



隆基泰和智慧能源控股有限公司
LONGITECH SMART ENERGY HOLDING LIMITED

(Incorporated in the Cayman Islands with limited liability)
Stock Code: 1281

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

2017



About the Report

LongiTech Smart Energy Holding Limited (hereinafter referred to as "LongiTech Smart Energy", the "Company" or "we") is pleased to release its second Environmental, Social and Governance (ESG) report (the "Report"), focusing on the disclosure of its environmental and social responsibility related information. The Report is released in both Chinese and English, and available online.

Report Accessibility

The Report can be browsed and downloaded at the website of the Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk) and the official website of the Company (www.longitech.hk).

Report Reference

The Report is compiled in accordance with the Environmental, Social and Governance Reporting Guide (the "ESG Reporting Guide") under Appendix 27 of the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange of Hong Kong Limited (the "HKEX").

Report Scope

The Report covers a period from 1 January 2017 to 31 December 2017, and may contain information before or after this time span. The data and cases disclosed in the Report are from the Company and its subsidiaries (the "Group").

Report Assurance

The content of the Report has been reviewed by the Board of Directors, who are responsible for the authenticity and effectiveness of the information disclosed. The Company guarantees that there is no false representation and misleading statement in this Report. If you have any comment or suggestion regarding the Report, please send us your feedback online (www.longitech.hk) or via email to our investor relations (investor@longitech.hk).

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Chairman's Statement

In 2017, the 19th CPC National Congress successfully convened and put forward a series of new ideas, new concepts and new conclusions regarding the new stage of China's development and the principal contradiction facing the Chinese society, as well as the new requirements for achieving ecological balance and green development, specifically calling for the implementation of the overall plan for promoting "economic, political, cultural, social and ecological progress" and the "modernization of the harmonious coexistence between human and nature".

As a leading comprehensive service provider of smart energy in China, LongiTech Smart Energy is committed to becoming a leading domestic energy smart cloud platform operator in China that provides its customers with a full range of smart energy management services by promoting the balanced development of energy consumption and production. In response to the energy development needs in the new era, we will actively promote the innovation and transformation of the energy industry by optimizing energy structure, developing clean energy, continuously promoting the development of energy network, and building a clean, smart and highly efficient low carbon modern energy system.

Powering Development with Smart Energy: In response to the *Guidance on Actively Promoting the "Internet Plus" Action* and aiming at "meeting global power demand in a clean and green way", we promoted smart energy production and applied the big data analysis and prediction to the production of electric power and energy. In 2017, we continued to expand the scale of photovoltaic production and further shifted the focus of solar energy to distributed power stations; intensified the development, upgrade and application of the cloud platform system and focused on providing the last one kilometer solution for smart energy supply by combining information technology and energy technology; and supported the construction and development of green cities by prioritizing environmental protection needs during project construction and ensuring energy conservation and emission reduction in our operation.

Promoting Cooperation with Open Exchange: The focus on the global energy Internet has kept growing and

created major development opportunities for the energy industry. We actively engaged and communicated with our stakeholders, such as government authorities, value chain partners and financial institutions, to understand the latest energy industry trends, explore the new policies and new directions, promote friendly and win-win industrial cooperation, foster the sharing of industry resources and promote industry exchange and mutually beneficial cooperation, so as to create new momentum for the rapid and healthy development of the energy industry both in China and abroad.

Enhancing Harmonious Development with People-Oriented Spirit: With the implementation of the concept of "taking targeted measures in poverty alleviation" of the 18th CPC National Congress and the new task and requirement of "winning the battle against poverty" of the 19th CPC National Congress, China has entered a decisive stage of completing the building of a moderately prosperous society in all respects. In response to the Rural Revitalization Strategy, we took advantage of the characteristics of photovoltaic generation and developed the "Cloud Families" home photovoltaic system, giving farmers the capability to "help themselves" and creating sustainable income for farmers and their villages. We actively supported public welfare, encouraged our employees to participate in charity, and pay back to society together with our employees. Helping others would benefit yourself as well. It is the embodiment of the spirit of the era to provide decent work opportunities for people. We established a sound training mechanism and growth platform for our employees, carried out a variety of activities to ensure work-life balance, and strove to ensure that our employees enjoy their life and work in an increasingly more decent, more respected and happier way.

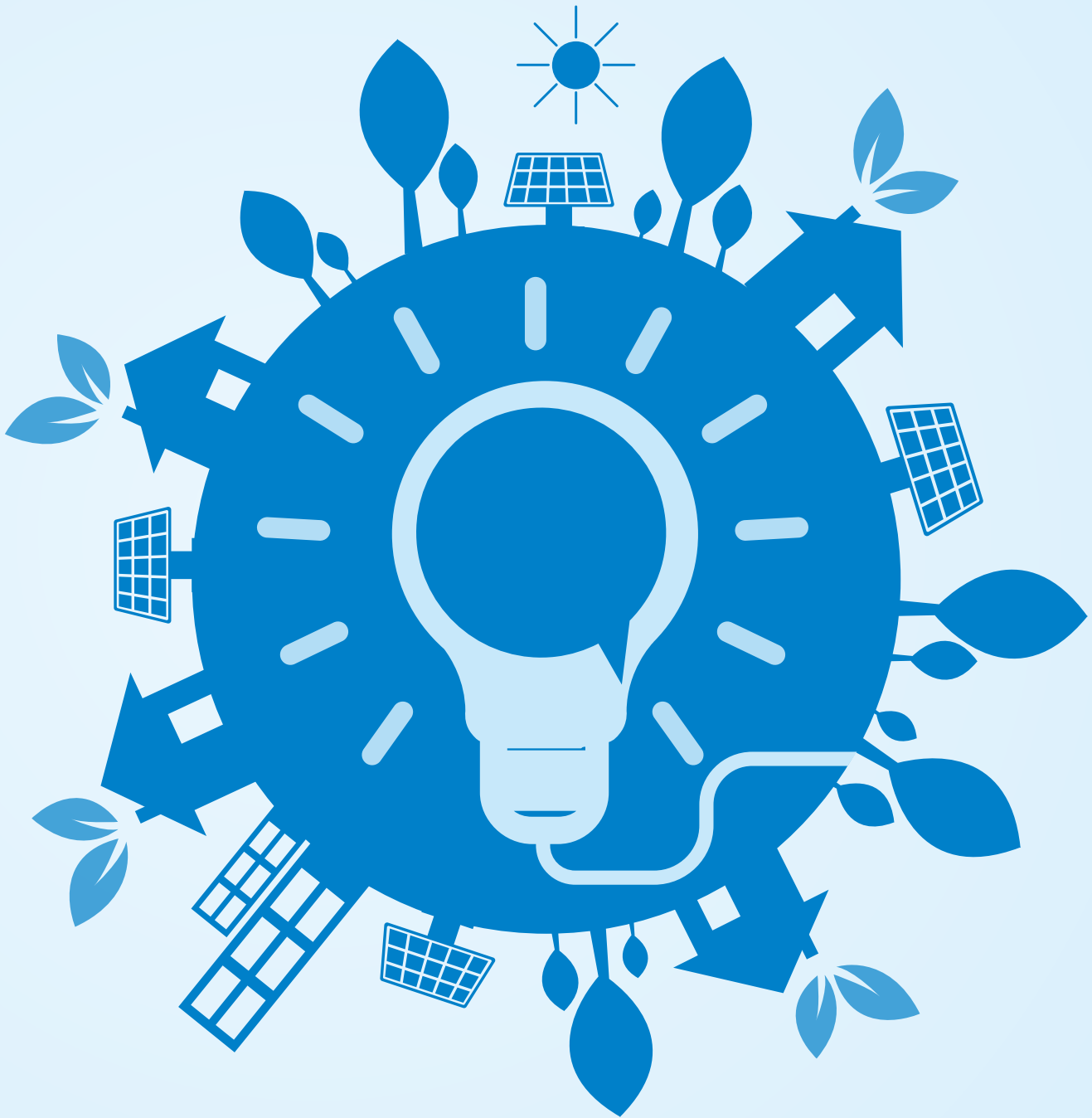
Never forget why you started, and keep making great efforts for your mission. Green energy and smart energy still has tremendous potential in China. In the future, we will continue to work together with all stakeholders on the new journey of reform and innovation, marching towards the new era of energy development and a beautiful China with blue sky, green field and clear water.

