of 1.4 billion people. Against the backdrop of the industry channel changes and the accelerated transformation of business models, Red Star Macalline always shouldered the responsibility of an industry pathfinder and bearer.

In 2022, the Company actively implemented the strategy of “operation-heavy”, deeply built ten theme pavilions, optimized the category arrangements of shopping malls, continuously expanded the scope of intelligent appliances, catering and other categories, and introduced new hot brands. For the “home furnishing and decoration integration”, Red Star Macalline Decoration Industry Group, which was renamed Red Star Macalline Home Decoration Technology Group (美凱龍美居科技集團), fully implemented the strategic development plan of “self operation + platform”, and built a full-chain decoration industry Internet platform that integrates aesthetic design, quality construction, materials selection, home decoration services and traffic operation, with digital technology as the driving force, marketing and supply chain as the core. In addition, the Company further explored the new retail model of online and offline integration through “online and offline integrated live streaming”, “Tuanxinjia (團新家)” and “Merchandise Collection in Red Star City-wide Station (紅星同城站商品聚合)”, so as to create a comprehensive, online and offline home furnishing retail business network integrating various store forms, category expansion, brand selection, scenario-based experience and systematic marketing. On this path, Red Star Macalline always focused on its operation. It was carefully and deeply engaged in the traffic of the home furnishings industry. Red Star Macalline practiced the purpose of shopping mall-based management and market-oriented sale, and led the construction of a harmonious and win-win home life ecosystem.

For 36 years, Red Star Macalline has always paid attention to the requirements of investors, employees, customers, suppliers, communities and other stakeholders, and actively heard the opinions and suggestions of all parties. We hope to deliver the best return to investors through every pursuit of excellence. We regard employees as valuable assets of the Company, provide sound training mechanisms and promotion channels, and actively promote the workplace environment of equality between men and women, so as to realize the vision of common progress of employees and the Company. We continuously improve the after-sales service system and the supplier management system, provide customers with high-quality products and services, and promote the green and environmental-friendly development of upstream and downstream industry chains. We actively participate in public welfare undertakings and share the results of operations with the public.

As what we have persisted in for many years, home furnishings are the combination of scenery and affection. What Red Star Macalline sells are not only simple home furnishings, but also lifestyle. Red Star Macalline promotes well-designed, elegant, cultural and emotional homes, thus “improving the taste of Chinese people in home life.” In the future, Red Star Macalline will continue to take giving back to society and fulfilling its social responsibilities as an important goal in corporate development, and continuously make efforts for public welfare undertakings. Red Star Macalline will continuously innovate the ecosystem of the industry, improve the quality of consumption, provide consumers with high-quality and well-designed products, realize the sublimation of the aesthetics of consumption, satisfy consumers’ desire for “loving home”, realize the home furnishing dream of every Chinese, and pay tribute to China with love.

Performance Highlights



Economic performance (According to China Accounting Standards)

Asset of RMB **128,111** million

Cost of sales of RMB **5,887** million

Total tax of RMB **1,208** million

Revenue of RMB **14,138** million

Net profit of RMB **858** million

Social contribution per share of

RMB **1.85**



Social performance

18,101 employees in total

100% of employees trained

Community investment of

RMB **5.98** million

Employee salary of RMB **3,221** million

Average training hours per employee of

174 hours



Environmental performance

Energy consumption per unit area of

743.05 MWh/10,000 m²

Water consumption per unit area of

3,024.76 m³/10,000 sq.m.

Greenhouse gas emissions per unit area of

429.07 tons/10,000 m² (Scopes 1 and 2)



Honor

2022 China's **Top 500** brands

2022 China's **Top 100 Enterprises** in the Home Furnishings Industry

2022 China's **Excellent** Management Company

2022 China's **Best Employer**

2022 **Most Socially Responsible** (ESG) Listed Company

About Red Star Macalline

Corporate Profile

Founded in 2007, Red Star Macalline Group Corporation Ltd. is headquartered in Shanghai, the PRC. It was listed on the Main Board of The Stock Exchange of Hong Kong Limited on 26 June 2015 (stock code: 01528. HK) and was later listed on the Main Board of the Shanghai Stock Exchange on 17 January 2018 (stock code: 601828.SH). It is the first company that has been listed on the A stock market and H stock market in China's home improvement and furnishings industry.

As a leading home improvement and furnishings shopping mall operator in China, 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 under "Red Star Macalline" through the operation and management of both Portfolio Shopping Malls and Managed Shopping Malls. At the same time, we are also involved in pan-home furnishings consumption services, including Internet home decoration, Internet retail, as well as logistics and delivery services.

Directed by the vision of "creating a global brand of Chinese nation", we always shoulder the responsibility of "building a cozy and harmonious home, and improving the taste in shopping and home life", followed the operational management mode of "market-oriented operation and shopping-mall-based management" and implemented multiple-brand strategies, including "Red Star Macalline", high-end fashion brand "Red Star Ogloria", light-fashion living centre "Xingyijia" and home decoration brand "Betterhome", to meet diversified and upgrading consumption demands.

Statistics show that as of 31 December 2022, the Company operated 94 Portfolio Shopping Malls, 284 Managed Shopping Malls, and operated 8 home furnishing shopping malls through strategic cooperation. Besides, the Company had authorized the opening of 57 franchised home building material projects by franchise, bringing the total number of home improvement material stores/industrial streets to 476. Our Portfolio Shopping Malls and Managed Shopping Malls covered 223 cities in 30 provinces, municipalities directly under the Central Government and autonomous regions in China, with a total operating area of 22,508,291.30 sq.m. Our malls offer more than 36,032 brands in total.

National Strategic Layout

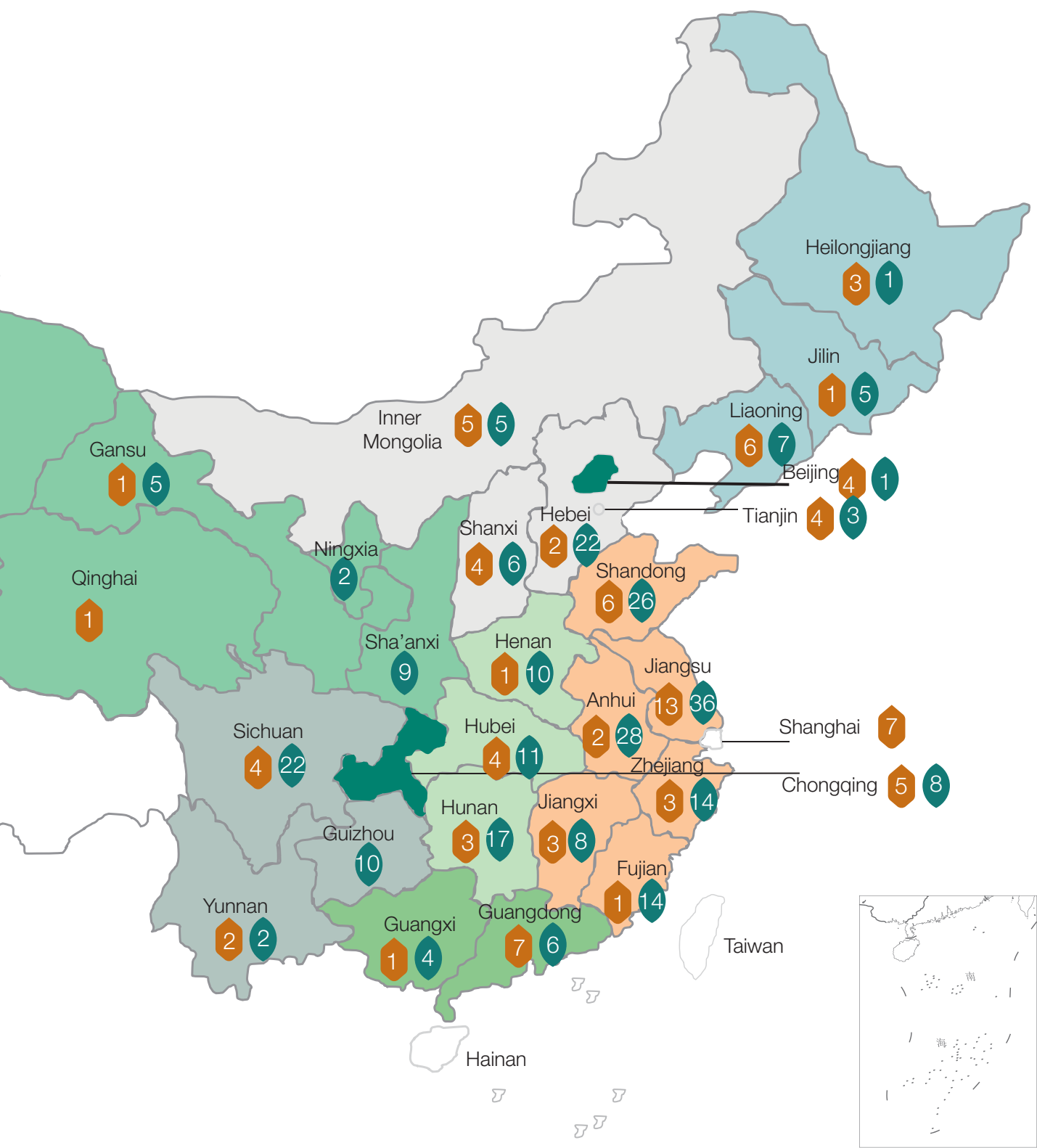


94 Portfolio Shopping Malls



284 Managed Shopping Malls

Data for 31 December 2022



About Red Star Macalline

Development History

Since 2000, we have achieved many major milestones, including opening our first shopping mall, expanding our scale and businesses and becoming a dual-listed Company

2000

Red Star Macalline opened Shanghai Zhenbei Mall in Shanghai, which was the first shopping mall under the “Red Star Macalline” brand

2006

Red Star Macalline expanded its business to West China by opening its first Portfolio Shopping Mall in Chongqing

2008

Red Star Macalline expanded its business to South China by opening its first Portfolio Shopping Mall in Shenzhen

2012

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

2002

Red Star Macalline expanded its business to North China by opening its first Portfolio Shopping Mall in Beijing

2007

Shanghai Red Star Macalline Home Living and Decorating Company Limited* (上海紅星美凱龍家居傢飾品有限公司), predecessor of the Company, was established; the Company entered into the first shopping mall management agreement with its partners and opened the first Managed Shopping Mall

2010

As the sole representative of the home furnishing circulation industry, the Company attended the “Home Loving Day” initiated by Shanghai World Expo, becoming a model in transmitting home culture





2013

Shanghai Pudong Jinqiao Mall, the first ninth generation shopping mall of the Company which offers modern shopping environment and high-end products, and contains more artistic elements in its decoration, commenced operation. The Company also started to expand into new businesses, including offering home design and prepaid cards

2015

The Company was listed on the Main Board of The Hong Kong Stock Exchange, and the Company launched the nationwide Red Star Macalline membership program and O2O business; established HomeFax to further expand its Internet finance business

2018

Following its listing on the Shanghai Stock Exchange, the Company became the first company that has been listed on the A stock market and H stock market in China's home improvement and furnishings industry

2021

The non-public issuance of A Shares was completed, thus optimizing the shareholding structure of the Company

2014

The Company expanded its operations across 100th cities in China, opened its 150th home improvement and furnishings shopping mall, and further expanded into new businesses of consumer financing, and delivery and logistics

2016

Its 200th home improvement and furnishings shopping mall commenced operation

2019

Alibaba (China) Technology Co., Ltd. (hereinafter referred to as "Alibaba") fully subscribed for the 2019 non-public issuance of exchangeable corporate bonds (first tranche) issued by the Company's Controlling Shareholders; signed a strategic cooperation agreement and will carry out cooperation in seven fields, including new retail store construction, and e-commerce platform building

