

(a joint stock company incorporated in the People's Republic of China with limited liability)

Stock Code: 2281

2016 Environmental, Social and Governance Report

* For identification purposes only

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ABOUT THIS REPORT

This report is the first annual environmental, social and governance report issued by Luzhou Xinglu Water (Group) Co., Ltd.* (the "Xinglu Water", the "Company", "we" or "us", together with its subsidiaries, the "Group"). The contents in this report are prepared pursuant to the Environmental, Social and Governance Reporting Guide in Appendix 27 of Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), among which relevant section numbers are corresponding to those set out in "Subject Areas, Aspects, General Disclosures and KPIs" of the Environmental, Social and Governance Reporting Guide. The contents of this report reflect such matters relating to the environmental and social aspects of the Group as determined by the board of the Company as material after evaluation. This report primarily covers the period from 1 January 2016 to 31 December 2016 (the "Reporting Period"), with additional disclosure of certain matters outside of the said time frame.

SENIOR MANAGEMENT'S STATEMENT

CHAIRMAN'S STATEMENT

The year 2016 was the beginning year of the "13th Five-Year Plan" implemented by the People's Republic of China (the "**PRC**"), and also an extraordinary year of development progress for Xinglu Water. Experiencing several years of preparation and endeavour, the Company was successfully listed on the main board of the Stock Exchange in March 2017. Xinglu Water became the first enterprise in Luzhou City listed in Hong Kong and the first overseas listed enterprise of water industry in Sichuan Province. The larger the platform it stands on, the greater the responsibilities it takes. While pursuing for self-improvement, the Company took its initiatives in fulfilling economic, environmental and social responsibilities, standing out in terms of principal businesses and expectations of stakeholders, as well as successfully achieving a brilliant start at the beginning of the "13th Five-Year Plan".

Listing with responsibility, improving image worldwide. The initial public offering of 214,940,000 H shares of the Company (including 19,540,000 H shares of the Company converted from state-owned shares) in Hong Kong international capital market and the net proceeds of approximately HK\$395.1 million raised therefrom have brought new impetus to the development of the Company. In addition, the Company improved corporate governance and optimised internal control in accordance with international standards. As a result, the Company significantly improved its image worldwide and was propelled to achieve sustainable development.

Structuring with responsibility, enhancing environmental protection capability. Under robust support to the environmental protection industry by the PRC, the Company will accelerate to transform from merely a water supply enterprise into an environmental enterprise integrating water supply with wastewater treatment business in order to become an "integrated municipal water service provider". The Company further expanded its business scope, stepped up the efforts on the construction of water supply and wastewater treatment infrastructures, continuously expanded its influence in the environmental protection industry, and implemented the concept that "lucid waters and lush mountains are invaluable assets".

Operating with responsibility, advancing community development. As an important municipal service provider in Luzhou, under the premise of providing stable, reliable and high quality water supply as well as wastewater treatment service, the Company took the overall district water supply of Jiangyang District and Longmatan District as breakthrough points, accelerated overall water supply of Luzhou City and expanded the scale of water supply, reaching the environmental target of "urban and rural integration in water supply, drainage and wastewater treatment" in Luzhou City and achieving mutual development for both the Company and the community, as well as performing social responsibilities with characteristics of the Company.

Heading forward with responsibility, jointly creating a desirable future. In the year of 2017, the Company will seize the opportunities for development, adhere to the development strategy of "basing itself in Luzhou and seeking expansion nationwide to build itself into an integrated enterprise providing municipal water services and environmental protection services", strengthen internal management, technical innovation and business expansion, and enhance the Company's capabilities in water supply and wastewater treatment, so as to continuously create economic and environmental effectiveness, perform social responsibilities, propel stable development and further progress of the enterprise, and create a sustainable and desirable future together with all stakeholders.

Zhang Qi

Chairman of the Board Luzhou, China 21 July 2017

SENIOR MANAGEMENT'S STATEMENT (Continued)

GENERAL MANAGER'S STATEMENT

During the period of the "13th Five-Year Plan", the PRC exerted more efforts on the infrastructure investment and construction for water industry, and promulgated successively a series of industry policies and government plans regarding water industry, through which the water market in the PRC has gradually entered a mature development stage. The year 2016 was a key year for the Company to carry out stock reform in preparation for listing and seek development through transformation. The Company has constantly reinforced the two supporting points of capital and technology, explored new business models and sought new growth, while responding to the expectations and requirements of all stakeholders so as to increase its core competitiveness in the industry and society.

Listing successfully, turning a new page for development. Stock reform has been the top priority of the Company. We had completed a series of standard works required for listing, as well as promotion of the issuance of H shares, road shows and other relevant works. Through our continuous hard work, the Company was successfully listed on the main board of the Stock Exchange in March 2017. The successful listing in the overseas brought abundant capital strength for the future development of Xinglu Water. Taking listing as the new starting point, we strived to make further progress and maintain our considerable competitiveness and growth in order to become a leading power amongst the listed enterprises in Hong Kong.

Focusing on management, maintaining splendid performance in business revenue. The Company comprehensively improved the management level, pursued for improvement in production management and continued to improve safety management. Through carrying out data analysis of production on a regular basis, the Company strived to reduce production costs so that all indicators met the requirements of the plan. The Company also passed the assessment on the compliance of safety standardisation of second-tier enterprises, becoming one of the few enterprises above second-tier in Luzhou. The improvement in management effectively realised sound operation of all business departments of the Company and its subsidiaries. The Company recorded a continuous growth in the revenue from principal businesses: in 2016, the Company sold 82.4 million tons of water throughout the year, achieving revenue from the sales of tap water amounted to RMB179.4 million, representing an increase of 9.8% as compared to that of last year. Wastewater treatment throughout the year amounted to RMB125.9 million, representing an increase of 15.5% as compared to that of last year. The principal business of the Company recorded an obvious increase, enabling the Company to maintain excellent performance.

Seizing opportunities for environmental protection, becoming an integrated municipal water service provider. As the biggest tap water provider in Luzhou area, the Company will actively grasp the historical development opportunities arising from the state's initiative of advocating green environmental protection. Based on the current core advantages, the Company will drive grand water whole industrial chain construction in respect of water supply and wastewater treatment, actively implement industrial distribution in regions enjoying a competitive edge across the country (mainly in southwest area), strive to become a leading integrated municipal water service provider, and proactively protect the water quality of the Yangtze River and Tuojiang River.

SENIOR MANAGEMENT'S STATEMENT (Continued)

In terms of water supply, in 2016, the Company progressed smoothly regarding water supply in the entire area with 22,197 new users and additional water supply area of 191 km². Construction of Qiancao Supply Plant II (phase I) was commenced, Airport Road Water Supply Main Pipe Project has been entirely completed, while Lu County Water Supply Complex Pipe Engineering, Hejiang Huangxi Water Plant and Xuyong County Poverty Supporting Water Supply Engineering Projects progressed smoothly. The ladder water price, secondary water supply and "one family one metre project" were steadily promoted.

In terms of wastewater treatment, the Company successfully entered the area of industrial wastewater treatment, and smoothly obtained the permission of industrial wastewater treatment. Chengdong and Chengnan Wastewater Treatment Plants have entered the stage of commissioning and operation, while Naxi Phase II Project and Yaerdang Upgrading and Capacity Expansion Project progressed smoothly.

