



**KANGDA INTERNATIONAL
ENVIRONMENTAL COMPANY LIMITED**

康達國際環保有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 6136

A large, artistic photograph of a water splash in the foreground, with a wastewater treatment pond and greenery in the background. The water splash is dynamic and blue, creating a sense of movement and freshness. The background shows a clear blue sky and a lush green landscape.

2016
**Environmental,
Social and
Governance Report**



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ABOUT THE REPORT

This report is the first environmental, social and governance (“ESG”) Report of Kangda International Environmental Company Limited (“Kangda International”, the “Group”, “we”) . The Report is prepared in accordance with the Appendix 27 Environmental, Social and Governance Reporting Guide (the “ESG Report Guide”) set out in the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “SEHK”), covering the performances and statistics in the area of business development, environmental protection, staff caring , community investment etc. made by the Group for the period from 1 January to 31 December 2016.

This report mainly covers projects of Kangda International such as Urban Water Treatment, Water Environment Comprehensive Remediation, and Rural Water Improvement. The report principally makes assessment and analysis on material matters and conclusion is made upon the opinion of the stakeholders. For details, please refer to the section headed “Social Responsibility Management”.

This Report is passed by the Board on 30 March 2017 after confirmation by the management.

For any inquiry or comment about this report, please submit to us in the following manner:

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CHAIRMAN STATEMENT

We are pleased to present to you the first ESG Report of Kangda International. In the future, we will issue the report annually to update the business development of Kangda International and share the experience and result in the performance of our corporate social responsibility.

In 2016, Kangda International faced many challenges, including the uncertainties of the development trend of the Chinese economy, the increasing risk of downward pressure. Local economic activities were affected to a certain extent. More enterprises from other industries shifted their business to environment business, resulting in a more intense competition in the market. Moreover, the Environmental Protection Law was duly implemented in China on 1 January 2015. The standards under the law is more stringent and more effort in put on monitoring, imposing higher pressure on the operation of environment protection corporation.

Although uncertainties exist in the market and the overall operation environment is full of challenges, the "13th Five-Year Plan" by China maintained the growth of environmental protection industry. Many environmental protection policies such as the Action Plan for Preventing and Treatment of Water Pollution (《水污染防治行動計劃》) ("Ten Measures for Water") were introduced, bringing different opportunities to the industry. Financial instability of the local government has accelerated the development of public-private partnership (PPP). Kangda International successfully seized this market opportunity and secured new projects such as the Shandong Province Rushan City Urban Area Water Supply and Drainage PPP Project, Henan Province Hebi City Shancheng District Tang River Basin Integrated Treatment Project and Guangdong Province Yunan County Entire County Domestic Wastewater Treatment Bundle PPP Project. We also completed the acquisition of Qitaihe Wanxinglong Water Co., Ltd., etc. As at 31 December 2016, daily capacity of the relevant wastewater treatment project under the effective concession agreement has reached 3,363,350 tonnes, an increase of 20% as compared to the 2,807,800 tonnes per day in 2015.

In order to strengthen the competitiveness of the Group, we have been actively improving our ability in technological innovation and pursuing the perfection of our technology. In April 2016, we formed an associate with the top-notch institution of water environment treatment in the PRC, 702 Research Institute of China Shipbuilding Industry Corporation * (中國船舶重工集團公司第七〇二研究所), so as to maximize the Group's technological advantage over water environment treatment. Our research and development team successfully obtained a number of patents for invention and technology during the reporting period, enabling us to apply our self-developed technology on various environmental project of Kangda International, further improving the operation efficiency of our projects and making better contribution to the water environment protection in China.

Furthermore, we continued to review and perfect the remuneration and benefit system as well as training program of our staffs to let them have a better personal and career development in Kangda International. Safety production has been our first consideration all the time and we are committed to provide a safe working environment to our staffs. We are pleased to announce that no working injuries and accident occurred during the reporting period.

The existing projects of Kangda International widespread in 12 provinces and municipals. While we are developing our business in the locations of our projects, we also actively participated in the development and the community activities of the regions. We keep in touch with the local community to maintain a harmonious and stable relationship. In January 2016, our Weifang Branch established the Sunshine Foundation (陽光基金會), to give return and support to the local community in a more direct way. We sincerely wish that we could grow together with the local communities and to create a brighter future.

