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Environmental, Social
and Governance Report

| Kangda International Environmental Company Limited

About This Report

This is the second environmental, social and governance (hereinafter referred to as “ESG”) report of Kangda International Environmental Company Limited (hereinafter referred to as “Kangda International” , “the Company” , “we” or “us”). The report was drafted in accordance with Environmental, Social and Governance Reporting Guide (hereinafter referred to as “the ESG Reporting Guide”), Appendix 27 of the Listing Rules of The Stock Exchange of Hong Kong Limited (SEHK) (hereinafter referred to as “Listing Rules”). We made reference to Hang Seng Sustainable Development Corporate Benchmark Index, covering the performance and data of the company in business development, environmental protection, care for staff and community investment during the year from January 1 to December 31, 2017.

This report mainly covers the urban water project, water environment comprehensive treatment and rural sewage treatment projects operated by the listed company in HK of Kangda International. In addition, there is a little information related to the parent company of Kangda International, Kangda EP Group (hereinafter referred to as “Kangda EP” or “Kangda Group” ,) and we have clarified on this in the report.

This report is mainly based on the major issues evaluation and analysis and the opinions of stakeholders. Please refer to the chapter of “Sustainable Development Management” for the specific process.

If you have any question or suggestion about the report, please contact us.

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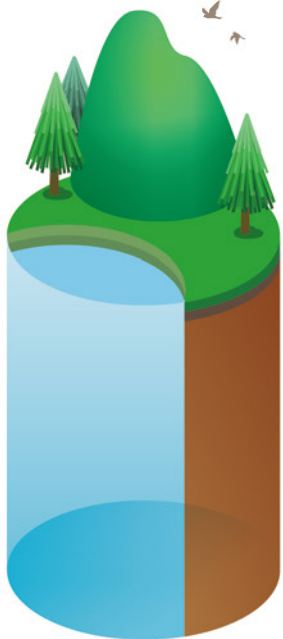
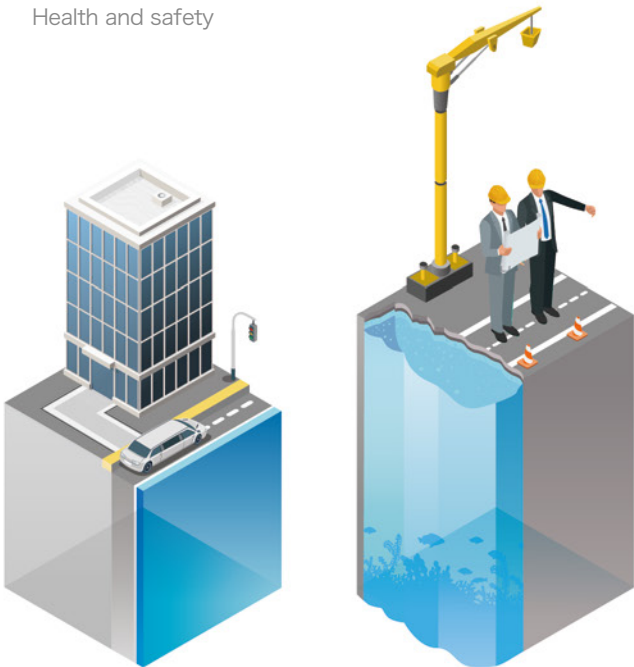
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Chairman’s Statement

Laying a Solid Foundation and Seizing the Opportunities

The year 2017 is full of opportunities for Kangda International. It is also a crucial year for the company to launch new strategies and innovate business models.

In this year, we sort out our philosophy on development, and proactively explored the market through endogenous growth and epitaxial development. We continued to discover new growth drivers for our business in the areas in which we have advantages in resources.

In this year, we followed the development trend of the environmental protection industry of our nation closely, and shifted our focus from environmental pollution control to environmental quality improvement. In addition to developing our traditional sewage treatment services, we made solid efforts to transform into a solution provider of urban environment comprehensive treatment.

In this year, the Belt and Road Forum for International Cooperation was successfully held. Kangda International closely followed the national development strategy of the Belt and Road initiative and conducted the in-depth analysis of the economic situation and industry opportunities. While staying active in the domestic market, we made great effort to explore overseas market and develop overseas business. We have entered the environment protection market in East Europe, South-east Asia, and Central Asia, laying the groundwork for launching projects.

Our goal is to integrate our corporate values with the interests of our nation and society. We have always combined our business with social responsibility and got deeply engaged in the environment comprehensive treatment field. Our company was founded in 1992. As one of the first private enterprises in Chinese sewage treatment industry, we stayed committed to equipping our company with the first-class management system, environment technology, and operation experience through improving technologies and regulating management. Our aim is to improve our status and influence and develop into a model for private enterprises in the environmental protection industry.



Shouldering Responsibility in Operation and Seeking Sustainable Growth

Kangda International has always practiced the concepts of “innovative, coordinated, green and open development for shared benefits” , and closely combined our own business with the responsibility to protect our environment while we made efforts in different areas. First, we have adhered to workplace safety. We have improved the workplace safety responsibility system and implemented the principle of “putting safety first, focusing on prevention and addressing safety issue comprehensively” to ensure the safety of production, equipment management and technical operations and the steady workplace safety situation. Second, we have stayed committed to green development, expanded the areas and reached of our business on the basis of traditional sewage treatment business, playing a more comprehensive role in protecting the environment, and expanding our business to cover other links of water service industry chains including comprehensive reclamation of river basin, sponge city, reclaimed water, sludge treatment, heat pump, and photovoltaic, etc. Our aim is to improve the efficiency of the comprehensive use of resources, protect the natural environment and address climate change. Third, we continue to care for our staff. We have established and improved a series of staff training and development management systems. On the one hand, we have helped our staff to improve their knowledge and skills to meet the requirements of the current and future jobs. By so doing we have managed to improve the work efficiency and competitiveness of the whole company and ensure the sustainable development of staff’ s career and that of the company, realizing win-win outcome for both staff and the company. Fourth, we stay committed to giving back to the society. With the vision of “being Integrity and socially responsible for rewarding the society” , we never forget our social responsibility in our development but continue to do business with honesty, integrity, and credibility. We have implemented our core values, and fulfilled our social responsibilities and continued to engage in activities for public good. We carried out public environmental awareness and education projects to contribute to the harmonious development of our community.

Looking into the Future

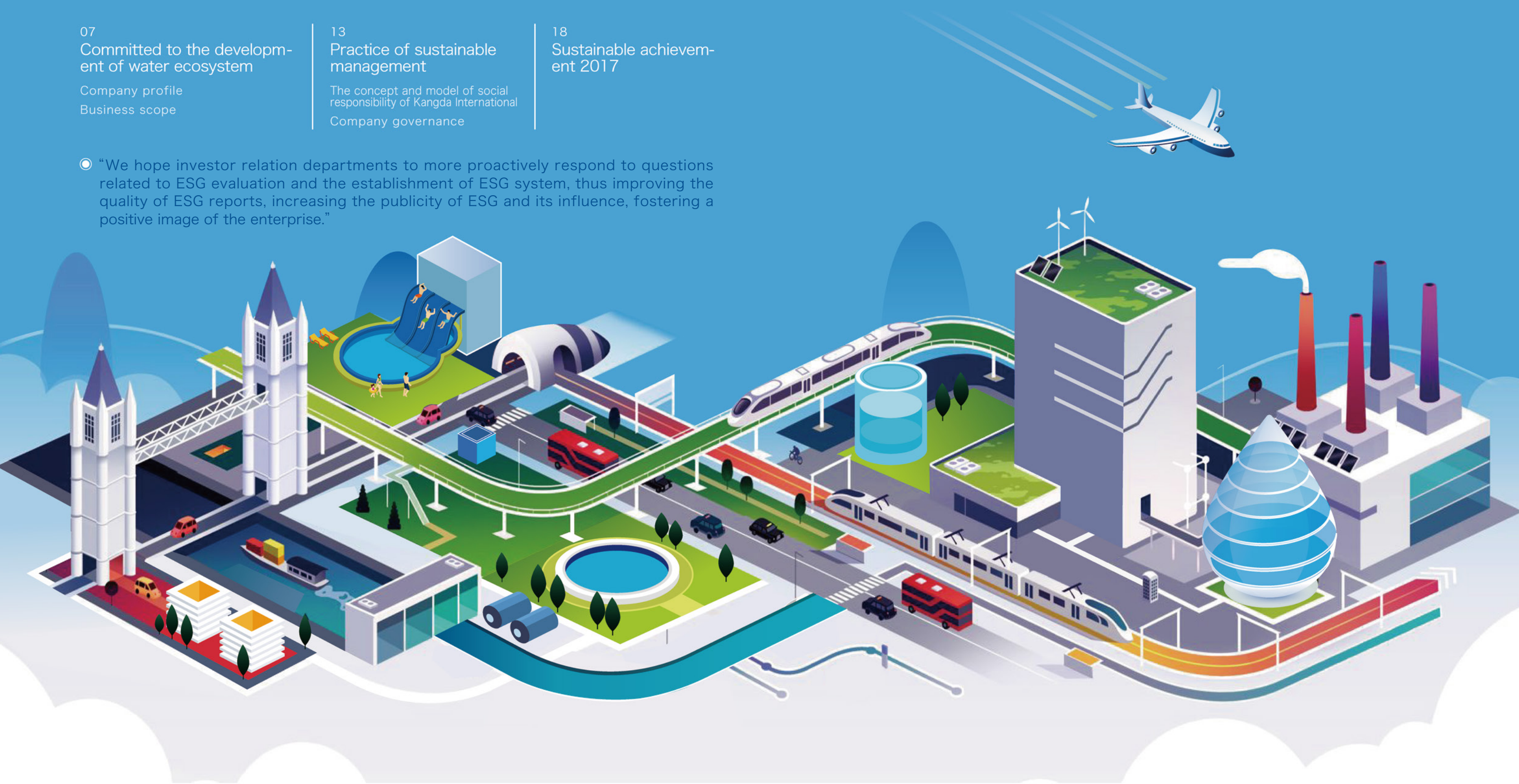
2017 is a year of great gain for the comprehensive development of Kangda International. We began to see the results of our strategic adjustment and business model innovation. In the future, Kangda International will continue to exploit our advantages in technology, market integration, and financing, and come up with new business expansion ideas and achieve win-win development through a multiple of cooperation modes including project cooperation and strategic alliance. Kangda International will continue to be professional and to stay focused, and will conduct eco-industrial chain comprehensive planning of urban environmental protection projects with the general planning featuring “planning-investment-development-operation.” We will launch projects to promote diversified development. We will keep abreast of our times and realize the full coverage of the environment protection industrial eco-chain. We will develop a sustainable development model to drive regional eco-development and economic growth with business development, and fulfill the social function of enterprises. We will recognize the economic “New Normal” correctly, and conduct international capacity cooperation in a better manner, carry out business operation more responsibly, unite our staff more effectively and encourage them to press ahead. We will strengthen exchanges and communication with stakeholders more sincerely and transparently, and improve our core ability for sustainable development. We will achieve the integration of environmental protection responsibilities and business logic, contributing to the new development pattern of the global environment protection industry.



Harmony • development / ①

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“We hope investor relation departments to more proactively respond to questions related to ESG evaluation and the establishment of ESG system, thus improving the quality of ESG reports, increasing the publicity of ESG and its influence, fostering a positive image of the enterprise.”



Committed to the Development of Water Ecosystem

Company Profile

Kangda International is a listed company with water infrastructure investment, development, and operation as its core. We provide our clients with comprehensive water project solutions and services mainly through business models like Build-Operate-Transfer(BOT), Transfer-Operate-Transfer(TOT), and Public-Private-Partnership(PPP). By December 31, 2017, the total asset of Kangda International had reached RMB 15.2 billion.

As one of the first batches of private enterprises in the sewage treatment industry in China, Kangda International has made great effort to transform to the solution provider of urban environment comprehensive treatment in addition to providing solid traditional sewage-treatment service. It has rapidly expanded to cover other links of water industrial chain

including comprehensive reclamation of river basin, sponge city, reclaimed water, sludge treatment, heat pump, and photovoltaic.

With rich experience, accumulated technology specialty and stable market position, Kangda International will seize the tremendous development opportunities of the Chinese sewage treatment industry, continue to develop new projects and explore client groups.

The corporate culture of Kangda International is comprised of core values, management philosophy, code of conduct for staff, and corporate strategic thinking. These are what we use to promote the sustainable development of Kangda International

Our Vision: Create a First-Class Environmental Protection, Create a Century Enterprise

With two decades’ of development, our company will stay committed to developing into an ever-green tree in the environment protection industry. We will try to equip our company with the first-class management system, environment protection technology, and operation experience through technology improvement and management regulation in an attempt to improve our status and influence in the industry and make Kangda International a model for private enterprises in the environment protection industry.

Our Philosophy: Being Integrity and social responsible to reward the society

- We have adopted the following principle of “observe the rules, learn to discipline yourself and fulfill your duty” :
- Observe the rules:** Nothing can be accomplished without rules. Discipline is the key to guaranteeing the execution of an enterprise.
 - Learn to discipline yourself:** In daily life, we must work selflessly for the public interests, be strict with ourselves and regulate our work behavior.
 - Fulfill your duty:** continue to be highly responsible for our work, and develop good work ethics.

Our Advantages



We are a leading state-invested private company in the sector of sewage treatment, and we have advantages in benefiting from the tremendous opportunities of the Chinese sewage treatment sector.



We have strong capacity to access projects and systematic new project evaluation mechanism.



We provide our clients with comprehensive, customized, and premier sewage treatment solutions.



We are equipped with a management system that is perfect in design and can improve operation efficiency, and we have established a system of charging sewage treatment fees on time.



We have a hard-working management team, experienced and enterprising professional staff and positive corporate culture.



Detailed Description of Our Business

Kangda International has always closely combined the responsibility for environment protection and our own business together. On the basis of traditional sewage treatment, we have continued to expand our business area and business coverage. Currently, our business falls into 3 parts: urban water service, water environment comprehensive treatment, and rural sewage treatment. 2017 is a year of great gain for comprehensive development of Kangda International, when our diversified projects have seen periodical and phase-based development.

