



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

CONCEPT AND PRINCIPLE

This Environmental, Social and Governance (“ESG”) Report (the “Report”) covers the ESG matters of Redco Properties Group Limited (stock code: 01622) (the “Company” or “Redco”) and together with its subsidiaries (the “Group”) for the year ended 31 December 2017.

The Report is prepared in compliance with the Environmental, Social and Governance Reporting Guide set out in Appendix 27 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The Group’s beliefs

The Group believes that a successful enterprise should not maximise profits at all costs, but should endeavour to balance stakeholder’s interests and social responsibility for maintaining an enterprise’s sustainable development. The Group strives to lower carbon footprints and strictly complies with relevant environmental laws and regulations. The Group aims to achieve such balance and fulfill social responsibility along with its mission of “Signature architecture with tremendous honour”.

Any effort starts at home. In June 2018, the Group relocated its headquarters to Redco Building located in Nanshan District, Shenzhen, People’s Republic of China. The new headquarters is furnished with up-to-date energy efficient equipment including for example LED lighting systems, thermostat controlled and energy efficient air conditioning and solar panels to generate electricity. While improving the Group’s environmental performance, the arrangements also improves the working environment for its employees and save costs for the Group.

Overview

As a property developer focusing on mid-to-high-end residential and commercial property development in the PRC, the Group is committed to being a responsible social enterprise. The Group is subject to various environmental laws and regulations set by the PRC at the national, provincial and municipal levels. These include regulations on pollution (including air, sound and water pollution) and discharge of construction waste and sewage. Compliance procedures are in place to ensure adherence to applicable laws, rules and regulations.

For the year ended 31 December 2017, the Group has complied with all the relevant laws and regulations that have significant impact on the operations of the Group. The Group has various measures and policies in place, as discussed in further details in the following sections of this Report. In addition, the Group also provides a fair and safe workplace, promotes diversity to its staff, provides competitive remuneration and benefits and career development opportunities based on their merits and performance. Adequate and ongoing trainings, development and resources are provided to the employees of the Group so that they can keep abreast of the latest development of the market and the industry and, at the same time, improve their performance and job satisfaction. The Group keeps up to date with the changes in applicable laws, rules and regulations.

The Group believes that its employees, customers, supplier and business partners are keys to its sustainable development. The Group is committed to establishing a close and caring relationship with its employees, providing quality services to its customers and enhancing cooperation with its business partners.

The preparation of the ESG Report involved the participation of the Group’s key stakeholders, including the management and relevant staff who jointly assessed the importance of the relevant ESG matters for the purposes of understanding the expectations and propositions from various stakeholders of the Group and provided all relevant ESG information.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Source of information

The figures and data in this Report were derived from the Group's archived documents, records, and surveys in relation to the core and significant projects of the Group's operation and property development business covering material matters and key performance indicators in relation to environmental management, social responsibility and governance, including Sunshine Coast in Tianjin, Royal Family in Jinan and Royal Family in NanChang. The Group's efforts devoted to the implementations of the measures disclosed in this report demonstrate its commitment and determination to become a socially responsible corporate.

Feedback

If you have any feedback for the Report, please feel free to contact us by email at ir@redco.cn.

ABOUT THE GROUP

The Group is an integrated property developer focusing on mid-to-high-end residential and commercial property development in the PRC. The Group has been upholding the operating philosophy of signature architecture with tremendous honour (精端著造、傳世榮耀) and has executed its multi-regional strategy through its sound and pragmatic approach to business, the forward-looking plans for strategic investment, quality products and operational efficiency.

The key events of the Group for the year ended 31 December 2017 are set out in the annual report of the Company for the year ended 31 December 2017.

"Focused on capital operation to achieve a high quality turnaround" ("以資金運營為中心, 實現有質量的高週轉") has always been the Group's business strategy. Thanks to the steady implementation of the strategy, the Group has been able to focus on both our "quality" and "quantity" development. In the past three years, the Group's contract sales reached a compound growth rate of 80%.

