



中國水務
CHINA WATER

CHINA WATER AFFAIRS GROUP LIMITED
ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

中國水務集團有限公司 環境、社會及管治報告



2021
ESG 報告

中國水務



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詞彙

GLOSSARY

“ $\text{Al}_2(\text{SO}_4)_3$ ”	Aluminium Sulfate	硫酸鋁
“BOD”	Biochemical Oxygen Demand	生化需氧量
“ ClO_2 ”	Chlorine Dioxide	二氧化氯
“ CO_2 ”	Carbon Dioxide	二氧化碳
“COD”	Chemical Oxygen Demand	化學需氧量
“GJ”	Gigajoule	吉焦
“ H_2S ”	Hydrogen Sulfide	硫化氫
“km”	Kilometer	千米 / 公里
“ km^2 ”	Square kilometer	平方千米 / 平方公里
“kW·h”	Kilowatt-hour	千瓦時



“m ³ ”	Cubic meter	立方米
“MWh”	Megawatt-hour	兆瓦時
“NaClO”	Sodium Hypochlorite	次氯酸鈉
“NaOH”	Sodium Hydroxide	氫氧化鈉
“NH ₃ ”	Ammonia	氨氣
“NH ₃ -N”	Ammonia Nitrogen	氨氮
“PAC”	Polyaluminium Chloride	聚合氯化鋁
“SS”	Suspended Solids	懸浮物


核心價值觀

CORE VALUES





以水為本 達善社會



Water-oriented
Kindness to Society



董事會聲明

STATEMENT OF THE BOARD

China Water Affairs Group Limited (“China Water” or the “Company”), together with its subsidiaries and associates (the “Group”), upholds the business philosophy of “Water-oriented, Kindness to Society”, attaches great importance to environmental, social and governance (ESG), and organically integrates green operation and low-carbon development with the Group’s core strategy to create a win-win situation with satisfied customers, satisfied employees, satisfied governments and satisfied shareholders.

The Group has established a four-tier ESG management structure, which consists of the Board, the management, the functional departments and the subsidiaries. The Board is the chief ESG decision-making body, and is responsible for the Group’s environmental, social and governance strategies and reporting. The management is responsible for ensuring the consistent implementation of ESG-related work and reporting the progress to the Board on a regular basis. The functional departments formulate work plans for each ESG issue, supervise the implementation of such plans and report to the management regularly. The subsidiaries are equipped with dedicated personnel who are responsible for performing specific ESG tasks and carrying out data and information collection and compilation.

During the reporting period, the Group continued to improve its ESG management by holding focus group meetings to identify, evaluate and shortlist material issues and allocate appropriate resources to ensure the smooth implementation of ESG work. The management is responsible for overseeing the preparation of the ESG report, which will ultimately be reviewed and approved by the Board.





管理層聲明

MANAGEMENT'S STATEMENT

At the 75th United Nations General Assembly held in 2020, President Xi Jinping announced that “China will strengthen its intended nationally determined contribution by adopting more vigorous policies and measures, and aim to peak CO₂ emissions by 2030 and achieve carbon neutrality before 2060”. The green and low-carbon development has marked the course of technological revolution and corporate transformation in the current era, which also represented social progress and people’s aspiration for a better life.

As an advocate and a practitioner of low-carbon development, China Water has been staying true to its roots and working hard for progress to uphold its business philosophy of “Water-oriented, Kindness to Society”, implement the core strategies of water supply integration in urban and rural areas and water supply and drainage integration through steadfast determination,

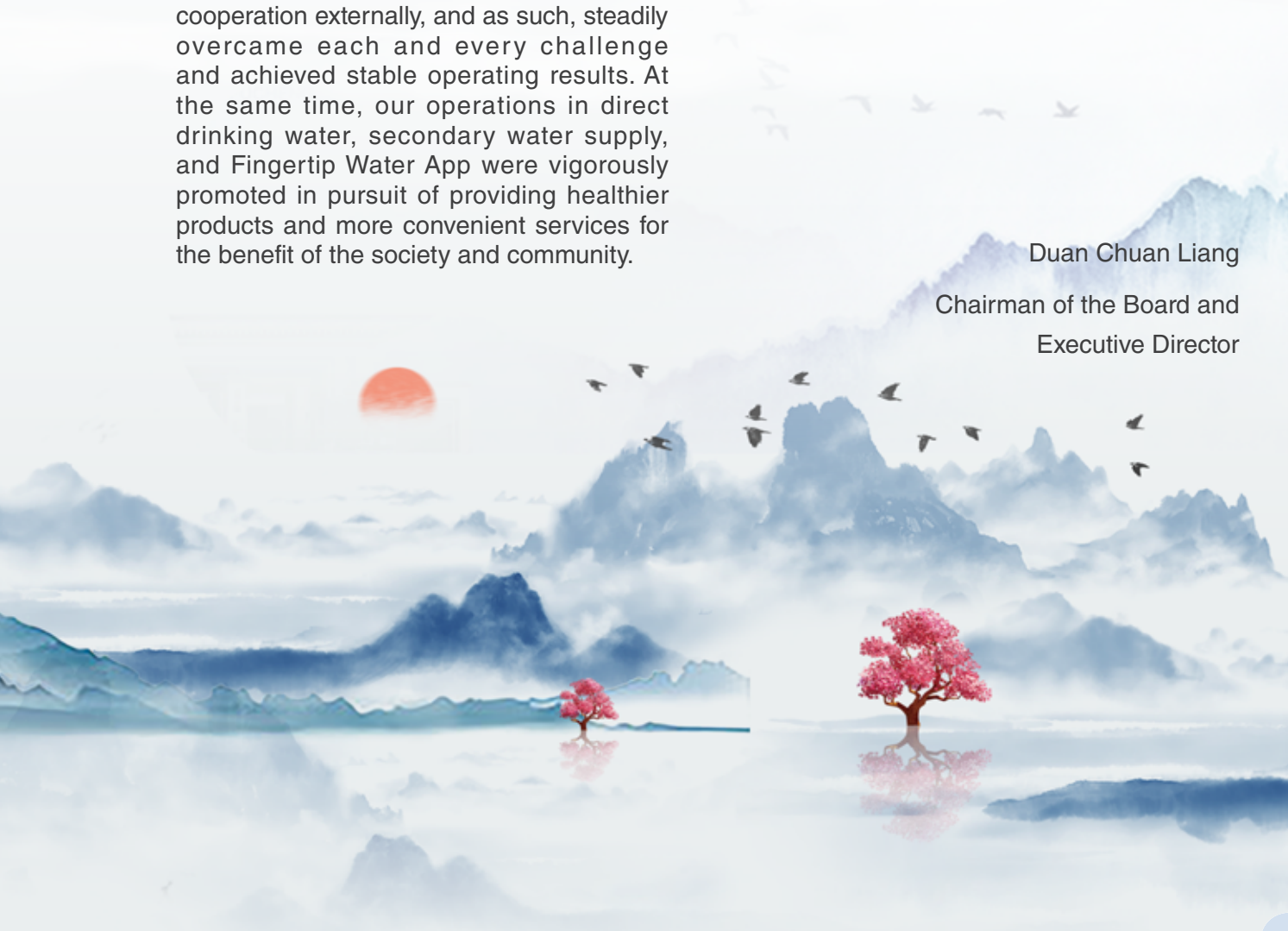
strive for the building up of the “China Water, Nourishing Thousands of Families with Love” brand, take concrete actions in responding to our nation’s call and fulfil corporate environmental and social responsibilities.

In anticipation of a low-carbon development trend in the next 40 years, China Water has performed designing at the top level and made overall deployment for the establishment of a green management system from a global perspective, grasped a profound understanding of the fundamental requirements of green and low-carbon operation, and realized the targets of “economical production”, “clean production” and “ethical production”, all of which enabled its corporate development to be built upon efficient use of resources, stringent protection of the environment and effective control of greenhouse gas emissions. With the establishment of a well-structured green

framework, the Group has successfully issued a US\$200 million green bond in May 2021.

The past year has been an unusual year as the novel coronavirus pandemic has profoundly changed the world and forced us to look at ourselves and the dialectical relationship between our development and the environment and society. Under such complicated circumstances, China Water has ridden out the storm and improved itself from inside-out by enforcing strict management internally and strengthening cooperation externally, and as such, steadily overcame each and every challenge and achieved stable operating results. At the same time, our operations in direct drinking water, secondary water supply, and Fingertip Water App were vigorously promoted in pursuit of providing healthier products and more convenient services for the benefit of the society and community.

Looking forward, as part of the wider effort in turning over a new leaf toward the construction of an ecological civilization under the National 14th Five-Year Plan, China Water will, by pooling together all resources and keeping abreast of the times, continue to base its development on green value, set out key tasks in relation to green and low-carbon development, compile an action plan for future green operation, and make greater contributions in tackling global challenges such as climate change, water shortage and environmental pollution.



Duan Chuan Liang
Chairman of the Board and
Executive Director

企業發展概況

OVERVIEW OF CORPORATE DEVELOPMENT

ABOUT CHINA WATER

China Water Affairs Group Limited is a company listed on the Main Board of The Stock Exchange of Hong Kong Limited (stock code: 00855.HK) and its shares are tradable under the Shenzhen-Hong Kong Stock Connect.

Since 2003, the Group has been committed to investing, constructing and operating water projects in mainland China, including raw water, tap water, direct drinking water, wastewater treatment, drainage operation, comprehensive water environmental renovation and water-related construction. The Group has grown into a professional and market-oriented international leader of integrated water operation across multiple regions, with its business covering 13 provinces, 3 municipalities and over 60 cities in the PRC. The Group is headquartered in Hong Kong, the PRC, with a national management headquarter in Beijing, our capital city.