Serving for clients, striving to achieve harmonious situation among all parties. The Company deeply implanted the concept of social responsibility in its business, innovated communication mechanism for social responsibility, and actively responded to relevant stakeholders. Through creating values for stakeholders in return of support and help for the development of the Company, the Company made greater contributions to realise harmonious social development between human and water. In terms of providing excellent service for the customers, in 2016, in order to further expand the diversified channels for charging, we added payment channels such as Alipay and Wechat pay, obtaining outstanding achievement. We established water supply service hotline centre, through which we, throughout the year, dealt with 45 mayor hotlines and 47 internet cases, completed over 17,000 hotline commands, dealt with more than 4,300 emergency repair hotline orders, as well as transferred 110 commands for 113 times. All cases were replied and dealt with in a timely manner, with 100% completion rate.

In 2017, we will adhere to general working attitude of making progress while maintaining stable performance to properly respond to material risks and challenges, further strengthen social responsibility management, promote social responsibility to comprehensively integrate strategies, operation and management, innovate communication mechanism of social responsibility and circulation method, actively respond to the concerns of the stakeholders, vigorously promote the construction of water supply and wastewater treatment projects, and continuously promote ladder water price, secondary water supply/intelligent water industry, realise exceptional values for shareholders, as well as creating career platforms for employees, so as to realise joint development for the industry, create excellent environment for the city, and bring long-term fortune for people.

Liao Xingyue

General Manager Luzhou, China 21 July 2017

ABOUT XINGLU WATER

COMPANY PROFILE

The predecessor of Luzhou Xinglu Water (Group) Co., Ltd.* (stock code: 2281.HK) is Luzhou City Tap Water Plant* (瀘州市自來水廠), which was founded in 1958 and converted into a joint stock company with limited liability in December 2015. The registered capital of the Company was RMB664.31 million as of 31 December 2016 and was held by Luzhou City Xinglu Investment Group Co., Ltd.* (瀘州市興瀘投資 集團有限公司) as to 79.35%, Luzhou Laojiao Group Co., Ltd.* (瀘州老窖集團有限責任公司) as to 10.92% and Luzhou City Infrastructure Investment Co., Ltd.* (瀘州市基礎建設投資有限公司) as to 9.73%. The Company was listed on the main board of the Stock Exchange on 31 March 2017.

With the positioning of an "integrated municipal water service provider", the Company has nine subsidiaries and two branches. Its principal businesses include tap water supply and wastewater treatment. As of 31 December 2016, the Company had a total of six tap water supply plants and nine wastewater treatment plants, with 787 employees in total.

As of 31 December 2016, the total designed tap water supply capacity of the six tap water supply plants was approximately 280,500 tons per day; the tap water sales volume in 2016 was approximately 82.4 million tons; the revenue generated from tap water supply segment from external customers amounted to RMB529.7 million during the Reporting Period; the total designed wastewater treatment capacity of the nine wastewater treatment plants was approximately 261,000 tons per day. The total treatment volume of wastewater plants was approximately 48.7 million tons in 2016, with revenue generated from wastewater treatment business amounting to RMB125.9 million.



ABOUT XINGLU WATER (Continued)



Organisational Structure

ABOUT XINGLU WATER (Continued)

PRINCIPAL BUSINESSES

Tap Water Supply

As of 31 December 2016, the Company was the largest tap water supplier in Luzhou Area with a market share of 83.0%. As of 31 December 2016, we had a total of six tap water supply plants in operation, namely, Nanjiao Supply Plant, Beijiao Supply Plant, Hejiang Supply Plant, Lantian Supply Plant, Qiancao Supply Plant and Guanshan Supply Plant. The total number of tap water end user accounts was 262,730, while the total designed tap water supply capacity was approximately 280,500 tons per day. With regard to tap water supply business, the Company also provided water supply pipe construction and installation services.

Wastewater Treatment

The Company established Yaerdang Wastewater Treatment Plant, its first wastewater treatment plant, in 2003, symbolising the commencement of its wastewater treatment business. As of 31 December 2016, we had a total of nine wastewater treatment plants in operation in Luzhou Area, namely, Yaerdang Wastewater Treatment Plant, Erdaoxi Treatment Plant, Naxi Treatment Plant, Xuyong Treatment Plant, Lu County Treatment Plant, Hejiang Treatment Plant, Gulin Treatment Plant, Chengdong Treatment Plant and Chengnan Treatment Plant, with the aggregate designed wastewater treatment capacity of 261,000 tons per day.



Beijiao Supply Plant



Chengnan Treatment Plant

ABOUT XINGLU WATER (Continued)

DEVELOPMENT HISTORY

2017

• The Company was listed on the main board of the Stock Exchange

2015

- Launched the construction of Beijiao Supply
 Plant Phase III
- Transformed into a joint stock company with limited liability and renamed as Luzhou Xinglu Water (Group) Co., Ltd.* (瀘州市興瀘 水務(集團)股份有限公司)

2014

- Launched the construction of Nanjiao Supply Plant II, Chengdong Wastewater Treatment Plant and Chengnan Wastewater Treatment Plant
- Acquired Hejiang Treatment Plant and Gulin Treatment Plan, through which the Company's wastewater treatment covered all four counties and three districts in Luzhou area

2012

- Acquired Luzhou Xinglu Wastewater Treatment Co., Ltd.* (瀘州市興瀘污水處理有 限公司)
- Acquired Naxi Treatment Plant

2011

Acquired Xuyong Treatment Plant

2010

• Established Erdaoxi Treatment Plant

2009

Established Luzhou Xinglu Water (Group) Co., Ltd. Water Supply and Drainage Quality Monitoring Station* (瀘州市興瀘水務 (集團)股份有限公司供水排水水質監測站)

2004

 Established Luzhou Xinglu Water (Group)
 Beijiao Water Co., Ltd.* (瀘州市興瀘水務(集 團)北郊水業有限公司)

2003

- Constructed Yaerdang Wastewater Treatment Plant, the first wastewater treatment plant, and commenced the wastewater treatment business
- Acquired Luzhou Xinglu Water (Group)
 Hejiang Water Co., Ltd.* (瀘州市興瀘水務(集 團)合江水業有限公司)

2002

- Luzhou Water (Group) Co., Ltd.* (瀘州 市水務(集團)有限公司), a limited liability company, was established
- Acquired Qiancao Supply Plant

1994

Established Beijiao Supply Plant

1987

Established Nanjiao Supply Plant

1958

 Founded Luzhou City Tap Water Plant* (瀘 州市自來水廠) and commenced operation of water supply business

A ENVIRONMENT

A1 EMISSIONS

The Company stringently complies with laws and regulations such as the PRC Environmental Protection Law (《中華人民共和國環境保護法》), the PRC Law on Prevention and Control of Water Pollution (《中華人民共和國求污染防治法》), the PRC Law on Prevention and Control of Environmental Pollution by Solid Waste (《中華人民共和國面體廢物污染環境防治法》). With the brand concepts of safe water supply, excellent service, scientific management and innovative development as well as by taking "Protection of Water Environment and Governing Water Pollution" as its own duty, the Company established its environmental management system, formulated a series of environmental management policies, adopted various measures to minimise the emissions of pollutants during the operating process to reduce the impacts on environment, to promote sustainable development, and to set up a positive enterprise image. The Company is also committed to reducing the emission of greenhouse gases. Although the Company has yet to perform carbon footprint assessment, which provides a foundation for reducing greenhouse gas emissions, the Company has included it in the work plan for 2017. The Company will measure its greenhouse gas emissions annually as the first step towards carbon reduction and from there set forth its carbon reduction target and priority to ensure that carbon reduction is carried out in a more efficient manner.