In 2017, the revenue of main business of Kangda International reached RMB 2.5 billion, with the year-on-year growth of 31%.

In terms of urban water service, by December 31, 2017, the daily general disposal volume reached 4.113 million metric tons, with the increase of 22% than that of the end of last year. Until December 31, 2017, Kangda International has reached 106 franchise projects, among which there are 99 sewage treatment plants, 3 wastewater treatment plants, 3 sludge treatment plants, and 1 reclaimed water plant. Our domestic water works have covered 16 provinces, municipalities and autonomous regions.

In terms of water environment comprehensive treatment, by December 31, 2017, Kangda International has signed 8 water environment comprehensive treatment projects, with a total investment of RMB 6.59 billion, treating the river with a total length of 186 km. We have restored a total of 4.2539 million square meters of wetland parks. Improved natural environment drove the growth of local tourism and employment. Water basin treatment projects have made prominent contributions to the local environment and socio-economic development. The Sanjiang River drainage basin treatment project has won acclaim of the government and all circles, becoming a model project in drainage basin treatment.



In terms of rural sewage treatment, by December 31, 2017, Kangda International has signed 2 projects—Yunan County county-wide domestic sewage treatment PPP project and Jialing County county-wide domestic sewage treatment PPP project, with a total investment of RMB 689 million. The designed treatment capacity is 7,180 cubic meters per day. We have provided a total of 200 sets of rural sewage treatment facilities and water collection pipeline networks, remarkably propelling local rural development. By so doing, we answered the call of the nation to boost rural revitalization and develop beautiful rural areas.

In addition to this, in 2017, we proactively developed new energy and international projects and scored breakthroughs.

In terms of new energy, Kangda International installed photovoltaic power generation equipment and water-source heat pumps in sewage disposal works in many places in Shandong, Henan, etc. By December 31, 2017, the designed installed capacity of our photovoltaic power generation project reached 9,310.98 kilowatts, our annual photovoltaic power generation reached 1.35 million kwh. The heat transfer quantity of water-source heat pumps reached 3,100kJ.

In terms of international projects, 2017 is an important year in the “13th Five-Year Plan” of China. It is also an important year for Kangda International to explore overseas market. With the opening of the Belt and Road Forum for International Cooperation, the opportunities for China and countries on the routes to cooperate in environment protection grew increasingly. We followed up on many overseas projects in Southeast Asia and Central and East Europe, answering the call of “Belt& Road” initiative with our own strategic planning.

In the future, Kangda International will continue to be professional and focused, implement the four-in-one general planning of “planning-investment-development-operation”. We will conduct eco industrial chain comprehensive planning of our urban environment projects. We will also launch projects to promote diversified development. We will keep abreast of our times, integrate ecological development and economic growth, create new business and come up with new ideas, achieve full coverage of the environment protection industry eco-chains and win-win development through project cooperation and strategic alliance.

Business Domains



Urban water service

- development and operation of urban water service
- treatment and use of reclaimed water
- treatment of sludge
- water provision

operation and maintenance



Water environment comprehensive treatment

- reclamation and improvement of river basin
- black odor water system renewal
- sponge city development
- pipeline network project

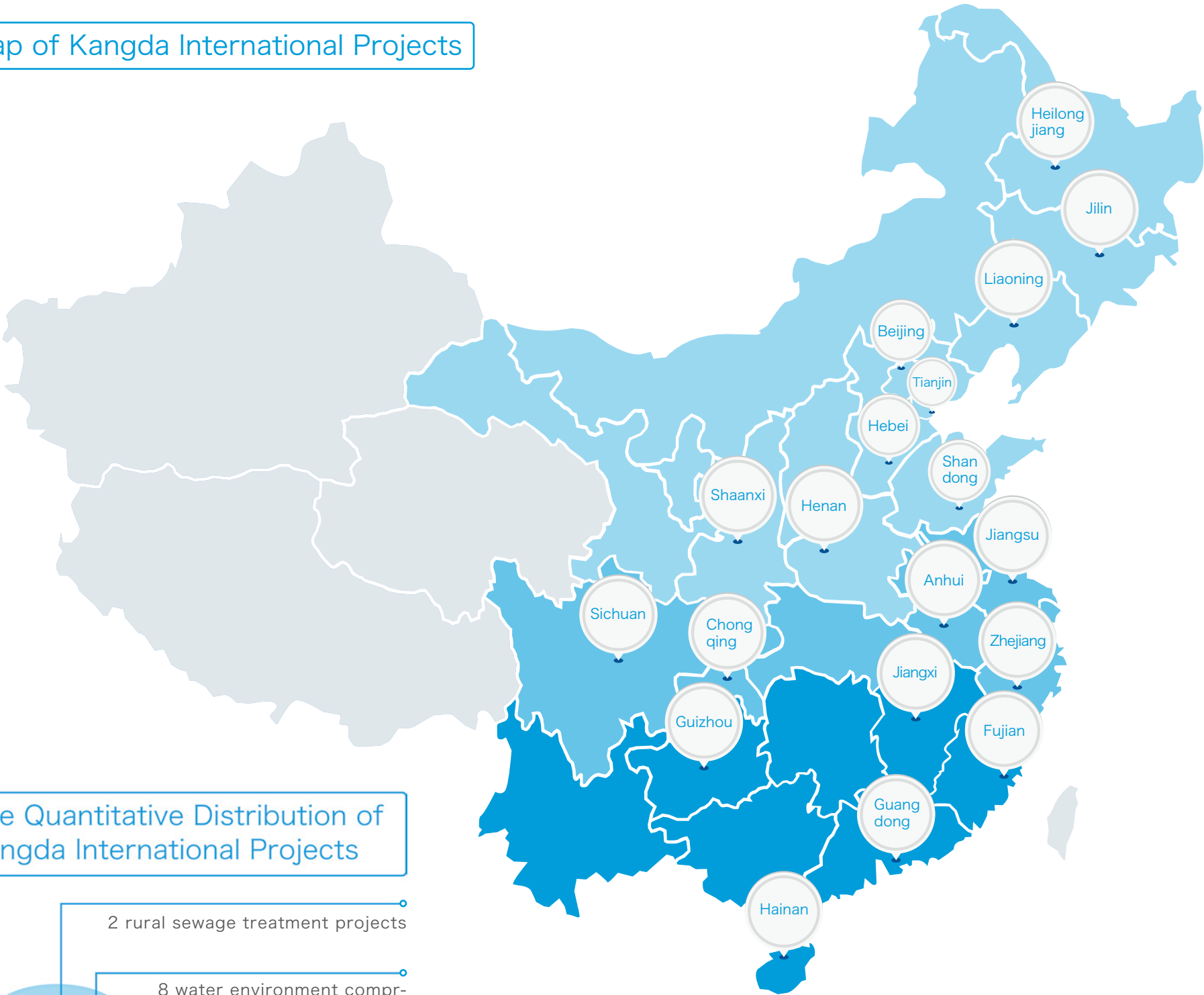
urban utility tunnel



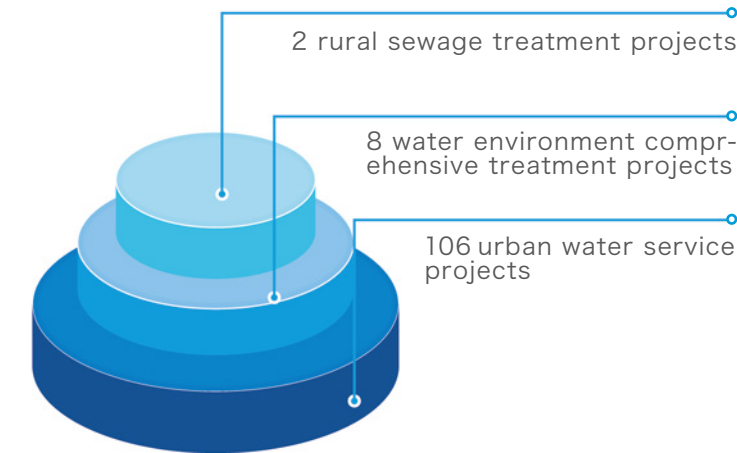
Rural Sewage treatment

- beautiful rural area development
- sewage treatment
- sewage collection pipes
- improvement in rural living conditions

Map of Kangda International Projects



The Quantitative Distribution of Kangda International Projects



Demonstration of Key Project:

Urban Sewage Treatment



The Relocation, Upgrading and Reconstruction Project of the First Sewage Treatment Plant of Jiaozuo



A corner of the Sewage Treatment Plant of Shangqiu Water Co., Ltd.



The Pilot Scale Test System of Dongying Sewage Treatment Plant

Water Environment Comprehensive Treatment Project



Aerial View of Fuzhou Fuhe Sanjiang Wetland Comprehensive Treatment Project



Yunan County-wide Domestic Sewage PPP Project

New Energy Project



Jiaozuo Sewage Treatment Plant Sewage Water-Source Heat Pump Central Air-conditioning Project

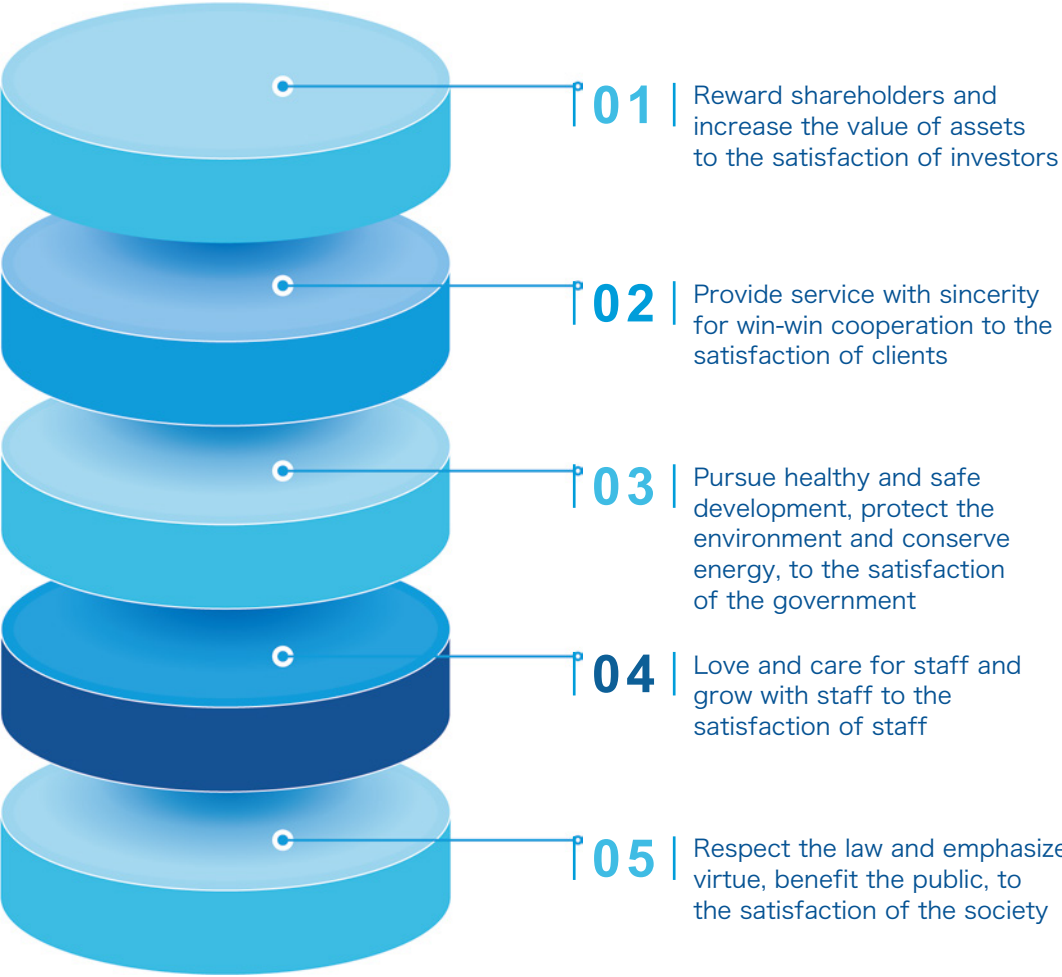


Photovoltaic Power Generation Projects Currently, We have installed 6 photovoltaic projects in Shandong and Henan, and 2 such projects are under construction

Practice Sustainable Management

The Social Responsibility Concept and Model of Kangda International

Kangda International is committed to promoting economic, environmental and social sustainable development. We view corporate social responsibility as gene of companies and important part of core competitiveness. We integrated social responsibility into the mission, culture and values of our company, and practiced it in our daily operation. Our goal is to achieve high-tech development, green development and harmonious development, and constantly create value for stakeholders including staff, clients, investors, suppliers and surrounding residential areas. We are committed to putting into practice corporate social responsibility to achieve the following 5 main social responsibility goals.



2017

In 2017, on the basis of fulfilling social responsibility, Kangda International summarized a social responsibility model. On the one hand, we conveyed our resolve and sincerity in fulfilling our social responsibility to stakeholders and the society. On the other hand, we conveyed our concept of integrating social responsibility and business operation to the public. In the daily operation and strategy-making in the future, we will continue to be guided by this sense of social responsibility to achieve comprehensive sustainable development of ourselves and the society.



Core Concept — Water, the Solution for Harmony

Kangda International has comprehensive environment protection water service as its main business. It is committed to developing water ecosystem harmonious culture which achieves sustainable use of resources, supports harmonious socio-economic growth and virtuous cycle of the eco-system.

Kangda Water Drops — Harmony · People

In order to shoulder social responsibility and create value for the society, our staff and shareholders work as one, and join hands with outside stakeholders including clients, government, suppliers and industry partners to form a drip of water. We will create sustainable win-win value, bringing rewards for all stakeholders, and striving for our shared goal of sustainable development.

Kangda Ripples — Affinity · Nature & Harmony · Society

With the joint effort of Kangda International and our stakeholders, like a water drip sets off ripples, we increase little by little our sustainable development influence, to multiple effects in natural and social dimension. In environment, we rely on our business, respect resources, and achieve comprehensive environment protection. In social dimension, we promote the development of the whole industry, and benefit local environment, society and economy with our projects, realizing the ultimate social value of Kangda International, and finally create a society featuring affinity, nature, and harmony.