Social Responsibility Management

Corporate Social Responsibilities

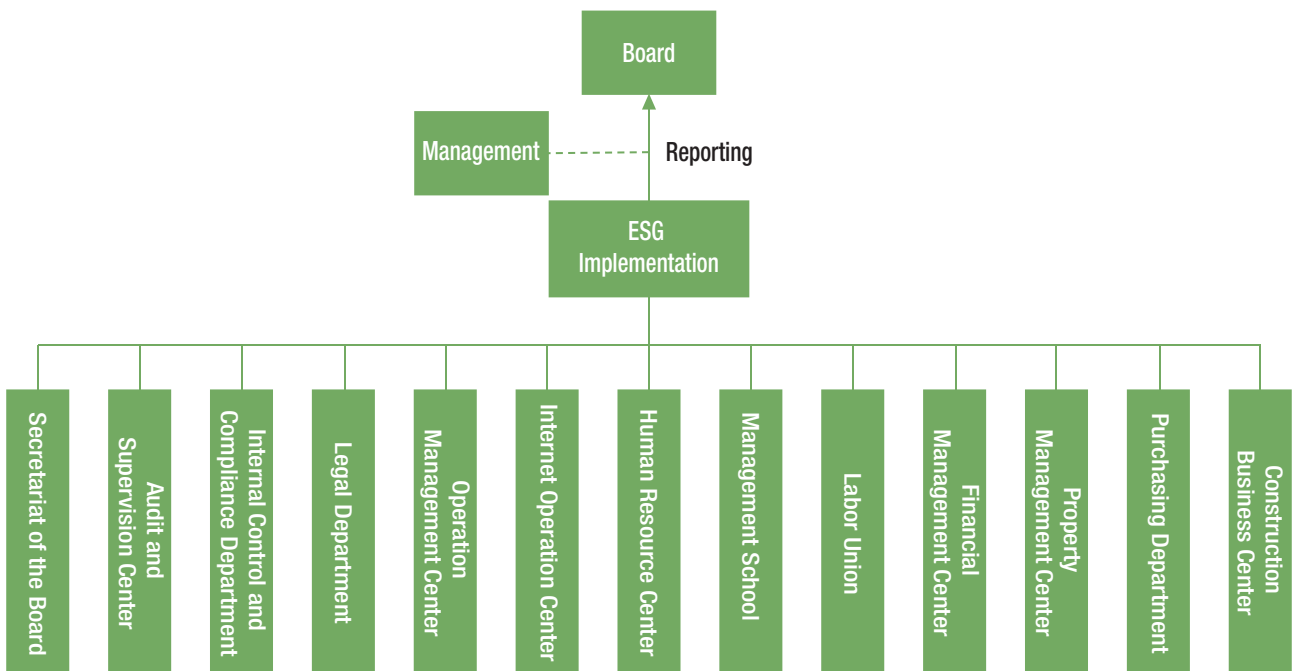
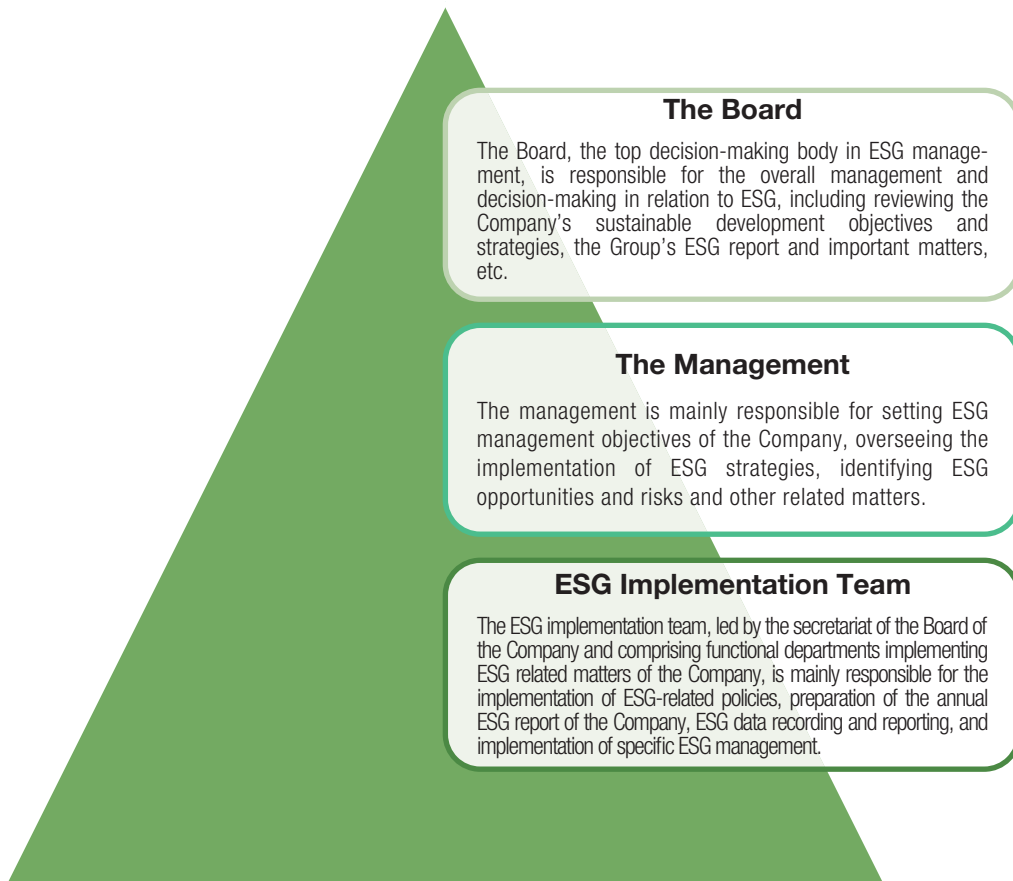
Standing in the position of customers, Red Star Macalline is committed to offering reliable and high quality home product circulation platform to the market, sets an example for the industry, realizes mutual development between income, the environment and the society, and earnestly fulfills corporate social responsibilities, strives to become:

- A company that serves customers with heartiness. Red Star Macalline takes the experience and demands of customers seriously, actively responds to customers' feedback, makes continuous adjustments according to five dimensions of the "Public Praise of Service Advertising" project, and improves the service system.
- A company that contributes to the development of the home improvement and furnishings industry. Red Star Macalline makes continuous innovations in management system and consumption services, sets the benchmark for the home improvement and furnishings industry, promotes continuous consolidation and optimization of upstream and downstream resources, and improves overall strength of the industry.
- A green and environment-friendly company. Red Star Macalline earnestly fulfills the environmental responsibilities, puts great efforts to save energy and reduce emission, and actively contributes to the improvement and protection of ecological environment. Meanwhile, it urges suppliers to fulfil their environmental and social responsibilities.
- A company with sustainable development. Red Star Macalline improves the value creation ability to bring continuous and steady returns to shareholders; cares about the interests of staff, responds to their demands, cares for their health, and offers them a working environment as warm as home; pays attention to social demands, participates in poverty alleviation, education support and other charitable activities, and contributes to promoting the harmonious development of the society.

Management Approaches

In 2022, a three-tiered ESG governance structure consisting of the decision-maker, the management and the implementer continues to manage ESG-related matters of the Company in all aspects. The Board, the top decision-making body in ESG management, is responsible for the overall management and decision-making in relation to ESG. The management sets the ESG management objectives of the Company and organizes the implementation of ESG-related matters. An ESG working group comprising relevant functional departments, as the implementer in the ESG governance structure, is responsible for carrying out the specific implementation of ESG-related matters of the Company, assisting the management in completing ESG-related work tasks, and practically promoting the implementation and enhancement of ESG-related specific work. In addition, by reviewing the Company's operations and holding internal discussions, we identified relevant social responsibility issues and assessed their significance to our business and stakeholders. Significant ESG issues identified are reflected in this report.

In 2021, according to the Environmental, Social, and Governance Reporting Guide issued by the Stock Exchange, the Company set environmental protection targets covering four aspects, namely energy use, emissions, water resources and greenhouse gases. In 2022, the Company integrated ESG targets into its work plans and operation processes of various departments, assessed potential risks, effectively integrated resources, ensured the orderly implementation of measures, and promoted the smooth achievement of ESG targets.



Social Responsibility Management

Communication with Stakeholders

Red Star Macalline has extensive stakeholders including investors, government/regulators, staff, customers, suppliers, non-governmental organizations and communities. We give full consideration to the demands of all stakeholders and maintain formal and informal contact with them.

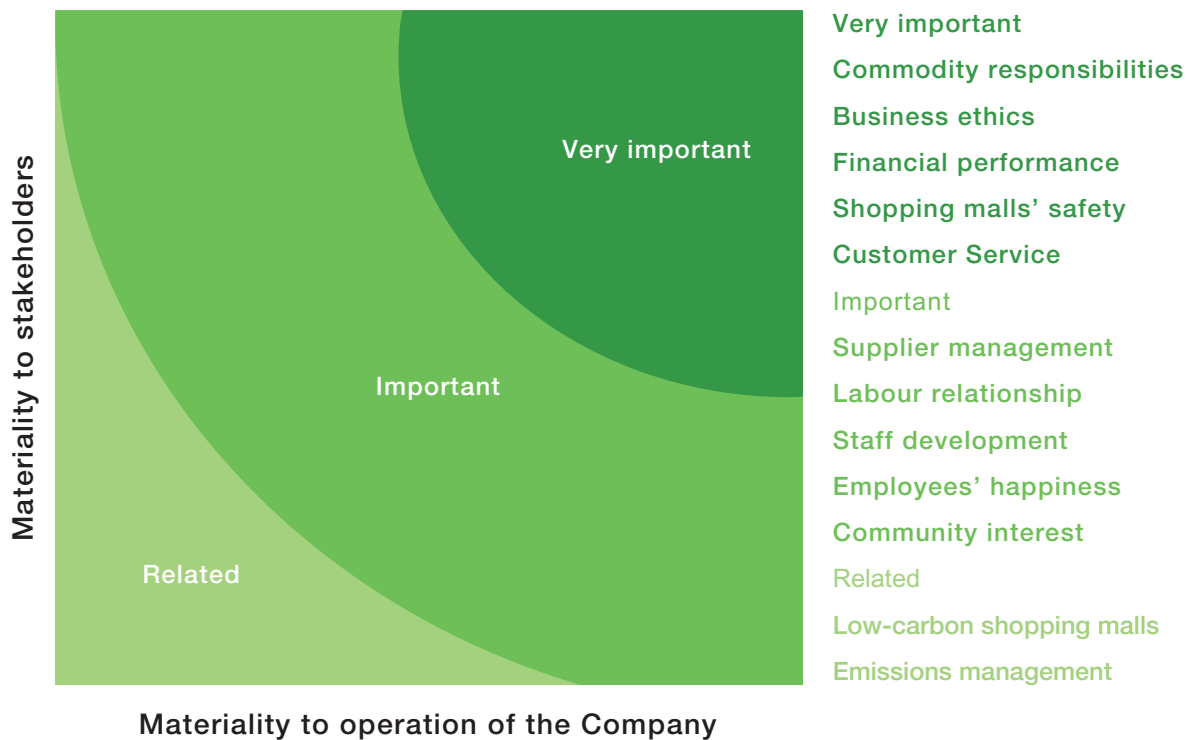
Stakeholders	Areas of concern	Methods of communication
Investors	Ensuring Shareholders' rights and interests; maintenance and appreciation of assets value; improvement in corporate governance; true, accurate, prompt and complete information disclosure; lawful and compliant operations	General meeting of Shareholders; press release and announcements; external reports; publication of information on the website of the Company; investors' meeting
Government/regulators	Legality and compliance; equal employment opportunities; health and safety; environmental protection; industry development; repaying the society	Compliance reports; site inspections; participation in meetings/seminars; special inquiry/inspection; license application
Staff	Equal employment opportunities; remuneration and welfare; training and career development; humanistic care; staff health and safety management	Labour contract; labour union/congress of workers and staff; leisure time activities; voluntary activities; communication channels between enterprise and staff; collective bargaining agreements; safety and compliance meetings
Customers	Customers' satisfaction management; customers' complaints management; product responsibility; customer services; quality assurance	Daily operation/interaction; key customer seminars; customers' satisfaction survey; regular visits; Customers' Service Center/hotline
Suppliers	Industry development; supplier access management; suppliers' evaluation; protection of suppliers' rights and interests; cooperation with suppliers	Management-level meetings; bidding and seminars; marketing summits; supplier access and evaluation; site visits; daily communication
Non-governmental organizations	Local development investment; participation in local community projects; undertaking of environmental responsibilities; equal sharing of benefits	Annual corporate environmental and social responsibility reports; direct communication; company visit
Communities	Promotion of home life culture; dedication to public welfare; enthusiasm in community services; undertaking of environmental responsibilities; promotion of job opportunities	Public benefit activities; community services; environmental protection activities; recruitment notices

We attach importance to the protection of all stakeholders, treat all stakeholders fairly, take the initiative to listen to the opinions and suggestions of all stakeholders, realize two-way communication and form constructive interactions. The communication approaches adopted by the Company mainly include regular announcements and provisional reports, general meeting of Shareholders, company websites, telephone counseling, press conference, etc., and timely held analyst's explanation session, performance explanation session and roadshow activities, received consultation from analysts, investors and media, etc., to enhance communication with investors and other stakeholders.

Assessment of Material Issues

We communicated with our internal and external stakeholders, conducted surveys with them, and received plenty of suggestions. Judging by the impact on the operation of the Company and the impact on stakeholders, we selected key issues, and our senior management scored and sorted these key 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 evaluation matrix





Market Responsibility

Red Star Macalline always gives play to its role as a standard setter and supervisor of leading green home building materials in China, and is committed to meeting the diversified and individualized demands of consumers in the market. Our delivery and construction capabilities continue to enhance based on the preferences of consumers. We have always been committed to improving consumer satisfaction, and providing customers with high-quality and innovative home furnishing products and warm home improvement experience. On the other hand, we are determined to integrate best industrial resources worldwide through strengthening and upgrading the management of suppliers. In order to build a safe and reliable supply chain featured by flexibility and connectivity along the upstream and downstream industry chain as well as a synergetic development mechanism for common growth and mutual trust and benefit, we urge suppliers to perform their social responsibilities, thus fostering a strong competitiveness in the industry.



Main achievements in 2022:



The Company created a new retail model of “city-wide two-scenario live streaming” to provide consumers with a new one-stop shopping experience.

The Company carried out the selection of leading brands of green furniture to promote the green development of the industry.



In 2022, consumer satisfaction reached 95.02%, and the net promoter score was 74.53%.

The Company won the “Experience and Service Innovation Case” in the “2022 CCFA Golden Lily Best Practice Case for Fashion Retail and Consumer Brand” by China Chain Store & Franchise Association (CCFA).



The Company won the “Best Brand Contribution Award” in 2022 China Customer Contact Center Awards (CCCCA).

The Company was listed among the “China CDI Top 30 Digital Enterprises” and won the “Innovation Award for CDI Business Model Digitization.”

Supporting the Sustainable Development Goals (SDGs) of the United Nations:

12 Responsible consumption and production



17 Partnership for promoting the achievement of goals



New Home Furnishings Retail

Red Star Macalline has always insisted on the philosophy of being responsible for the environmental protection of the home of each family, advocated the home furnishing taste and culture, and led the transition of home furnishing spending from simply “buying home furnishing products” to “visiting home furnishing product stores” and “appreciating home furnishing products.” Meanwhile, Red Star Macalline has continuously carried out upgrade and innovation, taken the lead in implementing the online and offline integrated model, conducted digital upgrading of shopping malls across China, actively enabled merchants to carry out operation and provide a better experience to consumers in home furnishing shopping.

Smart Retail

We apply Internet, big data, AI and other technologies in the development of retail for the home furnishing industry. Through strategic cooperation with Alibaba, we brought a new model of smart retail of online introduction + offline experience and deal in home furnishing industry. With Tongcheng Stations, live streaming sales, innovative marketing activities and digital operation and construction, we have jointly created a user-centered spending model, digitally enabled merchants and promoted online and offline integrated operation.