During the Reporting Period, the Company was not involved in any material events in relation to litigation or corresponding punishment arising from violation of environmental regulations.

Emissions of Water Supply Business

The Company continues to strengthen the management of waste gas, wastewater and solid wastes generated during the production process in water supply business, and constantly innovates technologies and improves production management system so as to reduce emissions and lower the impacts on environment.

As for gas emissions, the water supply business may cause certain effects on the surrounding environment only if chlorine gas is emitted randomly arising from the process of carrying out storage and chlorine-adding in chlorine dosing rooms and chlorine repositories. Since no fuel is consumed during the water supply process, gas emissions, such as SO_2 , NO_2 , PM_{10} , will not be produced. Therefore, during the process of water treatment, the Company adopts the specific vacuum seal-off device to prevent leakage and diffusion of chlorine gas and other emissions, substantially reducing the possibility of chlorine gas leakage accidents, but if there is leakage of chlorine gas, the automatic control system will start the chlorine gas absorption tower to eliminate the impacts arising from the leakage. In addition, the Company has gradually adopted on-site preparation of CIO_2 to carry out chlorine disinfection to avoid the potential harm caused by liquid chlorine from the source.

As for liquid emissions, emissions generated from the water supply business mainly derive from the wastewater discharged from the sedimentation tanks and backwashing water in filter tanks during the production process as well as daily wastewater, of which the major pollution factors are COD and SS. The volume of wastewater discharge is insubstantial and the components of wastewater are simple. The Company handles the wastewater produced through wastewater treatment facilities, and discharges the wastewater into municipal wastewater network after attaining relevant standards.

As for solid emissions, emissions produced in water supply business are mainly dried sludge cakes formed by high turbidity wastewater discharged from sedimentation tanks and filter tanks after concentration and dehydration during production processes and a small amount of household wastes. After centralising the collection of solid wastes, the Company regularly transports them to qualified third party landfills for unified disposal.

Emissions of Wastewater Treatment Business

As an environmental protection enterprise for wastewater treatment, the Company constantly ensures its compliance with relevant regulations and rules for environmental protection in every stage of production, and deals with the emissions in wastewater treatment process in strict accordance with the discharge standards.

All industrial and household wastewater generated from wastewater treatment business is dealt with by wastewater treatment facilities in the plants after reflow, together with the wastewater transmitted from the plants and communities. The subordinate branches of the Company are equipped with laboratories and inspection personnel, while the water quality is inspected in strict accordance with national standards. The central laboratory performs random testing of the water quality every month and the wastewater is discharged after fulfilling relevant standards, such as Urban Wastewater Treatment Plant Discharge Standards (城鎮污水處理廠污染物排放標準) (GB18918-2002) and Water Pollutants Discharge Standards of Minjiang River and Tuojiang River Basin in Sichuan Province (四川省岷江、沱江流域水污染物排放標準) (DB51/2311-2016). The wastewater is not directly discharged into the Yangtze River. In addition, in order to improve the efficiency of pollutants treatment and reduce their emissions, the Company adopts intercept processing for pollutants, implements separation and recycling of liquid pollutants, and regularly conducts checking of the main wastewater interception pipelines under its jurisdiction one by one to ensure the proper functioning of the main pipelines during seasons of flooding, and to eliminate environmental pollution accidents due to leakage and overflow of main pipelines.

Each wastewater treatment plant optimises the layout during its construction, enhances the discharge management of the malodorous gas during the production process, enhances afforestation in the plants, and reduces the influence of the odour on the environment.

The solid wastes generated from wastewater treatment business mainly include sludge deriving from wastewater treatment and a small portion of household wastes. After carrying out treatment such as concentration and dehydration of the sludge, the Company regularly exports the sludge to qualified third party landfills for unified disposal.

Hazardous wastes such as waste liquids and waste oil from machine repair are under online monitoring and chemical test and are transferred to qualified units by the Company for disposal in accordance with relevant laws and regulations such as the Measures for the Management of Hazardous Waste Transfer Manifest (《危險廢物轉移聯單管理辦法》).

A2 USE OF RESOURCES

The Company values limited natural resources, and actively advocates green operation and green office. The Company has formulated a series of management system for the use of resources to ensure adequate use of limited resources while providing high-standard products and services to offer strong support to the sustainable use of resources and the sustainable development of the Company.

Energy Consumption

The energy consumption involved in the progress of production and the operation of the Company mainly derives from the use of electricity for production and office, natural gas and gasoline, for which the Company has adopted a series of targeted control measures to actively improve the efficiency of energy use.

In terms of production and operation, the Company constantly improves its production and management system, conducts systematic and comprehensive monitoring for all projects, establishes targets for the control of total energy consumption according to the monthly production plan, calculates the consumption of energy and raw materials, and timely adjusts and regulates the projects with over consumption of energy and raw materials. In addition, the Company has also implemented the following innovation and technical renovation measures for water supply and wastewater treatment, the two largest businesses, to reduce energy consumption:

- As for the energy consumption in water supply business, the Company actively promotes the new pipelines technology and the technology for environmentally friendly treatment of water supply to reduce energy consumption during the process of water treatment and water transmission;
- As for the energy consumption of the wastewater treatment business, the Company focuses on technical renovation for the equipment with high energy consumption and low efficiency, including the upgrade of dewatering and desliming process of pumps, blowers, and sludge to improve operating efficiency and reduce unnecessary energy consumption.

As for office operations, the Company strongly advocates green offices, actively improves the consciousness of electricity saving of employees, including advocating reasonable use of air conditioners and ensuring that all electrical equipment are turned off during non-office hours to eradicate the phenomena of "lights and air conditioners turned on with nobody in the office". The Company has also formulated the "Administrative Measures for Motor Vehicles" (《機動車輛管理辦法》) to standardize the use and conservation of oil.

Case: Upgrading and Transformation of Water Pumps of Nanjiao Pump Station and Beijiao Pump Station

Adhering to the principles of energy saving, consumption reduction and cost controlling, the Company, on 31 March 2016, conducted the upgrading and transformation of water pumps at the pump station I and II in Nanjiao Supply Plant and Beijiao Supply Plant, currently the largest pump stations, by using Andritz water pumps. After the transformation, the 2# unit (Andritz water pumps) of Nanjiao pump station I could reduce electricity consumption of approximately 139,267 kWh in annual operation compared with 3# unit (domestic water pumps) previously used, thereby saving electricity costs of over RMB97,000; the 2# unit (Andritz water pumps) of Beijiao pump station I could reduce electricity costs of over RMB97,000; the 2# unit (Andritz water pumps) of Beijiao pump station I could reduce electricity costs of over RMB97,000; the 2# unit (Andritz water pumps) of Beijiao pump station I could reduce electricity consumption of approximately 121,452 kWh in annual operation compared with 3# unit (KSB) previously used, thereby saving electricity costs of over RMB85,000. After the transformation, the breakdown rate of the water pumps is obviously reduced, while the operation efficiency is obviously improved, and the electricity consumption is significantly reduced.