Company Governance

Kangda International has always conformed to its principles of governance and operation conventions. We tried our best to make our governance level meet requirement and live up to the expectation of the public. We complied with the code of conduct for corporate governance written in Appendix 14 of the Listing Rules of SEHK.

“Honesty, Credibility and Responsibility” are the core value of our business operation. Our board of directors has established an assessment committee to provide solid advice for internal control. This committee is also responsible for monitoring the process of assessment and verification to ensure that the operation figures are accurate and reliable.

We expect the whole company to create corporate culture featuring sincerity and credibility. We have strict requirement on the ethics of every staff member. We proactively improve the awareness of probity of our employees. All of them must comply with the moral code of conduct listed in the Employee Handbook. We established a nine-character-code of conduct, requiring our employees to observe rules, discipline themselves, and fulfill their duties. According to the code of conduct, our employees must strictly observe rules, be clean and incorruptible and refrain from any breaches.

In the timeframe of this report, we continued to be guided by Kangda International (Industry) Group Supervision and Management Regulations (Trail), and Kangda International Environment Company Limited Anti-Malpractice Rules, continued to conduct anti-corruption awareness program, and set up a hot line. In 2017, we organized a total of 13 staff anti-embezzlement promotions, and had no records of embezzlement or any other breaches of laws and regulations.

Sound corporate governance relies not only on perfect management systems and their implementation, but also on attention to details. In 2017, we hosted a series of trainings targeting our business operation process. For example, we noticed that legal risks in signing contract are a problem in the whole life cycle of companies. In order to strengthen the contract management of all departments and prevent legal risks in signing contracts so as to contribute to the healthy operation, Department of Human Resources, the Office of CEO, Department of Tender Inviting, Contract and Budget, and Department of Risk Control jointly held a thematic training session titled Legal Knowledge about Contract Management.



The Company held training session on legal knowledge about contract management

Sustainable Achievements of 2017

A Our Figures



Environment Protection Performance and Achievements

- In the timeframe of the report, we treated **873.4** million metric tons of urban sewage, and lowered COD emission by **200,706.72** metric tons.
- We ran **3** water supply works, with a daily water supply capacity of **211,300** metric tons.
- We ran **1** reclaimed water treatment plant, which had treated a total of **5.20** million metric tons of water.
- We treated a total of **186** km of river.
- We afforested a total of **4.2539** million square meters of land.
- Our photovoltaic power generation reached **1.35** million KWh.
- We reused a total of **137,000** metric tons of sludge.
- The heat transfer quantity of water-source heat pumps: heating capacity **2,240** kJ, refrigerating capacity **860** kJ,
- Greenhouse gas emission in the process of operation reached **209,748.23** metric tons CO₂.

Safety and Health

We held **27** emergency drills.



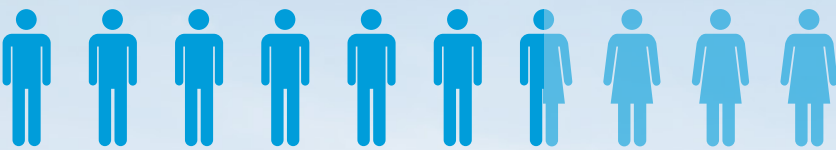
Community Contributions

We donated a total of RMB **85,000** and materials of the value of RMB **20,000**.

Product Responsibility

We have **0** complaint from clients.
We have **19** patents.
Water supply pass rate reached **100%**.

Staff Responsibility



Male staff account for **65%** and female staff account for **35%**

Average staff training hours

Senior managers **9** hours

Middle managers **9** hours

Ordinary staff **11** hours

B Our Honors



Response to Social Responsibility Investing:

We launched the Equator Principle Project of Industrial Bank Co., Ltd. in our plant in Wenzhou. It marked the further deepening of our concept of green development in Wenzhou.



International Development:

On the morning of November 21, Head of Department of Environment of Association of German Chambers of Commerce and Industry (DIHK), Mr. Schmidt, visited Chongqing Kangda Group with a delegation.



Kangda International won the Award of Water Service Comprehensive Strength Leading Enterprise:

On June 8, 2017, at the 10th Chinese Environment Industry Conference and the Award Ceremony of Lv Ying Award, Kangda International won the award “water service comprehensive strength leading company” .



Investor Significance:

On March 23, 2017, Kangda International continued to win the award “the 2016 Chinese Listed Water Service Company with Most Investment Value” .

Harmony • People /^②

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Our Stakeholders

Stakeholders communication mechanism
Materiality matrix

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Our Staff


Overview of our staff
Development and benefits
Health and safety




Our Stakeholders

Stakeholders communication mechanism

Stakeholders play a significant role in sustainable development and decision making of any corporations. Hence, we pay attention to the communication and interaction with all stakeholders and open up communication channels corresponding to different groups, so as to get in-depth knowledge of their demands and have access to their treasured suggestions. By this, we can give positive feedback to issues they are concerned about and their demands and encourage their active participation in corporate development, thereby achieving the all-round and sustainable development of all involved.

| Group of Stakeholders | | Major Communication Channels | Frequency | Issues of Concern |
|--|------------------------|---|--|--|
|  | Employee | Intra-company communication network Employee mailbox Interview with employee Online opinion survey Staff meeting Interview with about employee performance appraisal The Kangdaer | Annually (about performance appraisal) Monthly (The Kangdaer) Irregular for others | Career development Welfare Company development Criteria for employee performance appraisal |
| | Shareholder / investor | Shareholder meeting Company announcement Official website Public notice Financial report Analyst's bulletin Roadshow | Annually (shareholder meeting) Irregular for others | Business development Financial performance Compliance of laws and regulations |
| | Governmental agency | Exchange Site survey | Irregular | Project quality and progress Operating performance Effluent quality Sludge treatment Safe production |
| | Supplier | Supplier meeting Online opinion survey Examination and evaluation Tendering | Annually (Examination and evaluation) Irregular for others | Development orientation of the company Demands for services / goods Tendering requirements |
| | | | | |

| Group of Stakeholders | | Major Communication Channels | Frequency | Issues of Concern |
|---|--|--|-----------|--|
|  | Partners (university/ research institution etc.) | Cooperation conference | Irregular | Technology requirement Application of research result |
| | Community | Interview and survey Community activity | Irregular | Performance in environmental protection Education of environmental protection |

In order to help investors get the whole picture of our strategic orientation, business model and transformation results, we staged 8 large roadshows in Guangzhou, Hong Kong, Shanghai, Beijing and Shenzhen respectively in January, March, August, September, November and December, in addition to mid-year and annual reports publically released. In these activities, we met with over 500 investors in form of one-to-one and one-to-many meetings this year, with cooperative security companies including Macquarie, ICBC, Industrial Securities, Orient Overseas Container Line, GF Securities, Southwest Securities, BOCOM International and Guotai Junan Securities.

To achieve more communication with investors, the executives of Kangda EP, received visiting investors in Beijing, Hong Kong and Chongqing for several times. Moreover, Vice President Ma kept frequent exchange with investors on WeChat, timely shared the latest announcement and data with them, and also took investors' advices sincerely. As of 2017, we have had 285 investors on the platform.

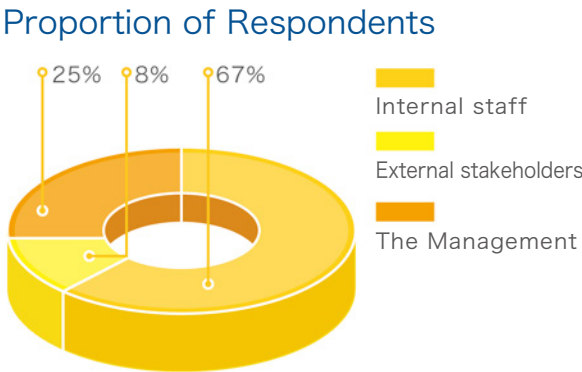


Materiality Matrix

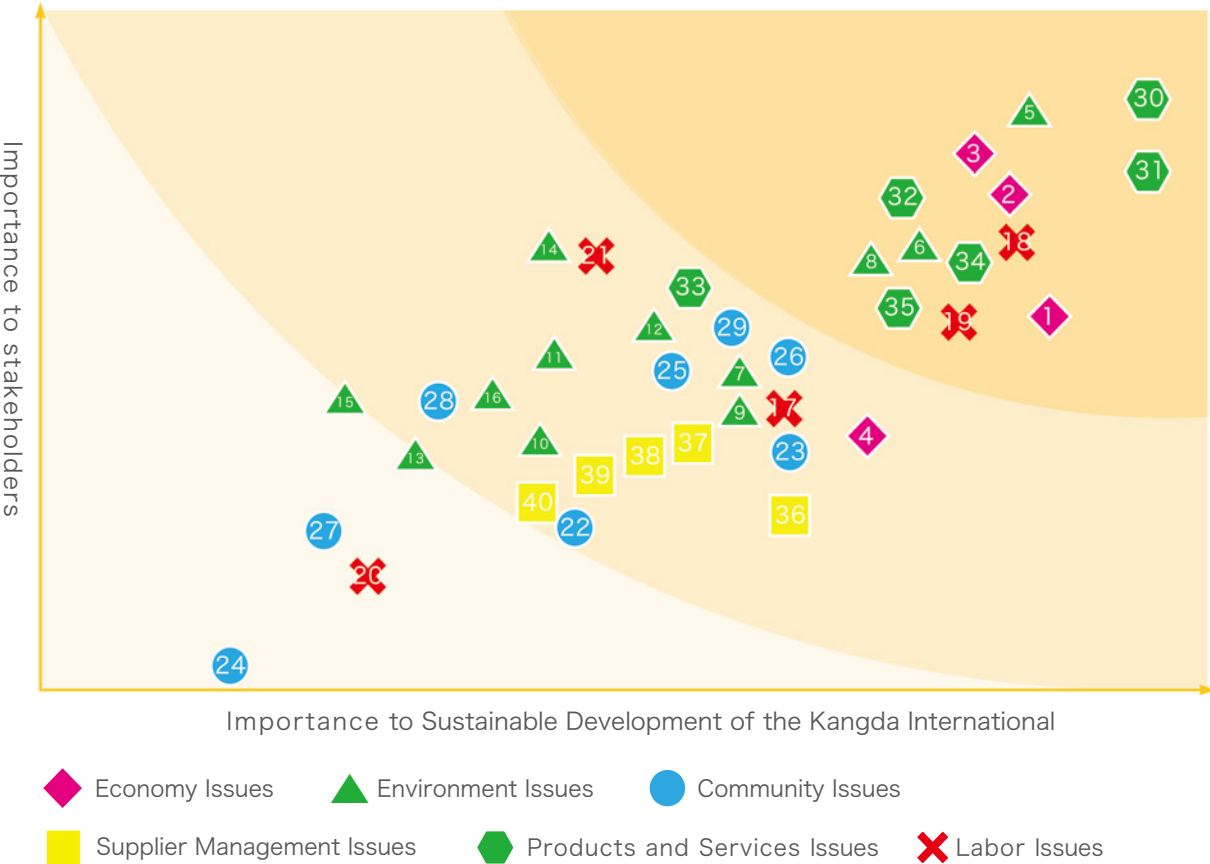
We launch a substantial and comprehensive evaluation of major issues per year, and preliminarily identify annual issues concerning sustainable development on multiple levels to further spot significant opportunities and risks rising during the development, by referring to the suggestions from senior management, internal and external experts, analysis of multimedia information, benchmarking study of opposite numbers at home and abroad, HKEX ESG Reporting Guide, Hang Seng Corporate Sustainability Benchmark Index and others.

In 2017, we designed questionnaires for stakeholders and senior management respectively, aiming to understand how much our stakeholders value issues concerning sustainable development, based on which we could determine key contents to reveal in the annual report of sustainable development, give response to their demands and make the Company be in keep with main principles of

HKEX. We invited 231 stakeholders to this anonymous questionnaire themed by environment, society and governance, including 212 internal stakeholders comprising the management, staff from the headquarters, business units, branches and sewage treatment plants, and 19 external stakeholders consisting of investors, business partners, local community, media, and government agencies.



Materiality Matrix



This questionnaire survey helps us get access to stakeholders' suggestions on the sustainable development of the Company, in detail, information disclosure, policy support, operation management, staff welfare and other issues. Their proposals are reference value to the formulation of related work plans and targeted response to their demands in the future. We will maintain the amiable communication with stakeholders in the years to come and gradually enrich the form and channels of communication in addition to questionnaire survey, to better get knowledge of their demands, make the strategy for corporate development more comprehensive, improve the management system and framework of internal sustainable development, thereby realizing the win-win development between the Company and stakeholders.

| Economy Issues ◆ | | Environment Issues ▲ | |
|------------------|--|----------------------|---|
| 1 | Business performance | 5 | Aquatic ecosystem conservation |
| 2 | Influence of environmental protection policies on industrial development | 11 | Soil remediation |
| 3 | Influence of environmental pollution on industrial development | 6 | Sludge treatment |
| 4 | Culture and business philosophy | 7 | Odor treatment |
| | | 8 | Hazardous waste management |
| | | 9 | Management of construction site |
| | | 10 | Land utilization |
| | | 12 | Influence of production activity |
| | | 13 | Noise management |
| | | 14 | Environmental and social management systems |
| | | 15 | Emission of greenhouse gas |
| | | 16 | Biodiversity conservation |