Chairman of the Board

Wei Qiang

April 30 2018

ABOUT LONGITECH SMART ENERGY



Company Profile

Business revenue

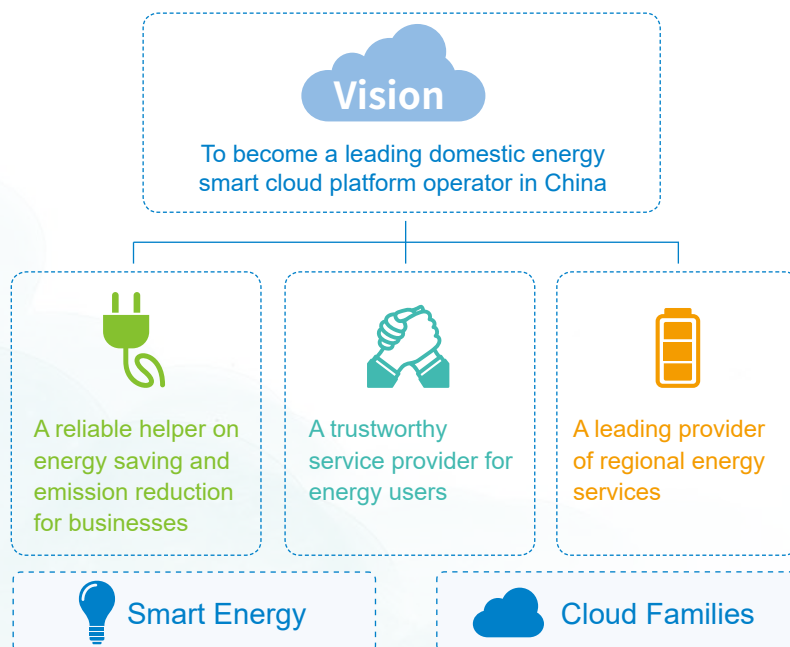
RMB**897.902** million

Net profit

RMB**135.488** million

The Company is a main board listed company on the HKEX (stock code: 1281), as well as a leading provider of smart energy solutions in China. Through its smart energy cloud platform, the Company is committed to deepening development of energy demand-side services, providing a full range of smart energy services for energy consumers, including multi-energy complementation, smart operation and maintenance, energy trade, energy efficiency analysis, management consulting and other services covering the whole industry chain such as energy finance, energy big data, etc.

In 2017, we concentrated our resources on the development of smart energy and solar energy businesses. Focusing on the user side of the energy service, we provided a full range of smart energy management services to users through the LongiTech Integrated Smart Energy Operation Cloud Platform, achieving the overall smart management of the user-side energy network and allowing our users to achieve real-time energy dispatching and balancing.



We provided multi-energy complementation, smart operation and maintenance, energy efficiency analysis, electricity trade and other smart energy related services. We focused on the demands of users such as industries, businesses, households and public institutions and strove to provide full-process smart, specialized and efficient smart energy services both online and offline.

Cloud Families is our home photovoltaic system brand. Leveraging our strong industry expertise and resources and reliable research, development and operation capabilities, we launched the home photovoltaic system business to offer industrialized after-sale services for household users, contributing to the promotion of the application of civil use of photovoltaic generation technology.

Corporate Governance

Mr. Wei Shaojun, the controlling shareholder of the Company, holds 54.79% of the issued shares of the Company as of the date of the Report.

The shareholders meeting is the highest authority of the Company. The Board ("the Board") of Directors ("the Directors"), which is under the shareholders meeting, is the core of the corporate governance framework, providing guidance to the management and assessing the effectiveness of the implementation of the management. In accordance with the relevant provisions of the *Articles of Association* and the *Rules of the Board of Directors* and adhering to the principles of openness, impartiality, fairness and independence, the shareholders meeting is in charge of the election and re-election of the Directors, who are subject to retirement by rotation at least once every three years. The Board currently consists of seven members. Mr. Wei Qiang, Mr. Yuen Chi Ping and Dr. Liu Zhengang serve as executive Directors. Mr. Wei Shaojun serves as a non-executive Director. Dr. Han Qinchun, Mr. Wong Yik Chung, John and Mr. Han Xiaoping serve as independent non-executive Directors. The Board has three specialized committees, including the Audit Committee, the Remuneration Committee and the Nomination Committee, which are appointed and authorized by the Board and operate in accordance with their terms of reference. In 2017, the Board held a total of ten board meetings and three shareholders meetings.

The Company encourages the Directors to participate in continuous development in their respective field of specialization to further develop their knowledge and skills. In 2017, the Directors received trainings with an emphasis on the roles, functions and responsibilities of directors of listed companies through attending seminars, conferences and reading materials.

The Company understands that diversity can help improve the performance of the Board and has adopted relevant policies accordingly to ensure that the Directors have the skills, experience and diverse perspectives that fit development requirements of the Company. The Company applies merit based selection criteria in appointing Directors, as well as a series of diversity considerations such as the gender, age, cultural and educational background, professional experience, skills, knowledge and length of service, etc.

Internal Control and Risk Management

The Company has established a risk management and internal control system in accordance with the COSO framework, the *Corporate Governance Code* of the HKEX, and the *Basic Standard for Enterprise Internal Control* of China as well as characteristics of the industry.

In 2017, we further improved and enhanced our risk management and internal control system and promoted the fostering of the culture of risk control. In specific, we had:

- Identified changes in risks and new risks in a timely manner, conducted risk analysis, and formulated and adjusted contingency plans for major risks;
- Reviewed major risks for the Company and compiled the risk management report;
- Reviewed the business risks for the home photovoltaic system and formulated contingency plans accordingly, strengthening risk management capabilities regarding the specialized business unit;
- Organized risk management trainings and raised the awareness of risks to enhance our risk management capabilities;
- Revised and improved the management system, including updates of management policies regarding decision management, comprehensive budget management, human resources management, procurement management and legal management; and
- Reviewed our business processes and identified relevant risks, and optimized key business processes such as procurement, human resources, contracting, financial reporting, taxation and anti-fraud to ensure the control over business process risks.