In general, in the challenging year of 2016, Kangda International overcome all the difficulties and achieved a satisfactory result. In 2017, we will keep looking for more development opportunities in the market to strengthen Kangda International and facilitate its transformation from a provider of traditional wastewater treatment services to an urban environmental and comprehensive treatment solutions provider, and rapidly expand into other areas of the water industrial chain, focusing on comprehensive river remediation, sponge city, reclaimed water, and photovoltaics power generation, etc. The Group will continue its endeavor to develop higher quality water environment management projects, protect the valuable water resources to create a better environment for our future generation.

Zhao Juanxian (alias, Zhao Junxian)
Chairman

Hong Kong, 30 March 2017

HIGHLIGHT FOR 2016

BUSINESS DEVELOPMENT

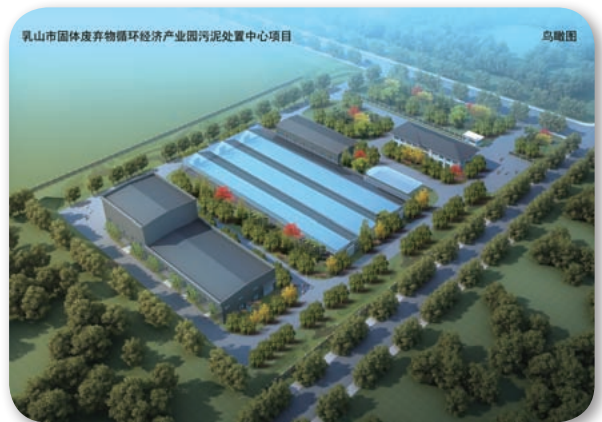
- Duly executed the Operating Agreement for Wastewater Treatment Plant in 12 villages and towns including Feng County Chang Dian Town (《豐縣常店鎮等十二個鄉鎮污水處理廠委託經營協議》) with Feng County People's Government. The agreement covers the wastewater treatment business for 12 villages and towns including Chang Dian Town with designed total daily capacity of 7,400 tonnes.



Secured Guangdong Province Yunan County Entire County Domestic Wastewater Treatment Bundle PPP Project, construction was commenced in October 2016



Secured Shandong Province Rushan City Urban Area Water Supply and Drainage PPP Project



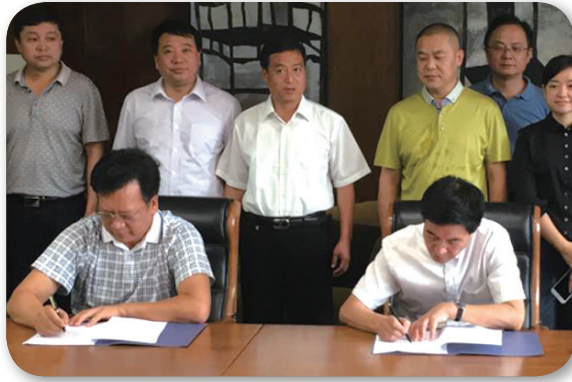
Secured Jiangxi Province Fu River Basin Ecological Environment Protection and Comprehensive Treatment (Phase I) PPP Project



Secured Henan Province Habi City Shancheng District Tang River Basin Integrated Treatment Project



Successfully acquired Qitaihe City No. 1 Wastewater Treatment Plant



Executed the water supply concession agreement with the Management Committee of Industrial Cluster Region in Shanzhou District, Sanmenxia City, Henan Province



Successfully acquired 3 companies under Shandong Guohuan Industrial Investment Co., Ltd. (山東國環產業投資有限公司), including Dong'e County Guohuan Sewage Treatment Co., Ltd. (東阿縣國環污水處理有限公司), Liaocheng Municipal Jiaming Guohuan Sewage Treatment Co., Ltd. (聊城嘉明國環污水處理有限公司) and Linqing Municipal Guohuan Sewage Treatment Co., Ltd. (臨清市國環污水處理有限公司)



Successfully acquired Shaanxi Qishan County Dayuan Sewage Treatment Co., Ltd.* (陝西岐山縣大源污水處理有限責任公司)



Successfully acquired Henan Xinzheng Xinkang Sewage Treatment Co., Ltd.