Market Responsibility

Online and offline Integrated Live Streaming

Online and offline integrated live streaming is based on the cooperation between Red Star Macalline and Alibaba. In terms of online live streaming, Red Star Macalline created the new model of “city-wide two-scenario live streaming”, and used the first 1,000-square-meter exclusive live streaming center for home furnishing stores in China. The live streaming center, with a 200-square-meter studio, 11 live streaming rooms of home scenarios, and a combination of LED smart screen display and live streaming, allows 24-hour online events outside the business hours of stores. Meanwhile, the Company adopted the “1+N+10, 000” live streaming model, and comprehensively promoted the plan for “10,000 people live streaming by top shopping guides.” Based on the achievements of Red Star Macalline in “category development”, ten categories, including soft decoration and furnishings, high-end customization and smart appliances, covered the needs of customers. In addition to a large number of top shopping guides, the online broadcasting by more than 1,000 home decoration design elites and first-line professional craftsmen with special topics including designing lecture room, project trick avoidance, and limited time offer of home decoration rights and interests, helped achieved accurate traffic driving.

In terms of online and offline activities, shopping malls in China were successively upgraded to theme pavilions. Based on marketing measures including limited time offer by a large number of popular product brands, guarantee for unchanged prices by the presidents of top 1,000 brands, doubling the values of discounts and exclusive luxury gift packages for home decoration, each provincial marketing and development center and shopping mall carried out independent marketing activities according to local conditions, thus providing consumers with one-stop scenario-based shopping experience by offline channels.

As at the end of the Reporting Period, the shopping malls of Red Star Macalline had over 11,000 live streaming accounts, with over 25,000 live streaming events. Wide-coverage, high-frequency and high-quality live streaming matrix operation provides online traffic channels for shopping malls and tenants. In addition, professional skill training changed participating tenants and top shopping guides from “Beginners” to “Talents” in home furnishing live streaming, and enabled them to carry out online and offline integrated live streaming operation, thus helping brands achieve a higher share of voice and traffic conversion.



10,000 people live streaming by top shopping guides



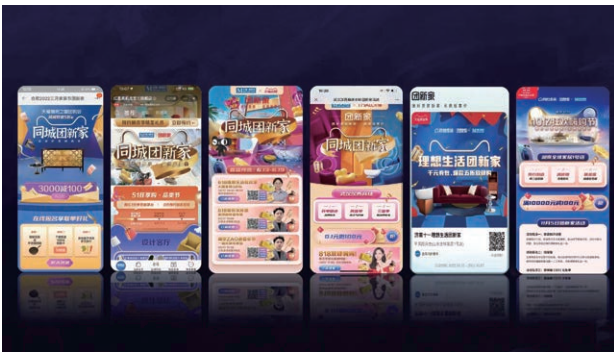
Live streaming of the shopping guide making an explanation in the mall



Offline provision of one-stop shopping solutions

Tuanxinjia (團新家)

In order to provide consumers with a better shopping experience and support distributors in achieving better operation and service and according to consumers' shopping habits, we have continuously tried new marketing models, and created the "Tuanxinjia" activity, covering shopping malls with Tongcheng Stations. In 2022, we deepened our online cooperation with Alibaba. We had a total of 453 groups of customers through Taobao venue, Taobao live streaming, cloud theme and other channels, and 223,000 groups of customers in the pipeline.



Traffic driving through "Tuanxinjia (團新家)", an online channel

Merchandise Collection in Red Star City-wide Station

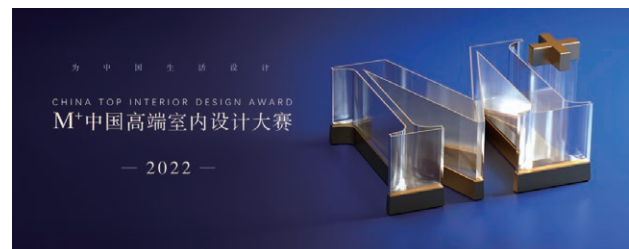
In 2022, together with Alibaba, we launched the business model of merchandise collection in Red Star city-wide station, to help brand owners enable online operation and dealers sell merchandise offline, thus forming a closed loop of transaction in which brand owners carry out strong productivity-based operations and dealers undertake customer sources. In 2022, the daily average exposure of merchandise exceeded 10 million and the merchandise traffic was more than 0.3 million.



Brand owner - Dealer-Red Star Closed Loop of Transaction

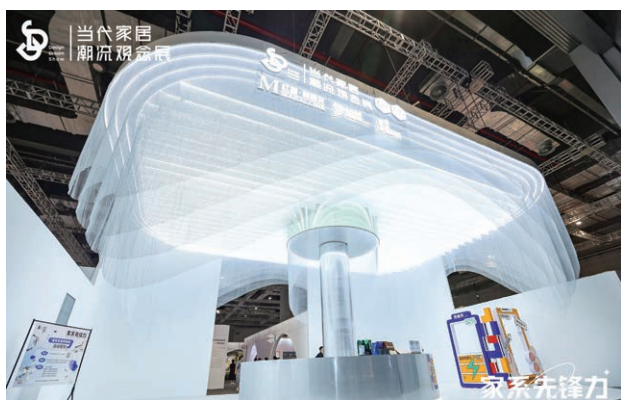
Design Aesthetics

Red Star Macalline has always pursued aesthetics. Through M+ design competition, cross-industry cooperation, participation in organizing various design exhibitions, etc., Red Star Macalline promotes the philosophy of home furnishing aesthetics to consumers, and promotes the level of original design in the industry. In 2022, we held the 5th M+ China Top Interior Design Award, focusing on the organic integration of design, life, culture, environmental protection and public welfare. With 12 co-host cities including Shanghai, Beijing and Tianjin and by adding "Designer Recommended Brand List" and publishing award-winning works, we supported the publicity of designers and their works, business cooperation with designers and the effective delivery of design aesthetics.



Market Responsibility

In addition, in 2022, China (Shanghai) International Furniture Fair, CBD-IBCTF (Shanghai), Red Star Macalline and Innovative Design Alliance co-hosted the 12th DDS (Design Dream Show), in the design hall of the National Exhibition and Convention Center in Hongqiao, Shanghai. The show had a total area of 3,250 sq.m., with a focus on six core contents, namely “pioneer”, “virtual”, “reshaping”, “co-existence”, “diversification” and “exploration”, showing the charm of infinite variety of home furnishings in the multi-dimensional home furnishing scenarios regardless of time and space.



Green Home Furnishing

Red Star Macalline adhered to the corporate mission of “being responsible for the environmental protection of every family at home”, increased the research and development of and investment in the system of environmental protection management of merchandise, and continued to lead the transformation and upgrading of the home furnishings industry through activities including “Green Pacemaker” and “Green Week”, so as to comprehensively promote the realization of green home furnishing and ensure environmental protection and healthy life at home.

Construction of Green and Environmental Protection Management System

With the support of China Quality Certification Center, in 2022, we continued to enhance the construction of the system of green and environmental protection management of merchandise to strengthen the level of green and environmental protection management of merchandise. We established a shared library of qualified tenants to control the risk of merchandise management

at source. We made service undertakings of taking full responsibility for the quality of goods and making compensation in advance. We issued the corporation standard Environmental Protection and Quality Evaluation of Household Merchandise, to standardize the merchandise inspection processes, and control the environmental protection quality of merchandise. We regularly engaged an authoritative testing organization in China to conduct random inspections of merchandise in shopping malls, so as to ensure that they meet the environmental protection quality standards of China.



Promotion of the Green Development of the Industry

Since 2013, Red Star Macalline has cooperated with China Quality Certification Center every year to carry out the project of leading environmental-friendly home furnishing brand certification, with the aim of selecting and recommending a number of environmental-friendly brands for consumers and promoting the environmental-friendly development of the home furnishing industry. In the environmental-friendly leading brand certification project, brands are selected mainly by factory quality assurance ability inspection, factory inspection, Red Star Macalline shopping mall inspection and customer complaint evaluation. Among the brands whose inspection results are better than the national environmental protection standards, the more environmental-friendly brands are selected as the leading green brands, so as to set a benchmark for leading environmental-friendly brands in the home furnishing industry. The project has become the most influential and environmental-friendly certification project with the most advanced and strict furniture inspection standards in the home furnishing industry in China.

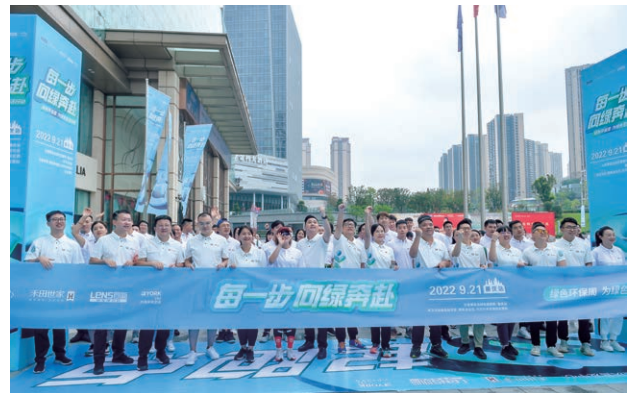
In 2022, Red Star Macalline, together with expert groups from more than 20 authoritative organizations, including China Quality Certification Center (CQC) and national and provincial laboratories, carried out one-year rigorous inspections, including in-depth inspection of factories, and finally selected 118 “leading brands in green and environmental-protection home furnishings” at a standard higher than the national standard, based on evaluation data of end consumers and terminal inspection data.



Logo of Green and Environmental-protection Leading Brand in the Shopping Mall

Leading Consumers to Buy Green Home Furnishings

Red Star Macalline has conducted the Green Week activity for consumers for 5 consecutive years, leading the purchase of green home furnishings. In 2022, we carried out the Green Week activity with the theme of “Go Green with Every Step.” The China International Furniture Fair and CBD-IBCTF attracted many leading brands of green home furnishings, thus forming a “highlight exhibition of green pacemakers”; we linked more than 350 shopping malls in more than 200 cities in China to start the green pacemaker and healthy run activities, and the green leading brands were reported comprehensively, so as to publicize the green and environmental protection philosophy in China. Through the Green Week activity, the green and environmental protection philosophy was more widely spread and promoted, and more and more consumers and brands joined our green and environmental protection work.



Green and healthy run activities in cities in 2022

Market Responsibility

Quality and Service

We adhere to the customer-oriented principle and persist in providing consumers with safe and healthy products. For this purpose, the Company has established a strict product quality management system to control product quality, as well as a sound after-sales service, customer complaint and merchant management mechanism for timely and quick response to consumers' demands, and has fully safeguarded basic rights and interests of consumers and continuously improved customer satisfaction. In 2022, with the service philosophy of putting customers first and improving the brand reputation with services, Red Star Macalline won the "Experience

and Service Innovation Case" in the "2022 CCFA Golden Lily Best Practice Case for Fashion Retail and Consumer Brand" by China Chain Store & Franchise Association (CCFA) and the the "Best Brand Contribution Award" in 2022 China Customer Contact Center Awards (CCCCA).

Strict Control of Merchandise Quality

In terms of quality management, we have established a sound quality management system in terms of merchandise admission, process supervision, environmental protection, etc., and specially established a merchandise management post, namely merchandise and price inspector to inspect and control merchandise.

Merchant Admission	<ul style="list-style-type: none"> We will conduct a series of qualification material review in admission of new brand merchants. For example, the merchants must have a formal factory authorization letter, and the products must meet the national environmental-protection quality standards and they should provide certificates of conformity for products. We will refuse to admit merchants who fail to meet the above requirements.
Daily Random Inspection	<ul style="list-style-type: none"> In daily operation, we conduct regular sampling inspection of qualification for all merchants, and make a reminder for relevant qualifications that are about to expire, so as to ensure that every brand operated in the premises of Red Star Macalline has admission qualification and legally established manufacturers, so that consumers can buy products carefreely.
Price Tag Check	<ul style="list-style-type: none"> We regularly check whether the materials of merchandises are consistent with the factory instructions, and do not allow merchants to mislead consumers by mislabeling products.
Environmental Protection	<ul style="list-style-type: none"> We regard environmental protection as an important part of quality control, and engage national authoritative testing organizations to regularly conduct random inspections of merchandises in shopping malls to ensure that the merchandises meet the national environmental-protection quality standards, and take actions such as removal, sale suspension, information update, and re-inspection of unqualified products, so as to provide consumers with green, environmental-friendly and safe home furnishing products.

In order to play a more powerful role in quality supervision, we continue to carry out the "Mysterious Buyer Inspection" project in shopping malls in China. In 2022, Red Star Macalline engaged 20 national and provincial authoritative testing organizations to carry out the Mysterious Buyer Inspection in 156 key shopping malls in China, which covered 26 categories and approximately 2,000 batches. By expanding the scope

of random inspections and handling non-conformities in a timely and effective manner, we achieved the dynamic supervision of the quality of merchandise on sale.

In 2022, none of the products sold or shipped by Red Star Macalline had to be recalled for safety and health reasons.

High-quality Consumer Experience

Based on the needs of consumers, Red Star Macalline constantly innovated the service model and continued to safeguard consumers' rights and interests and improve customer satisfaction through a series of measures including optimizing the consumption experience, deepening the home furnishing and decoration integration, building a sound service management system and a customer complaint management system.

Large Activity of “Optimizing Consumption Experience and Promoting Fair Consumption”

In 2022, in response to the large activity of “Optimizing Consumption Experience and Promoting Fair Consumption” organized by China Consumers Association and based on the corporate mission and the value philosophy of putting customers first, Red Star Macalline carried out a series of activities of “Optimizing Consumption Experience and Promoting Fair Consumption” in shopping malls in China, which contributed to promoting the environment for purchase of home furnishings, boosting consumers' confidence in the purchase of home furnishings, and the fair and impartial purchase of home furnishings. During the activity, Red Star Macalline enhanced consumers' confidence and optimized consumption experience through the following three service measures:

- *Door-to-door visit service*

The staff of Red Star Macalline shopping malls in China visited regular customers on a door-to-door basis, listened to suggestions of customers, solved after-sales problems, and gave away high-end home furnishings maintenance services including cleaning of home appliances and home furnishings. Meanwhile, the general managers of provincial centers and shopping malls and other management personally participated in the visit service, thus playing a leading and exemplary role. As at the end of the Reporting Period, Red Star Macalline visited over 60,000 consumers, all of whom gave positive reviews.