Utilization of Water Resources

Deeply understanding the value of water resources, the Company has adopted a series of measures from water supply and wastewater treatment, its two largest businesses, to office operations to strive for efficient utilization of water resources.

 Water Supply Business
 Stringently comply with relevant provisions of the PRC Water Law (《中華 人民共和國水法》) and Municipal Water Supply Administrative Regulations in Sichuan Province (《四川省城市供水管理條例》), and formulate internal Administrative Regulations on Health and Protection (《衛生防護管理規定》) of the Company to standardise and manage the water source protection works;

- Pipe water from the Yangtze River with water licenses, and obtain appropriate amount of water with licences to ensure getting water sustainably;
- Enhance inspection and monitoring of water quality from the source and water intakes, timely report on the problems discovered to local environmental protection departments, and actively cooperate with the health and epidemic prevention department and the environmental protection department for the protection of water sources;
- In 2014, the Company jointly launched an emergency linkage platform of enterprises supported by water supply of the upper stream of Yangtze River with Chongqing and Jiangjin, established a comprehensive emergency system, realized the sharing of information and technologies, actively promoted the protection and emergency response of the source of Yangtze river to effectively protect the ecological environment of the water source.
- Wastewater TreatmentIncrease the reuse of reclaimed water, achieving full coverage ofBusinessreclaimed water for filters flushing and afforesting by sludge dewatering.
- Strengthen the management of water saving in office, advocate employees to turn off faucets timely and eliminate the phenomenon of running water;
 - Discover problems and fix them timely to eradicate phenomena such as "running water, spillage, drippage and leakage".

Case: Reuse of Reclaimed Water by Naxi Wastewater Treatment Branch

In 2016, Naxi Wastewater Treatment Branch actively adhered to the direction of energy saving and consumption reduction. By strengthening the construction of infrastructure, Naxi Wastewater Treatment Branch, on one hand, made use of the opportunities of construction of phase II and the technological transformation of the phase I in 2015 to carry out upgrading and renovation of the tap water pipelines in the plant, optimised and renovated PE pipes, significantly reduced the frequency of bursting of pipes, minimised the leakage rate of pipe network, and increased the efficiency of reuse of reclaimed water. On the other hand, Naxi Wastewater Treatment Branch achieved full coverage of water for afforestation used in the plant. Meanwhile, it built new reclaimed water reservoirs to ensure timely supply of water for sludge dewatering and filter flushing by reclaimed water. Through the measures in two aspects mentioned above, the efficiency of energy saving and consumption reduction of the plant is obvious, while over 100 tons of tap water could be saved each day. In 2016, the unit consumption of tap water decreased by 20m³/10kt compared with 40m³/10kt of the planned consumption. In 2016, the Naxi Branch completed 2,482,000 tons of wastewater treatment, equivalent to saving the daily household water usage of 33,093 residents throughout the country.



A3 ENVIRONMENT AND NATURAL RESOURCES

Along with economic development and expansion of urbanization in recent years, the PRC has encountered severe environmental problems, while problems arising from water pollution have become increasingly prominent. In particular, the main streams and branches of Yangtze River and Tuojiang River basin where the Group located along suffer from serious water pollution resulted from large populations and developed industry. Since the PRC is one of the countries with the poorest water resources, the water safety in the PRC is in urgent need of improvement.

Wastewater treatment is one of the Company's major businesses. Being an environmentally friendly enterprise, the Company actively carries out municipal environmental protection projects conducive to reducing the load of wastewater discharge, improving and protecting the surface water environment. Strict processes are adopted to remove harmful materials in municipal wastewater, and it is guaranteed that after reaching wastewater discharge standards, the wastewater is discharged so as to reduce the impacts on the ecological function of rivers by wastewater, obviously in favour of the environment. In 2016, the annual wastewater treatment capacity of the Company reached 48.7 million tons, and the comprehensive qualified rate of water reached 99%.

We have obtained ISO14001 Environmental Management System certificate from the Quality Assurance Centre of China Association for Quality (中質協質量保證中心). We stringently implemented the aforesaid standards during the entire process of production and supply, and strengthened the operation of environmental management system.

In addition, the Company also organized the study of relevant laws and regulations such as the PRC Environmental Protection Law (《中華人民共和國環境保護法》) and the PRC Law on Prevention and Control of Water Pollution (《水污染防治行動計劃》), enhanced the awareness of environmental protection of all employees, and performed environmental protection responsibilities with its own features.

B SOCIETY

B1 EMPLOYMENT

The Company stringently complies with provisions of laws in relation to employment such as the PRC Labour Law (《中華人民共和國勞動法》). Adhering to the core values of innovation and excellence as well as harmony between human and water, the Company regards employees as the wealth of the enterprise, safeguards their legitimate rights and interests, improves their remunerations and benefits to promote harmony between employees and the Company as well as enhances the sense of identity of employees.

The Company did not violate any law or regulation on employment during the Reporting Period.

Fair and normative recruitment system. The Company stringently complied with the provisions of the national laws, regulations and policies, formulated the "Administrative Measures for Employee Recruitment" (《員工招聘管理辦法》), and insisted on the principles of selecting outstanding talents through competition for positions under the principle of openness and equality. The Company entered into labour contracts with employees in compliance with laws after recruitment to pragmatically safeguard employees' rights and interests.

Scientific and reasonable remunerations and termination system. The Company formulated the "Remuneration Management Measures" (《薪酬管理辦法》) and the "Administrative Regulations on Labour Contract" (《勞動合同管理規定》) to provide employees with competitive remuneration, effectively motivate their enthusiasm and share with them the results of the development of the Company. Meanwhile, the Company stringently complies with the PRC labour Law (《中華人民共和國勞動法》), the PRC Labour Contract Law (《中華人民共和國勞動合同法》) and relevant national regulations, and sets up legal and compliant conditions for labour relations and termination, and establishes harmonious and reasonable labour termination system.

Comprehensive performance appraisal system. The Company formulated the "Performance Appraisal Implementation Measures" (《績效考核實施辦法》), and carried out assessment on two levels monthly, quarterly and annually, in which the Group is responsible for carrying out assessment on the leaders, middle management cadres, each department and subsidiary of the Company, while each department and subsidiary is responsible for carrying out assessment on the unit employees so as to improve the performance of departments and employees, and promoting outstanding employees in accordance with management system.

Clear work attendance system and vacation system. The Company stringently complies with the "Labour Contract" (《勞動合同書》) and the "Administrative Regulations on Labour Contract" (《勞動合同書》) and the "Administrative Regulations on Labour Contract" (《勞動合同書》), and divides the working hours of employees into two categories in accordance with the industrial features and specific types of works of employees, namely, the standard working hour system and integrated calculation of working hour system, which are eight hours per day or 40 hours per week, respectively, and are in compliance with the national legal working hours. Meanwhile, the Company has formulated the "Administrative Regulations on Employees' Application for Leave" (《員工請假管理規定》) to ensure that employees' rights for resting and holidays are fully guaranteed.