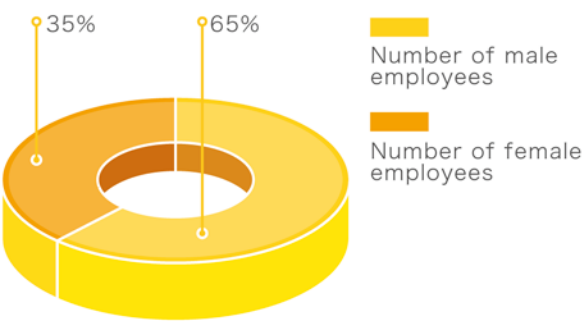
| Labor Issues ✕ | | Community Issues ● | |
|----------------|--|--------------------|--|
| 17 | Staff's remuneration and welfare | 22 | Contribution to community |
| 18 | Security of staff's occupational safety and health | 27 | Devotion to philanthropy |
| 19 | Staff's career development and training | 23 | Maintenance of relations with local community and government |
| 20 | Diversified background and equal opportunity of staff | 24 | Resettlement and reemployment of migrants |
| 21 | Guarantee of human rights, prevention of hiring child labor and forced labor | 25 | Protection of community environment |
| | | 26 | Abidance by related laws and regulations |
| | | 28 | Influence of daily operation on surrounding communities |
| | | 29 | Anti-corruption and integrity upholding |

| Products and Services Issues ● | | Supplier Management Issues □ | |
|--------------------------------|--|------------------------------|---|
| 30 | Guarantee of effluent quality | 36 | Evaluation on supplier's environmental responsibility |
| 31 | Fulfillment of contract | 37 | Safety training and ability enhancement of supplier |
| 32 | Protection of customers' privacy and personal information | 38 | Evaluation on supplier's social responsibility |
| 33 | Handling complaints from surrounding communities | 39 | Evaluation on supplier's abidance by the labor code |
| 34 | Abidance by industry-related laws and regulations | 40 | Evaluation on supplier's performance in safeguarding human rights |
| 35 | Abidance by laws and regulations relevant to marketing promotion | | |

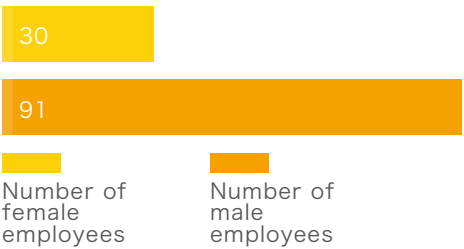
Response to High Importance Sustainable Development Issues of the Company in 2017

| Category | Issue | Response in the Report |
|-----------------------|--|-------------------------------------|
| Economic | Business performance | <input checked="" type="checkbox"/> |
| | Influence of environmental protection policies on industrial development | <input checked="" type="checkbox"/> |
| | Influence of environmental pollution on industrial development | <input checked="" type="checkbox"/> |
| Environment | Aquatic ecosystem conservation | <input checked="" type="checkbox"/> |
| | Sludge treatment | <input checked="" type="checkbox"/> |
| | Hazardous waste management | <input checked="" type="checkbox"/> |
| Labor | Security of staff's occupational safety and health | <input checked="" type="checkbox"/> |
| | Staff's career development and training | <input checked="" type="checkbox"/> |
| Community | Abidance by related laws and regulations | <input checked="" type="checkbox"/> |
| Products and Services | Guarantee of effluent quality | <input checked="" type="checkbox"/> |
| | Fulfillment of contract | <input checked="" type="checkbox"/> |
| | Protection of customers' privacy and personal information | <input checked="" type="checkbox"/> |
| | Abidance by industry-related laws and regulations | <input checked="" type="checkbox"/> |
| | Abidance by laws and regulations relevant to marketing promotion | <input checked="" type="checkbox"/> |

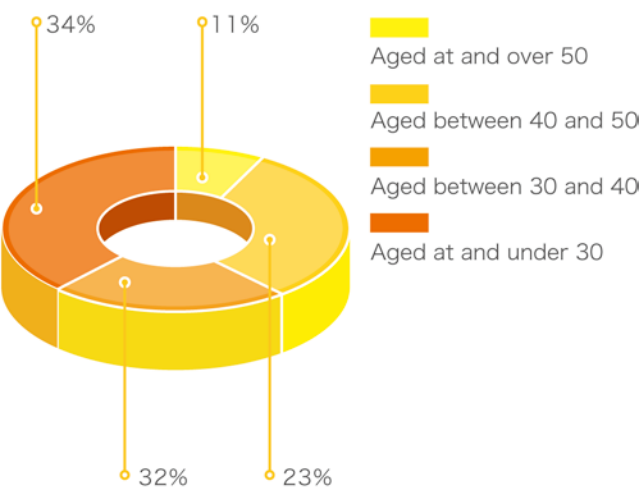
Number of employees by gender



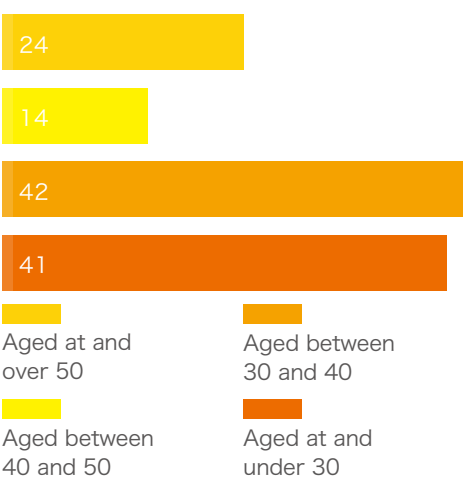
Number of employees turnover by gender



Number of employees by age



Number of employees turnover by age

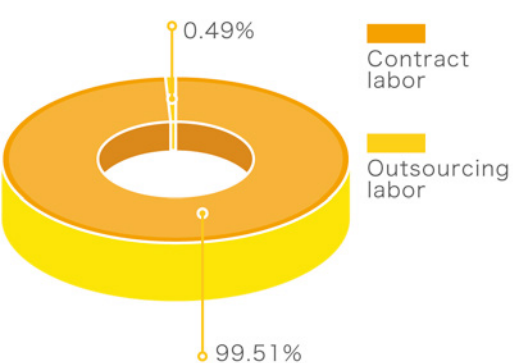


Our Staff

Overview

Taking the philosophy of sustainable development as the guide and integrating it into all our daily businesses, we value the rights of our employees and insure that every one of them get access to equitable treatment, creating a safe and healthy working environment for them. To keep pace with the sustainable and rapid development of the Company, we formulated a string of management methods to standardize recruitment process and improve mechanism for talent selection. According with the Labor Law, Labor Contract Law and others laws and regulations, such methods include Recruitment Management System, Training Management System and Application for Special Working-hour System among others. In the course of recruitment, we strictly check the identification of applicants to prevent employing juveniles, and sign the labor contract with applicant in accordance with the principle of voluntariness to avoid forced labor. And we take immediate measures to prevent such problems in any case. We have 2,427 employees as of December 31, 2017, including 2,415 ones having entered into the formal contract.

Number of employees of different categories



Development and Benefits

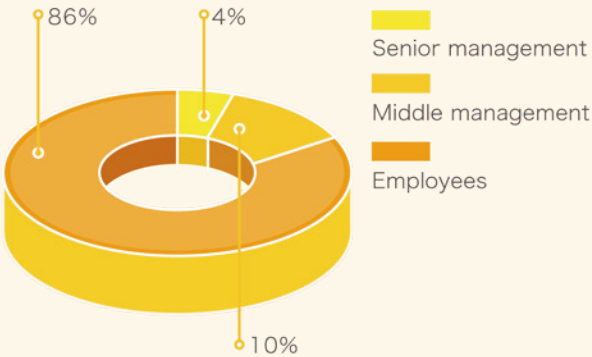
Staff development

In consideration of different position characteristics, we have established three position systems, namely, management, professional technique and skills, blazing diversified and sustainable paths for our employees at any positions to develop their careers. Based on demand of three position systems for talent, we build a reserve talent pool and introduce talents by means of cultivating inside the company and recruiting outside the company.

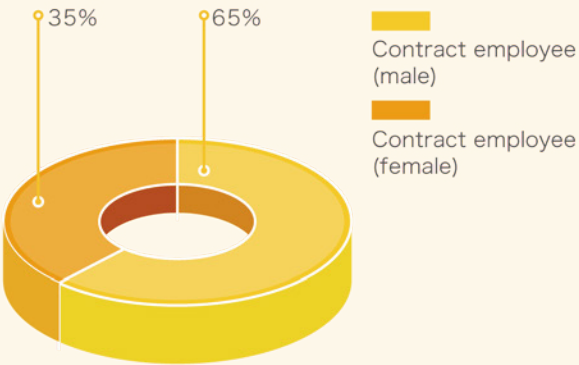
We have also developed and improved a range of systems concerning staff training and development management. Such systems are designed to assist employees in enhancing knowledge and skills and adapting themselves to positions at present and in the future,

thereby improving the overall efficiency and competitiveness and making the Company developed in a sustainable manner on the one hand; and to specify how we continuously throw ourselves into the career development of employees by training and other educational programs, so as to realize the win-win situation between the us and our employees on the other hand. Meanwhile, we have formulated the Training Management System, Salary Management System, Salary Management Rules for Water Affairs System, Management Methods of Competition for Posts in Sewage Treatment Plant and other stipulations, and launched staff training on online platform. Online platforms mainly embrace 10 colleges of integrated management, production management, financial management, individual development, leadership, human resources, market operation, sales management, research management and professionalization, totaling over 4,000 courses.

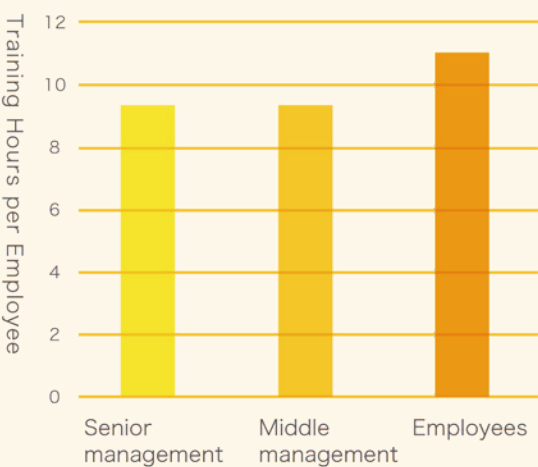
Number of various employees participating in training



Number of male / female employees participating in training



Training Hours Per Employee (of different categories)



Staff appraisal

We believe that scientific performance appraisal system can not only lift the corporate performance but also arouse the enthusiasm of employees in works, as well promote the realization of corporate strategic objective. On this ground, we paid great effort on preparing the Management Rules for Performance Appraisal of Kangda EP (Trial) and Enforcement Regulation of Management Rules for Performance Appraisal of Kangda EP, established an internal incentive mechanism in keeping with the modern enterprise system, and also further improved the internal appraisal.

Communication with employees

We adopted a variety of means to communicate with employees and understand their requirements in earnest.

- Face-to-face communication
- Communication software and mail
- Morning meeting, regular meeting, production meeting, working conference, regular meeting themed by inspection on safety production among others.

Caring for staff

We care deeply about our employees both physically and mentally. We offer them favorable salary and welfare and opportunity for career development, in hope that they can get satisfaction from their works and be happy to work together with us for the sustainable development of the Company. In addition, we also carry out diversified cultural and recreational activities for employees, like movie, singles fellowship, matches of basketball, football, badminton and ping pong, and outing, in order to enrich their lives and reduce their stresses, so as to bring them the warm of big family.



Shangqiu Branch Wins Municipal Poetry Recitation Competition

On October 11, in order to usher in the 19th CPC National Congress, Urban Management Bureau of Shangqiu City and Work Committee, Shangqiu Municipal Labor Union of Urban Construction and Transportation, co-hosted the Ode to the Party, Welcoming the 19th CPC National Congress” at the municipal Workers' Cultural Palace. Four employees from Kangda Environmental Protection (Shangqiu) Water Co., Ltd. struggled to the final match and bore the palm. Their success was the honor of Shangqiu Branch and Kangda EP, showcased the charming of Kangda staff and also presented a special gift for the Congress.



Xinzhongzhou, Xinkang and Xinzheng Kangda Co-sponsored New Year's Day Celebration

In December 2017, Zhengzhou Xinzhongzhou Water No. 2 Sewage Treatment Plant, joint hands with Xinkang and Xinzheng Kangda to host the cultural activity for celebrating the New Year’ s Day, which was designed to enrich employees’ cultural life, strengthen the powerful cohesion and centripetal force of the Company.

This event embraced 26 programs and lasted for five days, without affecting normal business operations. With the largest scale, the most awards and the greatest influence, it colored employees’ cultural life, and fully showcased the spirits of Kangda staff, namely positivity, endeavor and solidarity.

Since the inception, the Sunshine Foundation of Weifang Branch has been adhering to the belief “co-sharing sunshine and overcoming the adversity” and the mission “spreading positive energy and providing caring services” , and upheld the philosophy “rewarding the excellence while helping the poor” . The fund of foundation was used primarily for academic awards, hardship subsidies, birthday cash gifts, special rewards and charitable donation.



Mutual Assistanes Warm the Hearts of Every Kangda Staff

One employee from Suzhou Branch was sent to hospital ICU during the New Year’ s Day of 2017. His family was troubled about such enormous amount of medical fees. After learning the difficulty of the family, both Northern Anhui Branch and Suzhou Branch called on employees to donate more than RMB 20,000 in just two days, and visited the employee in the hospital and expressed their warmest and sincerest solicitude for him.

We have been remaining the highlight the spirit of “When disaster struck, help came from all sides” in mind, spreading the love and care among our staff with actions and bringing positive energy to the Company.

Health and Safety

We worked to implement the policy “safety first, prevention foremost and comprehensive administration” , in order to eliminate the security risks in construction management and daily operation and ensure the safety in production, equipment management, technological operation and other aspects. In combination with the practical situation of the Company, we developed a string of manuals for safety management and operation to clarify safety production responsibility, including Management Methods of Kangda International for Construction Projects (for trial implementation), Integrated Planning of Kangda International,for Emergency Response to Production Safety Accidents and Standard Collective Drawings for Safe and Civilized Construction at Construction Site.

Based on the manuals for safety management and operation, we further perfected the contents related to health and safety in safety management system, specifications for technological operation and equipment operation, contingency plan and operational management, and also obtained the certification of GB/T28001/OHSAS18001 Occupational Health and Safety Management System Certificate.