- *Home-based services*

In 2022, Red Star Macalline continued to carry out the home-based service project, and provided customers with various service products including maintenance and cleaning of home furnishings, furniture repair, air treatment, household appliance cleaning, and all-round home life solutions by integrating professional maintenance service teams, so that customers can enjoy high-quality home life. We successively launched seven themed home-based service activities, including “Spring Renewal Service Month”, “618 Cool Summer

Home-Loving Service Season”, “818 Household Appliance Cleaning Season” and “11 Promotion Service Month”, to support the sale of categories and operation of theme pavilions based on the large promotion activities. As at the end of 2022, more than 300 shopping malls in China served 400,000 families, with over 50 service projects and customer satisfaction of 100%.

- *Membership services*

In 2022, Red Star Macalline upgraded its service-oriented membership services in 75 shopping malls. It increased consumer stickiness, improved service reputation, stimulated consumption power and enabled the operation of shopping malls mainly through member registration, consumption points and point redemption. We also provided consumers with all kinds of membership rights, including parking, car washing, home-based service and gifts of home furnishings, so that consumers could enjoy the quality service of Red Star at home. In addition, shopping malls maintained the member stickiness and improved their service quality and reputation by door-to-door visit, high-end membership activities, and special greetings on holidays.



Door-to-door visit service



Home-based cleaning service

Market Responsibility

Home Furnishing and Decoration Integration

With Red Star Macalline mission of “born for beauty and designing for life in China”, in 2022, Red Star Macalline Decoration Industry Group was renamed Red Star Macalline Home Decoration Technology Group. It fully implemented the strategic development plan of “self operation + platform”, and built a full-chain decoration industry Internet platform that integrates aesthetic design, quality construction, materials selection, home decoration services and traffic operation, with digital technology as the driving force, marketing and supply chain as the core. Its brands, including Macalline Home Decoration, Macalline Zhenyang Decoration, Macalline Space Design and Macalline Better Home, provided differentiated decoration services including whole-house customization, luxury house space, high-end villas and whole house decoration for consumers with different needs.

In 2022, Red Star Macalline Home Decoration Technology Group continuously enhanced the in-depth research and development of patented technologies, and made technological breakthroughs in mildew, seepage, crack and moisture prevention and noise reduction, as well as new breakthroughs in fabricated integrated materials and processes. It applied for 3 new fabrication patents. As at the end of 2022, the company obtained a total of 45 national patents. In terms of digital construction, on the independently developed ERP and CRM systems for the full-chain digital business of home furnishings, the company added and improved the functions for mobile work of employees, customer management, construction site management, financial management, etc., which greatly improved the digital ability of the home decoration business. The company obtained 10 new software copyrights and had a total of 22 software copyrights.

It promoted the continuous upgrading of the ecological chain of home furnishing and decoration and established a close alliance cooperation with 1,580 home furnishing brands to jointly create a full-house decoration service experience for consumers, which also became an important customer acquisition and sales channel for tenants. It actively promoted the implementation of the business strategy development plan of “self operation + platform”, realized the personalization of solutions through the richness of merchandise in shopping malls and scenario-based experience, and achieved the standardization of delivery through digitalization and standardization.

In addition, in 2022, Red Star Macalline Home Decoration Technology continuously developed towards specialization, intelligence and digitalization, and independently developed and built a digital information center. With its digital technology development and application achievements as well as digital innovation achievements in decoration, it was listed among the “China CDI Top 30 Digital Enterprises” and won the “Innovation Award for CDI Business Model Digitization.” Meanwhile, Macalline Smart Decoration Technology continued to boast cutting-edge aesthetic design strength, a sound supply chain system, first-class construction technologies, and a good reputation, and won the title of “2022 Top 100 Decoration Enterprises in China”.

Service Commitments

Red Star Macalline attaches great importance to the construction of consumer service management system, and continues to implement eight major service items of “Star Commitment, Star Service (星承諾•心服務)”, including the after-sales guarantee commitment of “environmental protection, compensation in advance, and refund of 5 times the price difference in the same city”, so as to ensure that consumers can buy goods and services with the highest quality at the most transparent price at the premises of Red Star Macalline. The integrated and upgraded services of “30-day return without reason, full responsibility for product quality, punctual delivery and installation, one-stop home furnishing design, online and offline integration” provide customers with a one-stop home furnishing service experience of turnkey.



Service Commitment of Red Star Macalline

Customer Complaint Management

We have formulated a series of customer complaint handling rules, including the Implementation Rules for Handling and Management of Customer Complaints and the Rules and Basic Procedures of Customer Complaint Treatment Services, which specify the complaint handling process, handling skills and responsibilities of each department. Our shopping mall and internal performance assessment covered customer satisfaction evaluation. In shopping mall evaluation, the timeliness of customer complaint handling and the satisfaction of complaining customers were included as core aftersales indicators. The internal assessment was conducted in terms of handling timeliness, result and attitude. We have established a number of online and offline complaint channels, including 400 call center, microblog, WeChat, shopping mall service desk, and tenant feedback. The Group, shopping malls and tenants will work together to settle the doubts of consumers.

In addition, we have a professional customer service team, more than 500 full-time senior customer complaint consultants in China for complaint handling, and 224 websites for the protection of consumer rights. We have conducted more than 200 annual professional knowledge training sessions for new customer complaint handlers, thus comprehensively improving their professional skills in terms of product knowledge, legal knowledge and complaint handling skills. In 2022, Red Star Macalline continuously paid attention to the timeliness of handling customer complaints, and reduced the response time from 30 minutes to 20 minutes, striving to “respond quickly in 20 minutes, provide solutions in 24 hours, and close the case in 5 days.” Red Star Macalline adhered to the policy of “first asking responsibility, compliance with laws and regulations, rapid handling and customer satisfaction” in handling consumer problems and ensuring satisfactory handling of customer complaints.

In 2022, Red Star Macalline received a total of 138 important customer complaints about products and services, with the handling satisfaction rate of 93%.

Customer Privacy Protection

We respect and protect customer information and privacy, and strictly comply with the Law of the People's Republic of China on the Protection of Consumer Rights and Interests and the Law of the People's Republic of China on Protection of Personal Information. In operation, we

standardize the collection, holding, use and processing of customer information by specifying the privilege of access to customer documents according to the duties of sales personnel, so as to fully protect the privacy of customers.

In addition, we have a professional information security team and a sound information security management system to protect customers' privacy through a combination of technology and management. After several years of construction, the system basically covers the whole life cycle management of data from generation to destruction and has passed the national-level protection evaluation, thus further enhancing customer information security in activities and marketing.

Supplier Management

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

For suppliers, we have formulated the “Product Qualification Management Regulations”, which clearly regulates the charging standards and compliance verification for access qualifications. We evaluate brand partners through a number of comprehensive management methods including field visit, review of source of products, spot check of service timeliness and contents, and phase out unqualified brand partners according to the results of annual comprehensive evaluation. We implement the “Standards for Evaluation for Factory Quality Guarantee Capacity”, which sets out our own requirements for our brand partners in terms of company qualification, quality assurance systems, 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 unqualified products, package transportation and storage, important environmental factors in the life cycle of products, etc.

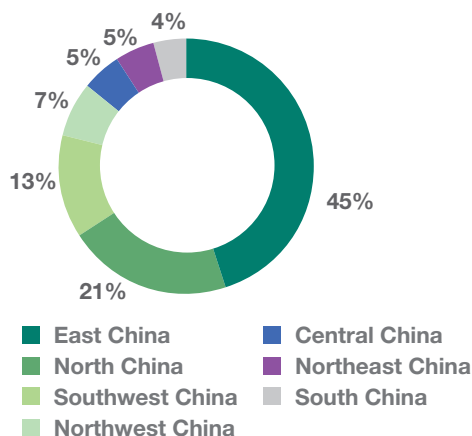
Market Responsibility

In terms of system construction, we have complied with the revised version of the Supplier Management Policy of Red Star Macalline Group in 2021. The Policy specifies detailed rules for supplier management, including supplier access standards, supplier verification requirements, supplier KPI assessment system and supplier elimination mechanism. We have established a multi-dimensional assessment system with participation of multiple departments, based on which all cooperation suppliers will be assessed on an annual basis. The assessment score will be used to eliminate suppliers in lowest rankings, thus ensuring the continuous optimization of supplier resources.

In terms of procurement information construction, we have completed the construction of the “Supplier Collaboration Platform”, which covers 80% of online suppliers by the end of the year. Relying on the platform, online suppliers can update real-time information including delivery of goods, inspection and receipt in warehouses and issuing invoices, which significantly enhanced the efficiency of procurement, optimized the procurement process, and deepened the collaboration and resilience of suppliers. In addition, we have built an intelligent e-commerce purchase platform and used the developed online e-commerce model in China to provide more than 400 stores with a variety of standardized products with competitive price advantages and efficient delivery capabilities. The “Innovation Award for Building Digital Purchase Platforms” was granted by Shanghai Economic and Information Commission and Shanghai E-commerce Association for the project.

As of 2022, there were 381 major suppliers with the purchase order amount accounting for 80% of the total purchase order amount in 2022, and their distribution was as follows:

Red Star Macalline suppliers by region



Business Ethics

In the course of ordinary operation, we strictly comply with the Trademark Law of the People's Republic of China, the Anti-Unfair Competition Law of the People's Republic of China and the Advertisement Law of the People's Republic of China, use all registered trademarks in a legal and compliant manner, and make objective statements on the quality of our products and services, so as to maintain just and fair market order. In addition, we always adhere to the spirit of innovation and craftsmanship, and make intensive and penetrative efforts in the home decoration and furnishing industry. In strict accordance with the Standards for the Management of Corporate Intellectual Property Rights of the People's Republic of China, we protect our intellectual property rights from infringement by signing confidentiality agreements with our employees and conducting relevant training.

In order to create a “honest, fair and transparent” business environment and implement the core corporate values of “righteous staff, work and business”, we have always adhered to the principle of system first and further reiterated important anti-corruption documents including “26 Rules on Integrity (倡廉 26 條)”, and “Eight Prohibitions (八項禁令).” We have carried forward the corporate culture of justice and uprightness in the Company, and are committed to continuously eliminating blind spots in power supervision, and establishing a sound supervision and management mechanism, an effective power restriction mechanism and a serious accountability mechanism. In 2022, we maintained integrity publicity. We continued to vigorously carry out the third “Integrity and Self-discipline Publicity Month”, with a focus on “eight prohibitions” study, education and publicity. We also mobilized provincial marketing and development centers to carry out active publicity and attach importance to integrity education.

We have set up a multi-level integrity supervision network and a dedicated supervision department to strictly investigate and deal with violations of laws, regulations and disciplines, including embezzlement and misappropriation of corporate assets, acceptance or solicitation of commercial bribes, use of positions for illegitimate interests. We also have grass-roots supervisors in shopping malls across China. Each functional center has personnel in charge of supervision, while there are part-time supervision heads in each provincial area to guide the process supervision of shopping malls. In addition, we have continued to improve the report information processing mechanism, by adding and setting complaint mailboxes and bulletin boards for integrity in all shopping malls to ensure unimpeded access to management information in all shopping malls and centers. We treat letters, visits and complaints through standardized processes. In 2022, the supervision department made full use of online tools, gave full play to the role of inspectors at all levels, and engaged inspectors of functional centers and provincial marketing and development centers to support, direct and supervise the investigation of some cases, which not only ensured the integrity but also exercised the practical ability of grassroots inspectors.

While improving our integrity supervision system, we also vigorously promote the signing of the Supplier Integrity Commitment, and sign the Supplier Integrity Commitment with major suppliers, so as to achieve the goals of maintaining fair competition order in the market and complying with business ethics, and prevent and curb violations of laws, rules and disciplines at source. We persist in establishing a price comparison and supervision department, which conducted a total of more than thousands of random inspections and supervisions of the whole-process purchase of the Company. We continue to promote the anti-fraud mechanism of joint prevention and co-construction in the home furnishing industry, so as to provide a strong guarantee for the healthy and orderly development of the home furnishing industry.

In 2022, to our knowledge, the Company or its employees were not involved in any closed corruption case.



Staff Responsibility

We always regard employees as the Company's most valuable wealth and assets. While actively protecting employees' basic rights and meeting their basic needs, we persist in constructing an area gathering home furnishing talents under strategic guidance, and continuously promote the deep integration of talent strategies and business strategies, and strengthen the training of high-quality personnel. In addition, we strictly comply with employment-related laws and regulations, provide competitive salaries, and continuously improve our promotion system. Meanwhile, we have created a harmonious and open working environment and are committed to creating a fair, reasonable, friendly and flexible work environment. We respect our employees and improve their abilities through multi-dimensional systematic training in the School of Management, so as to help employees give full play to their strengths, work with peace of mind, make a long-term dedication, and continuously develop in the Company, thus realizing the good vision of happy growth and common progress of the Company and employees.



Main achievements in 2022:

We paid attention to recruiting more female employees. In 2022, female employees accounted for 43.19%, representing an increase compared with 2021.

The average number of training hours of employees reached 174 hours, and 100% of our employees received training.



We won four authoritative awards for employer brands, namely “2022 China’s Best Employer”, “2022 China’s Model Employer”, “2022 Model HR Management Team” and “2022 China’s Good Talent Scout – Annual Influential Employer Award.”

Supporting the Sustainable Development Goals (SDGs) of the United Nations:
5 Gender Equality

8 Decent work and economic growth


Labour Relationship

We have formed an equal and harmonious labor relationship with our staff by ways of actively protecting their rights and interests, creating a diverse and inclusive working environment, carrying out democratic communication and other ways, through which we have achieved a joint development with our staff.