Equality, diversity and anti-discrimination. The Company has established the "Hierarchical Administrative Measures for Position Development" (《崗位發展層級管理辦法》), specifying the principles and standards for setting hierarchical positions to provide employees with equal opportunities for career development. The Company, at the same time, has formulated the "Administrative Measures for Dispatched Labours" (《勞務派遣用工管理辦法》) and has specified the conditions for them to become formal employees to allow outstanding dispatched labours to become formal employees, thereby forming a reasonable mobilized mechanism enabling employees to enter or quit so as to achieve a diversified structure of employees. The Company adheres to the principle of equality between male and female, ensuring that female employees are treated fairly and their rights are protected. The Company also pays attention to team building, and strictly prevents discrimination.

As of the end of 2016, the Company had a total of 787 employees. 24 talents from different industries were introduced to the Company during the Reporting Period, among which two senior management, two experienced mid-level management talents, and 20 professional technology and management talents from different industries were introduced. The Company promoted three middle management staff and one middle deputy management staff through evaluation and promoted two middle deputy management staff, four persons-in-charge and four team leaders through internal public competition.



Gender ratio of current employees



Distribution of ages of employees

B2 HEALTH AND SAFETY

Health and safety are the basis for improving the happiness and well-being of employees at work. We unremittingly maintain production safety, optimise the occupational health and safety system and continuously improve services concerning occupational health so as to practically safeguard the health and safety of employees. The Company has obtained the OHSAS18001 Occupational Health and Safety Assessment Series certificate and has formulated a series of management systems, such as the "Targeted Management of Production Safety and Targeted Assessment Management System" (《安 全生產目標管理及目標考核管理制度》), the "Management System for Production Safety Accountability System" (《安全生產責任制的管理制度》) and the "Occupational Health Management System" (《職 業衛生管理制度》), to safeguard occupational health and safety. The Company made an investment of RMB4.843 million in relation to safety during the Reporting Period and was principally spent on improving, transforming and maintaining safety facilities and equipment, equipping the Company with emergency rescue equipment, establishing safety systems, providing and upgrading safety protective equipment for on-site operational staff, educational training on safe production and test and inspection of safety facilities and specialty equipment, providing great support to the safe production of the Company. The Company was awarded the "Grade II Work Safety Standardization" qualification by State Administration of Work Safety in November 2016.

During the Reporting Period, the Group did not experience any work-related fatalities.

Safety

Safety Concept

The Company upholds the safety concept that "Benefits Generated Without Safety and Environmental Protection are Inadvisable, Efficiency Created Without Safety and Environmental Protection is Inadvisable" and carries out the accountability system for safe and environmental-friendly production and conducts safe production in stringent compliance with the "Regulations Governing Five Implementations of Accountability System for Corporate Safe Production" (《企業安全生產責任體系五落實五到位規定》) and in accordance with the "Technical Specification for Operation, Maintenance and Safety of Urban Water Plants" (《城鎮供水廠運行、維護及安全技術規程》) (CJJ58-2009) and the "Technical Requirements for Safety Use of Liquid Chlorine" (《液氯使用安全技術要求》) (AQ3014-2008).

Safety Management

The Company sets up the Committee for Safety, Environmental Protection and Occupational Health (the "**Safety Committee**") and forms the safety management system from the Safety Committee, the Safe Production Department, subsidiaries, water plants, work groups to the employees, which is in smooth operation. Under the leadership of the Safety Committee, the Company regularly convenes meetings relating to safe production on a monthly basis, organises study on laws and regulations regarding safety, checks and summarizes the implementation of the monthly safety work plan and discusses on key issues and difficulties that exerting negative impacts on safe water supply.

The Company adopts a dual-driven management model for the inspection and checking on hidden dangers, which integrates the self-investigation by subsidiaries and functional departments and supervision by safe production department, and thus the management of the inspection, checking and governance tasks on hidden dangers are conducted on a regular basis. By 31 December 2016, the Company has conducted a total of 91 investigations in safe production with a total of 308 hidden dangers identified, among which none of the hidden dangers was of material nature and 308 hidden dangers were rectified. The Company comprehensively achieved objectives of safe production works and indicators for incident control and was awarded the Municipal First Prize of Safe Production.

Safety Emergency

The Company has established a relatively improved system of emergency response plan and, as of 31 December 2016, the Company has formulated and issued 57 management systems in respect of safety, environmental protection and occupational health, 1 integrated emergency response plan, 13 targeted emergency response plans and several on-site disposal plans. In addition, the Company regularly organises emergency drills, e.g. falling accident, heat-stroke and flood control, to boost the comprehensive ability of the Company in emergency response.

Case: Drill for Targeted Emergency Response Plan on Urban Water Pipeline Networks

In order to increase the safety awareness of employees and the on-site skills in utilizing emergency rescue equipment as well as enhancing their capability in emergency rescue when emergencies arise, on 5 July 2016, the Company carried out a drill for the Targeted Emergency Response Plan on Urban Water Pipeline Networks (《城市供水管網突發事故專項應急預案》) with the backdrop setting of a magnitude 7.2 earthquake that struck Luzhou, resulting in serious damages to the bursting of DN600 main water pipe from Beijiao Water Plant to Shulu Avenue. Under the simulated targeted emergency response plan on water supply, the emergency and response force, vehicles and equipment were sent to the scene within 10 minutes and a command station for water pipeline network emergency response, with the general manager of the group company as the commander-in-chief, was set up to coordinate all departments to perform respective duties for the restoration of water supply.

After the drill, the capability of risk control and emergency response awareness of employees of the Company have been enhanced collectively, which proves the feasibility of Drill for the Targeted Emergency Response Plan on Urban Water Pipeline Networks.



Safety Education

The Company launches safety training for employees in the form of internal training in combination with external training to ensure full understanding in safe production by employees. The training has helped the reinforcement of standardized management of the three-tier safety education for employees. Besides, the Company also provides training and education for employees on orientation and daily safety practices, education for job-holders of special categories and assessment on safety technologies. Moreover, the Company creates work files for staffs who deal with special operations and issues certificates to maintain persistent and stable safe production. In 2016, 100% of the chief persons-in-charge and safety management personnel of the Company hold safety management qualifications and certificates.

Occupational Health

Guided by the concept of "Occupational Health and Safety First, Prevention Foremost", the Company adheres to the principle of "Management of Occupational Health and Safety is Essential for the Management of Production" and has established an occupational health and safe production system, under which the "Management System of Occupational Health and Safety" (《職業健康安全管理制度》) is formulated, which specifies the responsibilities of staff at all levels and all functional departments of the Company and subsidiaries (plants) for occupational health and safe production and proactively carries out various works on the protection of occupational health and safety, which include:

- Vigorously initiating publicity activities for occupational health, e.g. "Week for Prevention of Occupational Diseases" and organising training, supervision and assessment on occupational health for all units of the Company;
- Releasing labour protection supplies and granting health care allowance on time and in compliance with the laws and organising health check-up for employees on a regular basis every year;
- Reporting occupational disease hazards;
- Constructing better protective facilities for occupational disease hazards and guaranteeing the occupational health and safety of staff during the course of production.