By focusing on the safety management work, we strived to enhance the effluent quality in the following three aspects in 2017:

- 1、Combining prevention with control and strengthening the emergency response to production accident. We perfected all contingency plans, to ensure that such plans formulated based on practical situations; carried out the safety production emergency response drill, fully examining the scientificity and practicality of contingency plans, further standardizing the procedures and methods of emergency command and disposal, and improving employees’ ability to accident disposal; and strengthened the inspection of water pipes, testing of water quality and maintenance of equipment. In consideration of sharp changes in water quality and quantity under the situation of energy conservation and emission reduction, we strengthened the process adjustment and system scheduling, transformed and upgraded parts of outdated system, technology and equipment, in a bid to ensure the normal operation of sewage treatment system in full tilt.
- 2、Resolving the current problems and eliminating the root causes, launching the comprehensive safety governance. We regularly implemented inspections and patrolling on safety production every month and quarter, focusing on safety production facilities, monitoring and fire-fighting equipment in key areas of all plants, and also strengthened the monitoring of water quality and inspection of sewage pipelines, strangling all potential dangers in the bud.
- 3、Highlighting the key in safety production, and focusing on daily management. We endeavored to implement the system of responsibility for safety production in an all-around way; develop the letters of responsibility for safety production with all branches, in a bid to put such system in place at all levels; intensify safety education and training and raise employees’ safety awareness.

According to relevant provisions of the Fire Protection Law of the People's Republic of China, we specially formulated the Contingency Plan of Kangda International for Fire in Office Buildings, in order to put in practice the policy of prevention first and combination of fire prevention and fighting, and improve management regulations and system for fire safety. The plan clarified the responsibilities of all fire safety management departments concerned, and described contents related to causes of fire accident, preventive measures, procedures of fire extinction and employee evacuation.



Occupational Health and Safety Management System Certificate

In the meanwhile, we carried out the emergency rescue drill as scheduled according to the Plan for Emergency Rescue Drill 2017, to raise the whole level of emergency rescue, respond to safety accident in a rapid, accurate and proper manner, better organize works related to emergency response and rescue, enhance the abilities of employees in rapid response, emergency rescue and cooperative engagement, and minimize the casualty, property loss, environmental pollution and social harm caused by such accidents. Through this drill, we consolidated our achievements, improved the inadequacy and lifted the capacity of the Company in managing emergency. We lost 6,720 working hours due to occupational injuries happening in 2017.

Simulating On-the-spot Emergency, Improving Rescue Ability -- Hebi Baoshan Launches Emergency Rescue Drill

On October 20, 2017, Hebi Baoshan Sewage Treatment Plant, together with water supply plant, launched the emergency rescue drill. On the occasion, more than 60 persons participated in the activity held in Baoshan Industry Cluster District.

This successful drill helped us examine the practicability of contingency plans at all levels; get a picture of conditions of rescue team, resource, equipment and technology; made our employees get exercise, raise risk of self and mutual rescue; and also improve the ability of leaders at all level in handling major accident.



“Safety Production Story” Speech Contest

In order to usher in the 19th CPC National Congress and make a booming business, Hebi Baoshan Sewage Treatment Plant hosted the “Safety Production Story” Speech Contest on September 29, 2017. Contestants shared moving stories happening in their daily works and lives with audiences present, showcasing Baoshan employees’ spirit of devoting wholeheartedly to works and spiritual outlook in different aspects and multiple dimensions. This vent not only raised employees’ safety awareness in daily works, but also enriched their cultural life and

vigorously advanced the construction of corporate spiritual civilization.

Fan County Sewage Treatment Plants Launches Safety Education Trainings for Employees of Projects Based in Fan County

On November 16 and 23, 2017, three-level safety education trainings were respectively held for employees of upgrading and reconstruction and supporting pipe network project in Puwang Sewage Treatment Plant and those of upgrading and reconstruction and supporting pipe network project in the sewage treatment plant located in urban area. In order to ensure the smooth construction and production and employees’ health and safety, project management departments took the prevention of safety accident as the priority and paid high attention to the three-level safety education. In strict accordance with the policy “safety first, prevention foremost and comprehensive administration” , this training focused on national guidelines and policies on safety production, existing laws and regulations on safety production, the objective of management for safety production set by Kangda EP, analysis on safety accidents at construction site, preventive measures and other aspects. istration” , this training focused on national guidelines and



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Affinity • Nature /^③

| | | |
|--|--|---|
| 35 Contribution to environmental protection Eco-friendly attributes of the business Performance of emission reduction | 37 Saving resources Resources utilization Saving measures | 39 Environmental friendship Environment management Pollution discharge and control |
|--|--|---|

“In terms of environmental protection, more efforts should be made to facilitate the energy conservation and consumption reduction, reduce the discharge of waste gas and water, enhance the safety awareness, increase investment in environment protection during the production, and make overall consideration of environmental problem and community development.”



Contribution to environmental protection

Eco-friendly attributes of the business

Kangda International, dabbling in environmental protection service, is one of the first private enterprises in China’s sewage treatment industry. In addition to efforts to solidify the traditional sewage treatment service business in 2017, it vigorously transformed itself as a solution provider for urban environmental comprehensive treatment. It rapidly expanded the business to other fields in environmental protection industry chain, including the comprehensive management of river basin, sponge city, reclaimed water, sludge, heat pump, and PV power generation, forming a business layout consisting of urban water management, comprehensive control of water environment, and rural wastewater treatment.

Table of Environmental Value Performance of In-operation Objects of Kangda International in 2017

| Objects | Actual Environmental Benefits in 2017 |
|--|---|
| Sewage treatment plant | 873.4 million metric tons |
| Water supply plant | 211,300 t/d |
| Water reclamation | 5.2 million metric tons |
| New energy and resources utilization project | PV power generation 1.35 million kwh |
| | Usage of secondary sludge 137,000 metric tons |
| | Heat exchange amount from water-source heat pumps Heating capacity 2,240 KJ Cooling capacity 860 KJ |

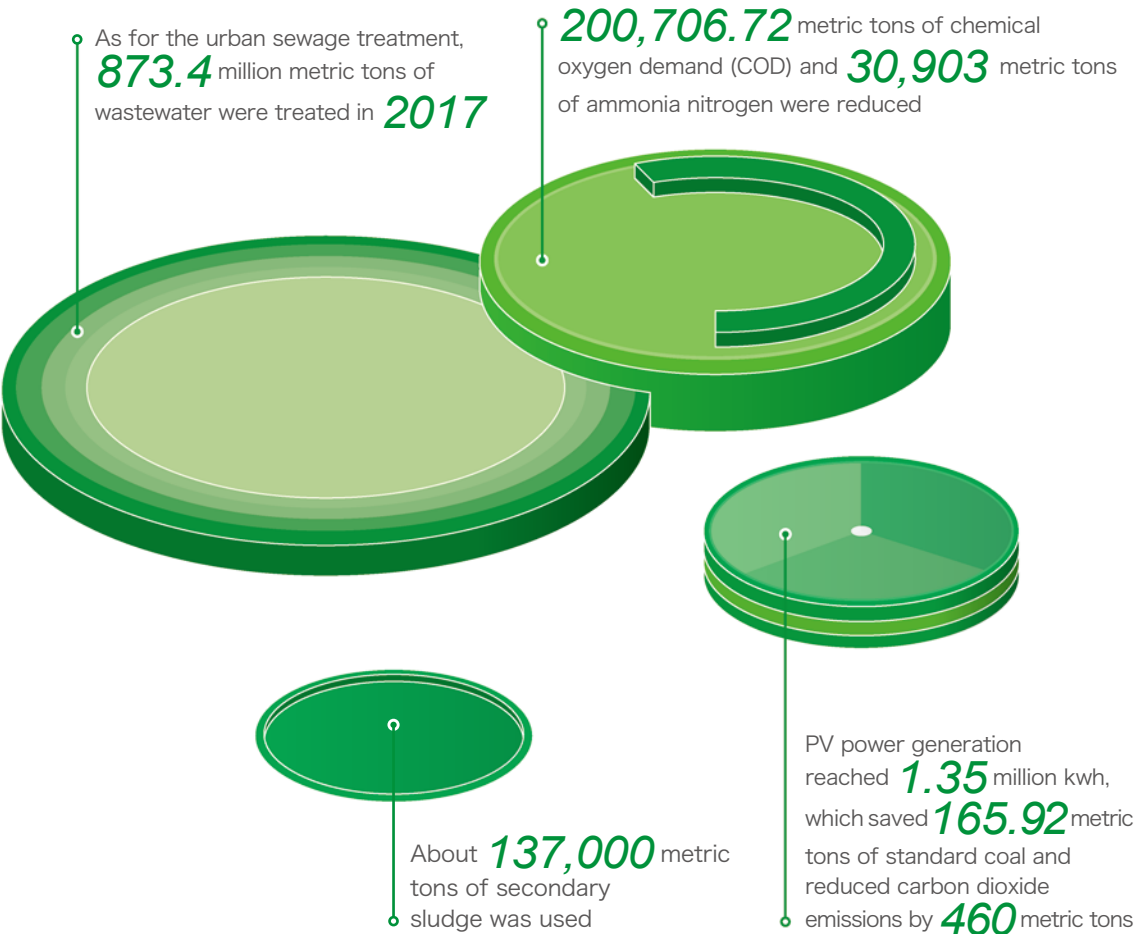
Table of Environmental Value Performance of Under-construction Objects of Kangda International in 2017

| Objects | Expected Social Environmental Benefits |
|---|--|
| Under-construction sewage treatment plant | Designed processing capacity 780,200 t/d |
| Rural sewage bundled PPP project | Designed processing capacity 7,180 m³/d |
| Comprehensive water environment treatment PPP project | Overall length of river training 173 km |
| | Flood bank 5.5 km |
| | Roads at the embankment top 4.8 km |
| | Area of wetland parks 4,163,900 m² |
| New energy project | Designed installed capacity of PV power generation project 9,310.98 kw |

Table of Environmental Value Performance of Under-construction Objects of Kangda International 2017

| Objects | Expected Social Environmental Benefits |
|---|---|
| Ecological comprehensive management PPP project | Overall length of river training 13 km |
| Sponge city PPP project | Construction area of sponge city 2,817,500 m² |

Performance of emission reduction



Saving Resources

Resource utilization

Water Consumption



Water (m³) Total: 556,838.82
Density (per million ton annual water treated): 633.78
Construction supply: 7,200.00
Office supply: 70,230.00
Operation supply: 479,408.82

Gasoline Consumption



Gasoline (L) Total: 213,475.00
Density (per million ton annual water treated): 242.97
Construction supply: 32,000.00
Office supply: 35,295.00
Operation supply: 146,180.00

Diesel Consumption



Diesel (L) Total: 95,750.00
Density (per million ton annual water treated): 108.98
Construction supply: 80,000.00
Operation supply: 15,750.00

Natural Gas Consumption



Natural Gas (m³) Total: 3,200.00
Density (per million ton annual water treated): 3.64
Domestic use: 3,200.00

Engine Oil Consumption



Engine oil (t) Total: 3.63
Density (per million ton annual water treated): 0.004
Operation supply: 3.63

Power Consumption

| Resources | Application | Region | Consumption | Total | Density (per million ton annual water treated) |
|-------------|----------------------|---------------------------|----------------|-------------|--|
| Power (kwh) | Headquarter supply | Central China (Chongqing) | 525,150.00 | 316,816,945 | 360,592.93 |
| | Projects consumption | North China | 13,763,943.00 | | |
| | | Northeast China | 56,240,234.00 | | |
| | | East China | 114,996,243.00 | | |
| | | Central China | 110,948,321.00 | | |
| | | Northwest China | 19,980,100.00 | | |
| | | South China | 51,700.00 | | |

Saving measures

Greenhouse gas emission

Comprehensive energy consumption: 39,271.16 metric tons of standard coal

Category I of greenhouse gas emissions: 761.01 metric tons; Density(per million ton annual water treated): 0.866

Category II of greenhouse gas emissions: 20,898,722 metric tons; Density(per million ton annual water treated): 237,86.39

Paper consumption

| Resources | Total |
|-----------|-------|
| Paper (t) | 1.36 |

Chemicals

| Resources | Application | Consumption |
|--------------------------|------------------|-------------|
| Chemicals consumption(t) | Operation supply | 170,256.49 |

Other Resources Consumption

| Resources | Total |
|--------------------------|------------|
| Earthwork (m³) | 553,644.16 |
| Brick (m³) | 112,816.32 |
| Metals (t) | 8,818.52 |
| Plastics (t) | 41,661.00 |
| Timber (m³) | 55,656.50 |
| Mortar and Concrete (m³) | 297,211.66 |

In 2017, the Company encouraged all projects to put emphasis on “four new” in terms of resource conservation measures: new technologies, new processes, new materials and new equipment. With active exploration, the following measures for electricity and water consumption were adopted:

1.To save electricity and reduce electricity charges, we required all waterworks to adjust electricity prices during peak and valley hours on the basis of “ensuring outlet water reach standards” , in a bid to improve electricity efficiency and reduce electricity consumption.

2.Since we forced local power bureaus to install “power compensation devices” to increase the power factor of power grid, different compensation policies have been introduced, enabling the efficiency of power grid increased and the electricity consumption reduced.

3.Learning experience from previous projects, we replaced aeration equipment of some water workers, using air-suspension or magnetic-suspension blowers with higher energy efficiency, for example, the three blowers in Shangqiu Plant (Phase II) were single-stage high-speed centrifugal blowers with a power of 315KW. There were three in total and two of them were in use and one for standby. Each one featured an actual operating current about 400A and the total power reached about 400KW. Later, the blowers were replaced by 4 sets of maglev blowers with a power output of 125KW. Every day, 3.3 sets of maglev blowers on average are running to provide a daily operating power output of 360KW in total (1100KW for each), thus saving around 1,000kwh for each day.

4.To reduce tap water consumption and save tap water, water pipelines were laid separately in each plant area. And the treated wastewater was more used in virescence, washing and dispensing.

Environmental Friendship

Environment management

Following domestic and international environmental policies and environmental protection trends, Kangda International regarded environment protection as one of the main social responsibilities. In day-to-day operation, we upheld the environmental policy of “being law-abiding, energy-saving, consumption-reducing, and up-to-standard-discharging; pursuing cleaning production, continuous improvement, and green development” . The Censorship for Environmental and Occupational Health and Safety, and Management System for Identifying and Evaluating Environmental Factors and Hazards issued by our company included the safety management system and environmental management system, which were uniformly implemented by all staff, making the successful pass of/ISO14001 GB/T 24001/ISO14001 system certification.