ENVIRONMENTAL PERFORMANCE AND ACHIEVEMENT

- 712,610,627 tonnes of wastewater was processed during the reporting period
- 17,131,976.4 tonnes of water was recycled during greenery process in the Factory zone
- environmental inspection and acceptance of the upgrade and renovation projects for Huadian plant, Shangqiu no.1 plant, Henan Linying plant have completed

SAFETY AND HEALTH

- no working injury or accident occurred

COMMUNITY CONTRIBUTION



Weifang Branch officially established the Sunshine Foundation of Weifang (「潍坊分公司阳光基金会」) on 8 January 2016

OUR GREEN BUSINESS

CORPORATE PROFILE

Kangda International is a listed company focusing on the business of investment, construction and operation of water infrastructure, providing comprehensive water projects solutions and services to clients through BOT, TOT and PPP Models. It has become one of the leading domestic enterprises in environmental pollution treatment industry in Mainland China. We have been engaging in the wastewater treatment business for more than 24 years. As at 31 December 2016, our business has been expanded to 96 projects in 11 provinces and municipals in Mainland China, daily wastewater treatment capacity reaching 3,363,350 tonnes, of which approximately 2,491,850 tonnes are under projects which has commenced operation.

Our Vision: Reach the top in environmental protection, making Kangda a hundred-year-old firm

After development of more than two decades, the Group will commit itself to a hundred year plan, in order to become an ever-lasting company in the area of environmental protection. We will equip the Group with top-notch management system, top-notch environmental protection technology, top-notch operation experience through technological improvement and standardized management, so as to enhance our position and influence in the industry and making Kangda International a benchmark for domestic enterprises in the environmental protection industry.

Besides traditional wastewater treatment services, we provide government, enterprises, villages and towns, rural area with one-stop water and new energy solutions through comprehensive environment treatment service and business network, to become one of the enterprises with high level of technology and the best overall strength in the environment treatment industry in China.

Kangda International always uphold its core value of "Honesty and dedication, and contribution to the society". Over the years, we have been devoted to maintain our service quality, care for the needs of our staffs, and operate with effective management and sincere attitude, building a brand that is reliable for different stakeholders. We have set "fresher water, mountain with more plantation, clearer sky" as our corporate mission, to develop towards the environmental protection sector and create a community more suitable for living.

Leverage on the corporate culture which is formed by its value, operation ideology, code of conduct for employees and the strategy for the development of the enterprise, the sustainable development of Kangda International can be pushed forward.



Introduction of Key projects

MUNICIPAL WASTEWATER TREATMENT

Harbin Qunli Sewage Treatment Plant

Harbin Qunli Sewage Treatment Plant is the key environmental protection project for the pollution treatment in Songhuajiang river basin set out in the "Eleventh Five-Year

Plan" of China. It is also a fundamental functional project for the city protection and development of Harbin. Investment for construction was made by the Kangda Group in BOT model. Total daily capacity for wastewater treatment of the project is 300,000 tonnes, of which 150,000 tonnes daily capacity for wastewater treatment in the Phase One construction project has commenced its operation. Phase two construction project with daily capacity for wastewater treatment of 100,000 tonnes has commenced construction.



Jiaozuo City Sewage Treatment Plant I & II

Jiaozuo City First Sewage Treatment Plant occupies an area of 149.11mu, designated daily capacity for domestic wastewater treatment is 100,000 tonnes. Investment for operation was made by Kangda Group in TOT model. The Second Sewage Treatment Plant has a designated daily capacity for domestic wastewater treatment of 150,000 tonnes and investment for construction was made by the Kangda Group in BOT model. Since the commencement of operation by the two sewage treatment plant, it has reached the required emission standard and made significant impact to the society and environment. It was praised by Henan Province Environmental Protection Department as an advanced unit in the competition for the operation and management of pollution prevention facilities in the sewage treatment plant of the cities and towns of the province.