For the year ended 31 December 2016 and 2017, the Group recorded a revenue of RMB5,270.1 million and RMB6,734.1 million respectively. Profit attributable to owners of the Company for the year ended 31 December 2016 and 2017 was RMB450.8 million and RMB862.2 million, respectively. The increase in revenue is mainly attributable to the increase of gross floor area ("GFA") delivered.

As of 31 December 2017, the Group's total land bank amounted to 4.90 million sq.m., forming the base for development by the Group in the next three to five years.

1. ENVIRONMENTAL

Construction work during the Group's property development projects inevitably produce emissions, including exhaust, sewage and construction wastes. The Group's emissions include mainly greenhouse gas (carbon dioxide and the equivalent), nitrogen oxides, sulphur oxides and particulates). The Group also disposes waste materials during the construction process. The Group believes that the increase of the efficiency and effectiveness of its construction process would significantly reduce the raw materials waste and use of energy.



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Group is committed to reducing carbon foot print and energy consumption. It has implemented both internal and external environmental protection policies to minimise the impact of business activities on the environment, and support environmental-protection initiatives, including:

- i. Externally at building sites for property developments, (i) diesel generators are not preferred, under the same or similar conditions, power from electricity supplier is preferred as it is expected that the electricity supplier's power generation system is more efficient and is more adapted to reducing carbon emissions than traditional onsite diesel generators; (ii) idle machines are switched off to reduce unnecessary fuel consumption and to reduce air pollutants; (iii) prior to commencement of a construction project, the Group would assess and predict the amount of emissions to be generated, and formulate an optimal plan to effectively manage emissions and production; (iv) during the construction stage, emission and waste are monitored to ensure that they do not exceed any statutory applicable limits; and (v) in certain of the Group's projects, roof space will be filled with greenery and/or solar panels.
- ii. Internally at the office, (i) staff members are constantly reminded to turn off the air conditioning, lights of the office area before leaving work every day and check, from time to time, whether the lights and equipment in the common areas are turned off when not in use; (ii) after completing their tasks for the day, staff members are reminded to turn off their computers and monitors; (iii) employees are encouraged to use duplex printing to minimize paper consumption; (iv) trays are placed next to photocopiers for collecting single-sided paper for reusing purposes; (v) envelopes are also reused for internal mails; and (vi) air conditioning thermostat is set at 25 degree Celsius.

The Group will continue to review the environmental impact of their operations, remain alert to the latest environmental friendly machinery and make use of best practices, records and monitors resources consumption data and implementing better performance strategies as to enhance the contributions to environmental sustainability through good environmental practices.

The Group is subject to a number of laws and regulations in China in relation to environmental protection, impact to the environment, noise pollution and environmental protection for development projects, including the Environmental Protection Law of the People's Republic of China (《中華人民共和國環境保護法》), the Law of the People's Republic of China on the Prevention and Control of Water Pollution (《中華人民共和國水污染防治法》), the Law of the People's Republic of China on the Prevention and Control of Atmospheric Pollution (《中華人民共和國大氣污染防治法》), and the Law of People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Wastes (《中華人民共和國固體廢物污染環境防治法》).

For the year ended 31 December 2017, the Group was not aware of any non-compliance with the relevant laws and regulations that have a significant impact on the Group in relation to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous wastes.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Greenhouse gas and other air pollutants

The following table sets out the greenhouse gas and other air pollutants emitted during the year:

Emission Type	Unit	Amount
Greenhouse gas (carbon dioxide equivalent)	kg	156,701
Nitrogen oxide	Kg	5,311
Sulphur oxide	Kg	2,027
Particulates	kg	8,351

By implementing the policies set out above, the Group achieved a reduction of the emission more than 3%, compared to last year.

Waste

The following table sets out the waste produced during the year:

Waste type	Unit	Amount
Hazardous waste	kg	0
Non-hazardous waste	Kg	70,365

Waste includes building debris, asphalt, wood, earth and metal scraps.