SCALE OF THE GROUP

As of 31 March 2021, the Group had 199 water plants, with a total designed daily water supply capacity of 14.94 million m³; 19 sewage treatment plants, with a total designed daily sewage treatment capacity of 1.05 million m³; total length of water pipelines under operation and maintenance of over 155,000 km; over 6.70 million users of the Group's water supply service (number of registered water metres), representing an increase of approximately 1 million users as compared to last year, comprising approximately 6.25 million domestic users and approximately 450,000 commercial and industrial users. The Group had a total of 9,965 employees, representing an increase of 609 employees as compared to last year.

MAJOR OPERATING ACHIEVEMENTS

During the reporting period:

Total investment amount in acquisition of water projects

HK\$ **160** million

Total investment amount in new large-scale water construction and upgrade projects

HK\$ **3.68** billion

Total financing amount

HK\$ **5.57** billion



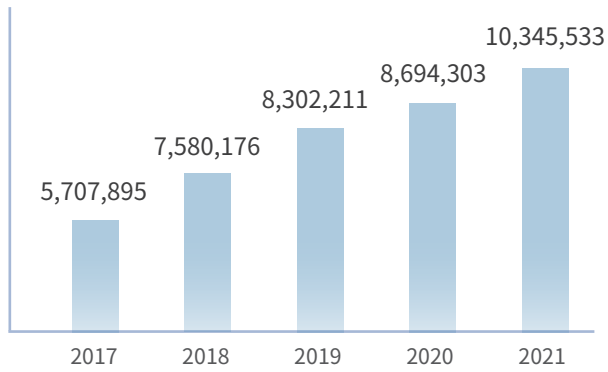


<p> Water supply business</p> <p>City water supply operation and construction</p> <ul style="list-style-type: none"> - Connected users over 6.7 million - Potential reaching population over 30 million people - Water pipelines of approximately 155,000 km 	<p> Environmental protection business</p> <p>Sewage treatment operation and construction (including water environmental renovation construction projects)</p>	<p> Drainage operation</p>
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Management indicators

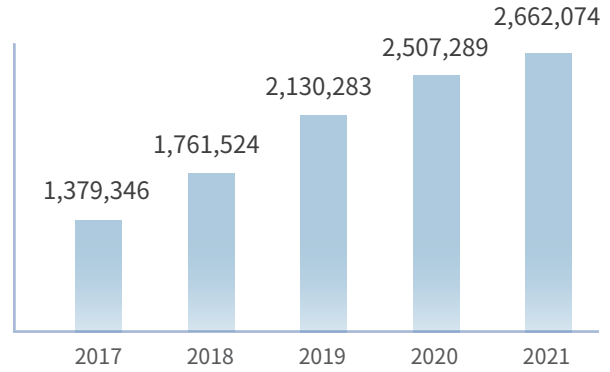
Revenue

Unit: HK\$'000



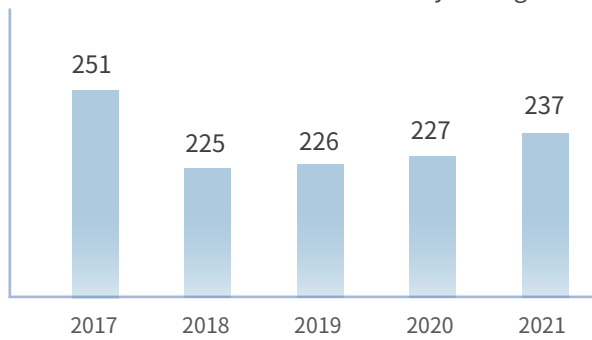
Profit

Unit: HK\$'000



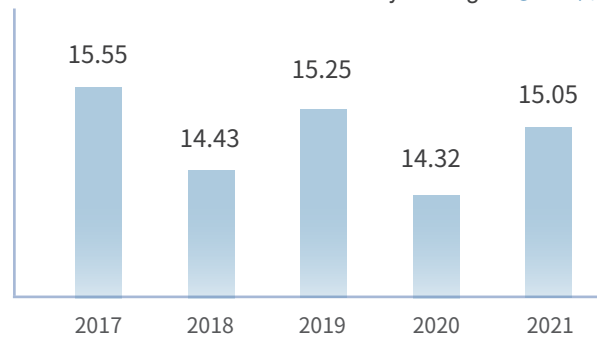
Power consumption per unit water supply

Unit: kW-h/'000 m³
Industry average 300



Leakage ratio

Unit: %
Industry average 23.22%



Source: The industry average is extracted from Urban Water Supply Statistic Yearbook (2019) of China Urban Water Association



HONOURS



China Water was awarded “Best Infrastructure and Public Utilities Stock Company” at the 5th Golden Hong Kong Stocks Awards.



Our subsidiary, Jingzhou Water Affairs Group Co., Ltd., was named as “National Civilized Unit” in 2021.



Our subsidiary, Changsha (China Water) Group Co., Ltd., was rated as “Advanced Unit in Water Supply Industry of Hunan Province” in 2021.



Multiple water plants under our subsidiaries, namely Zhenxin Zhuang Water Plant of Yuncheng Silver Dragon Water Affairs Co., Ltd., Liuji Water Plant of Wuhan Xinzhou District Changyuan Water Supply Co., Ltd., and the South-to-North Water Transfer Project – Ancillary Water Treatment Plant of Yexian Guoyuan Water Affairs Co., Ltd., were rated as “Best Water Plant Practice in Rural Water Supply” by the Ministry of Water Resources of the PRC in 2021.







利益相關方參與

STAKEHOLDER ENGAGEMENT

Stakeholder engagement is an integral part of the corporate governance of China Water. The Group's stakeholders mainly include our shareholders, investors, creditors, the government, our customers, consumers, employees, suppliers and the local communities. Adhering to our operating philosophy of "Water-oriented, Kindness to Society", the Group has established open, transparent and efficient communication channels with its stakeholders to promptly respond to their demands and to understand their expectations and suggestions on the sustainable development of the Group.

The Group defines its stakeholders based on the following four principles:

<p>Responsibility:</p> <p>Stakeholders associated with the Group in terms of policies, laws, regulations, contracts, financials and operation;</p>	<p>Decision-making:</p> <p>Stakeholders who have decision-making authority over the Group;</p>	<p>Dependence:</p> <p>Stakeholders who rely to a significant extent on the Group's operation and governance;</p>	<p>Impact:</p> <p>Stakeholders in the vicinity of the Group's business who are affected by our operation.</p>
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Stakeholders	Means of engagement and communication	Concerned Issues	Frequency or schedule
 Shareholders, investors, creditors	General meeting	Economic performance Supply chain management Organisational structure Governance measures	Regularly/as and when necessary
	Results announcement meeting		Annually/biannually
	Annual/interim report		Annually/biannually
	Press release/announcement		Regularly/as and when necessary
	Roadshow		Regularly/as and when necessary
	Investor conference		As and when necessary
	Site visit		As and when necessary
 The government	Correspondence	Operational safety Product quality and service Compliant operation Emissions Energy saving and consumption reduction Labour standards	As and when necessary
	Regulatory inspection		Regularly/as and when necessary
	Site visit		As and when necessary
	Themed conference		As and when necessary
	Seminar		Regularly
	Progress report		Regularly
 Customers, consumers	Customer satisfaction survey	Product quality and service Consumer rights protection	Annually
	Community services		Regularly
	Plant open day		Regularly
	Hearing		As and when necessary
	User seminar		Regularly/as and when necessary
	WeChat official account		As and when necessary
 Employees	Business meeting	Remuneration and benefits Employment Development and training Work environment Health and safety Labour standards	Regularly
	Employee seminar		Year-end/half-year
	Employee representative meeting		Annually/biannually
	Interview		As and when necessary
	Team building		Regularly
	Training		Regularly/as and when necessary
	Employee group activity		Regularly
	China Water News (internal publication)		Regularly
 Suppliers	Procurement tender	Resources use Procurement behaviours Anti-corruption	As and when necessary
	Site visit		As and when necessary
	Meeting		As and when necessary
	Product briefing		As and when necessary
 Local community	Plant open day	Community investment Charity and relief	Regularly
	Community service		Regularly/as and when necessary
	Survey on environmental and social impact		As and when necessary
	Public welfare and charity event		As and when necessary

實質性分析

MATERIALITY ANALYSIS

With reference to the requirements of “Environmental, Social and Governance Reporting Guidelines” of the Hong Kong Stock Exchange and the issues stated in the materiality list in “G4 Sustainability Reporting Guidelines” issued by Global Reporting Initiative (GRI) and taking into account the results of stakeholder engagement, China Water has identified, prioritised and verified issues of materiality and determined the level of disclosure and reporting boundaries.

Process of materiality analysis:



IDENTIFICATION

By rationalising our policies, setting out clear strategies, reviewing our business and determining our sustainable development goals, as well as considering our stakeholder engagement, the Group has identified 20 materiality issues and determined the scope and boundaries of their impact.