INDUSTRIAL PARK CENTRALIZED SEWAGE TREATMENT

Weifang Yu River Sewage treatment project

Weifang Yu River Sewage treatment project is an urban engineering project jointly constructed by Chongqing Kangda Environmental Protection Industry (Group) Co., Ltd. and Weifang City government by way of BOT. It is the key project of the water pollution treatment in the Bohai Rim as well as the highlight project and people's project. The project is located at the southern side of Yu River. It has a designated daily capacity for industrial and domestic wastewater treatment of 100,000 tonnes and its operation was commenced in September 2010. The project utilizes the patent technology — Improved oxidation ditch process (改良型氧化溝工藝) together with Hydrolysis Acidification Biochemical Process (水解酸化生物理工藝) and High Efficiency Sedimentation Tank Depth Treatment Process (高效沉澱池深度處理工藝) in providing the treatment. The quality of water discharged meet Class IA standard as set out in the national standard for the Discharge Standards on Pollutants from Urban Sewage Treatment Plants (城鎮污水處理廠污染物排放標準) (GB18918-2002). Completion of the project can effectively solve the problem of water quality in the downstream of Yu River and significantly improve the water quality of Weifang City and Bohai Rim and hence the living condition of the residents, posing a positive effect on the construction of eco-city in Weifang City and the healthy and sustainable development of the economy.



Gaomi City Second Sewage Treatment Plant Project

Investment for construction of the project is by way of BOT. The project occupies an area of 158mu, daily capacity is 100,000 tonnes. It is mainly responsible for 85% of the industrial wastewater and 15% domestic water in the eastern and northern region of Gaomi City. Since its commencement of operation, it successfully improved the quality of water discharged in Gaomi City, meeting the controlling requirement on the river water quality by the provincial government and provincial environmental protection department. The project would help facilitate the sustainable social and economic development of Gaomi City .



MUNICIPAL WATER SUPPLY

Hebi Baoshan Circular Economy Industrial Zone Middle Group Water Supply Project

The Project is located in Hebi Baoshan Circular Economy Industrial Zone. Investment in construction was made by way of BOT. Area of the plant is 56.24mu, with daily water supply of 133,500 tonnes, of which 124,500 tonnes is the water supply for industrial use. The Project was completed in two phases.



RECLAIMED WATER TREATMENT

Hebi Water Reusable Water Project

The project is located adjacent to Baoshan Circular Economy Industrial Zone. The Water discharged from the cooling tower in the methanol project of the chemical production branch of Hebi Coal and Electricity Co., Ltd.* (鹤壁煤电股份有限公司) is reused as the supplement water for the cooling tower after purification process. Designated daily capacity is 15,000 tonnes.



URBAN WATER SYSTEM REMEDIATION

Henan Province Hebi City Shancheng District Tang River Basin Integrated Treatment Project

In September 2016, the Group entered into a EPC contract with the Government of Shancheng District, Hebi City, Henan Province, pursuant to which the Group will be responsible for the river treatment in Tang River and its tributary Si River. The construction work includes four mainly areas: comprehensive river remediation, pollution treatment in the river basin, water environment ecological restoration and building of the coastal ecological landscape. Total investment for the project amounted to RMB2.1 billion and will be divided into three phases. Completion of the phase 1 is expected to occur in September 2018. Our target is to complete the comprehensive treatment on Tang River and Si River basin within two years, to improve the water quality of Tang River and the peripheral environment.



SEWAGE TREATMENT IN RURAL AREA/TOWN AND VILLAGE

Yunan County Entire County Domestic Wastewater Treatment Bundle PPP Project

The project involve establishing domestic wastewater treatment facilities in 15 villages and towns and rural areas, covering 1966.2 km² in the entire county. It also involves comprehensive improvement of residential environment in the 15 central villages. Construction work includes 2 central town supporting pipeline networks in the county district and 14 wastewater treatment facilities and the supporting pipeline networks in the town area.