Business Integrity Management

The Company had established a business integrity system for its employees and partners and a complaint and whistle blowing system regarding improper behaviors. Our business integrity system specified the definitions of bribery, improper personal interests and other corruptions, required both our employees and our partners to strictly abide by business integrity principles and strove to establish fair, equal, simple and transparent partnerships.

We organized lectures and trainings on business integrity, and specified responsibilities of business unit directors and the Internal Audit Department in this regard. We also required our partners to sign a *Business Integrity Agreement* and actively participated in our business integrity efforts before signing any major cooperation agreement with our partners. In the event of any violation of the integrity system, we would carry out disciplinary actions to partners and the persons held accountable for

the violations in accordance with the agreement.

To further control corruption risk, we had established a complaint and whistle blowing system and encourage our employees and partners to report violations, fostering a full-participation in anti-corruption mechanism. Through our hotline (010-53526588), email (Internal Audit Department or email of the Chairman of the Audit Committee, Mr. Wong Yik Chung, John), mailbox and other channels, our employees or partners could report violations either with real name or anonymous. The Internal Audit Department would carry out investigation and issue a report according. The progress and result of the investigation would be disclosed to the whistle-blower in a timely manner, and reported to the management and the Board depending on the nature of the incident. We had policies to protect the whistle-blowers and kept their personal information strictly confidential to protect them from retaliation.



Trainings on Listing Regulations

We organized trainings for our executive management and employees on the Listing Rules of Hong Kong, including topics on regulations about securities trading for directors and executives, inside information disclosure, notifiable transactions and connected transactions under the Rules Governing the Listing of Securities on the HKEX, corporate governance and new regulatory updates, so as to allow them to understand the Listing Rules of Hong Kong and the requirements regarding their daily work to ensure our compliance with these regulations.



Business Risk Trainings

We provided trainings on business risks of the Company for all employees, including the in-depth explanations of the technology, development, financial and legal risk databases of our risk management system. We also organized discussions on risk definitions and their respective contingency plans among our employees to raise their awareness of risk management.



Legal Risk Trainings

We organized a number of legal risk trainings to the senior management and employees of relevant departments to provide our employees with the references for potential legal risks and legal knowledge gaps regarding our operations to help them raise legal awareness and reduce legal risks.

Management of ESG

As a leading smart comprehensive energy service provider in China, the Company had been consistently upholding its mission and values in building industry solutions for its customers. Through continuous development of smart energy and solar energy business, we helped the society with the transformation towards clean energy and helped our customers improve their energy efficiency, creating positive impact for the environment and contributing to sustainable development on the earth. In this process, we also worked together with our partners and employees to jointly promote the healthy growth of the green energy industry and strove to benefit communities with our development with the implementation of photovoltaic poverty alleviation.

We benchmarked with the *ESG Reporting Guide* issued by the HKEX and the best practices of our industry peers to continuously improve our ESG management and disclosure. Focusing on our key ESG activities in 2017, we reported our ESG performance in the following four aspects:







**Smart Services for a
Better World**

**Collaboration for a
Prosperous Industry**

**Targeted Measures for
Poverty Alleviation**

**People-oriented for
Employees Caring**

We had established efficient communication channels with our stakeholders and were dedicated to strengthening mutual trust and respect with them to allow our strategy and development to fully incorporate their concerns and expectations.

Stakeholders		Engagement Channels	
	Shareholders and Investors	•Regular Corporate Reporting •Briefings and Conferences with Investors	•Annual Shareholders Meeting
	Government and Regulators	•Thematic Report	•Routine Examination
	Partners	•Industry Communication and Exchange	•Project Cooperation
	Employees	•Internal Information Disclosure Mechanism •Employee Complaints and Feedback	•Performance Communication
	Customers	•Customer Services •Customer Visits and Surveys	•Online Channel Interaction
	Environment and Community	•Community Activities	•Public Welfare Project Implementation

2017 Honors and Recognitions

- In August, Beijing, won the “Outstanding Innovation Award of 2017 China Distributed Energy” and the “First Prize of Excellent Project of 2017 China Distributed Energy in Photovoltaic Field”;
- In September, Beijing, successfully entered the first batch of “Chinese Energy Industry Poverty Alleviation Trustworthy Enterprises”;
- In September, Beijing, won the “Chinese Energy Industry Poverty Alleviation Outstanding Brand” title;
- In October, Wuxi, Jiangsu, awarded the “2017 Most Popular Distributed Photovoltaic System Integrator”;
- In November, Wuxi, Jiangsu, awarded the “Home Photovoltaic Brand of the Year”;
- In December, Dezhou, Shandong, won the “Photovoltaic Distributors’ Most Favorite Home Photovoltaic System Leading Brand”; and
- In December, Beijing, won the “Top 10 China Photovoltaic Business Innovation Enterprise Award”.



SMART SERVICES FOR A BETTER WORLD

The 19th CPC National Congress report pointed out that to achieve ecological balance China should “promote the development of the energy-saving and environmental protection industries as well as clean production and clean energy industries”. The world is in the transitional process of the forming, developing and positioning of a new round of industrial revolution, in which green energy and the Internet play a key role. The Company continued to focus on researching energy solutions. Aiming at improving the comprehensive efficiency of energy system, we optimized energy development and strove to build a smart energy system with multi-energy complementary and supply-demand coordination. Meanwhile, we applied the green and low carbon concepts in our project construction and daily administration to contribute to the sustainable development of economy, society and the ecological environment.



Promoting Multi-energy Complementation

Generated power

6,715.7 10,000 kWh

Which is equivalent to the reduction of CO₂ equivalent

66,955.5 tons

The reduction of SO₂ equivalent

2,014.7 tons

The reduction of NO_x equivalent

1,007.4 tons

And the saving of standard coal equivalent

26,862.8 tons

We are committed to becoming a promotor of sustainable energy supplies. With years of experience in clean energy development, investment and construction, we were able to provide end-users with multi-energy complementary clean energy, building a rich, clean and low carbon energy supply structure by enabling coordinated supply and cascaded utilization of various energy sources.

In 2017, we focused our multi-energy complementation efforts on developing solar and distributed photovoltaic power station business, especially home photovoltaic systems. Meanwhile, we actively expanded other complementary multi-energy approaches such as incremental power distribution network, urban centralized heating supply, and the replacement of coal with electricity. We uploaded data from both industrial and commercial distributed photovoltaic power stations and home photovoltaic systems to the Cloud Platform system and achieved smart monitoring, operation and maintenance management for both based on the platform. We also provided household users with the home photovoltaic monitoring system, not only allowing them to check their energy use, operation and maintenance status and photovoltaic revenue in real time on the mobile APP, but also helping them develop a habit of using clean energy by reading their emission and energy efficiency data. Up to date, we had implemented the home photovoltaic system projects in 15 provinces including Beijing, Hebei, Anhui, Henan, Fujian and others.