Labors’ Rights and Interests

We strictly comply with the Labor Law of the People’s Republic of China and the Labor Contract Law of the People’s Republic of China. We adhere to equal employment to ensure there is no discrimination against job applicants for their races and genders, etc., and enter into labor contracts with all our employees. In addition, we comply with the provisions of the Social Insurance Law of the People’s Republic of China, the Regulations on Management of Housing Provident Fund and other laws and regulations and pay pensions, medical insurance, maternity insurance, work injury insurance, unemployment insurance and other social insurances for our staff.

We boycott child labor and forced labor. The “Employee Management” section in the Employee Manual of Red Star Macalline stipulates that the Company shall strictly implement the Provisions on Special Protection for Juvenile Workers (《未成年工特殊保護規定》), the Provisions on the Prohibition of Child Labor and other laws and regulations, protect the legitimate rights and interests of juvenile workers, and strictly prohibit child labor. Our human resources information system can automatically identify juvenile workers and child labor. We require employees to close stores and get off work on time. If overtime work is required, an application must be submitted in advance. In order to effectively protect the legitimate rights and interests of employees who work overtime, we continue to implement the leave rearrangement policy and the mechanism of leave-into-salary, and urge employees to complete their applications for time off work in a timely manner to ensure that employees receive reasonable rest. We did not identify any violation of laws and regulations relating to the employment of child labor or forced labor in 2022.

Staff Responsibility

We actively promote the philosophy of equality between men and women and respect for women. We add relevant contents for the protection of female employees' rights and interests in the recruitment process, and strictly comply with the Special Provisions on Labor Protection of Female Employees, the Trade Union Law and other laws and regulations to protect the rights and interests of women. In order to better promote the common development of female employees and the Company, we established the Women's Federation in November 2021, signed and approved the Special Collective Contract for Special Interests of Female Employees with the trade union. We advocate "respect for women" and "gender equality", and strictly prohibit behaviors that endanger women's workplace safety, to further safeguard the legitimate rights and interests of our female employees.

We have also established a comprehensive compensation management system to organically link our employees' rights and interests with the Company's performance, which not only increases our competitive edge, but also improves our employees' satisfaction, thus effectively protecting our employees' rights and interests. As for all our employees, we take into account the operating position, the changes in the consumption index and the salary situation in the market of the place where they work as well as their work performance and results, and the changes in position and work nature, when determining the range of salary adjustment. In addition, we implement

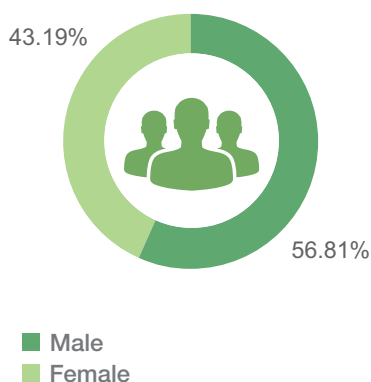
the policy of combination of long-term incentives and short-term incentives, and mutual complementation between material and spiritual incentives, to fully mobilize the enthusiasm and creativity of employees. For the talents who held key positions, we effectively used a number of incentive measures, so that employees can become shareholders of the Company, share the achievements of the development of the Company.

Diversity and Inclusion

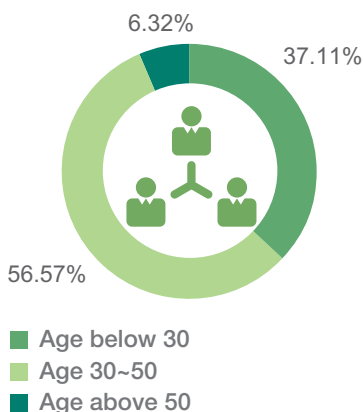
We attach great importance to the diversification of employee structure and recruit more employees with different backgrounds, and encourage them to bring diversified idea and value to the Company, thereby creating an inclusive corporate culture and enhancing the vitality of the Company and employees.

We focus on recruiting more female employees, especially increasing the proportion of female employees in management. In 2022, our female employees accounted for 43.19% of our total staff, an increase from 2021. Apart from Chinese nationality, our employees also include foreign individuals from Italy, Australia, the United States and other countries. In addition, around 4.37% of our employees are ethnic minorities, including the Manchus, the Huis, the Bais, the Zhuangs, Mongolians, the Bouyeis, the Dongs, the Miaos, the Tujias and the Yis. In 2022, we had 18,101 employees.

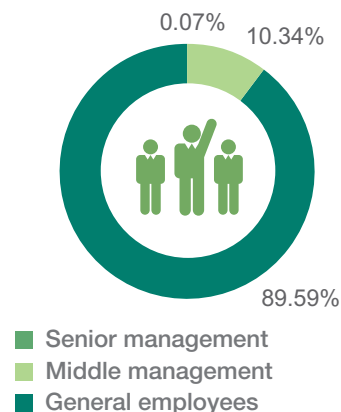
Employees by gender in Red Star Macalline



Employees by age group in Red Star Macalline



Employees by type in Red Star Macalline



Democratic Communication

We are committed to creating a democratic and open communication environment and strengthening the interaction and connection between the Company and its employees. We have set up various communication channels. Employees may report problems and suggestions to the Company in respect of personal labor relations, work life, employee rights and interests and the Company's operation and development by means of employee representative meetings, ordinary business meetings, union chairman's suggestion box, WeChat official account, Dragon's Eyes App (龍眼 APP). For feedbacks from our employees, the Company has designated specific personnel to collect, investigate, follow-up on, coordinate and handle them, and inform the employees of the solutions and results in a timely manner.

Staff development

The promotion and development of employees are the foundation of enterprise development, and the wisdom support of employees is essential for the strategic development and business operation of enterprises. Therefore, we focus on the development and growth of talents in the Company, attach importance to employee training, continuously invest training resources every year to train employees, and plan clear career development promotion paths for employees in different positions. In addition, our human resources department investigates and analyzes the training needs every year according to the objectives of organizational strategies and work requirements. We provide employees with a platform for continuous improvement and growth, as well as knowledge and skills training which will enable them to adapt to market competition, so as to help them improve their strength and knowledge, thus providing talents for the Company and even the society.

Career Development

We actively listen to the development needs of employees, maintain communication with employees, and design reasonable career development channels according to the actual situation of employees and the characteristics of each position.

We have established a comprehensive evaluation management system for all staff. We make a comprehensive evaluation for staff through performance and capability evaluation with performance, capability and value as assessment dimensions. We are performance-oriented, pay attention to valuable output and delivery, and realize the effective linkage between organizational and individual performance through comprehensive management evaluation, business performance evaluation and special indicator evaluation. We continuously identify the backbone talents with good performance and high willingness, through assessment under our values. Employees can also learn about the completion of their performance indicators through performance evaluation results, as well as their weaknesses through ability evaluation, so that they can learn independently and realize their all-round development.

In 2022, in order to ensure the fairness of employee promotion, we updated the employee promotion system and developed monthly competition and quarterly comprehensive evaluation measures to evaluate each employee more scientifically, fairly and transparently, and provided an institutional guarantee for employee development. Through the monthly evaluation of employee performance data, we carried out a comprehensive evaluation of employees every quarter, and ranked them in the same segment according to the performance and evaluation results, so that employees with potential and excellent performance can be identified, developed and promoted in time. Meanwhile, based on talent identification management, grass-roots employees are given the opportunity to communicate face-to-face with the leaders who have the appointment authority. This helps the Company quickly identify employees with high potential and provides opportunities for more employees to show their abilities.

In addition, we also design a talent development plan for some key positions according to the Company's business and job characteristics. For example, we are committed to building an agile talent supply chain system for the echelon of key positions from manager level to general managers of the malls. We determine the training objectives and career development plans of talents through talent review and talent evaluation, and accelerate the key talent growth and development through training measures such as job rotation, project-based mechanism and mentoring mechanism.

With the aid of information technology and according to the rank of different employees and job characteristics, we have established a sound staff training system and formed the training content of basic management, professional post skills, and general abilities with

the whole closed-loop quantitative management. For all training projects, we adopt the project-based management model and conduct researches before all training programs are officially approved to respond to employees' training needs. In 2022, the average number of training time of employees reached 174 hours, and the proportion of employees receiving training reached 100%.

Enterprise Culture, Enterprise Heritage, Industry Benchmark, Ingenuity and Innovation

Career Ladder		Commercial Real Estate Talent Training	Home Furnishing Circulation Talent Training	Internet Talent Training	Home Decoration Talent Training	All-staff Study	Gold Lectern	Continuing Education	Industry Chain Talent Training Project
M Sequence	T Sequence	Senior Management's External Training General Development Seminar Development Business Knowledge Manual Pocket Book Development Training Base (Product Knowledge, Professional Knowledge, Practical Experience Cases, Universal Knowledge) Newly Joined Staff Training	Seminar for General Managers and Senior Management of Shopping Malls Elite Talent Training Main Force Training for Star Youth Basic Operations Training	Balanced Manager Training Newly-joined Shopping Malls Training Elite Talents Training	Other Product Knowledge Training Home Furnishing Professional Knowledge Training Internet Professional Skills Training	Training and Certification of Home Decoration Consultants Certification of Home Decoration Designers Home Decoration Paper Training Training and Certification of Home Decoration Consultants Study Feast (Required Technical Knowledge and Skills, Reading and Learning, Sharing Greats, Guest Study, Post-Business Lesson, Common Skills Lesson) Real-time Online Learning System	Cultivation of Expert Lecturers Cultivation of Internet Lecturers Cultivation of Home Furnishing Expert Lecturers Cultivation of Professional Lecturers Lecturer Contest/Workshop Online Training Camp for Special Lecturers on World of Yuanlin Cultivation of Home Furnishing Expert Lecturers Cultivation of Professional Lecturers	Education on the Upgrade of Academic Qualifications Self-improvement Training Certification of Occupational Skill Qualification	Cultivation of Home Furnishing Industry Talent EMBA Seminar for the Elite of Home Furnishing Overseas Study Class for the Senior Management of Home Furnishing Custom-made Open Class Well-managed Shop Cases Champion Shopkeeper Training Workers Training for Delivery, Decoration and Repairment Shopping Malls Guide Certification Training
Decision-making Level	Top Professional Level								
Management	Middle Professional Level								
Minister level	Primary Professional Level								
Cadre Staff									
Experienced Staff									
New Staff									

Basic Management Curriculum System, Professional Post Skills Curriculum System, General Ability and Quality Curriculum System - the Content Support of Training System

Professional Business, Complete Training Projects (Planning, Implementation, Tracking, Filing, Evaluation and Improvement) in HR System - the Closed-loop Management of Training System

Training Examination and Incentive System for Training Grades, Training Hours and Training Credits - the Quantitative Management of Training System

Upgrade, Optimization and Iterative Improvement of Training Management Technology and Training Application Technology - the State-of-the-Art Technologies Applied in the Training System

In 2022, Red Star Macalline School of Management continued to deepen online and offline integrated training and enabled employees' personal development through the online ELN learning platform and Star Talk Live Streaming Lecture Room and offline core employee training programs.

In 2022, we launched the Star Talk Live Streaming Lecture Room, in which the School of Management promoted all-round and multi-dimensional instant communication among employees through the live streaming platform.

Meanwhile, we attempted to establish an operation model of the “everyone can share and learn” series of live streaming training. During the Reporting Period, we carried out more than 100 live streaming training sessions through platforms including DingTalk, WeChat video account and our live streaming, with 320,000 viewers.

In order to help employees get familiar with business knowledge and skills, master practical business skills and improve their general management ability, we have also established an online ELN learning platform for all employees. There were a total of 1.81 million visits to the platform.

Core Employee Training Program

In 2022, Red Star Macalline School of Management continued to set up core employee training programs for recent college graduates and employees in key positions in shopping malls, and offered courses that meet their needs according to the ability models and business needs of different positions.

The “Star Power” program is an independent and sustainable employee training program carried out by Red Star Macalline for recent college graduates. It has been successfully implemented for fifteen years and trained a large number of management employees for the Company. Through campus presentations, Open Day and other activities, we removed the barriers between schools and enterprises, established a standardized school-enterprise cooperation model of “one province and one practice base”, and deepened college graduates’ knowledge and understanding of Red Star Macalline and the home furnishing circulation industry through “delivery and introduction.” In 2022, we signed agreements for 8 new practice bases, and the scope of cooperation was gradually expanded from providing internship positions to teaching in schools and jointly offering special programs. As at the end of the reporting period, Red Star Macalline had 37 normalized practice bases.

For key employees, we offer “Youth Luban” project. In consideration of the core management position sequence of the Company, we have built three core talent pools, namely “Youth Luban – Reserve Personnel”, “Youth Luban – Personnel on Reserve Duty” and “Youth Luban”, so as to remove barriers in the career path of a young talent from grassroots employee to middle and senior management. In the “Youth Luban” project, we also appoints senior executive, heads of business lines, and outstanding front-line business leaders as tutors for different hierarchies, and carry out closed-loop training from the aspects of recommendation and selection, review and shortlisting, evaluation and team establishment, study group, subject study, training practice, completion report, etc., and pay attention on a level-by-level basis, and are committed to realizing the ability-oriented system construction with a focus on the level of quality and management of products, marketing and operation.

For key positions in shopping malls, the School of Management put forward the strategic goal of “home furnishing and decoration integration, online and offline integration” to match the higher requirements of business upgrading and development for the training of general managers of 100 MALLs. In 2022, we launched provincial general manager classes, commercial general manager classes, special classes for key positions in shopping malls and other programs to upgrade the business knowledge and skills of the general manager of 100 MALLs.



In 2022, Star Power Training Camp was held online, and CHE Jianxing, the chairman communicated with the students of Star Power Training Camp in the live streaming room



2022 Training Site for General Manager of Shopping Mall Seminar

Staff Responsibility

Care for Employees

We continuously pay attention to the spiritual demands of our employees, strengthen their sense of belonging and happiness in the enterprise by providing a clean and beautiful working environment, providing recreation facilities and caring for their emotional life, and actively create a united, harmonious and loving corporate culture.