INVESTMENT IN TECHNOLOGICAL RESEARCH AND DEVELOPMENT

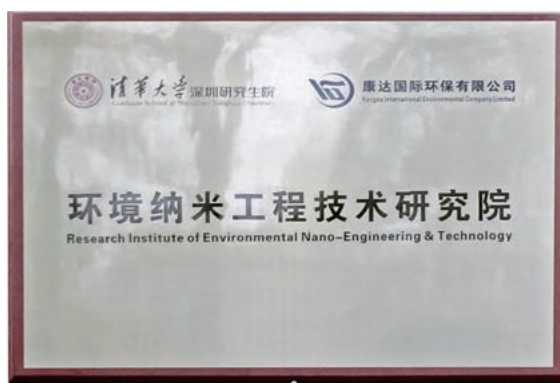
Kangda International has been committed in technological development and devoted resources into the innovation and research of the wastewater treatment related technology in order to improve its operation efficiency. Our team of research and development includes professional skilled staff, experienced experts in the industry, postgraduates and scholars. They have multiple skills and abilities in design, research and development, production, construction, craftsmanship and operation. Through the continuous self-development of our R&D team and the joint-development with different tertiary education institute and research organizations such as Tsinghua University, Shanghai Urban Construction Design & Research Institute and Tianjin Municipal Engineering Design & Research Institute, we obtained a number of invention and technology patents in the technical aspects such as urban wastewater treatment, high difficulty industrial wastewater treatment. Therefore, we successfully applied our self-developed technology on each wastewater treatment project.

Tsinghua — Research Institute of Environmental Nano-Engineering & Technology

Kangda International officially entered into a cooperation agreement with the Graduate School at Shenzhen, Tsinghua University (“Tsinghua Graduate School”), pursuant to which Kangda International will provide a funding of not less than RMB50 million to the research institute within 5 years. Such amount will be used for research and development of technology, procurement of equipment and facility, renovation of laboratory and labour cost, while Tsinghua Graduate School will be responsible to provide research personnel, related technology and research premises.

Through the cooperation with Tsinghua University, we expect to provide support to the cross development of the main business segments of Kangda International and the efficient operation of its water facilities by adaptation of the new technology and skills and theoretical system. Therefore, unlimited driving force of scientific innovation will be provided for the wastewater treatment technology and product research and development of Kangda International so as to enhance our core competitiveness in the water business. Moreover, leveraging on the advantages of the multi-subjects of Tsinghua Graduate School, talent development and professional training will be provided to enhance the standard of the staff of Kangda International.

With the establishment of the research institute, we have set up a wholly-owned subsidiary in Shenzhen, specializing in industrialization of the scientific research results of the research institute; to improve the application of the scientific research results to maintain the position of Kangda International as a leading domestic wastewater treatment service provider in Mainland China.



Kangda International has obtained the following patents in respect of technology and invention:

Patents for invention	Patents for technology
Treatment method and device for high nitrogen landfill leachate (高氮垃圾滲濾液處理方法與裝置)	A one-hole-one-pipe upflow water de-acid tank and its water distribution system (一孔一管升流式水解酸化池及其布水系統)
Upflow de-acid of the compound anaerobic water treatment device and its method (升流式複合厭氧水解酸化處理裝置及其方法)	An active coke to coke dispenser (一種活性焦投焦布料器)
Enhanced endogenous denitrification biological nitrogen removal device and its method (強化內源反硝化生物脫氮裝置及其方法)	Large-scale industrial in-depth treatment method and system for industrial wastewater difficult to carry out biological degrade (難生物降解工業廢水的大規模工業化深度處理方法及系統)
Orbal oxidation ditch biological denitrification process dissolved oxygen control device and its method (Orbal氧化溝生物脫氮工藝溶解氧控制裝置及其方法)	A new PACT skill for treating wastewater difficult to carry out biological degrade with refined activated carbon powder (一種可再生循環利用粉末活性炭處理難生物降解廢水的PACT新工藝)
Recycling method for de-acid of alkaline water of sludge carbon source (污泥碳源兩級鹼性水解酸化回收方法)	Active coke extraction and backwashing equipment for deep treatment of sewage (用於污水深度處理的活性焦抽提及反洗裝置)
Multi – media filtration biological denitrification process and its device (多介質過濾生物脫氮工藝及其裝置)	Moveable extracting and dosing system for active coke for deep treatment of sewage system (用於污水深度處理的可移動式活性焦提取及投加系統)
Real – time control method for nitrogen removal by enhanced circulating activated sludge process (一種強化循環式活性污泥法脫氮的實時控制方法)	Improved of city sewage treatment process in oxidation ditch (改良型氧化溝城市污水處理工藝)
Reducing control method for N2O production in wastewater nitrogen removal (實現污水脫氮過程中N2O產生的減量控制方法)	
Application of salinity suppression combined with fuzzy control to realize short – range biological nitrogen removal device and its method (鹽度抑制結合模糊控制快速實現短程生物脫氮裝置及其方法)	
Power-free decanter (無動力式淨水器)	