In 2017, we acquired 7 grid-connected distributed photovoltaic power plants from related companies and the total capacity of our solar power stations reached approximately 54 MW. We also vigorously promoted the home photovoltaic system and became an industry leader with approximately 133MW of contracted sales, 121 MW of delivered systems and a total of 12,660 household users.

Vigorously Developing the Home Photovoltaic System

In 2017, leveraging our technology, talents and experience accumulated in the solar photovoltaic industry, we vigorously promoted the home photovoltaic system under the "Cloud Families" brand throughout the country.

We adopted the authorized dealer distribution model and developed a total of nearly 300 dealers and over 1,000 secondary agents nationwide. For market, we focused on Hebei and achieved full coverage of all counties and cities in the province, and also covered markets in other 14 provinces such as Henan, Shanxi and Shaanxi.



Contributing to Energy Conservation and Emission Reduction

Cloud Platform customers

16,000

Active online customers

13,000

Access points cumulatively

23,000

As a company with a strong sense of responsibility and mission, we focused on technological innovation and actively developed our smart energy platform to help other industries meet their increasing needs to energy conservation and emission reduction and actively respond to climate change.

Building the Smart Cloud Platform

We were dedicated to providing the last one kilometer solutions of smart energy with our Cloud Platform, providing industrial and commercial as well as household users with a full range of industrial chain services, such as multi-energy complementation, smart operation and maintenance, electricity trading, energy efficiency analysis, consultancy and management, energy financing and energy big data. We also integrated information technologies and energy technologies offline to promote the offering of smart integrated energy services, working together with our stakeholders for a more sustainable ecological environment and contributing to the development and progress of the customers and our industry.



Promoting Smart Services

In 2017, we focused our smart energy business mainly on smart operation and maintenance and multi-energy complementation, providing the last one kilometer smart energy solutions for industrial and commercial enterprises and residential users.

Services for Industrial and Commercial Enterprises

Through the Cloud Platform, we tapped the potential of big data and provided our industrial and commercial enterprises with services such as smart operation and maintenance, energy efficiency analysis and electricity trading.

- We compiled and released the standardized procedures for smart operation and maintenance and conducted pilot programs in pilot zones we had contracted. Meanwhile, we formed partnerships in Hebei, Guangdong, Liaoning and other regions by setting up joint ventures to provide user-side smart operation and maintenance services.
- In February, we became the first group of companies that were authorized to trade electricity in Hebei. The reform of the electricity trading system was still in a trial stage. In 2017, we achieved a good start in the electricity trading business with 460 million kWh in annual volume of contracted electricity sales.



Services for Residential Users

We mainly provided residential users with home photovoltaic systems and services and actively expanded coal replacement and centralized heating supply in urban areas. We had uploaded information from all of our home photovoltaic systems to a sub-system on our Cloud Platform. Users could check the real-time operation status of their home photovoltaic systems through the Internet and the mobile App, achieving smart monitoring on operations of the home photovoltaic systems. Users could also access their income data, report malfunction and request maintenance with the home photovoltaic sub-system, ensuring the efficient operation and stable income generation of power stations.



Improving Energy Efficiency

Paying close attention to the balance between steady business development and the ecological environment, we actively fulfilled our sustainability commitment by continuously exploring the ways of leveraging our resources advantages, industrial influence and the Cloud Platform to contribute to reducing greenhouse gas emissions.

Based on our Cloud Platform, we consolidated resources from end users of energy, energy efficiency service providers and government departments to improve energy use efficiency by helping businesses to reduce energy consumption with services such as energy consumption monitoring, statistical analysis and opportunity diagnosis and by collaborating with specialized energy conservation service providers to help energy users diagnose their energy use and conduct energy conservation upgrades.

Our proprietary smart energy business system was an advanced technology platform in China developed with the input of senior industry experts. It could calculate and verify energy saving data and generate on-site verification and certification reports, contributing to the optimization of the supply and use of electricity and improving the operation efficiency of power distribution networks.

We also compiled three standardized system documents, the *Smart Power Distribution Operation and Maintenance Services Standardization System*, the *Energy Efficiency Management Services Standardization System* and the *Energy Storage Services Standardization System*, to contribute to the standardized operation procedures for smart operation and maintenance services, energy efficiency management and energy storage businesses.

Hebei Government Facilities Energy Auditing Service Project

In March 2017, our wholly-owned subsidiary Hebei Fakai Energy Testing Service Co., Ltd. ("Fakai Energy Testing") was shortlisted through a public bidding process and was selected to provide energy auditing services for government facilities under the management of Hebei Provincial Government Offices Administration Bureau and the government facilities under the management of the municipal government offices administration agencies of Shijiazhuang, Tangshan, Hengshui and Baoding.

In 2017, Fakai Energy Testing completed the energy audits of 13 government facilities including the Provincial Government Offices Administration Bureau, the Provincial Development and Reform Commission, the Provincial Bureau of Human Resources and Social Security and the Provincial Bureau of Science and Technology with a total area of approximately 130,000 square meters audited. The audits calculated the type, quantity, and energy-using method of public facilities and helped identify high energy consumption equipment and irrational uses of energy. We identified the energy potentials of a total of 503.67 tons of standard coal equivalent during the year and made 93 improvement or upgrade suggestions, making positive contributions to helping government facilities in Hebei improve energy efficiency, reduce total energy consumption and achieve their energy conservation targets.

Energy Saving Assessment and Evaluation Project

In June 2017, Fakai Energy Testing was commissioned to evaluate the Tail Gas Waste Heat Power Generation Project of the Chengde Huajing Activated Carbon Co., Ltd. of the State Grid Northern Hebei Energy Saving Co., Ltd. The evaluation showed that the project had an estimated annual saving of 14,685,000 kWh of electricity, 4,100 KW of electric power and 4,846.05 tons of standard coal per year.

In September 2017, Fakai Energy Testing was commissioned to evaluate the Xinglong Thermal Power 30 MW Biomass Wood-Based Coal-Fired Power Generation Project of the State Grid Northern Hebei Energy Saving Co., Ltd. The evaluation showed that the project had an estimated annual saving of 245,637,900 kWh of electricity, 48,380 KW of electric power and 29,574.40 tons of standard coal per year.



Building Green Cities

As an advocate of environmental protection, we strictly abode by relevant government policies and environmental protection standards in project construction. During the design stage, we respected natural ecological conditions and followed the principle of living in harmony with nature, so as that designed functions and technical systems of buildings in accordance with their natural ecosystems, environment and resources, contributing to constructions and development of green cities.



Green Designs for the Donghu Cultural Center

In cooperation with the Baoding municipal government, we implemented the Donghu Cultural Center construction project with the PPP (Public-Private-Partnership) model to improve urban landscape, upgrade urban infrastructure and road system, and create better living environment for residents. With a total area of 4.68 km², the project included the construction of the Guan Hanqing Opera House, a museum, a library, the Donghu Park, related road system and rainwater and sewage pipe network, protective landscape, bus stops, educational facilities and cultural facilities.