Environmental Management System Certificate

Pollution discharge and control

In terms of waste management, a series of management manuals have been issued in accordance with the Law of the People’s Republic of China on the Prevention and Control of Environmental Pollution by Solid Waste to regulate the disposal of waste. In particular, for the construction process with a large amount of waste generated, the Standardization Atlas for Safe and HSE-compliant Construction of Construction Projects stipulates: double-sided paper shall be used in office; waste shall be classified and collected, and shall be recycled in time and delivered to recycling points; waste repositories shall be set up on construction sites; domestic waste shall be collected and classified according to regulations; recyclable waste shall be cleared and removed by the sanitation department in time (usually cleared at every manshift and removed every day).

For waste materials, we would recycle and transport to the recycling points, including earthwork, bricks, metals, plastics, timbers, mortar and concrete, office waste papers, and other household waste.

Amount of Produced Waste

| Waste | Amount | Density (per million ton annual water treated) |
|----------------------------|-----------|--|
| Office waste (t) | 11.40 | 0.018 |
| Kitchen waste (t) | 4.00 | |
| Electronic waste (t) | 0.02 | |
| Domestic wastewater (m³) | 10,370.90 | 11.804 |
| Production of emissions | Amount | Density (per million ton annual water treated) |
| Industrial wastewater (m³) | 7,784.80 | 8.860 |
| Earthwork (m³) | 79,230.00 | 90.178 |
| Bricks (t) | 22,548.00 | 25.663 |
| Metals (t) | 548.00 | 0.624 |
| Plastics (t) | 8,330.00 | 9.481 |
| Timber (t) | 10,674 | 12.149 |
| Mortar and Concrete (t) | 50,784.00 | 57.801 |

We paid special attention to the management of hazardous wastes, such as paint barrels, container bottles, and waste oil stained rags. The Hazardous Waste Management Manual was therefore formulated, which stipulates that each project, for registration and record purpose, is required to report the predicted production of hazardous waste, targets and measures for reduction, prevention and control facilities, transfer plans, as well as prevention measures and contingency plans of hazardous waste accident. Contracts shall be signed between project party and the municipal industrial hazardous waste disposal station to take collected hazardous waste over the station.

Amount of Produced Hazardous Waste

| Waste | Amount | Density (per million ton annual water treated) |
|------------------------------|--------|--|
| Hazardous liquid waste(tons) | 8.36 | 0.009 |

Amount of Produced Sludge

| Waste | Amoun | Density (per million ton annual water treated) |
|-----------|------------|--|
| Sludge(t) | 173,590.35 | 197.576 |

Deodorization Equipment Transformation of Liangshan, Jiaxiang and Dongying Projects

To reduce the impact on surrounding environment and reinforce environment protection measures, our company carried out deodorization equipment transformation on Liangshan, Jiaxiang and Dongying projects, and installed deodorization equipment for sewage treatment plants in 2017. Meanwhile, in the design of newly-built projects, as design units were required to install deodorization equipment, new projects will be equipped with deodorization equipment to protect environmental up to the hilt.

Upgrading of Sludge Dewatering Machine

In 2017, our company called on the water plants to upgrade sludge dewatering machine, and use plate-and-frame filter press to replace conventional centrifuges or belt-type filter press. That reduced the moisture content of mud cake from the previous 80% to 60%. Some sludge treatment projects have introduced biogas produced by anaerobic fermentation to heat boilers, achieving the internal resource recycling.

Since the plate-and-frame filter presses in Jiaozuo No. 1 and No. 2 Plants have been improved, the mud cake reduced its moisture content from 80% to 60%, thereby reducing the sludge discharge by 50%. Originally, 116 metric tons of sludge was produced per day, now the figure cuts down to 58 metric tons with the moisture content decreased.

In addition to the low-moisture-content sludge production technology, the second sewage treatment plant in Gaomi also adopted sludge drying technology, lowering the moisture content to 40%. About 40.37 metric tons of sludge with a moisture content of 80% would be actually disposed per day in this plant, while the sludge drying technology made this figure down to 13.46 metric tons.

Harmony·Society/^④

43
Win-win with Environmental
Protection Industry

47
Innovation·Operation

55
Benefit the Society ·
Warm the Community

“It is recommended that Kangda International should strictly rationalize and standardize project design and boost technologies on water-related operations.”



Keeping its social responsibilities in mind at all times and taking the lead in practicing the core value with sense of sincerity and integrity, Kangda International gains the respect and trust of local governments and partners with good business reputation and efficient operational capability. Being honest to the society, to the government, to customers, and to the staff, Kangda International sticks to the co-development concept. It endeavors to benefit the society and drives forwards continuously by satisfying the needs of the society, thus boosting the growth of its staff.

Win-win with Environmental Protection Industry

As one of environmental protection companies with state-of-the-art technology and the strongest comprehensive strength in China's environmental field, Kangda International boasts a complete industrial chain of environmental business that integrates investment, R&D, design, construction and operation, which can provide personalized and integrated solutions of water business, water environmental treatment and new energy for local governments, enterprises, townships, and rural areas. Each of our business segments exerts different influence and significance varying from stakeholders at the social and natural environmental levels.

Focusing on urban water services

Water pollution treatment · Public-approval project

We are one of the privately-run enterprises with the largest sewage treatment capacity in China mainland, enjoying a broad business scope on urban water services including the construction and operation of urban water, reclaimed water treatment and use, sludge treatment, water supply service, operation and maintenance (O&M), etc. By such projects as BOT, TOT, PPP, BOO, EPC, and O&M contracts, we have built an overall industrial chain in the urban water industry, which has made tremendous contributions to urban water sources protection and the ecological and economical sustainable development at watershed areas.

Harbin Qunli Sewage Treatment Plant Upgrading and Extension Project:

Total investment:
RMB **633.95**
million RMB

Area it serves:
about **90** km².



Project scale: upgrading the existing area with a scale of 150,000 m³/d
Designed scale of expansion project: 100,000 m³/d
After the upgrading and expansion project is completed, the plant can handle 250,000 m³ sewage per day
Total investment: RMB 633.95 million RMB
Time to break ground: June 2017
Area it serves: about 90 km².

- Positive impacts:
- The sewage discharge problem, in the west of Harbin City and the downtown of Hejiagou City, was completely solved, and the environment on both sides of Hejiagou River was improved.
 - As a public-spirited and public-approval project, it eased the pollution in the Harbin section of Songhua River and the entire urban environment, and improved people's living quality.
 - It will further alleviate the surrounding pollution, in a bid to provide a welcoming environment for investment and business, and promote the economic boom in Qunli New District and Harbin City.
 - The construction of Qunli Sewage Treatment Plant acts as a practical measure to protect the water resources of Songhua River in Harbin, ensure along areas the ecological and economic sustainable development, improve the living environment quality for people, and put national environmental protection policies into practice.



Ideal ecological landscape

Beautify river system · Purify river water

With regard to ecological issues, we should take multiple measures and focus on long-lasting effects, which mean combining short-term plan and long-term plan, and seeking both temporary and permanent solutions. It is important that a complete ecological programme can promote the transformation of multiple industrial chains through the environmental protection industry, such as wharfs, shipping, tourism, local culture, and agriculture. After comprehensive evaluation and in-depth practice, we have made an overall ecological programme to improve urban river basins via numerous measures, such as controlling pollution sources, intercepting pollution, internal pollution sources managing, water system regulating, multi-source supplication, ecological restoration, and wisdom management. As a result, a number of industries were fueled and ushered in mushroom growth, which settled both social environmental issues and social and economic problems.

Fuzhou City Fuhe River and Sanjiang Wetland Ecological Restoration Project:



Targeting at the interchange of Fuhe River and Sanjiang Plain, Fuzhou City, the project covers a total area of around 1,388 mu (93,300 m²), with purposes to improve the ecological environment in the area, enhance visual quality of the city, beautify urban landscape, and optimize ecological background. Its construction work includes the wetland and wetland remediation facilities, roads, bridges, piers, wooden plank roads, landscape facilities, integrated pipelines, monitors, and banks.

- Positive impacts:
- Needs for ecological management: in the project planning and design, we proposed to "preserve the existing mudflat at Sanjiang Plain and transform it into a farmland wetland. At the same time, we will introduce the water from the sewage treatment plant to purify the wetland and clean the water of Fuhe River". Meanwhile, ecological restoration measures will be used to restore the current environment, so as to ensure the improvement of the ecological environment;
 - Needs for economic and social development: Sanjiang Wetland Ecological Restoration Project will centralize economy, culture, industry, information, talents and materials, fueling the economic development in the Fuhe River Basin;
 - Needs for the city image construction: since the construction of city image is a beneficial way to enhance the soft power of Fushun City, the project will strengthen the city's cohesion and the sense of belonging and responsibility of its citizens.
 - Needs for tourism development: with the development of tourism resources, cities along the Fuhe River not only can maintain their original features, but also make their characteristics more distinctive and innovative. Therefore, we should avoid any destruction of these original features when developing tourism resources.

Benefit rural populace

Beautiful countryside · Largest share

To comprehensively improve rural environment, we have bundled a number of PPP projects with rural wastewater treatment for constructing sewage treatment facilities in multiple townships and rural areas, as well as the overall planning and implementation of rural living environment comprehensive improvement project. These projects include the supporting pipe network in central towns of urban area, sewage treatment facilities and the supporting pipe network in townships. Avoiding using land, pipeline networks were laid or suspended along roads and rivers, and sewage treatment facilities in towns were mainly located in river banks and surrounding wastelands. In May 2017, we won the bidding for the Jiaoling County Water Affairs Bureau (Jiaoling County Domestic Sewage Treatment Facilities Bundled PPP Project), adding a wonderful furtherance to the beautiful countryside construction.

Jiaoling County Domestic Sewage Treatment Facilities Bundled PPP Project Case:



With a proposed construction scale totaling 6,380m³/d, Jiaoling County Domestic Sewage Treatment Facilities Bundled PPP Project covered an area of 960 km², and by virtue of constructing domestic sewage treatment facilities, it has benefited 8 townships and rural areas of Jiaoling County.

The estimated investment of this project reached RMB 187 million in total, including RMB 56.172 million of project capital.

Positive impacts:

- In the urban area of Jiaoling County with a permanent population of about 55,000, nine sets of domestic sewage treatment facilities were planned to be constructed with a design scale of 140m³/d and associated pipe networks of 5.6km to benefit the county people.
- Five sets of sewage treatment facilities and associated sewage pipe networks were built in the township area, with a total scale of 2,400m³/d and pipe networks of 44.403km to benefit township people.
- A total of 200 rural sewage treatment facilities at the size of 3,980m³/d were newly built across the county with pipe networks nearly 163.12 km, covering 76 administrative villages and benefiting a population of approximately 64,700.

Tap clean energy

Innovative energy · Cycling utilization

Our business layout has been expanded to organic waste management, water source heat pump, PV power generation by leveraging available space and resources of our sewage treatment plants across the country. So far, as relevant projects have been implemented in Gaomi of Shandong, Jiaozuo and Hebi of Henan, Ninghe of Tianjin, Jixi of Anhui, and Suihua of Heilongjiang, the purpose of energy conservation, consumption reduction, and low-carbon environmental protection has been realized, making our due contributions to the social environmental protection cause, and our company has made gratifying progress in the field of new energy. Moreover, it symbolized our gratifying steps in the field of new energy.

Distributed Photovoltaic Project Case of Yucheng Dongjiao Urban Construction Wastewater Treatment Co., Ltd.



We chose the roof and pool of Yucheng Dongjiao Urban Construction Wastewater Treatment Plant in Yucheng City of Shandong Province to carry out this photovoltaic project which boasts an actual installed capacity of 0.87MWp.

Positive impacts:

- After the completion of this project, it will yield economic efficiency that meets indicators of relevant regulations. As distributed PV power plants can make full use of local solar energy resources and improve energy structure, constructing PV power stations can save primary energy such as coal and water resources, reduce the emission of various pollutants, and cut down the operating cost of generator sets. The project is about clean energy construction and will bring immeasurable environmental benefits.

Following “Belt and Road” Initiative

Belt and Road · Transnational win-win results

With the Belt and Road Forum for International Cooperation held in Beijing in 2017, the countries along the initiative have accessed increased opportunities to cooperate with China to tap more environmental protection markets. The strategic layout of Kangda International to continuous deepen in international environmental protection has extended to Southeast Asia, and Central and Eastern Europe, shaping a business line covering urban water service, environmental sanitation, venous industrial parks, new energy development, as well as environmental protection equipment manufacturing. In 2018, Kangda International will expand co-operation with partner countries along the “Belt and Road” Initiative with more projects to bring benefit to the people, devoting its efforts to worldwide sustainable development.

Government support

Business growth · Repay society

While witnessing the economic and material wealth growth, Kangda International also attaches great importance to the commitment of social responsibility. It aims to become an outstanding company that leads the times and creates shared value for all stakeholders, and respected by the society. Our business model has always been deeply supported by the government and investors.

Subsidies from all levels of government to Kangda International in 2017 were as follows:

| Government subsidies | Amount |
|--------------------------------------|-------------------|
| Online monitoring subsidy and others | RMB 1.23 million |
| Special fund subsidy | RMB 39.25 million |

We are particularly grateful for the support given by government, and are willing to repay and contribute to the society. Given the fact that most of Kangda International’ s projects are carried out in non-developed areas, we can drive the economic development of these regions by providing employment opportunities and improving infrastructure services. In addition, by continuously strengthening technology of wastewater treatment and comprehensive control of water environment, we will lower pollution control costs in our business areas and stimulate investment.

Economic value Kangda International repaid to the society in 2017 were as follows:

| | Socio-economic value | Stakeholders | Amount (RMB) |
|---------------------------------|----------------------|-----------------------------------|----------------|
| Directly created economic value | Earnings | Investors, customers | 2,523,940,000 |
| Assigned economic | Selling cost | Business partners, suppliers, etc | 1,570,600,000 |
| | Staff expenses | Employees | 215,252,000 |
| | Divid | Investors | 0.02 per share |
| | Income tax | Government | 109,200,000 |
| | Government subsidies | Government | 124,351,000 |
| | Donation | Local communities | 85,000 |

Innovation • Operation

Science and technology innovation for peer development

Kangda International still keeps pursuing scientific and technological innovation and promoting technical strategy for industrial peers as the strategic emphasis. We chase great progress in technology and multi-win development via enhancing our scientific and technological innovation capabilities, and diversified cooperation approaches such as project cooperation and strategic alliances. Besides, we actively input resources in the innovation and research of sewage treatment related technologies, and concentrate efforts to make a breakthrough in advanced technologies of sewage treatment plants in urban areas, especially in industrial parks.