PEERS COMMUNICATION

As part of the water industry, Kangda International actively participated in the seminars and forums held locally and overseas, to communicate with other corporation, institutions and professionals engaging in water business and promote the healthy sustainable development of the industry. In March 2016, Mr. Wang Litong, the Executive Director and vice president, shared his opinion on the development trend of PPP and management of water business in the 14th Water Sector Strategic Forum 2016. He also discussed with peers on the way for the traditional water companies and water investment companies to maintain healthy sustainable development in the new era.



SUPPLY CHAIN MANAGEMENT

During the course of construction and operation of the projects, we need to use the services and materials provided by external suppliers and contractors. Our suppliers mainly come from Mainland China. Items procured include repairing and maintenance materials, pharmaceuticals, laboratory equipment and management materials for office and back-office. In order to purchase goods with appropriate quality, quantity and price, we insist to compare the goods from different suppliers and choose the supplier with the best value for money. To ensure a fair purchasing process made by the Group, as least two staffs, including representative of the group department and business department, is required to participate in the whole purchasing process.

We have strict requirement on the quality of the goods from our suppliers. We require ex-factory check and on-site inspection for all goods. Before delivery of goods, suppliers are required to carry out detailed and comprehensive inspection on the quality, specification, functions and amount of goods and issue an inspection certificate in a specific format. We will implement strict checking system on the quality of goods to check whether the goods meet the requirements stated in the contract. After stringent inspection processes, we will be able to ensure the quality of the purchased goods so as to provide wastewater treatment services with guaranteed quality to the public.

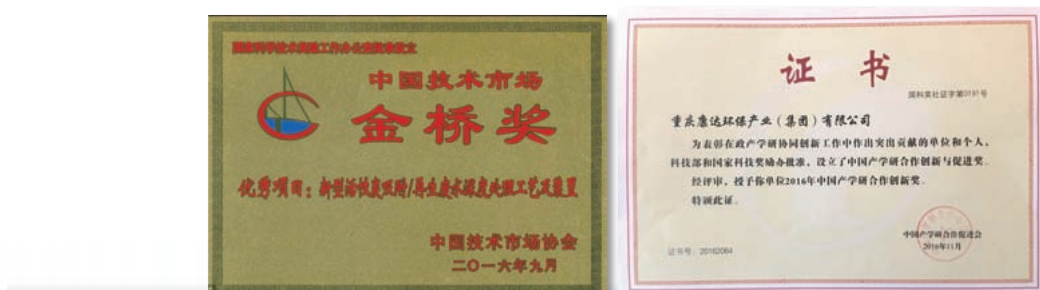
In the reporting period, we cooperate with more than 100 domestic and overseas suppliers and services providers. The goods we purchased include production equipment, accessories, pharmaceuticals, laboratory equipment, and the services involved include repairing, testing services, technological, transportation and leasing etc.

HONORS AND AWARDS

In 2016, Kangda International kept on developing its business aggressively to enhance its operation standard and was widely recognized in the society.

Granting Organisations	Award/Honour	Awarded Unit
China Industry University Research Institute Collaboration Association (中國產學研合作促進會)	2016 Innovation Prize in China Industry-University-Research Institute Collaboration	Chongqing Kangda Environmental Protection Industry (Group) Co., Ltd.
China Technology Market Association (中國技術市場協會)	Outstanding award in the Eighth Chinese Technology Market Golden Bridge Award	Chongqing Kangda Environmental Protection Industry (Group) Co., Ltd.
China Forum of Environmental Journalists (中國環境新聞工作者協會)	Partner in the China Environmental Protection Business	Kangda International Environmental Company Limited
H2O China (中國水網)	2015 China Water Industry Listed Enterprises with Most Investment Value	Kangda International Environmental Company Limited
Alliance of China Environmental Investment (中國環境投資聯盟)、環境企業家聯合會	2015 Leading Enterprise with Integrated Capabilities in Industrial Wastewater Treatment — Lv Ying Award	Kangda International Environmental Company Limited
Shangqiu City Administration Bureau (商丘市城市管理局)	Outstanding Enterprise of 2015 City Management System	Kangda Environmental Protection (Shangqiu) Water Co., Ltd.