Care for the Life of Employees

We regard our employees as our family members, pay attention to their material and emotional life, and provide them with help and care by carrying out special assistance work for disadvantaged groups, organizing online fellowship activities, launching in-house purchase events and providing various benefit activities.

Attention to Employees in Difficulty

Red Star Macalline pays great attention to the life of employees in difficulty and continuously carries out assistance work. For example, in 2022, we worked with Shanghai Minhang District and the Sub-district Federation of Trade Unions to carry out special assistance work for the groups in difficulty on 1 May, providing a subsidy of RMB12,000. During the Mid-Autumn Festival, we carried out a “micro-wish” activity for employees in difficulty, presenting household appliances including microwave ovens and rice cookers to employees.

Care for the Emotional Life of Employees

China is facing social issues including low marriage rate, low birth rate and high divorce rate. As the parent of employees, Red Star Macalline continues to make efforts to solve the marriage problems of single young employees. In 2022, we worked with a fellowship platform to carry out theme activities including “Love at First sight, Make Friends through Cloud”, “Love 520” and “Online Cloud Fellowship for Single Youth on the Chinese Valentine’s Day”, providing an online dating platform for the Company’s single youth, with the participation of nearly 100 outstanding single youth.

Improving the Quality of Life of Employees

In 2022, the Trade Union of Red Star Macalline worked with many organizations to provide employees with high-quality and cost-effective benefits. The Trade Union worked with Vanke to launch Red Star Macalline exclusive preferential apartments, so as to meet the needs of employees for high-quality housing. The Trade Union worked with China Mobile Headquarters in Shanghai to launch two exclusive benefit packages for employees of Red Star Macalline, so as to reduce communication expenses of employees. The Trade Union worked with the Shanghai Federation of Trade Unions, Shanghai Rural Commercial Bank and Shanghai Public Transport Card to provide subsidies for travel by public transport, subsidizing registered members who travel by public transport such as subway, bus and ferry, based on their total monthly consumption.

In 2022, the Trade Union of Red Star Macalline applied for the “Pilot Organizations of the Shanghai Federation of Trade Unions to Improve the Quality of Life of Employees” and won the honorary titles of “Contemporary Craftsman”, “Most Trusted Home of Employees” and “Most Beautiful Trade Union Family” in Minhang District of Shanghai.



Online Fellowship Activity



China Mobile Benefit Package Activity

Work-life Balance

In order to ease the work pressure of employees and help them maintain a good attitude, Red Star Macalline headquarters is equipped with study room, Pilates room, yoga room, dance room, gym, running track, and capsule apartments and other leisure and entertainment areas, covering a total area of 1,000 square meters. In 2022, in order to enrich employees' life in spare time and enhance their happiness, we continued to invite professional trainers to teach modern dance, yoga, boxing and other interest classes, which can enhance the cohesion and unity of our workforce. In the meantime, our 7 staff clubs continue to carry out various activities.

Care for the Health of Employees

Red Star Macalline earnestly cares for employees' health. By setting up a diet committee, creating a Red Star medical fast track, upgrading the trade union membership card to cover medical insurance for serious illness, and establishing a health room, Red Star Macalline helps employees properly carry out health management, so as to enhance the vitality and momentum for the development of the Company. In 2022, Shanghai experienced continuous high-temperature weather, and we conducted a visit and cooling activity by providing cooling measures for more than 80 frontline workers such as security guards and cleaners. In addition, we continued to pay attention to the health and development of female employees. For example, in 2022, we organized the cleaning personnel and salespersons from the shopping mall of Global No.1 Home Store and Wuzhong Road Shopping Mall to undergo screening for gynecological and breast diseases, so as to care for the physical health of flexibly employed groups and female employees in shopping malls.

Shopping Malls' Safety

The shopping mall safety management relates to the safety issues of staff, customers and surrounding communities, so we pay special attention to it. Our safety hazards are mainly the construction safety during the construction of shopping mall, the fire hazards in the daily operation of the shopping malls, falling objects from height, and personal injury cases caused by non-standardized operations. At the same time, we will continue to pay attention to the normal physical examination of employees at the end of each year, and constantly provide and promote trainings on health awareness, so as to ensure that our employees can protect their own safety during work hours.

During the construction of shopping malls, we followed the "Administrative Regulations on the Work Safety of Construction Projects" issued by the State Council of China and the "Standards of construction safety inspection" issued by the Ministry of Housing and Urban-Rural Development of China to manage construction sites. Meanwhile, Red Star Macalline revised and issued the New Store Management Manual, carried out training and implemented the manual, and established the on-site safety management system.

During the daily operation of shopping malls, we formulated 19 safety control notices, such as the Standardization of Requirements on Patrol Inspection by Security Guards and Work of Fixed Posts in Shopping Malls, the Implementation of the System for Safety Management of Properties in Business Streets, the Implementation of the Standards of Patrol Inspection of Compartments and Storehouses in Shopping Malls, the Standardization of Management of Hot Work and Thermal Insulation Materials in Shopping Malls, and the Technical Management Manual of Properties in Shopping Malls – Safety, thus greatly improving the safety management level of shopping malls. In 2022, we also developed and published the procedures for 7 positions of safety in shopping malls and their 47 SOPs. We organized relevant personnel in shopping malls in China to implement and study the procedures and SOPs.

In 2022, we continued to implement the linkage mechanism and organize fire drills, and upgraded the patrol inspection alarm system to ensure the safety of employees, customers and surrounding communities, and to our knowledge, no employees died due to work. Our safety protection work in shopping malls in China was recognized by local governments. Specifically, 52 shopping malls won 73 honors, including advanced organizations in fire fighting, advanced organizations in fire fighting skill competition and advanced individuals in safety.

Staff Responsibility

Linkage Mechanism

We have developed the Implementation of the System for Safety Management of Properties in Business Streets and established the organizational structure system of the safety management committee for business streets (adjacent properties), so as to specify each accountability management module of shopping malls, solve the problem of “grey management zone” in public areas, further improve the risk prevention ability of shopping malls and adjacent buildings, handle emergencies in a timely, effective and coordinated manner, and practically implement the management standards of “maintaining stability, ensuring safety, eliminating hazards and supporting operations”, and reduce the safety accidents in the surrounding communities.

Fire prevention and fighting

In 2022, we organized a total of over 3,000 fire drills and skills competitions with a total of approximately 70,000 participants. These fire drills were mainly for emergency evacuation of all staff, comprehensive fire drills for the initial fire handling process, and the full-time fire brigade handling process in shopping malls, which increased employees’ fire safety awareness and emergency response capabilities in the face of emergencies. In addition, since April 2022, we have continuously

strengthened the supervision of kitchen flue cleaning to ensure that the flue for catering involving open flame cooking should be cleaned once every half month and the flue for catering without open flame cooking should be cleaned once every month, and followed up the timely cleaning work of 100 % of the shopping malls involved. We have continuously required the use of industrial endoscopes to carry out acceptance inspection of interior cleaning of kitchen flues, and promoted the use of lampblack purifiers in smokeless pipes. The application of the equipment will greatly reduce the fire hazards of catering booths.

Safe operation code

Falling objects and non-standardized operation may threaten the safety of employees and customers. In order to prevent unnecessary personal injuries and property losses caused by hot work, we revised and published the requirements of the Standardization of Management of Hot Work, developed and published SOPs for hot work, and focused on carrying out training and implementation of the SOPs. Meanwhile, in order to prevent personal injuries, we have developed employee safety operation specifications, mainly for electrician operation, aerial work, hot work, maintenance operation, etc. In 2022, to our knowledge, there were no falling objects or personal injury accidents caused by nonstandard operations.



Fire Protection Training by Shopping Mall on Tourist Road, Jinan.



Fire Hazard Inspection by Changde Dongxing Shopping Mall



Community Responsibilities

While pursuing our self-growth, we proactively participate in public welfare undertakings and insist on contributing to the society with high sense of social responsibility and a grateful attitude. We are committed to public welfare undertakings and sharing our operation achievements with the society, thus contributing our part to the prosperity of communities.



Communities

Main achievements in 2022:



We donated RMB2.9 million to Guangzhou Oppein Public Welfare Foundation, which was mainly used to help the poor and promote the development of remote mountainous areas.

We donated RMB1.5 million to Shanghai Yicai Foundation, and continued to carry out a series of public welfare space renovation projects in Dunhuang Grottoes.



We donated RMB470,000 to Shanghai Qingpu Education Foundation to improve the quality of local education.

We won the corporate donor award in the first “Shanghai Charity Award” and the “Shanghai May 1st Labor Award.”

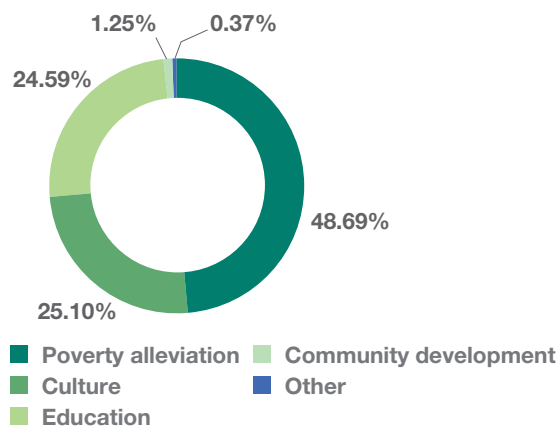
We launched the theme activity of “Filial Piety Day” to promote the inheritance of filial piety, which was included in the “2022 China’s Top 10 Excellent Brand Cases.”



At the 2022 Listed Companies Summit and the 16th Crystal Ball Selection held by Securities Market Weekly, we won the title of “2022 Most Socially Responsible (ESG) Listed Company.” In the 2022 Investors’ Annual Meeting of Thinking Finance hosted by Thinking Finance and Investor China, we won the “2022 Golden Bridge Award for Outstanding Enterprises in ESG Practice.”

In 2022, we invested approximately RMB5.98 million in the poverty alleviation, culture, education, community development and others.

Community Donation by Area



Supporting the Sustainable Development Goals (SDGs) of the United Nations:

11 Sustainable cities and communities



Supporting Poverty-Stricken Areas

In 2022, we donated RMB1 million to China Soong Ching Ling Foundation to promote the construction of vocational education in underdeveloped and remote areas and deep integration with the real economy, so as to facilitate “common prosperity.” In addition, we donated RMB2.90 million to Guangzhou Oupai Charity Foundation (廣州歐派公益基金會), which was mainly used to help the poor and promote the self-reliable development of remote mountainous areas, and promoted the corporate culture of fairness, uprightness and unity, further performed the corporate citizenship responsibilities and co-built a beautiful society.

Volunteer Activities

In 2022, we participated in a number of volunteer activities, making contributions to building a harmonious and beautiful society. In March 2022, Guizhou No.1 Store of Red Star Macalline organized the activity of “boxed meals for sanitation workers”, delivering love and warmth to those who quietly made contributions in grassroots positions in society; Wuhai Lion City Shopping Mall of Red Star Macalline organized volunteers of the Lei Feng team to carry out the “learning from Lei Feng, picking up garbage, and beautifying the environment” hiking volunteer service activities, in which they actively practiced the spirit of Lei Feng in sports and developed the environmental awareness. In November 2022, a



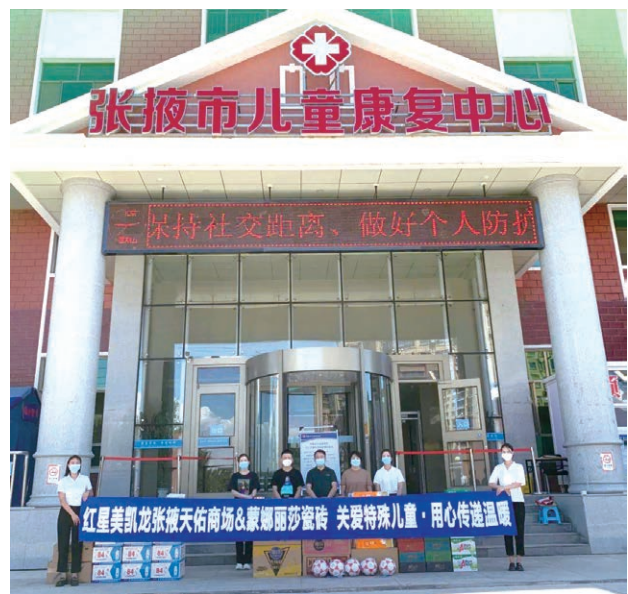
“Learn from Lei Feng” Volunteer Activity



Volunteer Activity for the 5th China International Import Expo

total of 166 participants from companies of the Group participated in the service support work for the 5th China International Import Expo, in Hongqiao Comprehensive Transportation Hub and the underground passage of the National Exhibition and Convention Center, with more than 400 service hours in total.

We also spare no effort in caring for exceptional children. In August 2022, employees of Zhangye Tianyou Shopping Mall of Red Star Macalline visited Zhangye Child Welfare Center with stationery, toys, basketballs, footballs, snacks and other study and living materials, to carry out donation activities, so as to care for the children and make them feel the warmth of the society.



Donation to Zhangye Child Welfare Center

Communities

In 2022, Red Star Macalline practiced corporate social responsibility by caring for people's livelihood needs, actively participating in volunteer work in our community. In September 2022, the Company won the "Shanghai May 1st Labor Award."



Protect Traditional Culture

As an advocate of quality life, we actively promote the concept of aesthetics through the promotion of traditional Chinese art culture and various art activities, etc., to enhance the aesthetic appeal of the public, thus improving the quality of public life.



Series of Public Welfare Space Renovation Projects in Dunhuang Grottoes

From 2018 to 2022, with respect for the long-term adherence to Dunhuang culture, Red Star Macalline worked with Dunhuang Academy for the fifth year to continue to carry out a series of projects on the renovation of the public welfare spaces in Dunhuang Grottoes. Five design dream teams, consisting of 5 design tutors and 30 design elites, designed space art for Mogao Post Station and Gongdelin Square respectively, in order to convey the beauty of oriental culture and help protect Dunhuang Grottoes. Meanwhile, we donated a total of RMB1.5 million to the Shanghai Yicai Foundation to jointly build the "Yulin Grotto 44" public welfare project, which improved three spaces, namely the local postgraduate employee home for cultural relics protection of Yulin Grottoes, employee teahouse and showroom, thus greatly improving the space aesthetics and space utilization rate.