No.	Aspect	Materiality issues	Scope of impact					Boundary
			Internal	External				
				Investors and Creditors	Government	Customers and Consumers	Suppliers	
1	Establish a rational, effective and legitimate management platform	Governance measures	●	●	●	○	●	Materiality aspects are applicable to China Water and its subsidiaries and associated companies ⁽¹⁾
2		Organisation structure	●	●	●	○	●	
3		Economic performance	●	●	●	●	●	
4		Compliant operation	●	●	●	●	●	
5	Actively, comprehensively and sustainably promoting environmental improvement	Emissions	●	○	●	●	●	
6		Energy saving and consumption reduction	●	○	●	●	●	
7		Environmental protection	●	○	●	●	●	
8		Resources use	●	●	●	●	●	
9	Practice cooperative development of society with passion, kindness and aggressiveness	Employment	●	○	●	○	○	
10		Remuneration and benefits	●	●	●	○	○	
11		Development and training	●	●	●	○	○	
12		Health and safety	●	●	●	○	○	
13		Labour standards	●	●	●	○	○	
14		Supply chain management	●	○	●	○	○	
15		Procurement behaviours	●	●	●	○	○	
16		Anti-corruption	●	○	●	○	○	
17	Product quality	●	●	●	●	●		
18	Customer confidentiality	●	○	●	●	○		
19	Community investment	●	○	○	○	○		
20	Charity and relief	●	○	○	○	○		

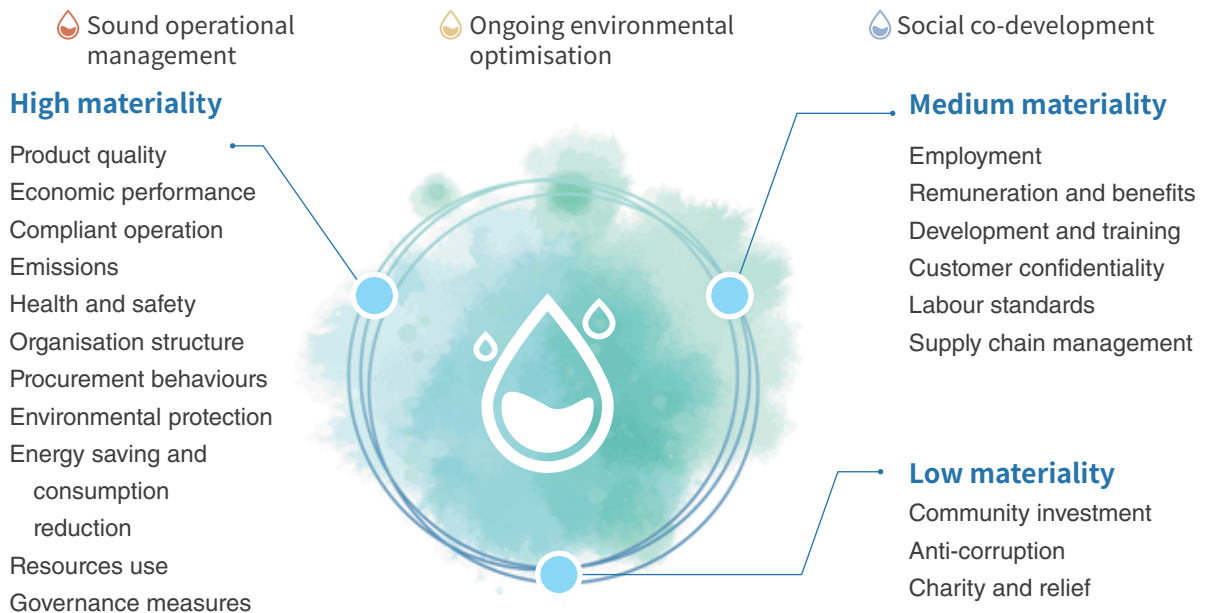
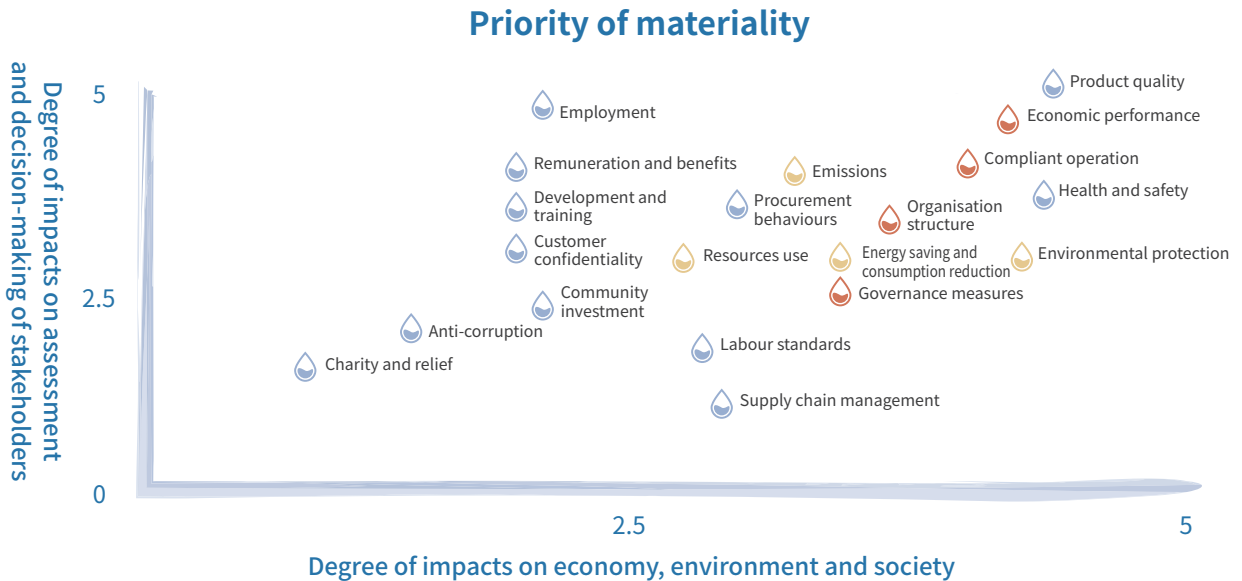
● represents materiality issues with larger impacts on stakeholders

○ represents materiality issues with less impacts on stakeholders

⁽¹⁾ Kangda International Environmental Company Limited ("Kangda International") is not included in this report. For details of Kangda International's Environmental, Social and Governance ("ESG") performance, please refer to Kangda International's ESG Report 2020.

PRIORITISATION

The identified materiality issues are prioritised in terms of importance according to the degree of impact on the economy, environment, society as well as the assessment and decision-making of our stakeholders.



VERIFICATION

In respect of the identified and prioritised materiality issues, the Group has collected opinions from experts, users and stakeholders and carried out verification in many ways. Meanwhile, the Group formulated administrative measures regarding the indicators involved in the materiality issues to determine the methods and procedures of indicator collection so as to ensure the reasonableness, balance and completeness of the report.

構建管治平台

CONSTRUCTION OF MANAGEMENT PLATFORM

Sound corporate governance is essential to boost investor confidence as it helps to define decision-making procedures and management responsibilities and increase operation transparency. China Water has always been committed to maintaining high standards of corporate governance and strictly complying with national laws, regulations and industry standards in the course of its operation and management as well as its mergers and acquisitions. It has been steadfastly implementing its sustainable development strategy to provide sufficient protection to the interests of its shareholders and create values for the society.



THE BOARD

As the highest decision-making body, the Board is responsible for formulating and authorising the Group's governance policies, providing leadership and supervising our management, reviewing the Group's business performance, and ensuring effective risk management and internal control. The Group's Board comprises 14 directors, including 5 executive directors, 4 non-executive directors and 5 independent non-executive directors.

The Board has set up three board committees, namely the Audit Committee, Nomination Committee and Remuneration Committee.

The Audit Committee is mainly responsible for reviewing the Company's accounting policies and monitoring the financial reporting procedures, monitoring the performance of the internal and external auditors, reviewing and verifying the effectiveness of the Group's risk management and internal control measures, and ensuring compliance with applicable laws and regulations and regulatory requirements.

The Nomination Committee is responsible for identifying qualified candidates for the Board, nominating talented professionals and quality individuals to join the Group, safeguarding a strong and diverse Board, and making recommendations to the Board on matters relating to the appointment or reappointment of directors as necessary.

The Remuneration Committee is mainly responsible for making recommendations on the remuneration policies and systems for senior management of the Company, reviewing the Company's remuneration structure and formulating remuneration incentive plans to ensure that the remuneration level is in line with the Group's long term interests and risk policies.



GOVERNANCE OF PROJECT COMPANIES

The Group abides by the "Administration Measures for the Concession Arrangements of Infrastructure and Public Utilities" in mergers and acquisitions of new projects. It actively cooperates with local governments to acquire project concession through public tenders or competitive negotiation, and establishes project companies at the same time. A board of directors, board of supervisors and operation and management team are formed within the project companies to

The Group's governance policy is in compliance with the relevant guidelines in the "Corporate Governance Code" and "Corporate Governance Report" as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. We have built a legitimate, rational and efficient governance model by establishing a sound management structure with comprehensive rules and regulations, conducting regular audits, fully implementing risk prevention and control, and disclosing accurate corporate information in a timely manner.



RISK MANAGEMENT

The Board is fully responsible for maintaining a sound and effective internal control system for the Group, which include establishing a risk management framework, defining authorities, safeguarding corporate assets against unauthorised misappropriation or handling, ensuring proper maintenance of financial records for internal use or disclosure, and ensuring compliance with laws and industry regulations.

The Group has established a four-level risk management framework comprising the decision-making level (the Board), the executive level (management), the operation level (departments of different functions in the Group's headquarter) and the corporate level (person-in-charge of risk management of the Group's subsidiaries) to meet the requirement for continuous control of risks during our business development. Within the framework, the Board is responsible for implementing controls from the top, while the business level, which includes our finance, engineering, operation, legal and human resources teams, utilise their expertise to help our management to discharge their internal control responsibilities. Meanwhile, the Audit Committee, assisted by our external auditors, is responsible for monitoring the practices of our management and the effectiveness of the internal controls in place.

During the reporting period, the Group's management held risk management meetings with our operation level and identified three types of significant risks, namely operational risk, compliance risk and financial risk. The audit department assessed our potential risks through surveys and interviews to further distinguish our risks and submitted the "Risk Management and Internal Control Report" to the Audit Committee.

perform such duties and exercise such powers of a decision-making organ, supervision organ and management organ respectively in strict compliance with the Company Law of the People's Republic of China.

For details of the corporate governance, please refer to the relevant contents disclosed in the annual report of the Group.

推進環境改善

PROMOTING ENVIRONMENTAL IMPROVEMENT

From the Kyoto Protocol to the Paris Agreement, low-carbon has always been a hot topic in promoting environmental improvement. “Achieving the goals of peaking carbon emissions by 2030 and achieving carbon neutrality by 2060” are the major strategic decisions made after careful consideration by the PRC government, and represent an important foothold for systematic economic and social change as the PRC officially enters the era of low-carbon development.