Granting Organisations	Award/Honour	Awarded Unit
Urban-Rural Integration Demonstration Zone of Shangqiu City (商丘市城鄉一體化示範區)	Advanced Enterprise of 2015	Kangda Environmental Protection (Shangqiu) Water Co., Ltd.
Municipality and Utility Association of Henan province (河南省市政公用業協會)	"Advanced Entities" and "Safety and Civilized Production Demonstration Unit" for Public Utilities in Henan Province	Kangda Environmental Protection (Shangqiu) Water Co., Ltd.
Shangqiu Green Committee (商丘市綠化委員會)	Forest Units in Shangqiu City	Kangda Environmental Protection (Shangqiu) Water Co., Ltd.
Shangqiu Federation of Trade Unions (商丘市總工會)	2015 Outstanding Units of Trade Union Work	Environmental Protection (Shangqiu) Water Co., Ltd Trade Union
Heze Administration of Work Safety (菏澤市安監局)	Advanced Enterprises in Production Safety	Shanxian Kangda Environmental Protection Water Co., Ltd.
Housing and Urban-rural Development of Xinzheng City 河南新鄭市住房和城鄉規劃建設局	2015 advanced unit for Public Utilities Management	Zhengzhou Xinzhongzhou Water Co., Ltd.
Urban City Management Bureau of Suzhou City (宿州市城市管理局)	"Double Innovation" Advanced Unit	Kangda Environmental Protection (Suzhou) Water Co., Ltd*
Henan Housing and Urban-Rural Construction Department (河南省住房和城鄉建設廳)	Outstanding unit in the operating test of sewage treatment of all cities in the province for the year 2015	Jiaozuo City No. 1 Wastewater Treatment Plant
Henan Housing and Urban-Rural Construction Department (河南省住房和城鄉建設廳)	Outstanding unit in the operating test of sewage treatment of all cities in the province for the year 2015	Pingdingshan City Bay Water Treatment Co., Ltd.
Henan Province Labour Union, Henan Province Development and Reform Commission, Department of Environmental Protection of Henan Province (河南省總工會、省發展改革委員會、環保廳)	Advance unit in the "Construction of beautiful Henan" energy saving and emission reduction competition	Puyang Kangda Environmental Protection Water Co., Ltd.
Urban Water Branch of Shandong Urban Construction Management Association (山東省城市建設管理協會城鎮供水排水分會)	"Top 10 Urban Sewage Treatment Plants" of Shandong Province 2015	Yanggu County Wastewater Treatment Plant, Gaomi City No. 1 Wastewater Treatment Plant and Gaomi City No. 2 Wastewater Treatment Plant
Urban Water Branch of Shandong Urban Construction Management Association (山東省城市建設管理協會城鎮供水排水分會)	Advanced Units of Urban Water Supply and Drainage of Shandong Province	Operation Departments of Kangda Environmental Protection (Gaomi) Water Co., Ltd. and Kangda Environmental Protection (Gaomi) Fengcheng Domestic Sewage Treatment Co., Ltd.



SOCIAL RESPONSIBILITY MANAGEMENT

IDEOLOGY FOR CORPORATE SOCIAL RESPONSIBILITY

Kangda International is committed to facilitate the sustainable development of the economy, environment and society. We consider corporate social responsibility as an integral part for enterprise value and core competitiveness. We will incorporate our social responsibility into our corporate mission, culture and value, and penetrate into our daily operation. We are devoted to high technology development, greenery development, and harmonious development, to persistently create value for stakeholders of Kangda International such as our staff, clients, investors, suppliers and peripheral community. We will do our best to realize the ideology of corporate social responsibility so as to achieve the following five major objectives for social responsibility:

- asset appreciation, bringing return for shareholders, making investor satisfy
- dedicated service, cooperation for mutual benefits, making customers satisfy
- healthy and safe, protecting the environment and saving energy, making the government satisfy
- caring for our staffs, growing together, making staff satisfy
- operating legally, benefiting the general public, making the society satisfy

CORPORATE GOVERNANCE

Kangda International has been adhering on its corporate governance principal and practice, to make the corporate governance achieving the required standard and expectation of the general public. The Group complies to the code provisions included in the corporate governance code as set out in Appendix 14 of the Rules Governing the Listing of Securities on the SEHK.