B3 DEVELOPMENT AND TRAINING

The Company implements talent strategies, launches comprehensive training with clear themes and formulates the "Management System of Employee Training" (《員工培訓工作管理制度》), the "Administrative Measures for Internal Trainer" (《內訓師管理辦法》), the "Administrative Measures for Apprenticeship" (《師帶徒管理辦法》) and the "Administrative Measures for Professional Titles" (《職稱管理辦法》), etc., in order to optimise the training system of the Company. The Company incorporates self-training and external training, initiates training in relation to the enhancement and policies on managerial skills, professional skills, safety knowledge and quality. Meanwhile, the Company vigorously organises training sessions on skills upgrading and various skill competitions to help employees in the further advancement of specialised knowledge, promotion of all-round development, increased opportunities in career path and the deepened feeling of pride and sense of achievement of our employees.

- In terms of management personnel at middle level and junior level, the Company carried out management training in relation to practical performance management and the comprehensive management system for quality, environment and occupational health and safety, seeking to provide assistance to management personnel in mastering management skills and laying a solid foundation for effective team work;
- Targeting at staff with vocational expertise and professional expertise, the Company organised relevant technical training and training for obtaining certificates for technical staff, such as training for new certificate holders of special categories, e.g. electricians and welders, thereby advancing professional expertise and skills for technical staff, increasing the rate of holding valid job certificates and enhancing competitiveness;
- Aimed service positions, the Company conducted training concerning external services and external service communication so as to achieve professional cultivation for service staff, overall quality advancement of employees and service level enhancement of the Company;
- Furthermore, the Company encourages our employees in actively participating in meeting training organised by Sichuan Urban Water Supply and Drainage Association (四川省城鎮供水排水協會) to strengthen and improve the construction and management of water supply plants of the Company, learn from advanced management experiences and techniques in water supply and further enhance professional expertise of employees.

By the end of the Reporting Period, approximately RMB270,000 has been invested in employee training of the Company and 57 training sessions have been conducted, with 2,093 people attended.

Туре	Number of attendants	Number of training
Management skills	272	8
Professional expertise and skills	664	24
Safety knowledge	746	7
Quality enhancement	129	4
System	238	5

Number of Training Hours Attended by Employees of the Company for the Year 2016

The Average Training Hours for Employees of the Company for the Year 2016

Accumulated training hours			
Number of people	for the whole year	Average hours	
No. A.			
787	4,576	5.81	

B4 LABOUR STANDARDS

The Company stringently abides by the PRC Labour Law (《中華人民共和國勞動法》) as well as other laws and regulations on labour standards and prohibits the employment of child labour and forced labour. The Company persists in safeguarding the legitimate rights of employees, and has established the congress of employee representatives, issued the "Implementation Rules for Congress of Employee Representatives" (《職工代表大會實施細則》) and, through setting up an opinion collection box for employees, protects employees' right of participating in democratic management.

The Company cares for employees and offers them a number of benefits. The Labour Union of the Company creates files for employees in difficulty, provides financial assistance to such employees and applies for grants for employees with material diseases. The Company unremittingly carries on "sharing homelike warmth" activities for front-line production staff, provides female employees with major medical insurances and provides employees with additional medical insurances, a number of allowances and dedicated recreational facilities at the same time, building a bridge between the Company and employees with love and strengthening the sense of belonging and identity of employees.

Case: Demonstrating Elegant Demeanour of Elite Females, Manifesting Harmonious Mood: the launch of outdoor activities on International Women's Day (8 March) by the Company

Female staff were organised to participate in an outdoor activity located in Zhangba Longan Forest and themed "Happy Women's Day, Cheerful Meeting" on 8 March 2016 by the Labour Union of Luzhou Xinglu Wastewater Treatment Co., Ltd.* with an aim to enhance communication and understanding among female staff and boost team spirit. Approximately 60 female staff from all departments of the Company and Yaerdang Wastewater Treatment Plant, Erdaoxi Treatment Plant, Naxi Treatment Plant and Chengdong Treatment Plant were involved. Physicians



in the Department of Obstetrics and Gynaecology from Luzhou Association of Guide of Family Planning were invited to share knowledge on common gynaecological diseases and symptoms, prevention and treatment. During the activity, Yi Qijiang, the general manager of Luzhou Xinglu Wastewater Treatment Co., Ltd.*, fully acknowledged the important roles played by female staff relating to corporate development and appreciated their precious contribution to the operation and development of the Company. Yi also highlighted that "Women Hold Up Half the Sky" is the best way to demonstrate the contribution made by the female staff to corporate development and encouraged them to do their utmost to further showcase their demeanour.

B5 SUPPLY CHAIN MANAGEMENT

To establish an improved and efficient supply chain and intensify the management of the tendering process for materials procurement, the Company has formulated the "Administrative Measures for Database of Professional Accreditation Personnel in Materials Procurement" (《物資採購評審專業人員 庫管理辦法》) and the "Administrative Measures for Integrity and Credibility of Suppliers" (《供應商廉 潔誠信管理辦法》) to manage suppliers in accordance with the requirements of relevant national laws and regulations. Regarding materials and equipment procurement, the Company strictly complies with the "Regulation for Materials Procurement Management" (《物資採購管理規定》) and the "Administrative Measures for Materials Procurement Tendering" (《物資採購招標管理辦法》) in the course of procurement. Besides, the Company strengthens routine supervision on qualified suppliers through the refinement of the "Administrative Measures for Suppliers" (《供應商管理辦法》) to enhance the fulfilment of responsibilities by suppliers.

The Company has strengthened the management of suppliers and established systematic processes regarding screening, management and evaluation of suppliers by adopting rating system to review suppliers' performance in terms of delivery quality, delivery period, product prices, service attitude and whether the suppliers have obtained ISO9001, ISO14001 management system certificates and classifying suppliers in different levels based on assessment results, which has allowed the implementation of hierarchical management. At the same time, the Company conducts dynamic supervision management over suppliers and degrades or disqualifies those who violate the administrative measures. In addition, the Company directs its attention to the environmental and social impact incurred by its suppliers. Should cases concerning environmental pollution and violations of labour standards by suppliers are brought to the attention of the Company, we shall degrade or disqualify suppliers depending on the seriousness of the breach.

During the Reporting Period, the Company has completed the annual evaluation of suppliers, paid four return visits on product quality of suppliers of its subsidiaries and conducted two reviews and supervisions on its subsidiaries.

B6 PRODUCT RESPONSIBILITY

We strive to provide our customers with clean and high-quality water supply and services and devote ourselves to bring about positive impacts of products and services on the safety and health of users. The Company strictly complies with the national laws and regulations and comprehensively analyses the importance of various social responsibility issues to stakeholders through identifying relevant issues and determining the priority. The product responsibilities of the Company primarily involve: the systematic control on water supply to end users, ensuring the stable and safe water supply; standardised sewage treatment, ensuring that the quality of wastewater treated by us is up to standard before emission; enhancement of pipeline network construction and maintenance; optimisation of the efficiency of user services. In this regard, the Company formulated a strict management system and procedures for products and services to further improve the quality of the products and services of the Company.