As a public utility company, China Water cannot and has no reason to stay away from this low-carbon revolution. In the past year, the Group maintained

steady growth in its main business of water supply and wastewater treatment, while continuing to vigorously promote water supply integration in urban and rural areas and the piped direct drinking water business, striving to improve the living environment in rural areas and provide healthy drinking water to more people. Following the publication of the “Green Operation Proposal for China Water Group”, the Group has mainly focused on organizing and commencing works related to energy saving and consumption reduction, reduction of the leakage ratio and utilization of clean energy throughout the year, and has achieved remarkable results.





Time Will Come When We Shall Mount the Wind and Break the Waves – The Issuance of Green Bond

Leveraging on the highest priority given to environmental protection over the years and the outstanding achievements in promoting environmental improvement, the Group has developed a well-structured framework for green finance and successfully issued US\$200 million, fixed-rate, senior unsecured green notes on 18 May 2021. The five-year bond in Reg S only format will mature on 18 May 2026 with 4.850 per cent coupon. An equivalent amount of the net proceeds were 100% allocated to the Group's existing sustainable water supply projects in accordance with the Company's green finance framework.

The framework for green finance has been developed to elaborate how the Group plans to implement green finance transactions to support projects and works that generate environmental benefits, thereby better achieving the Group's business strategy and vision for green sustainability. A green finance transaction may be an issuance of bonds, loans or other debt-type financing products, the proceeds of which shall be used for green projects as defined in the framework.

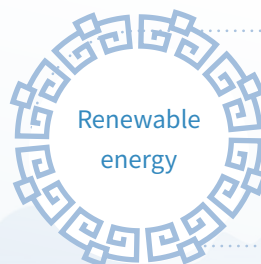
Management procedure for a green finance transaction:



Types of green projects:



Construction, modification or upgrade of water supply and wastewater treatment related facilities, infrastructure and system.



Construction of renewable energy (including solar and wind energy) production units.



List of green projects associated with this issuance:

Name of project	Type of project	Location	Current progress of the project
Daya Bay Petrochemical Zone Water Plant Phase II Project	Water supply	Huizhou City, Guangdong	In operation
Chenxi County Water Plant and Ancillary Pipeline Construction Project	Water supply	Chenxi County, Hunan	In operation
Ji'an Chengbei Water Plant Project	Water supply	Ji'an City, Jiangxi	In operation
Daya Bay Central District Water Plant Phase II Project	Water supply	Huizhou City, Guangdong	In operation
Jiangxi Wannian Shizhen Water Plant Construction	Water supply	Wannian County, Jiangxi	In operation
Ningxiang City Zhengnong Water Plant Relocation Project	Water supply	Ningxiang City, Hunan	In operation
Yifeng County Liangtou Water Plant 80,000 tons/day Water Intake Upward Adjustment Project	Water supply	Yifeng County, Jiangxi	In operation
Xiezhou Water Purification Plant and Urban Main Pipeline Network Construction Project	Water supply	Yuncheng City, Shanxi	In operation
Hubei Jingzhou City Urban Water Supply Pipeline Network Construction and Renovation Project	Water supply	Jingzhou City, Hubei	In operation
Guangdong Huizhou Daya Bay District Water Supply Pipeline Network Construction and Renovation Project	Water supply	Huizhou City, Guangdong	In operation
Jiangxi Pingxiang City Urban Water Supply Pipeline Network Construction and Renovation Project	Water supply	Pingxiang City, Jiangxi	In operation
Hunan Ningxiang City Water Supply Pipeline Network Construction and Renovation Project	Water supply	Ningxiang City, Hunan	In operation
Chongqing Yongchuan District Water Supply Pipeline Network Construction and Renovation Project	Water supply	Yongchuan District, Chongqing	In operation

Note: According to the framework for green finance, all project types listed in this table fall under “Sustainable water resources and wastewater management”.

Into Our Rural Villages, Embraced by Clear River Flows – The Continuous Advancement of Water Supply Integration in Urban and Rural Areas

In January 2021, the “Opinions of the CPC Central Committee and the State Council on Comprehensively Advancing Rural Vitalization and Accelerating the Modernization of Agriculture and Rural Areas” has specifically proposed for the comprehensive advancement of rural vitalization as a major task in realizing the great rejuvenation of the Chinese nation, the strengthening of rural public infrastructure construction, the implementation of rural water supply safeguarding projects, the enhancement of small and medium-sized reservoirs and other stable water supply projects construction and water source protection, the implementation of large-scale construction of water supply projects and standardized modification of smaller projects, and the conditional advancement of water supply integration

in urban and rural areas, in order to achieve a rural water supply pervasion rate of 88% by 2025.

Maintaining a steadfast determination in implementing water supply integration in urban and rural represents a strategic decision for the Group to uphold the business philosophy of “Water-oriented, Kindness to Society” and to better serve the people’s livelihood and economic and social development while ensuring a quality and safe urban water supply. Since the implementation of such projects, many of the Group’s companies have fundamentally achieved full coverage of urban and rural water supply and have accumulated rich experience in operation and management, solving many rural drinking water problems that have long troubled local governments and benefiting millions of rural residents.

Case: Water supply integration in urban and rural areas in Pengze County of Jiangxi is largely completed

Jiujiang Pengze Silver Dragon Water Affairs Co., Ltd., a subsidiary of the Group, has been responsible for promoting water supply integration in urban and rural areas in Pengze County of Jiangxi, for which total investment was RMB478 million. The company expanded the Pengze County No. 2 Water Plant by increasing its water supply capacity by 40,000 m³ per day; a combination of centralized and decentralized water supply methods were adopted in urban districts, characterized by the newly built Tianhong Water Plant, Huangling Water Plant and Haoshan Water Plant, the modified and expanded Mianchuan Water Plant, Madang Water Plant, Yangzi Water Plant, Shangxiling Water Plant, Leguan Water Plant and Dongsheng Water Plant, and the renovation of 3 small rural water supply facilities; 797.23 km of water transmission and distribution pipeline networks and 920.68 km of pipelines to villages and households were laid, which solved the drinking water safety problem for 372,700 people from 176 administrative villages in 17 towns and villages in Pengze County.

Case: Efficient takeover of rural water supply in Wugang City of Henan Province

Wugang Silver Dragon Water Affairs Co., Ltd., a subsidiary of the Group, has completed a takeover of all rural water supply projects in Wugang City in only six months through efficient coordination and a well-developed takeover proposal, including 3 rural water plants and 84 rural water supply facilities, covering an area of 612 km² and serving a rural population of nearly 250,000. After the takeover, the management of rural water supply has been significantly improved through various administrative measures such as optimizing the water meter reading method, strengthening the management of water meter services, carrying out energy saving and consumption reduction, repairing and renovating pipeline networks, and expanding payment channels, which have laid a solid foundation for us to continue exploring the rural market.

During the reporting period

490,000
households

were new household users of the Group

1.71
million people
were new rural water users





How So Crystal Clear the Water We Pursue – The Vigorous Effort in Developing the Direct Drinking Water Business

The development of the direct drinking water business with an aim to provide healthy and quality water for the general public represents a vital step to meet people's pursuit of a better life in a new era, to lead a healthy lifestyle and to create a new point of growth for China Water, and is a strategic choice to align with the social development trend and the needs of the people as well as to demonstrate corporate value.

Established a wholly-owned head office in Changsha City, Hunan Province for the direct drinking water business, which fully enhanced our management level and market expansion capabilities.

Established a joint venture, namely Jiangxi Yinli Direct Drinking Equipment Co., Ltd., with Japan's ORIX and Toray Group, and completed the construction of factory and production lines, which enabled automated and large-scale production, and the production of equipment products of first-class quality.

Signed a cooperation framework agreement with Nanjing Aquacup Technology Co., Ltd., laying a solid foundation for further development of the direct drinking water market.

Many of our subsidiaries have formed their own distinctive models for the development and operation of the direct drinking water business, which are widely recognized and supported by local governments and public.

The Group has established direct drinking water companies in

40 cities

Direct drinking water projects invested during the reporting period

232 projects

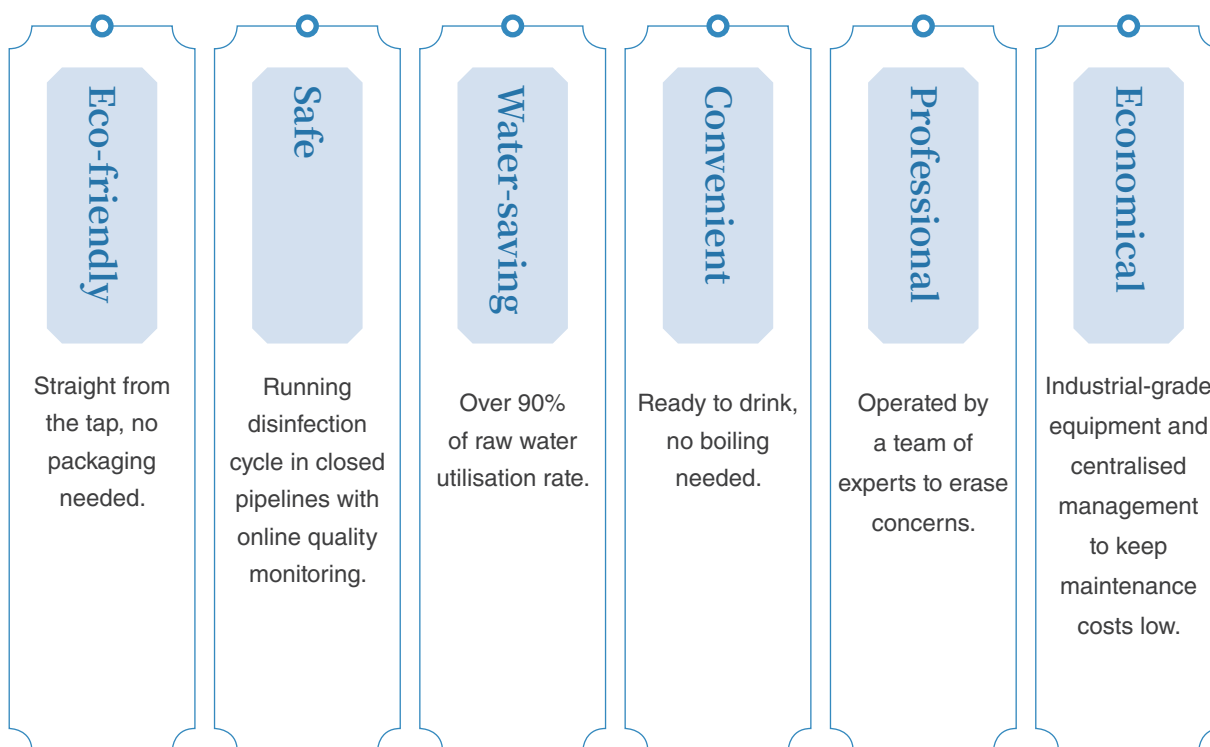
The total accumulated number of projects exceeded

800 projects

Serving a population of over

1 million people





Case:

The Group has invested over RMB40 million in Gao'an City, Jiangxi Province, and has completed 117 direct drinking water projects for enterprises and institutions, including a 60% direct drinking water coverage rate for school campuses, benefiting more than 120,000 people. At the same time, 21 residential direct drinking water projects are being implemented, benefiting approximately 55,000 residents. Currently, Gao'an City ranks first in the province in terms of direct drinking water supply pervasion rate.