Waste is unavoidable due to the nature of the business of the Group, the Group works closely with contractors and construction workers to carry out various measures to reduce waste, including the separation and recycling of construction waste including steel, glass, paper waste and concrete blocks. The Group will carefully analyse their construction plans before work commencement to reduce the need for refits or demolitions which creates substantial amount of industrial waste.

2. USE OF RESOURCES

In 2017, the Group continued to implement measures to reduce energy usage and to conserve resources.

Energy consumption

The policies set out in the paragraph headed under section headed “1. Environmental” above are also targeted towards energy and resources conservation internally at the Group’s headquarters and during the construction process. In addition, in the construction and design of the Group’s projects, the Group pays attention to energy conservation by adopting designs that utilises natural lighting and ventilation. LED lightening are installed in most of the projects of the Group during the year.



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The following table sets out the energy consumption of the Group:

Energy	Unit	Consumption	Density (per unit by gross area)
Electricity	kWh	1,030,927	0.65

The Group reduced more than 5% of the electricity density as compared to the previous year.

Water consumption

Water is required for project constructions and in the everyday use of office space.

In compliance with relevant environmental laws, all the construction sites of the Group's projects are equipped with sewage clarifiers, construction wastewater, rainwater and other domestic sewage are drawn into the clarifiers for filtration. Filtered water is then recycled for vehicle cleaning and dust removal. Pipes are inspected and maintained regularly to ensure no leakage. There was no issue with sourcing water that is fit for construction.

Although the Group cannot have automated control of water usage in the office premises, the Group constantly reminds its staff on water conservation, including reducing unnecessary wastage in the pantries and toilets.

For the year ended 31 December 2017, the Group utilised 67,995 cubic metres of water.

3. ENVIRONMENT AND NATURAL RESOURCES

The Group is a property developer. The Group recognises that for each step of construction in the ordinary course of business, the Group's activities will have an impact on the surrounding environment and community. The nature of the Group's business requires the use of raw materials including cement, steel, ceramic tiles, glass panel and paint. Throughout the construction process, the Group will use electricity or other form of energy sources. Furthermore, the Group must also manage the waste and by-product (including emissions and sewage) arising from the construction process.

The Group does not consume packaging materials in its course of business, disclosure for packaging materials does not apply.

While all of the abovementioned must be carried out in compliance with the relevant laws and regulations in China, the Group attempts to include environmental protection to every process of its production chain to limit its impact on the environment and natural resources. The Group, on one hand, tries to keep up-to-date with its construction process by utilising modern technology and construction which is believed to increase efficiency as well as reducing carbon footprint, while on the other hand, the Group implements various policies as described under the sections headed "1. ENVIRONMENTAL" and "2. USE OF RESOURCES" to minimise water usage, reduce emissions and waste.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

4. EMPLOYMENT AND LABOUR PRACTICES

The Group recognises the importance of offering fair, impartial and open opportunities for recruiting and also retaining talents.

The Group has implemented and adheres to its employment guidelines to prevent employment discrimination on the grounds of age, nationality, race, religion, sexual orientation, gender, marital status, or political stance.

Recruitment personnel is provided with recruitment and selection training courses to align recruitment process with the Group's standards.

Apart from lawful employment contract, the Group protects employee benefits by practicing standard working hours. The Group offers paid leaves, social insurance and provident fund as basic protections. In addition, recognizing women's legal rights, the Group ensures female employees are not only entitled to applying maternity leave, breast-feeding leave and annual gynecological examination, but also provided with the safety and protection scheme for women workers. With respect to gender diversity, as at 31 December 2017, the Group has a total of 950 employees, comprising 58.2% of male employees and 41.8% of female employees.

For the year ended 31 December 2017, the Group was not aware of any non-compliance with the relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.