Safe and Stable Water Supply

The Company sources water from the Yangtze River where the water supply is stable and sufficient. To guarantee the quality of the raw water, government authorities classified the origin of water as class I drinking water protection area and class II drinking water protection area, and set up eye-catching signs for such protection areas and health protection zones, which ensured the safe and sustainable supply of water.

The Company strives to provide its customers with high-quality, safe and reliable supply of tap water by formulating the "Administrative Measures for Water Quality" (《水質管理辦法》), the "Administrative Measures for Quality Control Station for Water Quality Monitoring" (《水質監測質量控制點管理辦法》) and the "Implementation Measures for Water Quality Inspection" (《水質檢驗實施辦法》) and constructing a water quality management system and water quality inspection system to strictly monitor the quality of raw water, pre-treatment water, processed water and terminal tap water, which allows the Company to comprehensively inspect the water quality of each water plant. The qualified rate of water quality in 2016 was 99.93%.

We have obtained the Certificate of Quality Management System (質量管理體系證書) issued by Quality Assurance Centre of China Association for Quality (中質協質量保證中心) and strictly performed the abovementioned standards throughout the whole production and supply process, which has strengthened the operation of quality management system.



Management inspection system for water supply quality

The Company formulates the dispatch plan for water supply annually and sends relevant data to the dispatch centre on a real-time basis and such data includes the pool capacity of treatment plants, pressure within the pipeline network and operation status of equipment. Besides, the Company implements integrated dispatch of water supply based on various production data. Meanwhile, the Company utilises the newly constructed and expanded treatment plant and improves its technology on power supply, pressurisation equipment and pipeline network to increase water supply capacity.

In addition, the Company established the "Emergency Response Plan on Urban Water Supply Incidents" (《城市供水突發事件應急預案》), which included 13 targeted emergency response plans, for example the "Targeted Emergency Response Plan for Water Supply Production and Operations Incidents" (《供水生產運行突發事故專項應急預案》), to settle the incidents in a prompt manner to maintain stable water supply.

During the Reporting Period, the Company maintained stable water supply and did not experience any water supply shortage.

Sewage Treatment Attainment

The Company has a refined centralised control system that performs 24-hour surveillance over the volume and quality of the sewage. When the sewage is transported to the treatment plant, the system carries out real-time monitoring over COD, ammoniacal nitrogen and the water inflow rate in order to make adjustments according to the water inflow rate and water quality. Each branch of the Company has set up and deployed laboratories and relevant inspectors. The central laboratory carries out, on a monthly basis, sample inspection on water quality, strictly complies with national standards in the testing and inspection process, which included the testing for 19 indicators such as the containment of metal ion in the water sample. After physical, chemical and biological treatment, the sewage emission shall be able to meet the first class-A graded standard of the "Pollutants Emission Standards of Urban Sewage Water Treatment Plant" (《城鎮污水處理廠污染物排放標準》(GB18918-2002)).

The total volume of processed water of the Company during the Reporting Period was 48.7 million tons with a reduction of major pollutants: average concentration of inflow COD was 187.06 mg/L, average concentration of outflow COD was 19.67 mg/L, reduction of COD was 8,051 tons; average concentration of inflow ammoniacal nitrogen was 25.68 mg/L, average concentration of outflow ammoniacal nitrogen was 1.32 mg/L, reduction of ammoniacal nitrogen was 1,172 tons.

Pipeline Network Improvement

The Company strengthens the management within the pipeline network in urban areas, which includes patrol, maintenance and repair, and conducts netting inspection by deploying various teams for different routes based on the monthly leakage detection plan, in particular, the enhancement of management and control for prime locations and construction sites. Moreover, the Company established the "Targeted Emergency Response Plan on Urban Water Pipeline Networks" (《城市供水管網突發事故專 項應急預案》), ensuring the safe operation of the pipeline network in urban areas. During the Reporting Period, there were a total of over 230 times of leakage detection patrol conducted and over 100 leakage points were found. The detection has efficiently lowered the leakage rate.

Case: Glory Flag Received from Owners of Lvxiang Yuan District (綠祥苑小區) for Urgent Pipeline Repair Works

Efficiently arranging urgent repair works and minimising the impact of water suspension are integral parts of the daily management of the Group and reasonably arranging emergency personnel and vehicles and completing the mission with quality are the duties and targets of the frontline repairmen. On 20 May 2016 at 5:00 p.m., the underground carpark of Lvxiang Yuan District, Nanguang Road, Longmatan District experienced a fire outbreak and the fire sprinklers were broken. As a result, the domestic pipeline lost pressure due to air inflow. The Company received calls from the owners of Lvxiang Yuan District (綠祥苑小區) via its 24-hour service hotline at 3192777, claiming that there was a suspension of domestic water in their living place. Xinglu Water (Longma branch) immediately arranged and sent repair workers to the location under rainstorm. In order to resume water supply for users, the Company adopted interim remedial measures by installing a control valve between extinguishing pipes and domestic pipes. The maintenance was completed at 11:00 p.m.

On 25 May 2016, the owners' committee of Lvxiang Yuan District visited the lobby of Xinglu Water and brought along a flag with words "A truly caring and considerate quick problem-solver under emergency" (心繫百姓,為民排憂,搶險及時,真情為民) to show their highest recognition and biggest thanks to the repair workers. "I serve, you shelter" (我為你服務,你為我撐傘) may be the most beautiful way to connect water suppliers and users.

In addition, the Company has been continuously pushing forward the progress of informatisation and intelligentisation in order to enhance the technical support of the Company in terms of pipeline construction and engineering management by absorbing the experience from the industry and other advanced enterprises, hence further improving pipeline management.

Case: Modification of Water Supply Pipeline DN600 between Shuangjinggou and Huilongwan

To repair the water supply pipeline DN600 between Shuangjinggou and Huilongwan and enhance the pipeline performance regarding pressureresistance and operation, the Company introduced HDPE, an inner lining technique, to modify such section of the pipeline network in 2016. As there was no road excavation works involved in the construction process, there were less damages to roads and minimal influence to nearby residents. Comparing to setting up new pipelines, this technique can reduce the construction time and investment costs.



Through this method, the new inner lining pipeline is placed into the damaged pipeline. After modification, the integrated performance of the pipelines such as overall pressure-resistant capability, sealing and anti-corrosion, would be strengthened and enhanced, as a result, the service life of the pipeline would be extended.

Service Efficiency Optimisation

To further optimise service efficiency and enhance service quality, Xinglu Water reinforced its works on monitoring the services under its water supply operation in 2016, which helped it in fulfilling the accountability to and satisfying the needs of its customers.

The Company formulated the "Standards for External Services by Employees" (《員工對外服務規範》), which standardised the service workflow for employees in each position and efficiently enhanced the quality of services rendered by its employees. To further optimise customer service experience, the Company formulated working rules for "one-stop" services for the water supply service lobby, which allowed the consecutive handling of various affairs, such as application for water supply, water quality inspection, water supply design, pipeline installation, pipeline repair and billing enquiry from customers.