Case:

The Group has invested RMB29 million in the construction of direct drinking water projects in Xinyu City, Jiangxi Province, including 9 projects for school campuses, 7 projects for enterprises and institutions, and 5 projects for residential communities, benefiting more than 60,000 people. In addition, the Group has invested in the construction of 3 municipal public area drinking water facilities.

Case:

The Group has invested RMB35 million in Yongchuan District, Chongqing, and completed 18 piped direct drinking water projects for residential communities, benefiting 20,000 households; and 13 piped direct drinking water projects for enterprises and institutions, benefiting approximately 10,000 people.



Environmental Management System Throughout the Process

In order to regulate the environmental and social management of investment and construction projects, the Group has formulated the “Environmental and Social Management System” (the “ESMS”) in 2011. It was subjected to multiple revisions and the latest version was prepared in September 2020. ESMS provides that the investment and construction projects under the Group shall comply with the system for the purposes of comprehensive identification and analysis of any potential environmental and social risks and formulation of remedial measures. Disclosure of information, discussion about concerned areas and supervision from relevant stakeholders shall be duly conducted throughout the implementation of the projects. Meanwhile, the Group has established a standardised management system which combines five key elements: water production, water supply, safety, service and branding. The Group inspects and supervises the compliance of its subsidiaries with the relevant standards on an irregular basis. An evaluation is conducted every year, whereby reward or punishment is made based on the marks given. Environmental management covering the whole process from initiation to ultimate operation of a project is basically achieved.



Relish in our Water, Rippling on the Glimmering Sunlight – Engaged in Urban Water Supply

The Group has been deeply engaged in the urban water supply business for decades and has a professional operation team with rich experience. The Group provides safe and quality drinking water to thousands of households through excellent management, and a strong sense of responsibility and commitment, to protect people’s livelihood, boost the economy and serve the society.

During the reporting period

Supply of purified water

1.463 billion m³

Ensuring accessibilities to water for drinking and other need for

30 million people





Let Water be the Protector of Our Field and Encircles our Green Earth – The Reduction of Environmental Impact of Wastewater

Wastewater collection and treatment and resource utilization are the core components of urban environmental infrastructure, and an important foothold in fighting the hard battle against pollution. The Group continuously processes its wastewater effectively to minimize its environmental impact. Meanwhile, the Group has upgraded its standards and modified its wastewater treatment plants to

ensure that the effluent quality is in compliance with the grade 1-A standard of the “Discharge Standard of Pollutants for Municipal Wastewater Treatment Plant” (GB18918-2002), and all wastewater treatment projects are equipped with effluent monitoring systems to enable recording of effluent quality data in a timely and reliable manner.

During the reporting period

Total processed sewage

192 million m³

COD emissions reduced by

41,097 tonnes

BOD emissions reduced by

19,795 tonnes

Discharge of SS reduced by

35,737 tonnes

NH₃-N emissions reduced by

4,660 tonnes





Our Dappled Shadows Hanging Aslant Over Clear Shallow Water – The Commencement of Comprehensive Remediation of Water Environment

The comprehensive remediation of water environment plays an important role in improving the living environment of cities and towns, accelerating the construction of an ecological civilization and promoting high-quality development. Starting from water resources, water ecology, water security,

water culture and water economy, with an aim centred around enhancing people's sense of access, happiness and security, the Group is actively participating in the comprehensive remediation of urban water environment and extending the enterprise's environmental value chain.

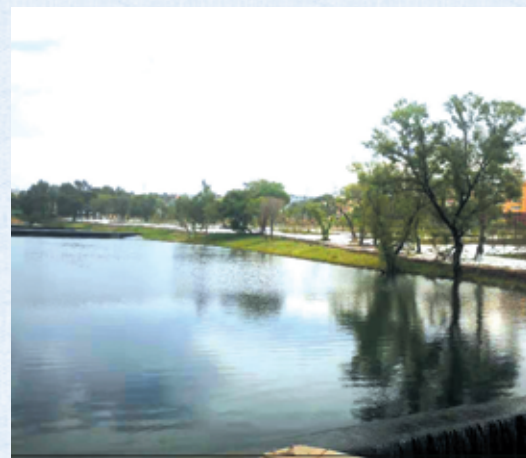
Case: Comprehensive remediation of water environment project of Maozhou River in Shenzhen

The remediation of Maozhou River has always been a major task for Shenzhen. Through a series of engineering measures that eliminate the threat of flooding, clean up river debris, dredge riverbed sediment and improve water quality, Maozhou River has once again become clear and beautiful for the world to see. The Group's portion of the construction works includes two ecological water replenishment projects and four drainage pumping stations construction projects, mainly completing the laying of 31.4 km of water replenishment pipelines, the newly built of 38 exhaust chambers, 51 blow-off chambers, 50 valve chambers, 13 flow meter chambers, 13 flow regulating chambers, as well as the greening and lighting of roads within the project area.



Case: Phase II of the comprehensive water and riverbank treatment campaign “Two Rivers and Fourteen Nullahs” in Hegang City

Phase II of the comprehensive water and riverbank treatment campaign “Two Rivers and Fourteen Nullahs” in Hegang City mainly includes channel works, sediment dredging works, sewage interception and pipeline works, greening works, roads and bridges, wastewater treatment stations and landscape along the river. The Group is responsible for construction in the Xishan Nullah section, which is 6.6 km long and has the largest workload among the 13 tender projects. At present, the laying of 7,011 meters of wastewater pipelines, the preparation of 412,100 square meters of green area, the planting of 6,387 trees, the construction of 9 public toilets, 7 bridges and 1 wastewater treatment station, as well as the whole river dredging and the construction and maintenance of barges have been completed.





And Then We Encounter the Shade of a Willow, Bright Flowers and a Lovely Village – The Commencement of Urban and Rural Drainage Operations

Improving the living environment in urban and rural areas and building beautiful and liveable villages are important initiatives to promote integration in urban and rural areas, to promote the harmonious resonance between towns and villages, and to

implement the concept of ecological civilization. The Group focuses on the issues relating to the urban and rural ecological environment, and vigorously commences drainage operations to protect our clear waters and green mountains.

Case: Urban and rural drainage integration PPP Project in Ningxiang City, Hunan Province

The Group successfully won a tender for an urban and rural drainage integration PPP project in Ningxiang City in July 2020, which includes both urban and rural parts. The urban part consists the expansion and improvement of Ningxiang City Wastewater Treatment Plant, the new construction of Baimaqiao Wastewater Treatment Plant and the phase III construction of Dongcheng Wastewater Treatment Plant. The rural part consists the operation of 30 wastewater treatment plants and ancillary pipeline networks with an aggregate scale of 40,000 m³ per day and a pipeline network length of approximately 151 km, and the upgrading and renovation of 26 wastewater treatment plants.



Case: Domestic wastewater treatment facilities bundled PPP project in Luhe County, Guangdong Province

The Group's construction of the bundled PPP project for domestic wastewater treatment facilities in Luhe County involves 8 towns and 253 natural villages, including 5 town-level wastewater treatment plants, 137 village-level wastewater treatment stations, with an aggregate town-level pipeline network of 20.97 km and wastewater treatment scale of 14,900 m³ per day, benefiting approximately 122,900 residents.





Operation and Maintenance of Urban Drainage Network

Within the Group there are professional providers of operation and maintenance for urban drainage network. With our flexible mechanisms, efficient management, capable teams and extensive experience, the Group has established a scientific and systematic operation and maintenance system

and management model for its urban rainwater and sewage pipeline network, which has continuously increased the operational efficiency of our drainage pipeline network and significantly improved the urban landscape and water environment quality in the region.



Together We Have the Autumn Water and the Skies on High – The Strengthening of Our Effort in Energy Saving and Emission Reduction

The year 2021 has finally become a watershed for the PRC to achieve “peak carbon emissions” and “carbon neutrality”, as President Xi Jinping has emphasized at the ninth meeting of the Central Financial and Economic Affairs Commission that “peak carbon emissions and carbon neutrality should be incorporated into the overall layout of building an ecological civilization, and we should put forth a spirit of perseverance in achieving the goals of peaking carbon emissions by 2030 and achieving carbon neutrality by 2060.”

and policies in the area of ecological civilization construction and carbon emissions, sparing no effort to promote energy saving and emission reduction, and actively transforming to a green and sustainable growth model. Through the publication of the “Green Operation Proposal for China Water Group”, we have comprehensively elaborated and analysed the grave difficulties in energy use and carbon emission in the domestic and global water industries, and introduced the green operation concepts of “economical production”, “clean production” and “ethical production”, under which the Group fully supervises all companies within the Group to carry out energy saving and emission reduction practices.