When designing the Donghu Cultural Center, we fully considered the eco-conditions of the city and incorporated elements of local culture in our design. Our aim was to minimize resource consumption, minimize impact on local ecosystem, maximize efficiency, and ensure the buildings were safe, healthy and livable for residents, creating a full life-cycle construction design that was sustainable, renewable and recyclable.

Following the designing concept of sponge city, we designed the Donghu Park as an ecological sponge island and adopted low-impact construction technologies to accommodate to natural conditions. For example, the Sun Tree, a design highlights of the project, was designed as a green project that could both collect rainwater and power its own operation with electricity generated with solar energy.

The Donghu Cultural Center was a key livelihood project of both the municipal and the district governments and a showcase project for the synergetic development of Beijing-Tianjin-Hebei Region. This project was expected to be completed in 2020 and turn the Donghu District into a thriving showcase of future urban lives, a stage for international cultural exchange, and a dynamic reception center for the city.



The Guan Hanqing Opera House



Designing Plan of the Donghu Project

In addition, we also paid attention to environmental protection in our office administration. We formulated the *Office Environment Management Policy*, cultivated energy conservation awareness among our employees, carried out the environmental protection idea competition to promote environmentally friendly lifestyles, and posted energy saving tips near air-conditioning controls, lighting switches and water facilities to remind employees to cherish resources and conserve water and electricity.

In particular, we formulated the *Non-Production Assets Management Policy (Trial)* to standardize the management of non-production assets, establish an accountability system and eliminate waste and losses, ensuring rational and regulated use of company assets under sound internal supervision and the maximization of their values. We highlighted the principle of “necessary for work and conscious to conserve” and required that our asset purchase should meet our needs without creating inventory backlogs. We also advocated for the full utilization of assets such as being thrift, repairing and using old assets, and reducing idleness, waste and damage.



Total paper
consumption

0.8 ton



Total electricity
consumption

155,000 kWh



Total water
consumption

300 tons



Total vehicle
mileage

80,000
kilometers



Hazardous waste
produced

0.05 ton



Non-hazardous
waste produced

3.6 tons

Environmental Protection Idea Competition

Focusing on the key topic of “cutting cost and improving efficiency, waste utilization, resource conservation, and environmental protection”, we carried out the environmental protection idea competition to encourage our employees to use their imagination and creativity to transform wastes from work and life into useful things and give them a second life.

The event allowed the integration of energy conservation and environmental protection concepts into the daily work of our employees and achieved the dual results of improving the efficiency of resource utilization and creating fun at the workplace.



COLLABORATION FOR A PROSPEROUS INDUSTRY

In 2015, President Xi proposed the Chinese initiative of “establishing a global energy network to facilitate the efforts to meet the global power demand with clean and green alternatives” at the UN Sustainable Development Summit. At the G20 2016 Hangzhou Summit, China proposed the launch of the Global Infrastructure Connectivity Alliance. In 2017, the United Nations included promoting global energy interconnection into the *2030 Agenda for Sustainable Development*. The attention of global energy interconnection continued to increase, creating great opportunities for our industry. We attached great importance to industrial development and actively cooperated with external partners to build industrial ecology and promote and strengthen cooperation along the value chain. We also participated in industrial communications and exchange to offer Chinese wisdom in support of the green and low carbon development of the global energy industry.



Active and Open Communication

We attached great importance to communications with industry peers and participated in a variety of industry conferences, seminars and exhibitions to help foster a vibrant industry ecology.

Participating in the 13th China Distributed Energy Global Forum

2017 the 13th China Distributed Energy Global Forum was held in Beijing on 8 to 11 August.

The forum recognized outstanding personnel, projects and teams in the field of distributed energy with industry awards and shared successful cases and experiences. The Company was granted the "Outstanding Innovation Award of 2017 China Distributed Energy". And our Baigou 9.6MW Commercial Rooftop Distributed Photovoltaic Project was awarded the "First Prize of Excellent Project of 2017 China Distributed Energy in Photovoltaic Field".



The 13th China Distributed Energy Global Forum

Meanwhile, the forum also organized onsite visits of projects in Xiong'an New District, including our award winning Baigou Project. The project built user-side grid-connected photovoltaic power stations to use the clean solar energy. It helped save valuable land resources and reduce power transmission loss by realizing the consumption of locally generated power. Distributed rooftop photovoltaic power stations were able to generate 10 million kWh of electricity, enough to meet 30% of the power demand of the Baigou Mall. Its annual power generation was the equivalent to the saving of 4,720 tons standard coal equivalent and the emission reduction of 11,764.6 tons of CO₂ equivalent and 354 tons of SO₂ equivalent.

Attending the 2017 SNEC Exhibition

At the 11th SNEC (2017) International Photovoltaic Power Generation Conference & Exhibition held in Shanghai on 19 to 21 April, we launched our home photovoltaic system brand "Cloud Families" and demonstrated the brand, product specifications and performance of the system to exhibition participants.

The Beijing-Tianjin-Hebei International Clean Energy Industry Expo

On 13 to 15 September, we attended the 2017 Beijing-Tianjin-Hebei International Clean Energy Industry Expo. We built a demonstrative system of our "Cloud Families" home photovoltaic system for expo visitors.

Trustworthy and Reliable Cooperation

We attached great importance to cooperation with government agencies, businesses and other stakeholders and strove to achieve win-win development by actively expanding the collaboration with our value chain partners.

Hosted the LongiTech Smart Energy Business Fair

On 18 October, we hosted the LongiTech Smart Energy Business Fair in Baoding, Hebei province. At the business fair, we introduced the development of our Cloud Platform and business system to over 120 participants from over 80 industry peers.

The participants showed great interests in our briefings and strong intentions for cooperation, with 36 companies showed interests in investment and development, 17 in smart operation and maintenance, 5 in electricity trading, 21 in energy efficiency projects, 9 in energy testing, and 1 in equipment supply.



Communication and exchange at the business fair



Received Donated Equipment from the GEF

In 2017, our subsidiary Fakai Energy Testing was selected as a beneficiary by the Energy Saving and Emission Reduction Promotion Project Office of the Global Environment Facility (GEF) of Hebei province and received the donation of 37 sets of energy saving testing equipment from the GEF, including professional electricity quality analyzers, thermal infrared imagers, etc. of over a dozen specifications valued at over RMB3 million. In October, all equipment were transferred and passed the four-party inspection of the GEF Project Office, the beneficiary, the supervising institution and the equipment supplier. With the donated equipment, we would be able to further enhance our capabilities to become a reliable and respected energy efficiency testing and certification authority as well as an industry leader.



Onsite inspection of equipment donated by the GEF



TARGETED MEASURES FOR POVERTY ALLEVIATION

The alleviation and eradication of poverty is not only a priority listed at the 19th CPC National Congress and a key target for the economic and social development of China during the 13th Five-year Plan period, but also the first sustainable development goal in the 17 items of the United Nations for Sustainable Development. We were committed to fulfilling our social responsibility besides pursuing commercial returns, which including supporting various photovoltaic projects for poverty alleviation to both respond to China's clean and low carbon energy development strategy and generate sustainable income for people still living in poverty. We also strove to support the construction of sustainable cities and society, continuously supported charitable causes and promoted employee volunteerism to contribute to community development and pay back to society.