5. HEALTH AND SAFETY

The Group strives to enhance the Group's safety performance and ensures that all employees are provided with a safe working environment. The Group's administration and management center performs compliance assessment and black spot monitoring while appointing an external technical advisory body to provide professional advice to the Company on the environment, health and safety (EHS) policies.

To ensure compliance with the relevant guidelines on occupational health and safety, the Group's administration and management center requires its subsidiaries to submit feedback reports regularly, and analyzes and evaluates their health and safety performances under the occupational safety assessment mechanism of the Group. Meanwhile, the Group performs targeted inspections to oversee implementation of the regulations among its subsidiaries.

In addition to occupational health and safety, the Group cares about the mental health wellbeing of its employees, it encourages and supports employees to achieve work-family balance. The Group holds various family activities annually and provide health checking to each staff annually.

Staff meetings are thus held frequently to facilitate problem solving and communication for staff at all levels.

The Group has set up production safety committee and special internal safety working groups to conduct regular safety inspections for improving the Company's safe working conditions. The Group protects employee wellness through upgrades such as installing dust removal and noise reduction equipment. In respect of safety training, the Group holds safety management training programs every six months to improve workplace safety awareness.

The Group also capitalizes on technology to cope with potential hazards and guarantee occupational safety. For construction, the Group adopts prefabrication residential construction techniques and uses pre-assembled external walls instead of in-site scaffolding and formwork to save manpower and time for aerial work significantly, which reduce staff's exposure to risk of work and enhance construction safety.

For the year ended 31 December 2017, the Group was not aware of any non-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.



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

6. DEVELOPMENT AND TRAINING

The Group aspires to reach higher by growing and training its talents to accelerate business development.

New hires are provided with induction training since the first day of work to internalize the corporate culture including executive, administration and management and personnel management practices.

Regular management meetings are also arranged by the Company's management for new recruits to express their views of working. The Group has launched various programs for in-service employees monthly to raise management skills and expertise via internal sharing, public lecture, and external meeting. For example, the Company provides training courses regarding the psychology of selling and sales team management for its sales staff during the year to help them improve their performance.

The Group places strong emphasis on staff development. The Group has established a Redco College which organizes structured training programmes for all the staff to familiarise with Redco's culture and the industry, and regular training are also provided to update knowledge of its staff from time to time.

In 2017, the Company provided more than 2.5 training hours per employee. Along with the development of the Group and realizing training demands of staff, the Group continually offers, reviews and improves training courses to keep team performance abreast of the Group's business development.

7. LABOUR STANDARDS

The Group considers it utmost important to strictly abide by the requirements of National Labour Law (國家勞動法), prohibiting the recruitment of child labour and forced labour. Such restrictions are incorporated into the Group's recruitment manual in the election process, and includes for example requirements to reach the legal age and to enter into labour contract before work commences. Identification documents of the applicants are required to make sure all potential hires are legal, and to avoid any instances of child labour or forced labour.

For the year ended 31 December 2017, the Group was not aware of any non-compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.

8. SUPPLY CHAIN MANAGEMENT

The Group's supply chain structure is simple and clear. It conducts supplier visits and sourcing processes to select suppliers. Eligible suppliers are registered in the Group's database and categorized into two groups: the "Recognized suppliers" or the "High performer suppliers".

Through an internal shortlist mechanism, the "Recognized suppliers" that displays excellent performance will be promoted to become the "High performer suppliers" that can enjoy more collaboration opportunities with the Group. Partnership with unqualified suppliers will be terminated to ensure supplier quality in the database.

The supplier selection and management are undertaken by subsidiaries in the corresponding cities.

The Company has engaged suppliers with an aim to also ensure environmental protection. To improve operating practices of the suppliers, they are required to reduce construction waste, comply with energy conservation regulations, and save electricity and gas. Suppliers are required to conform to relevant environmental laws and regulations, including local environmental management practices and dust pollution management regulations for each project. Non-compliant suppliers will be fined for breach of regulations.