As a public utility company, the Group has always been a pioneer in low-carbon footprint, upholding the business philosophy of “Water-oriented, Kindness to Society”, firmly supporting the PRC government’s strategies

During the reporting period, there was no significant environmental pollution incidents occurred within the Group.



Improve resource utilisation efficiency and reduce energy and material consumption.



Continuous application of the environmental protection strategy of integrated prevention to our production processes and services to eliminate pollutants before their generation.



Emphasise the contribution of the production process to the people, environment and society.

Emissions

The major pollutants emitted during production and operation of the Group are divided into two categories:

The first category represents the sludge produced during the water production process at the filtered water plant, the key components of which are the dissolved substances in the natural body of water and the water purifiers added during the purification process.

The second category represents the waste gases, sludge and treated discharge produced during sewage treatment at sewage plant. Waste gases are CO₂, H₂S and NH₃ produced in the course of bioprocessing; sludge mainly includes silt, garbage and excess activated sludge; major pollutants in treated discharge are COD, SS and NH₃-N.

The Group has in place a comprehensive set of management processes and operational procedures for general emissions that have smaller impacts on the environment under its operation and management standards, covering identification, discharge, disposal and regulation of emissions to ensure compliant emission. Hazardous emissions produced by industrial sewage treatment plants are dealt with by qualified professional companies.

Emission categories and emission data (A1.1)

Category	Emission	Total volume of emission during the reporting period (tonnes)	Total volume of emission in the last year (tonnes)	Emission method	Compliance with applicable laws and regulations	
Water supply	Sludge	Naturally dissolved substances and water purifiers	180,296	165,442	Compliant emission	
Sewage treatment	Air emission	H ₂ S	Below emission limit	Below emission limit	Compliant emission	"Environmental Protection Law of the People's Republic of China"
		NH ₃	Below emission limit	Below emission limit	Compliant emission	"Environmental Impact Assessment Law of the People's Republic of China"
	Treated discharge	COD	3,928	4,533	Compliant emission	"Water Pollution Prevention and Control Law of the People's Republic of China"
		SS	1,519	2,224	Compliant emission	"Atmospheric Pollution Prevention and Control Law of the People's Republic of China"
	Sludge	Silt, garbage and excess activated sludge	73,704	60,710	Compliant emission	"Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Waste"
				Sludge from domestic sewage treatment plants is used for reclamation and electricity generation after dehydration and desiccation; and sludge from industrial sewage treatment plants is dealt with by qualified professional companies after dehydration and desiccation	"Environmental Quality Standards for Surface Water"	

Greenhouse gas (“GHG”) emission (A1.2)

GHG directly produced by the Group in the course of production and operation is very limited. It is mainly produced from fuel used in production and office premises; while the indirect generation of GHG is

mainly attributed to power consumption in the course of production. The direct and indirect GHG emissions are calculated in CO₂ equivalent (unit: tonnes).

Category	Scope 1 – Direct GHG emissions	Scope 2 – Indirect GHG emissions	Scope 3 – Other indirect GHG emissions	Total amount
Water supply business	1,749	320,546	N/A	322,295
Sewage treatment business	31	52,764	N/A	52,795
Total	1,780	373,310		375,090

* The definition of GHG Indicator Scope is cited from United Nation’s Kyoto Protocol and The Greenhouse Gas Protocol – A Corporate Accounting and Reporting Standard of WRI and WBCSD.

Scope 1: Direct GHG emissions which are derived from sources that are owned or controlled by the corporation (including those produced in the course of production process and those produced in fuel consumption).

Scope 2: Indirect GHG emissions which result from the electricity, heating, cooling and steam purchased from other entities for self-consumption (produced from purchased electricity).

Scope 3: Other indirect GHG emissions which are produced as a result of the activities of the entity but the emissions are not derived from sources owned or controlled by the corporation. The Group has not established any statistical method for scope 3.

Emission factor and global warming potential (“GWP”) are based on United Nation’s Inter-governmental Panel on Climate Change (“IPCC”) data.

Hazardous wastes (A1.3/A1.6)

The hazardous wastes produced in the course of operation of the Group are mainly sludge produced in our industrial sewage treatment plants. During the reporting period, total sludge produced was amounted to 4,988 tonnes, all of which were properly dealt with by qualified professional companies.

Non-hazardous wastes (A1.4/A1.6)

The non-hazardous wastes produced in the course of operation of the Group are mainly sludge produced in filtered water plants and domestic sewage treatment plants. During the reporting period, total sludge produced was amounted to 254,001 tonnes. Treated sludge, which met with the emission standards, was dealt with by the local environmental hygiene departments after dehydration and desiccation. Major processing methods include reclamation, compost or combustion for electricity generation.

Energy saving and consumption reduction (A1.5)

Given the characteristics of the industry, filtered water plants and wastewater treatment plants usually carry out advance construction activities beyond a certain degree, while the rate of equipment upgrade is relatively low, which means that there may be a deviation from the actual demand during the operation of water plants. In addition, water leakage and loss during the transmission process has always been a problem for the water supply industry. The Group has incorporated energy consumption and leakage control indicators into its performance assessment system, and has organized internal and

external experts together with professional third party institutions led by the headquarter, to conduct in-depth research and analysis on the operation of pumping stations, network scheduling and pipeline leakages of the water plants of the Group's companies, with an aim to fully explore opportunities for energy saving, scientifically develop leakage control measures, formulate, organize and implement feasible and practicable proposals for energy saving and consumption reduction according to the actual situation, and effectively reduce production costs.

During the reporting period

Energy consumption of the water supply business accounted for the cost of production with

16.36 %

Increased as compared with last year by

15.64 %

Energy consumption of the wastewater treatment business accounted for the cost of production with

19.02 %

Decreased as compared with last year by

21.60 %

All of the energy used by the Group is indirect energy (A2.1)

Category	Power consumption (MWh)	Unit power consumption (kW-h/000 m ³)	Fuel consumption (tonnes)
Water supply business	408,339	237	551
Sewage treatment business	67,215	351	9
Total	475,554	N/A	560

Total energy consumption (converted from power consumption and fuel consumption) is 1,712,324 GJ

During the reporting period, the average leakage ratio of the Group's water supply business was 15.05%, lower than the average leakage ratio of 23.22% of the industry; the average power consumption per unit water supply of the Group was 237 kW-h/000 m³, lower than the average power consumption per unit water supply of 300 kW-h/000 m³ of the industry (A2.3).

Develop clean energy

Compared with traditional energy sources, solar energy is an inexhaustible renewable energy source with the advantages of complete cleanliness, absolute safety, relative extensiveness, resource abundance and economical potential, and plays an important role in low-carbon strategy. The Group makes full use of the space and light conditions of its filtered water plants and wastewater treatment plants, and encourages the Group's companies to implement

distributed photovoltaic power generation to enhance the utilization rate of clean energy. During the reporting period, the Group provided 52,669 MWh of clean energy, accounting for approximately 11% of total power consumption; as of 31 March 2021, the total installed capacity of the Group's photovoltaic projects has reached 67 MW, providing approximately 15.4% of total power consumption under full load operating conditions.



Implementation of water conservation and water source protection

The Group's principal business is water supply and wastewater treatment, while it does not have any issue in sourcing water that is fit for purpose, but it has always been an advocate and practitioner of water conservation and efficiency (A2.4). During the reporting period, the Group's total water intake was 1,769.25 million tonnes, total water supplied was 1,721.9 million tonnes, and total water consumption was 47.35 million tonnes, representing a water consumption ratio of 2.68% per unit (A2.2).



Environment and natural resources (A3.1)

Construction and operation of water projects have considerable impacts on the environment and natural resources. The impacts mainly refer to the wastewater, waste gases, waste residues and noise produced in the course of construction, which are limited and generally temporary. When making an investment decision, the Group will fully consider the environmental and natural resources impact factors of the project and engage qualified third parties to carry out feasibility studies and assessment of environmental impacts in the earlier phase of the construction. External expert panels will also be engaged to conduct a second assessment. During the construction, while fulfilling basic quality and safety requirements, we try to maximise resources

conservation and minimise construction activities that have negative impact on the environment through scientific management and under technical guidance, so as to achieve conservation of energy, land, water and material as well as environmental protection.

No construction projects of the Group fall under category that may have a material impact on the environment under the Catalogue for the Classified Administration of Environmental Protection for Construction Projects issued by the State Council. The natural resources consumed are renewable industrial products, which are mainly the water purifiers and disinfectants added in the course of tap water production and sewage treatment.

Category	Type	Consumption (tonnes)	Unit average consumption (kg/000 m ³)
Water purifier	PAC	15,114	11.3
	Al ₂ (SO ₄) ₃	90	5.9
	NaOH	1,100	3.9
Disinfectant	Liquid chlorine	1,863	1.9
	ClO ₂	1,695	5.0
	NaClO	1,729	4.6

踐行社會協同發展

PRACTICE THE COOPERATIVE DEVELOPMENT OF SOCIETY

Having cultivated the water industry for 18 years, China Water has developed into a leading cross-regional integrated water service operator in China, with operations covering more than 60 cities and potentially serving a population of over 30 million. With high standards of management and services, the Group stay true to its initial calling of “Kindness to Society” and carries the ideal of “Nourishing Thousands of Families with Love”, with an aim to deliver safe and healthy water to thousands of households, create a liveable ecological environment and practise the cooperative development of society.

China Water’s vision is to build a progressive, service-oriented conglomerate, and to fulfil its corporate social responsibility while operating steadily. Following the outbreak of the novel coronavirus pandemic, the Group has responded to the national policy, took strict preventive and control measures, donated money

and materials to the pandemic areas, and provided assistance in any way it can. The Group continues to build up its “China Water, Nourishing Thousands of Families with Love” brand and strives its best to develop the Fingertip Water App, aiming to provide more comprehensive, professional and convenient services to all users.

China Water firmly believes that the growth of the enterprise relies on the joint efforts and silent contributions of all employees, and therefore spares no effort to creating a good working environment and development opportunities for its staff, firmly establishing a “people-oriented” employment philosophy. After the pandemic slowed down, the Group continued to carry out a variety of community activities as usual, spreading the warmth of China Water to every corner and contributing to community building and social development.