At the same time, a R & D platform for new technique and new technologies has been set up, together with the talent cultivation base for environmental protection industry, the “industry-university-research” cooperative innovation mechanism, the production base for related supporting equipment, as well as the platform for promoting the application of scientific research results, mapping out a complete technology innovation and application model featuring “breakthrough in technological innovation -- incubation of achievements -- promotion and application”.

In respect of patent protection, Intellectual Property Management of Kangda Group has formulated to protect the company’s intellectual property rights, prevent infringement, encourage inventions, and adjust the due rights and interests between company and employees who have made inventions and intellectual creations in research & development field and other work.

Kangda International won 2017 “Lv Ying Award” of Leading Enterprise with Comprehensive Water Treatment Strength

The Tenth China Environmental Industry Conference in the theme of “searching for new industry coordinate system” was held in Beijing on June 8. The award ceremony of 2017 “Lv Ying Award” was held during the conference, and Kangda International, by virtue of its excellent performance in environment domain between 2016 and 2017, was honored the title of “Leading Enterprise with Comprehensive Water Treatment Strength”.

Dedicated to environmental protection cause for 25 years, Kangda International, relying on technology, talent and funding advantages, constantly expands market in environmental protection industry. The won of “Lv Ying Award” in 2017 recognized Kangda International’s growth, technical merit, market expansion ability, enterprise management and service in environmental industry. Steadfastly inheriting the idea of “making a better world” and sustained-yield management, it endeavors to become a comprehensive environmental protection company with international competitiveness and sustainable development.



Technical patent

Kangda International boasts 19 first-class patents in the industry by means of independent research & development, patents purchasing, merger and acquisition, and joint ventures. Many of them have obtained such honors as “Demonstration Project of the Ministry of Environmental Protection” and “National Advanced Wastewater Treatment Plant”. The self-developed “Advanced Wastewater Treatment Technology of Coal Broken Particles Activated Carbon Adsorption and Filtration” takes up a dominant position in China and has won three national “patents of invention” and five “patents for utility models”. This achievement has not only widely used in sewage treatment plants from place to place, but also been promoted to the whole industry. In addition to that, continuous development and innovation repaid us a number of patented technologies, such as “sludge pyrolysis technology and whole-set equipment”, “modified hydrolysis acidification”, and “modified oxidation ditch”. For difficult-to-degrade industrial wastewater, some technical guidelines such as “ultrathin ceramic nanofilm filter technology”, “ultrathin ceramic nanofilm + ozonation + bio-activated carbon”, and “Fenton reaction + coagu-flocculation reaction + magnetic precipitation, have been developed for sewage treatment plants upgrading and reconstruction, and have been widely used in Kangda International’ wastewater treatment plants.

Technology cooperation

Kangda International sets great store on technical cooperation and has established long-term strategic alliances with plentiful universities and colleges for “industry-university-research” cooperative projects, such as Tsinghua University, the 702th Research Institute of CSIC, Beijing University of Technology, Harbin Institute of Technology, Chongqing Iron and Steel Design Institute, Tianjin Municipal Design Institute, Beijing Institute of Architectural Design Co., Ltd., and China Southwest Architectural Design and Research Institute. In the process of developing new products and technique, scientific research and tackling the key research project, we actively communicated with scientific research institutions, accumulated technical experience, and enriched technological capabilities. For Kangda Group, “industry-university-research” cooperation is of great significance to cut down the operating costs of sewage treatment plants, seek and introduce new energy technologies, and enhance core competence and technological capability.

In 2017, Sichuan Kangda Zhonghuan Municipal Engineering Design Co., Ltd. was jointly formed by Kangda International and Sichuan Zhonghuan Municipal Engineering Design Co., Ltd., providing more solid technical support for company’s business development.

Technological Exchange

To keep abreast of the times technologically and import up-to-the-minutes innovative technologies, we hold technological exchange conferences regularly where professional technical talents inside our company and industrial technical experts outside our company gather together to delve comprehensively into and share insights on the development, application and improvement of new technologies. And we also organize on-site investigations and survey the practical application of technologies so as to make constant improvement and tweak.





An Expert Delegation from Association of German Chambers of Commerce and Industry (DIHK) Visits Kangda International

In November 2017, an expert delegation led by Mr. Schimdt, head of Environment Department of DIHK, paid a visit to Kangda Group. At the meeting, both parties exchanged insights on technologies on diversion of rainwater and sewage, chemical engineering, environmental protection and other aspects as well as domestically and globally state-of-the-art environmental protection equipment. German expert delegation spoke highly of Kangda EP’ s experience in the operation and management of sewage treatment works. Meanwhile, it expressed interest in developing project cooperation in a bid to advance mutual exchange and learning further on energy efficiency, refuse disposal, environment technology, circular economy technology, new energy, sewage treatment and other fields.



Expert Team of Kangda Group Pays a Visit to Hebi Baoshan Sewage Treatment Plant for Investigating the Application of the Application of Ceramic Membrane Technology

In April 2017, the Office of President of Kangda Group led and organized 15 experts of water treatment industry and membrane technology industry to investigate the practical application of ceramic membrane technology in Hebi Baoshan Sewage Treatment Plant. The expert team checked the treatment process on-site and got a comprehensive knowledge about the plant running state, running cost and the current problems after putting the ozone ceramic membrane + biological activated carbon technology into operation. Through this investigation, technicians of the plant had sufficient communication with experts. It not only deepened their understanding of ceramic membrane, but also added an extra dimension to the plant’ s operation management.



Water Affairs Operation & Management Department of Kangda International Holds the First Annual Conference of Technical Committee

In October 2017, Water Affairs Operation & Management Department of Kangda International held the first Annual Conference of Technical Committee at Wenzhou Chuangyuan Water Co., Ltd. At the conference, revolving about the environmental requirements on the installation of on-line total nitrogen and total phosphorus monitoring equipment at current sewage treatment works, attendees had a heat discussion with the focus on the production control points of denitrification and chemical phosphorus removal process, the selection of carbon source of denitrification and chemical phosphorus removal agents and other issues that relate to how to ensure the stability of total nitrogen and total phosphorus meet the standards. Meanwhile, the attendees exchanged insights on emergency plan and put forward feasible suggestions on the selection of process for renovation projects.



Jinan Photovoltaic Training - Technical Training by 21spv.com

In August 2017, relevant personnel of Kangda International participated in the photovoltaic power station training held in Jinan by 21spv.com. Through the lessons, they verified PV-related knowledge and experience accumulated in work previously and corrected their misunderstanding. At the same time, they learned practical and pragmatic techniques on project technologies and project investment methods of different regions.



Harboring a Strong Sense of Product Responsibility, We Are Dedicated to Sincere Service.

Craft-oriented Quality

The Company hews to all relevant laws on product quality and marketing including Product Quality Law of the People’s Republic of China and Law of the People’s Republic of China on Protection of Consumer Rights and Interests. With great importance to the quality of product and service attached by us, we have established qualified quality management system that has passed the ISO9001 Quality Management System Certificate and carried out systematic management activities for the improvement in the systematic environmental service throughout the whole industrial chain including sewage treatment and water governance and in the competitiveness in offering systematic water affairs operation service to cities in a bid to provide more excellent service for clients and relevant parties, promote the fusion of urban development and ecological resources and do our bit to make all corners of the country and the land clean.



ISO 9001质量管理体系认证“污水处理运营管理”



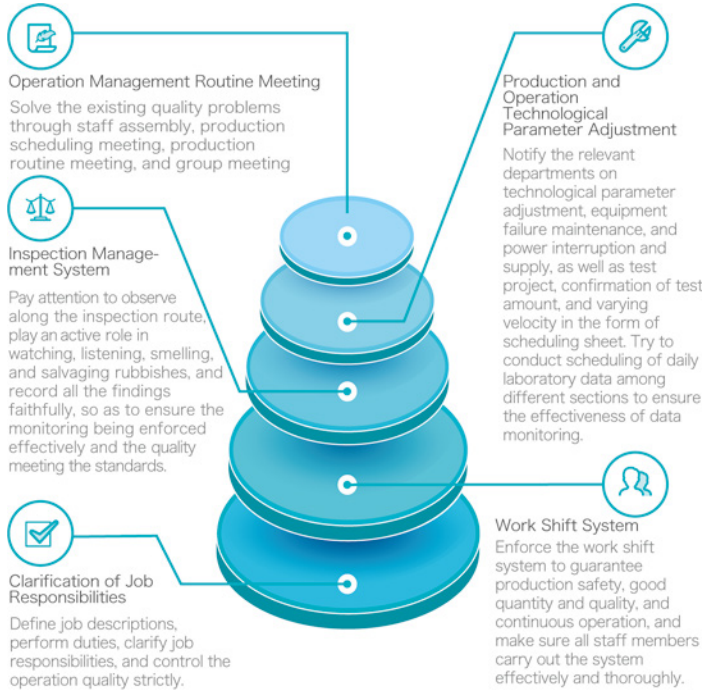
ISO 9001质量管理体系认证“市政公用工程施工总承包（一级）、环境工程施工专业承包（二级）”



企业信用 AAA 证书

As an environmental service supplier, in terms of customer responsibility, we strictly control the risk and make the product percent of pass up to standard and in compliance with policies, which is the most basic requirement in fulfilling our social responsibility. We have strictly adhered to state-level industrial standards and specifications such as Discharge Standard of Pollutants for Municipal Wastewater Treatment Plants and Technical Regulations on the Operation, Maintenance and Safety of Urban Sewage Treatment Plants and water quality standards stipulated in the Concession Agreement signed with the government. To ensure the continuous normal operation of sewage treatment works and sewage collection systems, the sufficient collection and treatment of sewage of sewage collection systems, the compliance with project design requirements and the Concession Agreement of effluent quality and sludge water content, we have laid down the Manual on Operation and Management of Sewage Treatment Works In the manual, management system of water quality test, daily management system of laboratories, standards for operation and maintenance, performance assessment and so on have been clearly established so as to improve and control the quality of our products and service. With the effort made, the year of 2017 has seen none violation resulted from health and safety problems in products and service.

To ensure the daily operation quality of our sewage treatment works, we have taken a series of management and control measures as follows:



We have put into shape rigorous quality verification program, sound water quality and water resource test system and multi-layered supervision and testing organization in a bid to guarantee the quality production. We test and examine the production and operation indicators of each project, conduct real-time monitoring on the water quality, and adjust working process whenever needed so as to ensure the water quality meets standards. According to the requirements, laboratories analyze and sort out experimental data at different time in different frequency and submit them to production technology department in the form of statements. On finding any abnormal data, they will notify the production technology department for the prevention of possible problems.

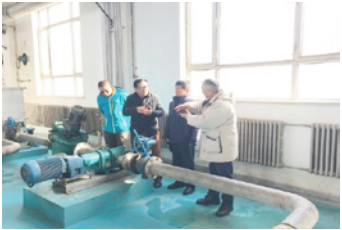
| | Daily Check | Weekly Check | Monthly Check |
|------------------------|-------------|--------------|---------------|
| Water Inlet | ✓ | ✓ | ✓ |
| Water Outlet | ✓ | ✓ | ✓ |
| Aeration Tank | ✓ | | ✓ |
| Sludge Dewatering Room | ✓ | | |

In 2017, the percent of pass of effluent of our sewage treatment works and water supply plants met the standards totally.

| Quality Performance | Unit (%) |
|---|----------|
| Percent of Pass of Effluent of Sewage Treatment Works | 100 |
| Percent of Pass of Effluent of Water Supply Plants | 100 |

From top to bottom, Kangda International has given priority to the quality of product and service. All along, our leaders have laid great emphasis on quality and made on-site investigations regularly to check the quality control.

Zhang Weizhong, Chairman of Kangda EP Group, and Wang Litong, Vice Chairman, Visit the Harbin Qunli Plant for Inspection



In February 2017, Zhang Weizhong, Chairman of Kangda EP Group and Wang Litong, Vice Chairman and their panel visited the Harbin Qunli Plant for inspection. They looked over the production and operation situations and highly appraised the Harbin Qunli Plant for its upgrading and expansion project and smooth operational management. Followed by on-site inspection, the “Production, Operation and Smooth Implementation of Upgrading and Expansion Project” working conference was held at the temporary office. At the conference, leaders put forward that the upgrading and expansion project should be advanced in a rapid manner to form the new treatment capacity as soon as possible. Meanwhile, safe and stable operation should be ensured, winning the honor for Kangda EP Group and playing a better active role in water environmental treatment of Harbin and facilitating the sustainable development of the western urban area.

In addition, focusing on possible problems or emergencies arising in the production, our project departments have teamed up in compiling contingency plans for abnormal situations in project production to further drive the standardized management of environmental contingency plans, make contingency plans more scientific, targeted and operable and enhance the capacity for responding to environmental emergencies. For all contingency plans, a professional verification team conducts on-site investigations on each plant and verifies the risks resulted from all sources of danger and measures against the leakage of sources of danger so as to make immediate and proper response to accidents and ensure the effluent quality in time.

Therefore, our product and service quality stand the trial. With the “Nine-word Principle” as the norm, “higher sewage treatment operation level” as the goal and “safe production, stable standardization and economical operation” as the center, every employee of Kangda International has made persistent, unrelenting and concerted effort in laying foundations and enhancing precision management in a bid to scale new heights in controlling water pollution, protecting water environment, building eco-city, improving the Company’s image and brand.