The Company has its own supervisory unit, which holds regular supplier meetings to ensure positive interaction and collect opinions and complaints of the suppliers to ensure that the Company can respond to any potential non-compliance in a timely manner.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

9. PRODUCT RESPONSIBILITY

The Group constructs residential premises with an aim to create a comfortable home and harmony in communities.

The Group strives to ensure property safety, in expectation of improving residents' quality of life through providing preeminent houses and thereby contributing to the community's harmony. The Group strictly complies with national laws including "Contract Law of the People's Republic of China" and "Construction Law of the People's Republic of China", and regulations on construction and acceptance such as the "Regulations on the Quality Management of Construction Projects" to prevent mistakes and defects.

For proper implementation of the relevant regulations, the Company makes sure that the relevant construction requirements are met by carrying out regular on-site inspection with a third-party construction supervision institution. The Group also conducts construction assessments in terms of safety, construction quality and project management performance on a quarterly basis to ensure compliance with local safety standards.

In the marketing process, the Group complies with laws and regulations such as the "Regulatory Measures on the Sale of Commercial Houses" and "Provisions on the Release of Real Estate Advertisements" in order to provide customers with true and accurate property information. Meanwhile, the Group adhere to the "Notice on Issuing the Model Commercial Housing Sales Contract" and other laws and regulations to provide clients with standardized sales contracts and protect their interests.

For the year ended 31 December 2017, the Group was not aware of any non-compliance with the 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.

"Knowing our client" is the Group's starting point to build a graceful community. The Group has comprehensive complaint handling procedures, "customer relationship management" (CRM) system and the Group's complaint and risk reporting systems to facilitate customer feedback.

Upon receiving complaints, customer service officers and property agents on site will handle the complaints through the CRM system that visualizes sales processes. Through inter-departmental collaboration and proactive communication, the Group resolves complaints effectively to bring satisfactory services to the Group's customers. To gather a wider range of resident feedbacks and accordingly improve service quality, the Group has established three channels, which make these reviews more easily communicated to the Company's management:

1. District customer service center – immediate complaint directly handled by property managers; and
2. Online reporting form – soliciting customers' feedback around the clock and directly reporting to the back-end system of the Company;

The Group will continue to upgrade its service management system and improve the privacy protection policy to safeguard the interests of its clients.



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

10. ANTI-CORRUPTION

As at 31 December 2017, the Group was not aware of any non-compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.

Integrity is a key element that drives steady growth. To prevent corruption, the Group establishes clear regulations and procedures for corporate management and supervision while ensuring employees' comprehension of work duties. Also, the Group sets up an inspection department and assign project inspectors to implement ethical management for each project and department.

The Group fully complies with national laws and regulations and prohibits staff from bribing any person, namely civil servants, government officials, or connected persons. Staff members are also forbidden from embezzlement, theft, concealment, or misapplication of the Company's assets. When becoming aware of suspected corrupt conduct, the Group carries out internal investigation and take disciplinary actions against the staff concerned, including duty suspension and contract termination. If the case involves violation of national laws, offender will be taken to the concerned departments.

The Group's suppliers have signed binding agreement on integrity to ensure corruption-free operating practices of suppliers and prevent bribery and conspiracy. The Group has set up a report and reward system for supplier, employees and other stakeholders for whistle blowing of malpractice. Reports are handled by the risk management department and then scrutinized by the internal audit department. The Group will improve the anti-corruption system and step up supervision to support its plan of sustainable development. During 2017, no corruption cases were filed against any member of the Group.

11. COMMUNITY INVESTMENT

Supporting education and building a more productive community are the main focus of the Group's community investment strategy and the donations made by Redco Charity Foundation, the charity fund established by the Group. In 2017, the Group donated RMB300,000 to Changnan New city Educational Incentive Centre (昌南新城(東新鄉)教育獎勵基金中心) and the Sanshe Community of the Haungpu Village of Guangzhou (廣東省市黃圃鎮三社社區).