During the reporting period, the economic value created by the Group and the wealth distributed to stakeholders were as follows:

Stakeholders	Indicator	(HK\$'000)	
Investors/creditors	Revenue	10,345,533	Economic value created by the Group
Suppliers (products and services)	Cost	6,006,949	
Employees	Remuneration and benefit expenses	1,054,250	Economic value allocated by the Group
Creditors	Finance cost	370,577	
Shareholders	Dividend allocation	491,319	
Government	Income tax	867,547	
Investors/shareholders	Total equity	16,950,028	Economic value retained by the Group

Work together and help each other in the same boat to fight against the pandemic

Over the past year, the novel coronavirus pandemic has been rippling throughout China from time to time, but thanks to the stringent prevention and control policies of our government, the overall trend has been moving steadily in a positive direction. Under the unified direction of the Board and the

management, the Group actively responded to the pandemic prevention policy, commenced production and operation in an orderly manner, strengthened safety and protection measures, and worked together to combat the pandemic.

Ensure safe production to safeguard people's livelihood

The Group continued to promote the construction of information technology facilities to cope with the novel coronavirus pandemic as it become part of our normal lives, including the application and upgrading of a collaboration office system, a SCADA system for water supply scheduling, an unattended system for water plant/pumping station and a geographic information system for water supply pipeline network,

which were applied to ensure normal production and operation. Meanwhile, users could choose from multiple online channels to pay various fees, which enabled the Company to maintain sufficient cash flow. During the reporting period, the Group's production and operations were not affected by the pandemic, and the Group has achieved stable growth.

Be persistent in achieving safety and protection

Although the novel coronavirus pandemic in the PRC is on the decline, the Group has not taken it lightly and has strictly implemented various preventive and control measures, such as scanning and testing the temperature of staff entering and exiting, providing adequate pandemic prevention supplies, conducting

daily disinfection of public areas, stepping up publicity on vaccination and allowing remote work in areas suffered by the pandemic. During the reporting period, there was not a single case of staff or their family members contracting the novel coronavirus pneumonia.

Provide all-round support in times of trouble

The Group has demonstrated its humanitarian spirit by providing a helping hand to our compatriots in trouble, giving generous financial contributions and wholehearted assistance, carrying out donation

activities, and supporting the construction of pandemic prevention facilities, in a practical effort to demonstrate its business philosophy of "Water-oriented, Kindness to Society."



Fingertip Water App

Fingertip Water is a mobile app developed by the Group that encompasses the characteristics of China Water, integrating a variety of water services functions and carrying the service brand concept of “Nourishing Thousands of Families with Love”, with an aim to enhance the dimension of services, enrich user experience and strengthen community connection. The Fingertip Water App is designed with the concept of “services at your fingertip without needing to leave home”, with convenience as the fundamental starting point, and consists six sections, being payment enquiry, business application, customer service hotline, water services headlines, water services vision and life at the fingertip, in which users can rely on their mobile phone to check water usage, pay water bills, conduct applications, know the water quality, receive notifications and obtain news,

and enjoy timely, comprehensive and continuous access to the Group’s quality services. To protect intellectual property rights, the Fingertip Water App has been awarded a nationally recognised computer software copyright registration certificate and the Zhongguancun High-Tech Enterprise Certificate (B6.3). In addition, in order to protect the security of user information, users of the App are required to sign a “Fingertip Water User Agreement” during registration, which includes a “Fingertip Water User Privacy Policy” which specifies how user’s information is collected, used, stored, updated, deleted and protected (B6.5).

As at 31 March 2021, the Fingertip Water App was available in 50 cities with over 880,000 household users.

Advantages of our Fingertip Water App:

Establish a unified online service channel to facilitate management.

Accurate and effective delivery of notice to the users. Save operation cost by erasing the need to send SMS message.

Enable the payment of fee or deposit anytime and anywhere for more stable cash flow.

Enable big data analytics which lay the foundation for service expansion.





EMPLOYMENT

Employees

The Group safeguards the interest of employees by strictly following the requirements under the Labour Law of the People's Republic of China. It has entered into the Labour Contract with 9,965 employees, achieving a 100% signing rate.

Anti-discrimination

The Group follows a diversification and anti-discrimination principle to treat all employees fairly and recruit employees regardless of gender, race, pregnancy and religion.

Employee structure by gender and age (B1.1)

Female (aged above 50) 1%

Male (aged above 50) 8%

Female (aged between 40 to 50) 13%

Male (aged between 40 to 50) 15%

Female (aged between 30 to 40) 17%

Female (aged below 30) 10%

Male (aged between 30 to 40) 22%

Male (aged below 30) 14%

Gender and age ratio of the Group's employees

Remuneration and benefits

The remuneration system of the Group accords with the principle of "work more; get more". Employees' remunerations are determined based on individual performance and comprise position compensation, annual salary, stocks and share options. The income of employees is closely linked with the Group's economic benefits, which serves as an incentive to employees.

The Group provides a comprehensive range of benefits for its employees, including the payment of five insurances and one fund in accordance with the law. The Group also provides a full range of work safety supplies, provision of transport, communication, holiday and catering allowances, and a paid leave system under which paid leaves are granted for national statutory holidays.

Employee distribution by position

Employment Type	Gender	Number	Proportion (%)
Senior management	Male	485	80
	Female	118	20
Mid-level management	Male	818	68
	Female	381	32
Technicians and operation workers	Male	3,808	57
	Female	2,926	43
Others	Male	789	55
	Female	640	45

Male/female employee proportion, proportion of local employees and annual employee turnover rate (B1.2)

Indicators	As at the end of March 2021
Total number of employees	9,965
Male (percentage)	5,900 (59%)
Female (percentage)	4,065 (41%)
Proportion of local employees	91%
Annual employee turnover	1.44%

Care for employees

The Group not only offers competitive remuneration package and fringe benefits to its employees, but also provides necessary assistance to employees with distress due to special circumstances. On every holiday or anniversary, management personnel at all levels will pay visits to employees who stay loyal to their positions and provide sincere care and greetings



to them. Being gratitude to where we operate, the Group encourages employees to actively contribute to the society by participating in activities such as voluntary blood donation, voluntary tree planting and community construction as well as fostering an optimistic and healthy attitude towards work and life.



Health and safety (B2.3)

Always adhering to the safe production concept of “safety first and prevention,” the Group is committed to minimising the potential safety and health risks in the workplace and creating a compliant working environment for employees. The Group has in place safe production regulation standards that provide the appointment of a safety officer and enters into the accountability letter for safety target with each level within the corporation,

coupled with regular risk inspections. Operating procedures and operation guidelines are continuously optimised during routine production. Specific plans are put in place to conduct safety trainings and tests on employees to ensure that they are familiarised with the management requirements and operating procedures. During the reporting period, no case of material safety liability incident occurred within the Group (B2.1/B2.2).

Indicators	Number
No. of employees involved in fatal incidents	0
No. of employees involved in work injury	2
No. of days lost due to work injury	111



Training and development

Staff training represents a strategic investment with minimal risks and maximum benefits for enterprises, and is an important way for enterprises to enhance their competitiveness and achieve sustainable development. By enhancing training, the Group has



been able to improve the professional skills and ethics of our staff, develop their potential and motivate them to work, and continuously improve their efficiency and quality of work.



China Water Network College

As the novel coronavirus pandemic still affects the organising of on-site training, the Group has developed an internal online training platform, namely China Water Network College, after thorough research and by combining with development strategy, business characteristics, corporate culture and learning needs, with training courses carefully prepared by internal and external lecturers hired by the Group, which allow employees to receive training or learn on their own anytime and anywhere using computers and mobile phones.

China Water Network College has set up four major courses for different learners, namely the new employee

training, job training, career advancement training and leadership training, with corresponding learning tasks for senior management to new employees, part of which requires completion of examinations to obtain course credit. Through backstage statistical survey, the human resources department can have a more direct grasp of the overall training status and staff learning progress to ensure that the Network College stays in tune with the times and better aligns with the development of the Company and staff in terms of subsequent planning and construction.

Strengthening the building of the reserve cadre team

The Group upholds the concept that human resources is our first and foremost resource and attaches great importance to the building of a talents echelon. A long-standing and effective mechanism has been established for the selection, cultivation and appointment of reserve cadres to provide a reserve of quality talents for the sustainable and stable development of China Water's business.

The selection of reserve cadres follows the principles of openness, equality and meritocracy, combined with the use of self-nomination and group recommendation, to ensure an echelon structure with reasonable professionalism and age. The

training of reserve cadres is focused on the creation of talents with complex characteristics, not only is the training focused on enhancing professional ethics and skills, but also on gaining experience in various positions, in order to create a team of talents that possess integrity and skills, good moral compasses and courage to bear responsibility. The reserve cadres are dynamically managed, with outstanding personnel being appointed to important positions in a timely manner, and those who do not meet the standards being adjusted and replaced with suitable personnel to form a reserve cadre team building mechanism that is strictly managed, meritocratic and diversified.

Training for employees (B3.1/B3.2)

Rank	Gender	Average training hours (hrs)	Percentage of employees trained (%)
Senior management	Male	65	100%
	Female	51	100%
Mid-level management	Male	70	100%
	Female	70	100%
General staff	Male	36	100%
	Female	37	100%

Labour standards

The Group follows the relevant provisions in the Labour Law and the Labour Contract Law of the PRC and complies with the relevant rules of the International Labour Standards (“ILS”). The Group does not allow any form of forced labour and respects the right of workers to choose their profession freely. Labour contracts are entered into on an equal and voluntary basis. The Group does not require any employees to provide any collateral as a condition of employment. Employees are entitled to resign from work freely in accordance with the law.

As child labour (aged below 16) is strictly prohibited by the Group, rigorous screening is performed during recruitment. Employment is subject to approval by the local public security bureau and the bureau for labour and employment after the original identification document is verified (B4.1).