Harbin Qunli Sewage Treatment Plant Is Crowned in the 2017 Assessment of Urban Sewage Treatment Standardization of Heilongjiang Province



In order to further follow through on the guidelines of the 19th CPC National Congress, advance the ecological construction and reinforce the standardized management of urban sewage treatment in Heilongjiang Province, the Department of Housing & Urban-Rural Development of Heilongjiang Province organized and implemented the Assessment on Standardized Management for competent departments of sewage industry at city and county level and sewage treatment plants in Heilongjiang Province. The assessment team of Department of Housing & Urban-Rural Development of Heilongjiang Province conducted the filed visit which lasted for over three months to Harbin Qunli Sewage Treatment Plant. Through on-site investigation and information query, the team inspected and examined such statuses as operation and management, original record, safety management, operation maintenance and management and standardized discharge to the plant. The assessment fully appreciated the efforts exerted on various works including operation and management, system construction and standardized discharge. Eventually, inspected comprehensively, Qunli Sewage Treatment Plant was awarded the champion in the Assessment of 2017 Urban Sewage Treatment Standardization of Heilongjiang Province

Customer Assurance

Kangda International introduces the Customer Satisfaction Investigation and Management System and takes advantage of the investigation results to improve quality, environment, occupational health and safety management systems so as to enhance the customer satisfaction constantly. In daily operation, we make immediate response to and give in-time feedback on customers' suggestions and complaints. Meanwhile, we analyze the deficiencies in our internal management mechanisms so as to improve the product and service quality.

Every year, we fax our main customers the Customer Satisfaction Questionnaire, ask them to fill in it and fax back to our company. The investigation items include whether the delivery, quality, after-sales service, service attitude and awareness of related contact personnel of product (service and project) can meet requirements.

We pay close attention to the customers' complaints, attach great importance to the customers' negative feedback and make positive response to all customer complaints. With an analysis of causes of all customer complaints, we compile the Corrective and Preventive Actions Report to establish a sound handling process for customer complaints and make follow-ups until customers give positive feedback. If door-to-door maintenance service is needed to solve problems resulted from company management, we resort to an internal shakeup.

With the guidance of the operation and management principle of "becoming a good neighbor of the society", we have exerted proactive effort in popularizing social responsibility system, giving rise to an increasing decline in customer and public complaints this year. Moreover, through communication and popularization, we have keep close contact with the masses and put into shape a benign cycle featuring the conscientiousness of enterprise, the reliance of customers and the understanding of the masses.

| Customer Responsibility Performance | Unit (Number of Accidents) |
|-------------------------------------|----------------------------|
| Number of Customer Complaints | 0 |

Management and Support of the Supply Chain

In terms of the selection and management of suppliers, Kangda International has stuck to the transparent and equitable principle in an effort to control the risks of suppliers to the sustainable development, such as environmental compliance and worker safety. Specially, in the bidding stage, we tend to check whether the tender list, requirements on material, performance index and bidding candidates are in the qualified supplier base according to the characteristics of the project. Followed that, we have bid evaluation experts made a verification focusing on whether the equipment by audited tendering units meets the technical requirements stipulated by bidding documents in technologies, materials, specifications, quantity and so on. Under the premise of meeting the technical requirements, priority should be given to energy-efficient products in response to the green low-carbon strategy. In terms of the selection of suppliers, we have stuck to the principle of proximity from the perspective of regions. As part of our projects is located at undeveloped areas, this distribution model represents our efforts in helping and driving local economic development.

In addition, we also lay down the Contractor and Supplier Management System of Kangda International to manage suppliers. Based on supply feedback in the construction and operation period as well as rating forms on early-stage cooperation, supply performance and after-sales service, construction management and operation management departments assess suppliers.

At present, we boast of 109 qualified suppliers in total. And the areal distribution mode is as follows:

| Region | Number of Suppliers |
|-----------------|---------------------|
| North China | 15 |
| East China | 55 |
| South China | 6 |
| Central China | 12 |
| Southwest China | 13 |
| Northwest China | 4 |
| Northeast China | 4 |

Kangda International is engaged in a couple of procurement projects including repair and maintenance materials, potions, laboratory equipment and office logistics management materials. Our company will shop around and choose suppliers with high cost performance to see to purchase goods that are fit for purpose in quality, quantity and price. And to ensure the equitableness of the procurement process, at least two employees including representatives of corporate departments and operating departments are needed to conduct the whole procurement process.

With strict requirements on supply quality, we require the delivery inspection and on-site acceptance procedures on any goods. Before delivery, suppliers shall conduct a comprehensive inspection of the quality, specification, performance and quantity of the goods, and attach the qualified inspection certificate. We will conduct strict control over the quality of the goods to check whether the goods meet the requirements of the contract and ensure the quality of the goods purchased, hence providing the public with quality-assuring sewage treatment services.



Benefit the Society · Warm the Community

The corporate sustainable development can't dispense with the support of communities and the masses. With that in mind, Kangda International has paid equal attention to the corporate growth and the social responsibility with unremitting effort in social benefit, public environmental popularization and education and harmonious development of communities.

Cultivating Harmonious Relationship with Communities and Bringing Warmth to the Society

Kangda International embraces the principle of "joining hand in hand with benevolence in making a great undertaking". Over recent years, with a strong corporate social responsibility and a thankful heart to pay back the society, Kangda International has been committed to bringing love and help to social vulnerable groups in a variety of ways. In the future, we will continue Kangda International's concerns toward teachers and students of mountain areas and the love for the old without family and consider the activities to help out deprived students and the old a way to carry forward traditional virtues and corporate culture in a bid to take concrete actions to fulfill the social mission of an enterprise.

Love Warms up Maping -Kangda International Donates to Maping Primary School



In December 2017, 12 employee representatives from Kangda International went to Maping Primary School in Tianba Town, Wuxi County to attend the completion ceremony of the campus culture wall donated by Kangda International and carry out the "Love Warms up Maping" volunteer activity.

Social Contribution

Kangda EP donated RMB 85,000 to Maping Primary School to improve the teaching environment;In addition, it brought 200 plus gifts worthy of about RMB 20,000, including school bags, books and stationery to the children.

Respecting the Old on the Double Ninth Festival - Kangda International Brings Warmth and Love to the Old



On the Double Ninth Festival, Kangda International went to Muer Nursing Home and Shixie Nursing Home at Muer Town in Yubei District to see over 130 old people without family and extended concerns and greetings from the staff of Kangda International to the old people.

Social Contribution

We donated projectors, Ping-Pong tables, water heaters and other entertainment equipment and appliances to the nursing homes and brought every old people food and daily necessities to express our sympathy and solicitude.

Environmental Conscientiousness Inspires Volunteering Actions

Owing to the characteristics of the industry, the environmental awareness has struck root in our heart. So, we often volunteer to organize environmental beautification and tree planting activities. To make the society better and the environment more beautiful, we are ready to do our bit and encourage the staff, even the public to enhance the awareness of environmental protection constantly.

The Young People Is Engaged in Protecting Huifa River



With all efforts, Kangda International Huadian Youth League branch organized young league member and held large-size public welfare activities. And ten young league members participated in volunteering activities to make positive contribution to the new development of.

Social Contribution

After over an hour of picking up food package, beverage bottle and cigarette case along the road, the volunteers walked for four kilometers and picked up six bags of garbage for central treatment.

Beautifying Our Home and Passing Greenery - Hebi Baoshan Sewage Treatment Plant Is Vigorously Engaged in Spring Tree Planting



In March 2017, the management committee of Baoshan Circular Economy Industrial Cluster organized volunteers to carry out publicity activities in Baoshan Economic Industrial Area on the Arbor Day. Employee representatives from Kangda International cleaned the weeds, reeds and rocks and worked in the threesome group to dig tree pits, plant trees and pour water respectively.

Social Contribution

In less than three hours, 20 employees dug 36 pits and planted 36 trees up to standard in hopes of beautifying our home and passing greenery.

Chaohu Factory Implements Spring Weeding



To create a beautiful space and a clean and orderly environment to work and live in, Chaohu factory initiated a weeding activity in early March 2017 to enhance people's environmental awareness. The factory is divided into 17 areas of similar size. Each employee is responsible for a specific area.

Social Contribution

The weeding activity has not only beautified the factory environment, but also strengthened people's sense of responsibility, thus inspiring them to make continuous efforts for a better environment.

An Education Base for Environmental Popularization

This year, philosophies of "ensuring harmony between human and nature", and "deepening the integration of production and education and school-enterprise cooperation" were proposed in the 19th CPC National Congress. As education somewhat seals the future and destiny of our country, we feel bound to support China's education, especially rural basic education. The group has made positive contributions on such aspects as popularization of national environmental education, improvement of public environmental awareness and enhancement of enthusiasm and consciousness on public environmental protection.

Kangda Environmental Protection (Shangqiu) Water Co., Ltd. Teams up with Shangqiu Normal University in the Successful Establishment of "Practice Base of Professional Geographical Science Environment of Shangqiu Normal University"



In November 2017, with the signing of cooperation agreement, Kangda Environmental Protection (Shangqiu) Water Co., Ltd. joined hand in hand with Shangqiu Normal University in hanging the shingle of "Practice Base of Professional Geographical Science Environment of Shangqiu Normal University".

Social Contribution

The cooperation with Shangqiu Normal University will exert us greater social responsibility in the publicity and education of environmental protection. Our company will fulfill our duty as disseminator and driver for environmental protection with huger enthusiasm and play a bigger role in the course of environmental protection.

Sailing e+ to My Home - Charitable Summer Camp for Left-behind Children Visits Suzhou Sewage Treatment Factory (SSTF) for Learning



In September 2017, the 22 left-behind children of "Sailing e+"— the first charitable summer camp in Anhui Province came to Suzhou Sewage Treatment Factory (SSTF) for visit and learning. In the whole process, all children concentrated on the interpretation, carefully took notes and raised various questions from time to time.

Social Contribution

Through this activity, the children has enhanced environmental crisis awareness, and become aware of the importance to save water and more effectively protect and use water resources.

Xingcun Town Primary School's "Hometown Research and Study Tour" to a Haiyang Factory: Learning about the Purification of Wastewater



In December 2017, students of Xingcun Town Primary School visited Haiyang Xingcun Kangda Water Co., Ltd. to learn about how wastewater is purified as part of their "Hometown Research and Study Tour".

Social Contribution

Visiting the factory helps students learn about the processes of wastewater purification on the spot, such as the collection, pretreatment and biological reaction of wastewater, thus preparing them to use water in an appropriate way and actively acquire more knowledge regarding environment protection.

A Long Way to Go: The new Generation of College Students Shoulders the Responsibility to Protect the Environment and Water Resources



In August 2017, more than 40 college student volunteers organized by Rushan municipal committee of the Communist Youth League paid a visit to Kangda EP (Rushan) Water Co., Ltd. for learning. After a comparison between the water at the inlets and outlets, the students expressed their admiration and recognition for the ability of Kangda International in the water treatment.

Social Contribution

Through this activity, students have gained a better understanding of how to protect and properly use water resources and become deeply aware that environmental and water resources protection is the responsibility and duty bestowed by the society on the new generation of college students.

Appendix

Content Index of HKEX ESG Reporting Guide

| Indicators | Description of Indicators | Page Number |
|--|---|----------------|
| A. Environmental | | |
| A1 Emissions | | |
| General Disclosure | Information on the policies and compliance with relevant laws and regulations that have a significant impact on the issuer relating to exhaust and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste. | P39 |
| A1.1 | The types of emissions and respective emissions data. | P40 |
| A1.2 | Greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility). | P38 |
| A1.3 | Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility). | P40 |
| A1.4 | Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility). | P40 |
| A1.5 | Description of measures to mitigate emissions and results achieved. | P40 |
| A1.6 | Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved. | P39-P40 |
| A2 Use of Resources | | |
| General Disclosure | Policies on the efficient use of resources, including energy, water and other raw materials. | P38 |
| A2.1 | Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility). | P37 |
| A2.2 | Water consumption in total and intensity (e.g. per unit of production volume, per facility). | P37 |
| A2.3 | Description of energy use efficiency initiatives and results achieved. | P38 |
| A2.4 | Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved. | P45 |
| A2.5 | Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced. | Not applicable |
| A3 The Environment and Natural Resources | | |
| General Disclosure | Policies on minimizing the issuer's significant impact on the environment and natural resources. | P35 |
| A3.1 | Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them. | P35 |
| B. Social | | |
| B1 Employment | | |
| General Disclosure | Information on the policies and compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare. | P27 |
| B1.1 | Total workforce by gender, employment type, age group and geographical region. | P27-P28 |
| B1.2 | Employee turnover rate by gender, age group and geographical region. | P28 |

| | | |
|-----------------------------|--|----------------|
| B2 Health and Safety | | |
| General Disclosure | Information on the policies and 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. | P32 |
| B2.1 | Number and rate of work-related fatalities. | / |
| B2.2 | Lost days due to work injury. | P32 |
| B2.3 | Description of occupational health and safety measures adopted, how they are implemented and monitored. | P31-P32 |
| B3 Development and Training | | |
| General Disclosure | Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities. | P28 |
| B3.1 | The percentage of employees trained by gender and employee category (e.g. senior management, middle management). | P29 |
| B3.2 | The average training hours completed per employee by gender and employee category. | P29 |
| B4 Labor Standard | | |
| General Disclosure | Information on the policies and compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labor. | P27 |
| B4.1 | Description of measures to review employment practices to avoid child and forced labor. | P27 |
| B4.2 | Description of steps taken to eliminate such practices when discovered. | P27 |
| B5 Supply Chain Management | | |
| General Disclosure | Policies on managing environmental and social risks of the supply chain. | P53 |
| B5.1 | Number of suppliers by geographical region. | P54 |
| B5.2 | Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored. | P54 |
| B6 Product Responsibility | | |
| General Disclosure | Information on the policies and compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labeling and privacy matters relating to products and services provided and methods of redress. | P51 |
| B6.1 | Percentage of total products sold or shipped subject to recalls for safety and health reasons. | Not applicable |
| B6.2 | Number of products and service related complaints received and how they are dealt with. | P53 |
| B6.3 | Description of practices relating to observing and protecting intellectual property rights. | P47 |
| B6.4 | Description of quality assurance process and recall procedures. | P51-P52 |
| B6.5 | Description of consumer data protection and privacy policies, how they are implemented and monitored. | / |
| B7 Anti-corruption | | |
| General Disclosure | Information on the policies and compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering. | P17 |
| B7.1 | Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases. | P17 |
| B7.2 | Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored. | P17 |
| B8 Community | | |
| General Disclosure | Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests. | P55 |
| B8.1 | Focus areas of contribution (e.g. education, environmental concerns, labor needs, health, culture, sport). | P55-P56 |
| B8.2 | Resources contributed (e.g. money or time) to the focus area. | P55-P56 |