Capacity Building for Poverty Alleviation

In response to the government's initiative of taking targeted measures in poverty alleviation, we had developed the "Cloud Families" home photovoltaic system in accordance with the resources endowment and development conditions in aid-recipient regions, aiming at transforming the poverty alleviation model from "blood-transfusion" to a targeted model that enabled the farmers to "generate blood" with their own capacity by having a sustainable income stream from our integrated pre-sales, sales to after-sales services of the "Cloud Families" systems.

- 1) To develop customized installation plan for each rural households by taking their roof structure, area and load bearing capacity into consideration;
- 2) To provide farmers with a special low-interest "Photovoltaic Loan" in cooperation with banks to alleviate the economic burden on farmers; and
- 3) To allow farmers to directly access the amount of power generated and their returns via the mobile APP by uploading operation data of the home photovoltaic system after installation.

Statistics showed that some of the aid recipients were elderly people, for whom the steady income from photovoltaic power generation was not only an income, but also the support for their elderly life. The "Cloud Families" platform allowed us to better leverage our industry expertise to respond to the government's targeted poverty alleviation policy, help more poverty stricken families, and make contributions to the eradication of poverty.

"Cloud Families" users reached

3,000 households

Each household benefited for about

RMB **40,000**

Being Included in the First Batch of Chinese Energy Industry Poverty Alleviation Trustworthy Enterprises

On 26 to 27 September, the "First Chinese Energy Industry Poverty Alleviation Summit" was held in Beijing. A total of 400 people participated the event, including representatives from more than 70 energy enterprises, industry experts and representatives from over 50 poverty counties.

The summit organized discussions and sharing sessions on poverty alleviation practices and experiences under the theme of "Marching together towards a Well-off Society with Industry Poverty Alleviation Solutions". The organizers published the *List of Chinese Energy Industry Poverty Alleviation Trustworthy Enterprises* and the *List of Chinese Energy Industry Poverty Alleviation Trustworthy Products* to recognize energy enterprises and products with outstanding performance in poverty alleviation in terms of amount of support, effectiveness, social response and product quality. LongiTech Smart Energy was among the 108 enterprises on the list and was also awarded the "Chinese Energy Industry Poverty Alleviation Outstanding Brand" title.





“Cloud Families” Creating Income for Farmers

Zhang Shunsheng was the party secretary of the Dongmaying Township in Zhaoxian County, Hebei Province. He made a calculation, “A 25 kg bag of corn, sold at RMB0.6 per kg, minus the costs of seeds, fertilizers, watering and harvest, the result – growing corn could only make less than RMB0.1 per mu of land. It does not worth it!”

At the same time, he was also making another calculation. In May 2017, he invested RMB38,000 to install a photovoltaic power generation system, which could generate RMB40 each day if it was not cloudy or raining, about RMB8,000 a year. In this way, it would take him less than 5 years to get his investment back.

This was a typical case of our “Targeted Poverty Alleviation Project”, the “Cloud Families” home photovoltaic system project. By installing solar panels on rooftops, the “Cloud Families” project generated power for the poverty households, who could either use the power or sell it for profit. The government also subsidized part of the project cost, making the “Cloud Families” platform become “Rooftop Banks” for the farmers.

During project implementation, we took into account the economic difficulties of the poverty households and cooperated with banks to offer them photovoltaic loans. An user could have the system installed with only a 20% down payment and paid off the loan with the income generated. Zhang Shunsheng and his next door neighbor were the first movers and each had installed a 5 KW “Cloud Families” system. The system was expected to generated about 7,000 kWh of electricity each year, creating an income of RMB7,300. Therefore, it would take them 5 to 6 years to recover the initial investment of RMB30,000 to RMB40,000. The “Cloud Families” platform also had an mobile APP to allow him to have the convenience and assurance by getting the real-time reading of the generation numbers each day.

The “Cloud Families” platform also organized the first “Photovoltaic Leifeng Squad” in China, allowing its users to obtain free onsite maintenance with only a 400 call. With their excellent services, the squad had received over 40 banners of appreciation sent by local farmers they had helped.



“Cloud Families” Officially Launched in Shanxi

On 30 November, we officially launched our “Cloud Families” photovoltaic power station poverty alleviation project in Fushan County, Shanxi Province, marking the establishment of the Fushan County Photovoltaic Poverty Alleviation Demonstration Base.

The poverty alleviation project in Fushan County was an innovative model on the “Cloud Families” platform. The project would increase the total capacity of the poverty alleviation projects in Fushan to 17.4 MW, including both household and village power stations. 2,164 households living in poverty would benefit from the project. Up to date, the 100 KW ground power stations in Fushan County had started generating power and was expected to generate an annual income of RMB119,000. The government poverty alleviation project in Fushan had contracted the installation of 7 KW home photovoltaic systems, among which the installation of photovoltaic facilities for 1,185 households was under construction.

To guarantee the successful implementation of this project, we collaborated with multiple parties and designed the “Five-in-One” fund raising approach that connected government, banks, insurance companies, project owner and the poverty households together. On the one hand, the project leveraged government functions and our advantages in policies and information to promote coordinated cooperation; on the other hand, the project provided qualified farmers with collateral free and guarantee free micro-credit loan support by leveraging its advantages in financial services and products. As the main implementor, we leveraged our expertise in products, technology and after-sale services to provide our users with installation, operation and maintenance services as well as insurance coverage for the power generation equipment. The poverty households provided areas for installation and handled the daily maintenance. Part of the income from power generation was used to pay the interests of the loans, and the farmers could have the remaining part as a regular income to help them grow out of poverty.

Currently, the “Cloud Families” project had signed cooperation agreement with other places in Shanxi province and a long-term strategic cooperation agreement with the provincial branch of China Construction Bank, aiming at making greater contributions to the photovoltaic poverty alleviation project in Shanxi.

Advocating for Public Welfare

The Company strove to pay back society while pursuing business growth. We actively supported public welfare and provided continuous caring and supports for disadvantaged groups.

Lighting Up Childhood Dreams

We supported education charity and worked together with the Youth Committee of Gaobeidian City and launched the “Lighting Up Childhood Dreams” event for the third consecutive year.

Our employee volunteers sent school supplies to seven students from local schools, including the Dongmaying Middle School, the Dongmaying Primary School, the Zhangcun Primary School, the Xinlizhuang Village Primary School, the Mingji Primary School and the Gaobeidian City No.2 Middle School.



Education support event

"We may not be able to change the world, but we can encourage more people to join us to make the world a better place. Each bit of small caring would eventually come together and create a big heart. We should continue to march on the road of charity and never stop."

-An employee volunteer

Donation for a Child with Brain Tumor

In 2017, Wang Chenxi, a 2-year-old child from Gaobeidian City, Hebei Province, was diagnosed with malignant grade 4 brain tumor at Baoding Municipal Hospital. The doctor suggested immediate surgical treatment for him at the Beijing Children's Hospital. The family, already in debts, could not afford the huge medical cost. After knowing the situation, our employees immediately acted up and donated RMB4,458 to his family.