Red Star Macalline believes that "filial piety" is an important carrier of "family culture", and the inheritance of filial piety is of great significance to the cultural identity and self-cognition of the Chinese. It conveys the philosophy and purpose of "timely filial piety" to the public. In 2022, we launched the first "Filial Piety Day" activity as well as the touching micro-film "Trio of Filial Piety", with Olympic fencing champion Sun Yiwen and her friends as the roles. The film consisted of three stories, namely company, giving and inheritance, showing the filial piety of Young Chinese. We established "Filial Piety Photo Studio" in 32 No.1 shops in China. The "Filial Piety Day" activity was included in 2022 China's Top 10 Excellent Brand Cases, triggering extensive thinking on how to carry forward and inherit the spiritual core of Chinese traditional family culture in the new era.

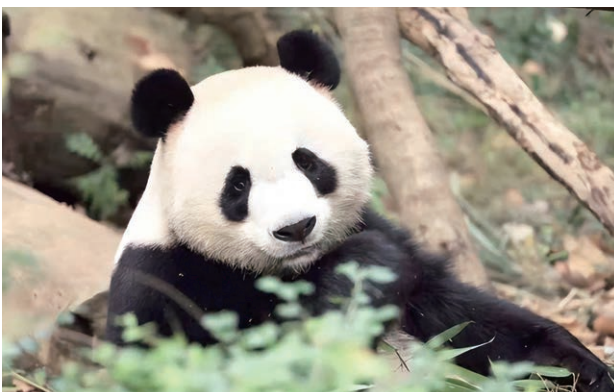


Micro-film "Trio of Filial Piety"



Chairman CHE Jianxin Attended the Filial Piety Culture Forum

In addition, after the adoption of the giant panda in 2007 and the giant panda “Xiao Xin” in 2012, we came to Chengdu Research Base of Giant Panda Breeding again in April 2022 to adopt the giant panda “Kai Long” for the third time, so as to support the giant panda protection.



Adoption of giant panda “Kai Long”

Supporting Youth in Starting Businesses

In November 2022, with the support of China Foundation for Youth Entrepreneurship and Employment – Red Star Macalline Home-Loving Fund and the assistance of the Youth League Committee of Honghe Prefecture, Yunnan Province, we successfully offered the “Red Star Macalline Home-Loving Fund” exchange and training course for youth entrepreneurship and employment in Dali Prefecture. Through on-the-spot teaching, on-the-spot observation, discussion and exchange, we led the students to learn about the innovative application of agricultural science and technology in Yunnan Province, the green development of agriculture and rural areas, and the integrated development of culture and tourism, so as to help college students who returned to their home village and entrepreneurial youth accumulate more knowledge needed for starting a business, improve their ability to innovate and start a business, and promote rural revitalization.



Exchange and Training Course for Youth Entrepreneurship and Employment in Dali Prefecture



Environmental Responsibilities

Red Star Macalline has raised the “green environmental protection” to strategic level of the Company since 2016. Besides “zero tolerance” for non-environmental friendly home furnishing products and brands, our environmental protection policy is always considered as priority in our operation, which is applicable to each stage and phase including the corporate development philosophy, management system, practices and performance.



Main achievements in 2022:

Our energy consumption intensity was 743.05 MWh per 10,000 m², lower than 2021.

Our greenhouse gas emissions intensity was 429.07 tons per 10,000 m², lower than 2021.



Our water consumption intensity was 3,024.76 m³ per 10,000 m², lower than 2021.

We carried out LED lighting retrofits of shopping malls as well as small-scale energy-saving retrofits of central air-conditioning systems in shopping malls, to improve the operating efficiency of the central air-conditioning system and effectively reduce the energy consumption of shopping malls.



We updated and amended the “Three-level Emergency Response Process for Earthquake” and the Safety Training Outline, and organized shopping malls in China to carry out a total of 17,874 drills for emergency plans.

In our long practice of environmental protection concept, we strictly control the environmental protection management of each step from the planning and design of the construction projects of shopping mall to its building construction as well as to property management and office building management after the completion of a project, covering green building certification, natural resource conservation, energy efficiency optimization and environmental protection procurement and so on. We strive to create a kind of corporate culture that cherishes resources, promote the concept of green and environmental protection to employees, and encourage employees to actively participate in various environmental protection activities and adopt a green and healthy lifestyle. In addition to implementing the concept of environmental protection into our own behavior, we require that merchants shall 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 Labeling certification and ISO series system certification. We require that merchants shall adhere to the environmental protection concept in the process of decoration and construction and use green environmental protection materials, including the materials which comply with China Environmental Labelling certification and the wooden boards which comply with GB18580 standard E1, thereby encouraging them to create a green environment.

Red Star Macalline strictly complies with the Environmental Protection Law of the People’s Republic of China, attaches great importance to environmental protection and increases investments in environmental protection, and management and control is in strict compliance with the “green and environmental protection management system” of the Company. In 2022, there were no business activities and events that had a material impact on the environment and natural resources.

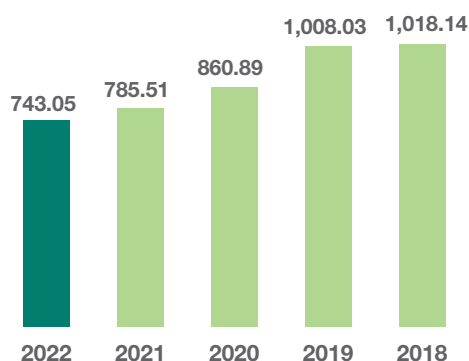
Supporting the Sustainable Development Goals (SDGs) of the United Nations:**7 Affordable and clean energy****13 Climate action**

Environmental Responsibilities

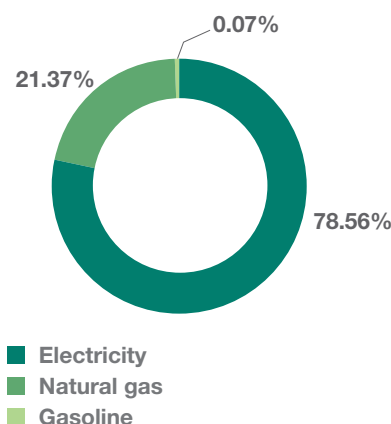
Low-carbon Shopping Malls

The main energy consumed by our shopping malls and offices is electricity and natural gas. In our daily operation, we strictly comply with the Energy Conservation Law of the People's Republic of China. We have set the energy utilization efficiency target: In constructing shopping malls, the Company will take energy conservation as a key consideration, and will actively promote various energy-saving retrofit projects to achieve energy consumption reduction. In 2022, our total energy consumption amounted to 1,672,477.50 MWh, of which electricity consumption accounted for 78.56%, and the energy consumption intensity decreased to 743.05 MWh/10,000 m² compared to 2021.

Energy consumption intensity
(MWh/10,000 m²)

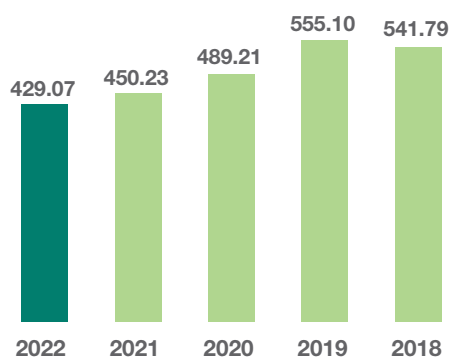


Energy consumption of Red Star Macalline by category

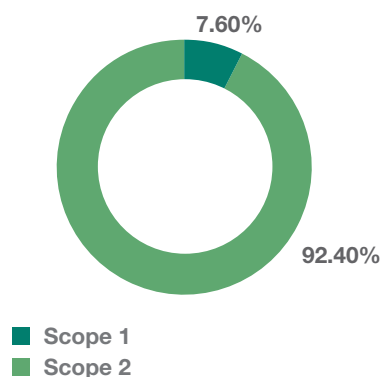


In 2022, our total volume of greenhouse gas emission was 965,767.64 tonnes. The percentage of greenhouse gas (scope 2) was approximately 92.40%, with a decrease in greenhouse gas emission intensity to 429.07 tonnes/10,000 m² compared with 2021.

Greenhouse gas emissions intensity
(tonnes/10,000 m²)



Greenhouse gas emissions by scope



Energy Saving of Shopping Malls

In order to reduce energy consumption, we set the goal of improving energy efficiency in the stage of project planning and design. In 2022, when the Company was launching its construction projects of shopping malls, energy saving was considered as a principal element. Energy-saving and efficient lighting source and lamps were used to improve power factor and power consuming efficiency. In 2022, we carried out LED lighting retrofits of Tianjin No.1 Store, Global Home Furnishing No.1 Store and three shopping malls in Yuanda, Changchun. In addition, we carried out small-scale energy-saving retrofits of 4 shopping malls, namely Changzhou Feilong Mall, Nanjing Kazimen Mall, Shenyang Tiexi Mall and Shenyang Hunnan Mall, starting from cooling tower packing, air-conditioning water quality monitoring and centralized monitoring of fans at floors, so as to improve the operation efficiency of central air-conditioning systems and effectively reduce the energy consumption of shopping malls.

Energy Saving of Office

We continue to improve 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. Relevant technical transformations projects of energy conservation can be applied to offices affordable for them in accordance with the actual conditions, e.g. LED lights, installation of frequency conversion escalator, airconditioning transformation, photovoltaic power generation and so forth.

Emissions Management

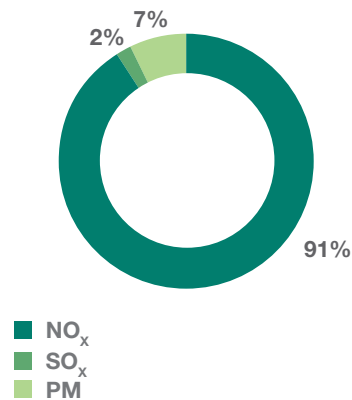
Red Star Macalline imposes strict management on the treatment and emission of waste gas, waste water, and solid waste according to national environmental protection policies and relevant laws and regulations, thus satisfying the regulatory standards of the places of operations. While improving energy efficiency, we are also trying our best to reduce the negative impact of carbon emissions and pollutants on the ecological environment.

Exhaust Gas Disposal

Red Star Macalline strictly abides by the Law of the People's Republic of China on the Prevention and Control of Air Pollution. As a home improvement and furnishing shopping mall operator, it does not involve the production

process. Therefore, the exhaust gas generated is mainly a small amount of nitrogen oxides, sulfur oxides and PM particles produced by vehicle exhaust emissions. The Company has set an exhaust emission target and made effort to achieve it. In other words, the Company will minimize business travel or adopt a low-carbon travel mode without affecting daily operations and will give priority to new energy vehicles when purchasing company cars in the future. In 2022, we released a total of 81.06 kg of exhaust gas, of which about 91% is nitrogen oxides.

Emission of exhaust gas of Red Star Macalline by category



Waste Water Management

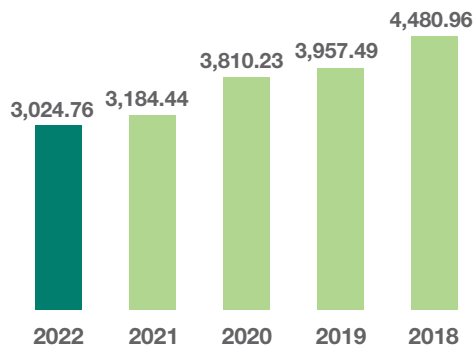
In terms of water resources, the Company has set the water use efficiency target, namely further strengthening of the calculation and monitoring of water resources use, to promote the improvement in the water utilization efficiency in shopping malls, and achieve the sustainable management of water resources. In 2022, our total water consumption was 6,808,216.41 cubic meters and the intensity of water consumption was 3,024.76 cubic meters/10,000 m², representing a slight decrease as compared with that in 2021.

The waste water produced by us is mainly domestic sewage. In accordance with the Prevention and Control of Water Pollution Law issued by the state and its supporting national standard Waste Water Quality Standards for Discharge to Municipal Sewers (GB/T 31962-2015), we include such standards into the contract template of shopping malls for air conditioning water treatment, and require suppliers to sign a letter of commitment. To ensure compliance with the Waste Water Quality Standards for Discharge to Municipal Sewers, all waste water must be neutralized and discharged after passing the test.

Environmental Responsibilities

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., thus improving subsequent waste water treatment. The shopping malls with catering facilities are equipped with oil separators for separation of oil, and oil fume purifiers for oil fume treatment, and only the waste water passing treatment acceptance can be discharged to reduce environmental pollution.

Water consumption intensity (cubic meters/10,000 m²)



Waste Disposal

Wastes mainly included construction wastes and household wastes in course of the development of shopping malls of Red Star Macalline. We strictly abide by the Law of the People's Republic of China on the Prevention and Control of Environment Pollution Caused by Solid Wastes, continuously conduct proactive waste

management and strengthen waste management on construction sites and waste recovery of shopping malls to reduce the generation of waste. The Company has set a waste discharge management target mainly to reduce the impact of waste on the environment by actively reducing, reusing and recycling waste. The total amount of hazardous and non-hazardous waste we generated in 2022 was 1,708.10 tonnes, of which more than 98% of the waste is non-hazardous waste. The waste discharge density was 0.76 tonnes/10,000 m², representing a decrease as compared with 2021.

Upon completion of shopping mall projects, we proactively collect waste cables, waste steel bars and other waste materials for recycling or secondary sales, which substantially reduces the waste of resources.