The Company proactively develops service hotline services and external service platforms for its water supply operation. Besides, it also issued the "Administrative Measures for Customer Service Hotline (Provisional)" (《客戶服務熱線管理辦法(試行)》) and the Group has set up a hotline centre for water supply services, which mainly facilitates the provision of quality, highly efficient and timely water supply services to customers. During the Reporting Period, the Company handled mayor hotline for 45 times in total and none of which were complaints; online opinions for 47 times, of which 5 times were complaints; the reply rate was 100%. For the satisfaction assessment of the Company in 2016, the score of customers' satisfaction was 87.83, which is 1.48 higher than that of 2015 and overall improvement was seen in the satisfaction rate for 11 class 3 indicators. In addition, the Company regularly organises specialized meeting on operating services for relevant operating service personnel and department

heads to discuss solutions to problems regarding operating services, share experience of successful cases. Moreover, the Company regularly organises trainings and competitions for each person-in-charge for the water supply unit, key business personnel and certain employees to enhance the service capability of each department.

Case: "Nourish the Wine City, Harmonise People and Water in the Spring" Service Activity

To allow its users know more about the multiple methods of payment and to further deepen their understanding in various businesses, such as water fee prepayment, the Company launched "Nourish the Wine City, Harmonize People and Water in the Spring" (水潤酒城,人水和諧春天行動) at Yudai Garden. The Company reinforced its communication with users by conducting on-site activities, such as "on-site water fee prepayment", "various payment promotion", "on-site voluntary inspection for leakage and repair" and on-site Q&A session, and explained the multiple methods of payment and the handling of



prepayment business in details, which has provided users with convenient, safe, warm and efficient water supply services. The activity accommodated a total of 80 person-time and distributed more than 100 copies of promotion materials. The Company offers its users with diversified payment platforms starting with the provision of quality water supply services, which allowed the Company to win unanimous acclaim from its users.

B7 ANTI-CORRUPTION

The Company strictly complies with relevant laws and regulations such as the "Company Law of the PRC" (《中華人民共和國公司法》), the "Anti-Unfair Competition Law of the PRC" (《中華人民共和國反不 正當競爭法》), the "Interim Provisions on the Prohibition of Commercial Bribery" (《關於禁止商業賄賂行 為的暫行規定》) promulgated by State Administration for Industry and Commerce, which promotes the idea of "Clean Conduct and Integrity" (源清流潔、以廉為尊) and prevents non-compliance risks, such as corruption, bribery, blackmail, fraud and money laundering, which practically provide great and solid support to the health, sustainability and harmonious development of the Company.

The Company formulated and issued a number of measures and regulations, such as the "Implementation Measures for Preventing Illegal Works" (《預防職務犯罪工作實施辦法》) and the "Implementation Measures for Integrity Risk Prevention System "Three Early Three Cards" of Water Group" (《水務集團廉潔風險防控"三早三卡"機制實施辦法》), in order to reinforce the supervision and restriction for each section, strengthen the operation of the integrity system and enlarge the scope of detection for corruption from the source.

The Company has been continuously improving and developing the system of anti-corruption and disciplinary supervision by setting up disciplinary inspection committee, disciplinary supervision office under the political department for supervising and procuring the implementation of anti-corruption for each department of the Company. In addition, by setting up a whistle-blowing mailbox and reporting hotlines, the Company is able to collect reports and complaints from the public and hence imposing greater supervision from the public.

To the knowledge of the directors of the board of the Company, during the Reporting Period, the Company and its employees had no litigation nor receive any corresponding penalties due to corruption, bribery, blackmail, fraud or money laundering in the course of business operation.

Case: Alarm System for Integrity Commitment

To promote the practice of the penalty and prevention system for each position, the Company diversified relevant policies according to different positions and compiled the "Integrity Commitment for Middle Management" (《中層管理人員廉潔自律承諾書》), the "Integrity Commitment for Construction Project Management Personnel" (《工程項目管理人員廉潔承諾書》), the "Integrity Commitment for Procurement Personnel" (《採購人員廉潔從業承諾書》), the "Integrity Commitment for Installation and Maintenance Workers" (《安裝維修人員廉潔從業承諾書》) and the "Integrity Commitment for Financial Personnel" (《財務人員廉潔從業承諾書》), which require 155 personnel holding key positions to solemnly undertake responsibilities to the Company, according to the different matters in relation to integrity commitment for their positions, for building up the sense of integrity and discipline of employees, preventing illegal works and safeguarding the harmonious development of the Company.

B8 COMMUNITY INVESTMENT

As an environmentally friendly corporation, Xinglu Water provides assurance to the local community by maintaining stable water supply and sewage treatment services. Meanwhile, the Company organised a series of volunteer service activities to solve the problems of water supply and facilitate the civil development of the community.

Case: Volunteer Activity of "Acting Out the Spirit of Lei Feng, Constructing a Civilized Luzhou"

In order to provide better water supply services and safeguard stable water supply for the local community, in the morning of 4 March 2016, the Company organized Party members, youth volunteers and maintenance workers to jointly participate in the volunteer activity of "Acting Out the Spirit of Lei Feng, Constructing a Civilized Luzhou" organized by the SASAC at the low-rent housing area (Phase III) in Jiangyang District.

At the event location, the Company, the SASAC, and the people from the street and the community jointly participated in a series of activities such as the promotion of "multiple payment methods", "onsite voluntary detection for leakage and repair" and on-site Q&A session. In the activity, the participants completed 10 checkpoints for on-site maintenance, water tap replacement, leakage detection, etc. and the activity accommodated 60 people and distributed more than 100 copies of promotion materials. The



activity practically provided users with convenient, safe, warm and efficient water supply services, which solved the problems of water usage for the public and made positive contribution to the construction of a civilized Luzhou.

As a corporation which is highly aware of its social responsibility, the Company is not only pursuing better development, but also actively participating in social and charitable activities, providing great support to charitable organizations, attending charity events, utilizing its resource advantages to make contribution to the local development and share the win-win and sustainable future with the community.

Case: The Group Supports Precise Poverty Alleviation

Yuxiangping Village, Xuyong County, Sichuan Province, with an area of 18km square, 890 households, 3,445 people in total, is a corresponding village under the poverty alleviation program of the Group. Due to the frequent shortage of water, the industrial development was severely restricted and there is unstable water supply for domestic use for the residents.

Starting from 2016, the Company maximized the advantage of the construction of water projects, included the water construction and safe drinking



water construction of Yuxiangping Village in the precise poverty alleviation and tackling plan so as to construct a guaranteed system for agricultural irrigation water of poor villages and safe drinking water for poor users. In light of the severe shortage of water in Yuxiangping Village, the Company arranged technicians to carry out on-site investigation in the village and contributed RMB10,000 for building a pool for collecting drinking water in the water source at the lower stream of the river and pumping the water to the original reservoir for storage purpose. Meanwhile, the Company also contributed more than RMB160,000 to construct a 3,000-metre water supply pipeline with 90mm outer diameter in Yuxiangping Village and sent 4 technicians to install the pipeline in the village. The pipeline transports the water from water reservoir to household, which successfully addressed the problem of drinking water for 480 households with more than 1,700 people in total in Yuxiangping Village.

In addition, the leaders of the Company also launched poverty alleviation pair work activity. In 2016, the chief leaders of the Company primarily alleviated 1 household and the branches of the Company alleviated 5 households, totaling 59 households. The leaders of the Company and each branch granted a total of RMB40,000 of development fund and scholarship to each household.