PEOPLE-ORIENTED FOR EMPLOYEES CARING

Talent is the lifeblood for any enterprise, not only a close partner during its growth, but also an important internal driver for its sustainable development. As our business continued to grow, we adhered to the people-oriented principle, provided our employees with recognition and encouragement, and supported their personal growth and career development. Meanwhile, we also strove to help our employees ensure work-life balance, strengthened their sense of belonging, and created a highly professional team of talents.



Supporting Career Development

Strengthening Employee Trainings

In 2017, we provided professional training systems for different levels of employees to match the needs of their positions as well as training courses for all employees to help improve their professional and managerial skills and better realize their values.

Trainings for all employees:

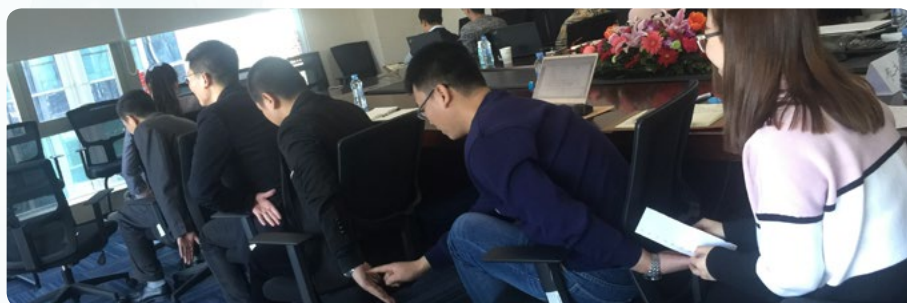
We formulated the *Training Management System*, *External Training Management Provisions* and *Internal Training Trainer Management Provisions* to better provide internal and external trainings for all employees.

Trainings for new employees:

We formulated the *New Employee Training Management Provisions* for standardizing the trainings for new employees, so as to help new employees better understand the corporate culture, systems and codes of conduct of the Company and learn their job responsibilities, standards and procedures.

Trainings for senior and middle-level managers:

We formulated the *Cadre Training Program* for training senior and middle-level management staff, so as to select and foster talents and create a structured talent pool for long-term development of the Company.



Employee trainings

2017 employee training data

Indicators	2017
Total employee participation in trainings (person)	146
Senior management staff trained (person)	10
Middle-level management staff trained (person)	22
General employees trained (person)	114
Total male employees trained (person)	106
Total female employees trained (person)	40
Total expenditure of employee trainings (RMB10,000)	15
Average training time (hour)	6.83

Indicators	2017
Average training time for senior management staff (hour)	8
Average training time for middle-level management staff (hour)	8
Average training time for general employees (hour)	6.5
Average training time for male employees (hour)	7.46
Average training time for female employees (hour)	6.23
Number of professional trainings (time)	8
Participation of professional trainings (person times)	114
Employees with vocational qualification credentials (persons)	37
Employees with professional titles (persons)	25

Supporting Employee Career Development

In order to motivate our employees and encourage them to innovate, we formulated our motivation system with rewards, penalties and promotion to award outstanding employees and encourage others to follow them, so as to promote employee career development and our corporate development.

To better encourage our employees, we formulated the criteria and selected employee teams and individuals with outstanding performance or values in the first half of 2017. In total, we selected two "Star New Employee Awards", two "Devotion Awards", one "Innovation Award", five "Profession Star Awards", and one "Outstanding Team Award".

Xia Yunzhu, Our Innovation Star

Xia Yunzhu, a young mom born in the 80s, was a planning specialist of the sales division of our Home Photovoltaic Business Department. She was mainly responsible for the scheduling of raw materials of home photovoltaic systems and the coordination of delivery, data collection and bookkeeping.

When she started her position as a planning specialist, there was no accurate inventory data. Inventory had to be counted daily in the unit of 1MW to schedule the workflow. With the increase of non-standard Bills of Material (BOM), the practice of counting inventory in 1 MW unit became even less accurate and often the inventory had to be recounted, creating a complicated process that often caused team to work overtime for a few data needed.

Xia Yunzhu thought about the possibility of a software that could consolidate the data of non-standard BOMs and give direct reading on how the orders were allocated without the need for calculation by humans. After consulting with her superiors, she worked together with her team to realize her idea and developed the Cloud Homes, which was a data center for the "Cloud Families" platform. The software could record both standard and non-standard BOMs and create an accurate data set for the scheduling deliveries. The new system had direct readings on daily inventory numbers and allocated inventory and resources for different BOMs to ensure swift delivery. The new system not only helped us better serve our customers but also contributed to the fostering of a more thorough working attitude among our employees.

Xia Yunzhu was selected as the Star Employee of the department. She was also highly recognized by the Company and other employees and was given the Innovation Award in the first half of 2017, becoming an inspiration for many employees.



Ensuring Work-life Balance

We cared about the safety and health of our employees, providing related trainings for them and establishing a sound safety management system. We also organized a variety of regular and diverse employee activities to help our employees achieve work-life balance.



The 2017 Annual Company Gala and Award Ceremony

On 10 January 2017, LongiTech Smart Energy held its annual company gala. Beautiful stage, strong cast and excellent performance showcased our new brand image and brought a lovely and unforgettable night for all of us.

To recognize and motivate employee teams and individuals with outstanding performance based on quarterly and annual evaluations, we established 12 different awards, including "Star New Employee", "Technical Star", "Professional Star", "Service Star", "Star Team", "On-site Pioneer", "Cultural Pioneer", "Outstanding Director", "Outstanding Manager", "Sales Star", "Outstanding Team" and "Special Contribution Awards", creating examples to motivate our employees to grow together with the Company.

Dancing, sand painting, singing, skit, etc., wonderful programs and a special lucky draw lighted up the night, which was concluded with a finale of improvisational performance of the senior management.



Dancing performance



Recognition of Outstanding Teams

Outdoor Team Building Activity in Dongdaihe

In July, we organized a special team building activity in Dongdaihe to enhance team cohesion and teamwork, promote communications between different departments, and help our employees relax from their busy daily work.

Group games were not only fun, but also helped us communicate more with each other and enhanced our teamwork during games. We actively teamed up to deal with challenges of activities while enjoying the beautiful view of the beach.



Team building activities in Dongdaihe

We Are A Family

On 16 April, we held our 2017 first quarterly group birthday party and gave our best wishes to employees have birthdays in the quarter. The highlight of the party was the guessing game of "Who's Who?". Projectors showed old pictures of those celebrated their birthdays, while others guessed which pictures were them. Old pictures not only recorded the youth of them, but also showed a new image different from who they were at work, pulling us closer. We prepared birthday gifts for these birthday employees together with our best wishes.



Employee birthday party



Key Performance

Environment

During business development, the Company strictly abode by environmental laws and regulations, including the *Environmental Protection Law*, the *Water Pollution Prevention and Control Law*, *Law on the Prevention and Control of Atmospheric Pollution*, and the *Environmental Protection Management Regulations for Construction Projects*, etc.