China Water respects workers’ right to rest. Work hours do not exceed the national standards, i.e. no more than 40 hours per week. Regulations for overtime work of

employee is put in place. Any overtime work should be unanimously agreed with employees and compensated. No physical assault, mental oppression or verbal abuse to employees is allowed. The Group does not discriminate employees at work because of their age, gender, race and religion.

Each subsidiary of the Group has established a labour union as required. Employees may join a union of their own volition. Representatives of a union may negotiate with the respective company in respect of matters relating to their interest such as employment, wages and benefits, training and development, etc.

Human resources department and audit department has been established under the headquarters and in each subsidiary of the Group to regularly review and deal with violations of labour standards. During the reporting period, no violation against labour standards was identified (B4.2).





SUPPLY CHAIN MANAGEMENT (B5.2)

The Group extends our value of “Kindness to Society” to the supply chain level to ensure that the products and services of our suppliers meet our ideal of sustainability.

The Group adopts centralised procurement and conducts regular procurement tenders in its supply chain management. Our professional procurement department integrates and consolidates bulk materials through demand analysis and implements standardised and centralised procurement, which can improve work efficiency, regulate procurement practices, ensure product and service quality and reduce resource consumption during the procurement process. The Group also utilises an e-procurement platform to manage its suppliers and carry out open

tender, invited tender, tender renewal and tender request based on different procurement sizes and procurement features, which ensures the fairness and openness of the tender process.

The Group has prepared a supplier catalogue for bulk materials procurement for preliminary approval of the qualifications of suppliers. Criteria for approval include not only the scale, capability and quality of products and services of suppliers, but also whether or not suppliers have in place well-established policies in respect of environmental protection and social risk management. The supplier catalogue will be updated every year based on the cooperation status and suppliers’ environmental and social performance.

Distribution of suppliers (B5.1)

Northwest China 37	North China 212	Northeast China 25
	Central China 365	East China 715
Southwest China 148	South China 353	Total 1,855

* The data above indicates the number of suppliers that have entered into a supply contract with the Group during the reporting period, excluding suppliers which made occasional purchases.

PRODUCT RESPONSIBILITY

The Group considers product quality as its heart and implements product quality management in strict accordance with the relevant PRC laws and regulations and industry standards. The quality of tap water produced by its water supply subsidiaries must meet the Standards for Drinking Water Quality (GB5749-2006), the discharge generated by its sewage treatment subsidiaries must meet the Standard of Pollutants for Municipal Sewage Treatment Plant (GB18918-2002), and the pipeline direct drinking water supplied by its direct drinking water subsidiaries must meet the Standards for Clean Drinking Water Quality (CJ94-2005). During the reporting period, the Group did not record any product recall due to product quality, safety and health reasons (B6.1).



Publish the enhanced China Water Operation Management Standards

The Group has established a standardised management system comprising “Water Production Operation Management Standards”, “Water Supply Operation Management Standards” and “Safety Production Management Standards”. However, in order to better guide the production and operation of our subsidiaries and further improve the standard of management, the Group had been planning to enhance the above three standards. After a year of in-depth research and extensive consultation, with scientificity, reasonableness, comprehensiveness, systematicity and practicability in mind and combined with actual operation and management situation, the Group extracted and summarised the advanced experience in the industry and eventually completed the preparation of “China Water Operation Management Standards” and circulated it to its subsidiaries. The Standard is divided into three volumes, namely Management System, Operation Procedures, and Operation Instructions and Record Forms, which substantially cover every aspect of water supply operation and management.



Expand Water Quality Testing Laboratory

Water quality testing is a key component in the quality management of domestic drinking water products and has a bearing on the healthy drinking water of countless households. Water quality testing laboratory is the core institution for carrying out water quality testing. According to the “China Water Technical Standards for Qualification of Laboratory”, the Group sets out explicit requirements for the construction and management of water quality testing laboratories for its subsidiaries. A special working group has also been set up to conduct on-site inspections from time to time throughout the

year to ensure that the classification, installation of equipment and facilities, and personnel management of water quality testing laboratories in each subsidiary are in compliance with the standards, so as to continuously strengthen and enhance its own testing capability. At present, the Group has 2 laboratories which provide a full range of 106 types of tests; and 8 laboratories which provide 42 types of tests. We conduct internal or commissioned tests in strict accordance with the national water quality testing standards to ensure that our products are qualified in terms of quality (B6.4).



Organise water plant open days

To enable the Group's users to get a closer look at the "journey" of tap water, the Group's subsidiaries organise water plant open days from time to time to invite the public to observe the production process and distribution of tap water and place the processes under the supervision of the whole community. The subsidiaries also take the opportunity to listen to the views and suggestions from user representatives to refine their concept and specific measures, with an aim to improve the quality of their products.



Continue to build the service brand “China Water, Nourishing Thousands of Families with Love”

The Group continued to establish the service brand “China Water, Nourishing Thousands of Families with Love” on all fronts. Guided by the insistence on pursuing social co-development and leveraging on the cultivation of service culture, the Group aims at enhancing core competitiveness and its ultimate goal

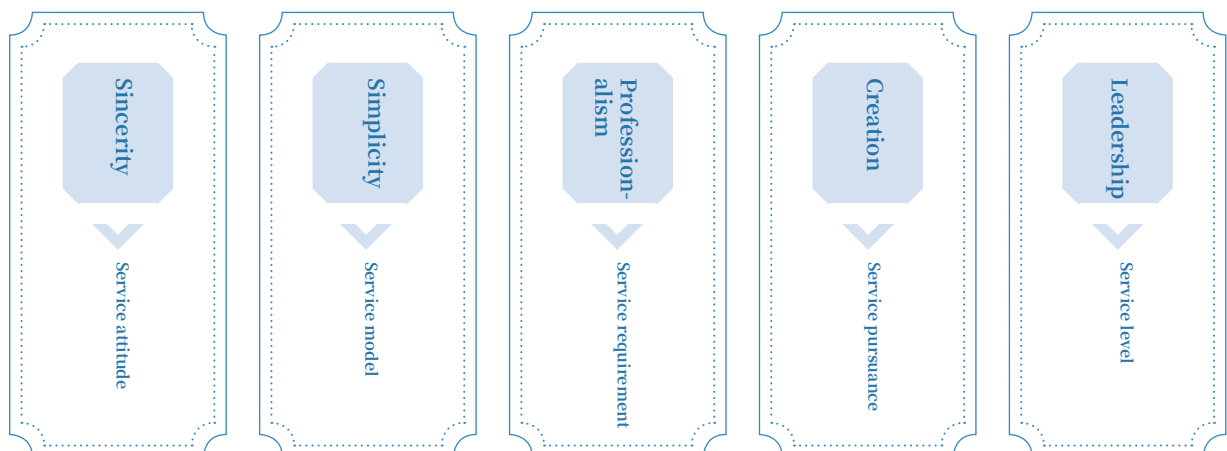
is to satisfy its users, employees, the government and its shareholders and to allow China Water’s brand influence to reach a whole new level.

The Group’s subsidiaries have comprehensively implemented the requirements of service brand building and allocated resources where needed. They have set

up 24-hour service hotlines to continuously refine our “one-stop” service content and external service commitment system, with a comprehensively streamlined workflow of customer consultation, business conduction, request of repair, complaint, maintenance and repair, where customer experience and feedback are highly valued (B6.2).



During the year, the Group organised a service brand story contest “Brand Lighten Future” where competitors could participate in three areas, namely speech, literature and short film. It aimed at exploring touching brand stories and outstanding role models and praising the dedication and hard work spirit of China Water’s staff.



ANTI-CORRUPTION

The Group has always placed importance in building a corruption-free culture. By continuously refining our finance, construction, procurement, investment and audit systems to regulate group and individual behaviours, we provide anti-corruption education to all staff. It has a zero-tolerance policy towards abuse of power of duties and position for personal gain which damages the interest of customers, suppliers and other third parties. The Group has

established an audit committee and an audit department to regularly conduct risk identification meetings, systematically carry out comprehensive anti-corruption inspections and set up a public whistleblowing hotline, enabling both internal and external inspections of the Group (B7.2).

During the reporting period, no litigation relating to corruption was identified by the Group (B7.1).

PARTICIPATE IN COMMUNITY BUILDING AND CONTRIBUTE TO WATERWORKS

Participating in community building and fulfilling social responsibilities have long been part of China Water's corporate culture. Being carried by water, the Group creates performance and value with the best services. Silently and softly, the Group delivers high quality waterworks and promotes the spirit of water for community building to gratify the thirst of life. The Group strives to become the most respected water supplier.

In the process of creating the service brand "China Water, Nourishing Thousands of Families with Love", the Group has always strived to respond to community needs and provide support. For

example, the Group continued to organise activities such as "Service in Community" and "Service in Rural Area" to coordinate voluntary community work and solve residents' difficulties in their daily lives. Priority was given to local residents and businesses in recruitment and suppliers selection to revitalise the community. Free or discounted water supply were provided for groups in need. The Group strived to become the friendliest neighbour in the community and practiced filial piety to fill the community with love through actively organising charity activities such as care home visits, left-behind children visits and family-in-need visits (B8.1/B8.2).



香港聯交所《環境、社會及管治報告指引》內容索引

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報告概況

REPORT OVERVIEW

This report sets out a systematic review and overview on China Water Affairs Group Limited's implementation of its corporate governance initiatives and performance of its environment and social obligations.

Reporting period:

1 April 2020 to 31 March 2021.

Basis of preparation:

Prepared in accordance with the ESG Reporting Guide of Appendix 27 to the Main Board Listing Rules of the Hong Kong Stock Exchange and the Sustainability Reporting Guidelines ("G4 Guidelines") issued by Global Reporting Initiative.

Publication:

This report is prepared in both Chinese and English, which is published on China Water's official website.

<http://www.chinawatergroup.com>

We sincerely invite feedbacks and recommendations from various parties (readers) regarding the report and the environment, social and governance initiatives of China Water. Please contact us via the following means:

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