In property management, we proactively reduce waste, comply with the principle of environmental protection of "waste renovation and used materials recycling" and implement classified management for household waste and construction waste in shopping malls which are set with appropriate garbage chambers. Garbage is discharged on a daily basis. The household garbage is sealed and construction wastes are bagged before being cleared up by professional cleaning companies each day. Meanwhile, we actively respond to the government's advocacy on the classification of household waste, promote the classification of household waste in shopping malls in cities that already have the conditions for classification and transportation, and encourage customers and operators to classify waste by setting up sorting waste bins, publicizing waste classification knowledge, classified transportation, etc.

Noise Reduction

Noise generated from the operation of Red Star Macalline mainly comes from the power equipment including air conditioning units, air compressors, cooling towers and heat treatment equipment. We strictly comply with the Law of the People's Republic of China on the Prevention and Control of Pollution from Environmental Noise, and 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 comply with the limits of the places of operations. Our main noise reduction measures 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

Responses to Climate Change

With the excessive use of energy, excessive emissions of greenhouse gases, and improper disposal of waste, it has led to extreme changes in the global climate. In order to effectively deal with extreme weather, and further reduce and eliminate the losses of the Company caused by catastrophic climate, Red Star Macalline mainly adopts the preventive management and emergency response mode.

We have established a preventive management system to deal with climate change, and formulates a preventive management and control work plan, which is committed to eliminating the impact of potential disaster weather on shopping malls from the source in different seasons. In 2022, we updated and revised an emergency plan (three-level emergency response process for earthquake) for disaster weather, revised and issued the Company's Safety Training Outline for 2022, organized a training theme month, standardized the emergency plan and requirements, and conducted drills. In 2022, 17,874 drills for plans were organized for shopping malls in China. In addition, we required all shopping malls to make available in advance emergency tools and equipment for flood, typhoon, rain, snow and other disaster prevention, so as to enhance their ability to cope with disasters. In addition, we also organized shopping malls in China to carry out the activities of "Special Safety Inspection for Hot Weather in Summer" and "Special Inspection for Cold Prevention and Warm Keeping in Winter." We refined the management requirements and standards according to the safe electricity consumption in summer, and further clarified the requirements for the use of cold-proof and warm-keeping materials: If the shopping malls use electrical equipment including electric tracing as cold-proof measures in winter, the external thermal insulation materials for electric tracing should be Class A flame resistant materials such as fireproof rock wool, and flammable and combustible materials are strictly prohibited. A total of 331 shopping malls participated in the activities, with all potential hazards removed. The disasters in 2022 did not have a serious impact on shopping malls.

Overview of ESG Data

Overview of ESG Data

Overview of Annual ESG Data

	FY2022	FY2021	FY2020	FY2019	FY2018
Number of employees					
Total number of employees	18,101	21,514	25,201	27,113	24,339
By gender					
Female	7,818	9,015	9,447	10,016	8,956
Male	10,283	12,499	15,754	17,097	15,383
By employment type					
Full-time	18,101	21,514	/	/	/
Part-time	0	0	/	/	/
By geographical region					
East China	7,834	9,715	/	/	/
South China	1,188	1,357	/	/	/
Central China	2,086	2,787	/	/	/
North China	2,576	2,667	/	/	/
Northwest China	753	885	/	/	/
Southwest China	2,617	2,837	/	/	/
Northeast China	1,047	1,266	/	/	/
By age group					
Below 30	6,718	8,895	10,295	12,259	11,343
Between 30 to 50	10,240	11,422	13,400	13,463	11,801
Above 50	1,143	1,197	1,506	1,391	1,195
By type of employees*					
Senior management	13	291	300	302	603
Middle management	1,871	1,927	2,124	2,143	4,534
General employees	16,217	19,296	22,777	24,668	19,202

* In 2022, the Company optimized its organizational structure and redefined the scope of senior management and middle management

	FY2022	FY2021	FY2020	FY2019	FY2018
Employee turnover rate					
By gender					
Female	32.21%	29.72%	/	/	/
Male	35.92%	33.22%	/	/	/
By age group					
Below 30	44.35%	39.56%	/	/	/
Between 30 to 50	26.89%	25.67%	/	/	/
Above 50	23.95%	17.96%	/	/	/
By geographical region					
East China	35.04%	30.39%	/	/	/
South China	32.77%	32.42%	/	/	/
Central China	41.32%	37.80%	/	/	/
North China	30.86%	29.13%	/	/	/
Northwest China	38.13%	35.02%	/	/	/
Southwest China	30.51%	30.91%	/	/	/
Northeast China	29.73%	32.15%	/	/	/
safety					
Number of work-related fatalities occurred	0	1	1	0	/
Rate of work-related fatalities occurred	0	0.0046%	0.0040%	0.0000%	/
Lost days due to work injury	1,406	0	/	/	/

Overview of ESG Data

	FY2022	FY2021	FY2020	FY2019	FY2018
Development					
Percentage of employees trained	100%	100%	100%	100%	100%
By gender					
Female	100%	100%	100%	100%	100%
Male	100%	100%	100%	100%	100%
By type of employees					
Senior management	100%	100%	100%	100%	100%
Middle management	100%	100%	100%	100%	100%
General employees	100%	100%	100%	100%	100%
Average hours of training completed per staff (hours/year)	174	248	245	240	224
By gender					
Female	174	242	247	240	226
Male	174	253	242	240	224
By type of employees					
Senior management	117	204	241	192	192
Middle management	208	331	336	264	264
General employees	170	241	237	235	216
Supplier management					
Total number of suppliers	381	411	/	/	/
By geographical region					
East China	173	223	/	/	/
South China	14	11	/	/	/
Central China	20	36	/	/	/
North China	81	70	/	/	/
Northwest China	27	10	/	/	/
Southwest China	49	37	/	/	/
Northeast China	17	24	/	/	/
Product responsibility					
Percentage of total products sold or shipped subject to recalls for safety and health reasons	0%	0%	/	/	/
Number of products and service related complaints	138	31	/	/	/

	FY2022	FY2021	FY2020	FY2019	FY2018
Emissions					
Total emission of greenhouse gas (scope 1 & 2) (tonnes)	965,767.64 ¹	1,004,170.06	393,041.56	429,475.65	374,864.98
Total emission of direct greenhouse gas (scope 1)	73,361.85	77,925.99	36,314.50	47,854.83	48,141.03
Total emission of indirect greenhouse gas (scope 2)	892,405.79	926,244.07	356,727.06	381,620.82	326,723.95
Emission of greenhouse gas per 10,000 m ² operating area of Shopping Malls (tonnes/10,000 m ²)	429.07	450.23	489.21	555.10	541.79
Total emission of waste gas (kg)	81.06 ¹	417.57	87.33	89.80	89.18
NO _x emission	73.58	382.68	79.86	81.17	80.70
SO _x emission	2.06	8.80	1.59	2.65	2.54
PM emission	5.42	28.18	5.88	5.98	5.94
Total hazardous waste produced (tonnes)	37.80 ¹	43.50	33.55	43.00	7.50
Oil paint	16.80	20.50	12.55	17.00	1.80
Glue	21.00	23.00	21.00	26.00	5.70
Total non-hazardous waste produced (tonnes)	1670.30 ¹	2,243.11	1,999.35	10,977.97	10,035.70
Domestic waste	319.80	355.75	286.00	286.00	330.60
Construction waste	876.00	1,010.00	963.00	963.00	10,056.00
Scrap cable	5.80	5.80	14.35	19.37	17.30
Scrap steel	468.70	871.56	736.00	572.00	286.40
Production of non-hazardous waste per 10,000 m ² operating area of Shopping Malls (tonnes/10,000 m ²)	0.74	1.01	2.49	14.19	14.50
Total production of hazardous and non-hazardous waste (tonnes)	1708.10 ¹	2,286.61	2,032.90	11,020.97	10,043.20
Production of hazardous and non-hazardous waste per 10,000 m ² operating area of Shopping Malls (tonnes/10,000 m ²)	0.76	1.03	2.53	14.24	14.52
Water resource consumption					
Total water consumption (m ³)	6,808,216.41 ¹	7,102,419.62	3,061,246.89	3,061,849.23	3,100,374.98
Fresh tap water	6,808,216.41	7,102,419.62	3,061,246.89	3,061,849.23	3,100,374.98
Water consumption per 10,000 m ² operating area of Portfolio Shopping Malls (m ³ /10,000 m ²)	3,024.76	3,184.44	3,810.23	3,957.49	4,480.96

¹ The operating hours of stores and trips of company cars were reduced in 2022, leading to a significant decrease in greenhouse gas emissions, exhaust emissions, waste emissions, water and energy consumption in the year.

Overview of ESG Data

	FY2022	FY2021	FY2020	FY2019	FY2018
Energy consumption					
Total energy consumption (MWh)	1,672,477.50 ¹	1,751,957.83	691,659.82	779,896.48	704,450.93
Electricity	1,313,893.08	1,372,136.58	514,266.75	546,209.89	469,349.34
Natural gas	357,369.23	374,655.03	176,383.64	232,004.67	233,487.38
Gasoline	1,215.19	5,166.22	997.34	1,681.92	1,614.21
Diesel	0	33.10	12.09	0.00	0.00
Energy consumption per 10,000 m ² operating area of Shopping Malls (MWh/10,000 m ²)	743.05	785.51	860.89	1,008.03	1,018.14
Social investment					
Social investment (RMB'0,000)	598	3,104	3,215	576	1,008

Data Calculation Standard and Method:

1. Greenhouse gases: Include carbon dioxide, methane, nitrous oxide and sulfur hexafluoride. Scope 1 greenhouse gases are calculated based on the default values of characteristic parameters of common fossil fuel published by the National Development and Reform Commission of the People's Republic of China; scope 2 greenhouse gases are calculated based on the average carbon dioxide emission factors of regional power grids in China published by the National Development and Reform Commission.
2. NOX, SOX, PM: Based on the emission factors provided in the EMFAC-HK Vehicle Emission Calculation model published by the Environmental Protection Department of Hong Kong.
3. Hazardous waste: Classified according to "hazardous waste" specified in the Basel Convention on the Control of Transboundary Movements of Hazardous Wastes and Their Disposal mentioned in the Reporting Guidance on Environmental KPIs published by the Hong Kong Stock Exchange. The data sources are related records and ledgers.
4. Non-hazardous waste: Waste that does not fall within the definition of "hazardous waste" in the Basel Convention on the Control of Transboundary Movements of Hazardous Wastes and Their Disposal is classified as "non-hazardous waste". The data sources are related records and ledgers.
5. Water consumption: The data source is the purchase of municipal water.
6. Energy consumption: The data are based on the consumption of electricity and fuel purchased and the relevant conversion factors provided by the International Energy Agency.

Appendix I – Content Index of the Environmental, Social and Governance Reporting Guide

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Aspect	Description	Place/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 exhaust and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste	Environmental Responsibilities
A1.1	The types of emissions and respective emissions data	Environmental Responsibilities
A1.2	Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility)	Overview of ESG Data
A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility)	Overview of ESG Data
A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility)	Overview of ESG Data
A1.5	Description of emissions target(s) set and steps taken to achieve them	Environmental Responsibilities
A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them	Environmental Responsibilities
Aspect A2: Use of Resources		
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials	Environmental Responsibilities
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)	Overview of ESG Data
A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility)	Overview of ESG Data
A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them	Environmental Responsibilities
A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them	Environmental Responsibilities
A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced	N/A

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Aspect	Description	Place/notes
Aspect A3: The Environment and Natural Resources		
General Disclosure	Policies on minimising the issuer's significant impact on the environment and natural resources	Environmental Responsibilities
A3.1	Description of the significant impacts of business activities on the environment and natural resources and the actions taken to manage them	Environmental Responsibilities
Aspect A4: Climate Change		
General Disclosure	Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer	Environmental Responsibilities
A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them	Environmental Responsibilities
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 remuneration and dismissal, recruitment and promotion, working hours, vacations, equal opportunities, diversity, anti-discrimination and other benefits and welfare	Staff Responsibility
B1.1	Total workforce by gender, employment type (for example, full – or part-time), age group and geographical region	Overview of ESG Data
B1.2	Employee turnover rate by gender, age group and geographical region	Overview of ESG Data
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	Staff Responsibility
B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year	Overview of ESG Data
B2.2	Lost days due to work injury	Overview of ESG Data
B2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored	Staff Responsibility

Aspect	Description	Place/notes
Aspect B3: Development and Training		
General Disclosure	Policies on the improvement of knowledge and skills for employees to perform their duties. Description about training activities	Staff Responsibility
B3.1	The percentage of employees trained by gender and employee category (eg. senior management, middle management)	Overview of ESG Data
B3.2	The average training hours completed per employee by gender and employee category	Overview of ESG Data
Aspect B4: Labour 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	Staff Responsibility
B4.1	Description of measures to review employment practices to avoid child and forced labour	Staff Responsibility
B4.2	Description of steps taken to eliminate such practices when discovered	Staff Responsibility
Aspect B5: Supply Chain Management		
General Disclosure	Policies on managing environmental and social risks of the supply chain	Market Responsibility
B5.1	Number of suppliers by geographical region	Market Responsibility
B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored	Market Responsibility
B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored	Market Responsibility
B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored	Market Responsibility

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Aspect	Description	Place/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	Market Responsibility
B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons	Market Responsibility
B6.2	Number of products and service related complaints received and how they are dealt with	Market Responsibility
B6.3	Description of practices relating to observing and protecting intellectual property rights	Market Responsibility
B6.4	Description of quality assurance process and recall procedures	Market Responsibility
B6.5	Description of consumer data protection and privacy policies, and how they are implemented and monitored	Market Responsibility
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	Market Responsibility
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	Market Responsibility
B7.2	Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored	Market Responsibility
B7.3	Description of anti-corruption training provided to directors and staff	Market Responsibility
Aspect B8: Community		
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its business activities will take into consideration the communities' interests	Community Responsibility
B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport)	Community Responsibility
B8.2	Resources contributed (e.g. money or time) to the focus area	Community Responsibility



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Red Star Macalline Group Corporation Ltd.