We focused on the development of clean energy and were committed to the research and solutions of energy challenges with the goals of improving comprehensive efficiency of energy systems, optimizing energy development, and building smart energy systems with multiple-energy complementation and supply-demand coordination.

Meanwhile, we advocated green and low carbon concepts in engineering construction and daily administration to make continuous contributions to the sustainable development of economy, society and the ecological environment.

Indicators	2017
Power stations operated	10
Installed capacity (MW)	54
Planned power generation (10,000 kWh)	6,430.6
Electricity sales (10,000 kWh)	6,715.7
Income from electricity sales (RMB 10,000)	7,685.0

Employment and Labor Practices

We respected the labor rights and development needs of our employees, strictly abode by laws and regulations such as the *Labor Law* and the *Labor Contract Law*, and signed labor contracts with all employees. We adhered to principles of gender equality and equal pay for equal work by providing our employees with equal remuneration mechanism and career development opportunities. We forbade any form of discrimination and the use of child labor and forced or compulsory labor. We strictly followed equal employment opportunity principles and forbade any discriminatory provision during our recruitment process, such as the discrimination based on

gender, ethnicity, marital and fertility status, religion and infection of Hepatitis B virus.

We strove to ensure a healthy and safe working environment for our employees, provided them with regular health examination, and encouraged healthy lifestyles to ensure occupational health and safety for our employees. There was no incident of work-related injury accident happened in 2017.

We cared for our employees and supported employees with difficulties or diseases.

Indicators	2017
Total employees (person)	302
Percentage of female employees (%)	25.16
Percentage of male employees (%)	74.84
Percentage of regular employees (%)	100
Percentage of disabled employees (%)	0
Percentage of employees from Hong Kong (%)	0.99
Percentage of foreign employees (%)	0
Percentage of Han employees (%)	95.70
Percentage of ethnic minority employees (%)	4.30
Percentage of employees aged 30 years and below (%)	45.03
Percentage of employees aged 31 to 50 years (%)	53.65
Percentage of employees aged 51 and above (%)	1.32
Percentage of employees with high school and below education (%)	6.29
Percentage of employees with undergraduate and junior college education (%)	82.78
Percentage of employees with postgraduate and above education (%)	10.93
Percentage of female management staff (%)	33.11

Indicators	2017
Employee turnover data	
New employee turnover rate for male employees (%)	77.29
New employee turnover rate for female employees (%)	22.71
Employee turnover rate for male employees (%)	72.73
Employee turnover rate for female employees (%)	27.27
Employee turnover rate for employees aged 30 years and below (%)	25.45
Employee turnover rate for employees aged 31 to 50 years (%)	74.55
Employee turnover rate for employees aged 51 and above (%)	0
Employee turnover rate for Chinese employees (%)	100
Employee turnover rate for foreign employees (%)	0
Labor contract signing rate (%)	100
Incidents of work-related injuries (person)	0
Lost working days caused by work-related injuries (day)	0
Work-related deaths (person)	0
Employee health examination coverage rate (%)	100
Percentage of female employees returned to work after taking maternity leave (%)	100
Percentage of male employees returned to work after taking paternity leave (%)	100

Operating Practices

We attached great importance to maintaining good relationship with our customers, protected their information security and provided them with quality products and services consistently to protect customers' interests and maintain the competitiveness and leading position of our products. We valued the sustainable and friendly cooperation with our value chain partners and established standardized supplier management mechanism to encourage our suppliers to lead industry development and fulfill their social responsibility. We strove to achieve fair and win-win cooperation. In 2017, there was no substantial and significant dispute between the Company and its customers or suppliers.

In order to standardize our procurement activities, improve procurement efficiency, specify related job responsibilities, effectively reduce procurement cost and meet our demands for high quality resources, we further standardized our bidding and procurement procedures in accordance with government laws and regulations. We issued the *Bidding and Procurement Management Regulations (Trial)* to regulate the procurement of engineering, products (including off-the-shelf software products), software development and consulting services. During the supplier evaluation and audit stage, we required our suppliers to meet the requirements of the *Selection Measures of Qualified Suppliers* and with valid ISO9000 series quality system certification as

Indicators	2017
Number of suppliers	45
Number of suppliers from Mainland China	44
Number of international suppliers	1

well as quality and environmental management system certifications. We required all component suppliers to pass certifications by TUV/UL/VDE following the ISO guidelines.

To ensure the consumers' interests and product quality and provide all-round services, we established a dedicated inspection team for our home photovoltaic system brand "Cloud Families", carrying out maintenance inspections to ensure the normal operations of our products. Some dealers of the "Cloud Families" also provided product insurance coverage for equipment and possible damages and free insurance claim settlement trainings for our customers, which had greatly reduced potential losses caused by operation risks. The "Cloud Families" platform had also established an emergency mechanism to provide onsite maintenance and after-sale services to help the customers minimize possible losses.

In 2017, we filed trademark registration both in mainland China and Hongkong to ensure the effective protection of our brand name and trademark.

Community

The eradication of poverty is a major global challenge. Responding to the government's call for "Targeted Poverty Alleviation", we created a capacity-building poverty alleviation model with the "Cloud Families" platform to help farmers generate income. In addition, in Longhua Power Station and Gaocheng Power Station, we actively created employment opportunities for local residents to help them increase economic benefits.

We encouraged our subsidiaries and employees to actively support public welfare activities, especially in the fields of education development and supports for disadvantaged children, to promote the balanced development of charity.

Looking forward

2018 will be a crucial year for the development of the Company's smart energy and solar energy business as the home photovoltaic market in China starts a new round of growth. As the integration of the energy industry, the Internet industry and the modern information industry, smart energy will play an important role in promoting the development of China's green and low carbon economy and transforming China's energy production and consumption patterns.

We will stick to sustainable development and continue our efforts. Specifically, we will:



Smart Services for a Better World :

We will rely on our Cloud Platform with independent intellectual property rights and promote the development of comprehensive smart energy service business both online and offline. In the field of multi-energy complementation, we will leverage our advantages in technologies and industry experiences and resources in the fields of electricity, photovoltaics and heating to optimize our strategic layouts in relevant industries.



Collaboration for a Prosperous Industry :

We will maintain active communication with the government and respond to government initiatives and strategies. We will also communicate with industry peers to share with them our industry experience, and engage in reliable cooperation with our supply chain partners to jointly promote healthy industry development and achieve mutual prosperity and mutual benefit.



Targeted Measures for Poverty Alleviation:

We will follow the government strategic direction and respond to the call for targeted poverty alleviation, continue to optimize our unique poverty alleviation model based on the characteristics of the industry and the Company, continue to implement poverty alleviation projects and strive to achieve our poverty alleviation goals. In addition, we will pay attention to the needs of the disadvantaged groups and make efforts to change their lives for better.

2018, we will always be with you!



People-oriented for Employees Caring:

We will continue to protect the rights and interests of our employees, foster human resource development, facilitate with career development of our employees, and actively improve the life-work balance to allow our employees to work better and live better.

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