“Honesty and dedication” is the core value of our operation. Our Board has established an Audit Committee, to provide advice for internal control to the Group. It is also responsible for supervision of the auditing process to ensure the correctness and reliable of the operation statistics. In the hope of establishing an honest operation corporate culture in the Group, we place strict requirement on occupational integrity of every staff. The Group actively enhances the anti-corruption awareness of its staff. All of our staff must comply with the moral standard and requirement in the “Employee Handbook”. We have stipulated a code of conduct named the “Guideline”, requiring out staff to “Abiding by rules, be self-disciplined, be responsible”.

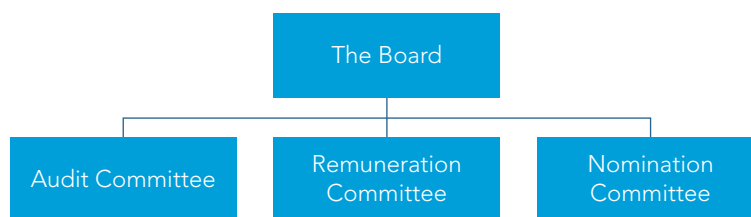
Abiding by rules: Nothing can be made without rule. Discipline is the key to protect the operation ability of a company

Be self-disciplined: Insist to obey the law and work in a strictly self-disciplined manner in our daily life and standardize the working behavior.

Be responsible: Insist to be highly responsible for work with good occupation education.

According to the code of conduct, staffs are required to be strictly disciplined, uncorrupted, and avoid the occurrence of any non-compliance. During the reporting period, we do not have any record of corruption and other inappropriate and illegal behavior.







STRUCTURE OF CORPORATE GOVERNANCE

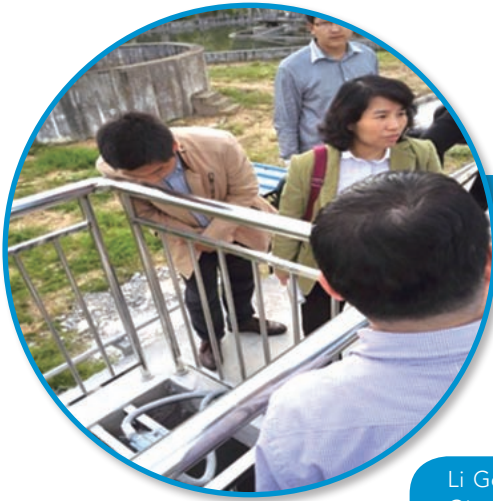


Further details of our corporate governance and other information of our Board can be found in our 2016 Annual Report, the information is also available online in the Company's website: www.kangdaep.com.

STAKEHOLDERS ENGAGEMENT

Kangda International put great emphasis on the communication of the stakeholders. We have established various communication channels for different stakeholders to collect their opinions. The relevant stakeholder, communication method, frequency and the matter of concern are summarized below:

Stakeholders	Major communication channels	Frequency/times	Matters of concern
 Staffs	<ul style="list-style-type: none"> Internal network of the company Staff mailbox Staff communication Online survey Staff meeting Staff assessment Kangda newspaper 	<ul style="list-style-type: none"> Annual (Staff assessment) Monthly (Kangda newspaper) Irregular 	<ul style="list-style-type: none"> Career development Benefit Company development Staff assessment standard
 Shareholders/ Investors	<ul style="list-style-type: none"> General meeting Company announcement Official website News report Financial report Analyst report 	<ul style="list-style-type: none"> Annual (general meeting) Irregular 	<ul style="list-style-type: none"> Business development Financial performance Compliance with laws and regulations
 Government Institutes	<ul style="list-style-type: none"> Exchange meeting On-site investigation 	<ul style="list-style-type: none"> Irregular 	<ul style="list-style-type: none"> Quality and process of construction work Operating performance Water quality Sludge treatment Safe production
 Suppliers	<ul style="list-style-type: none"> Suppliers meeting Online survey Audit and assessment Tendering activities Interview 	<ul style="list-style-type: none"> Annual (Audit and assessment) Irregular 	<ul style="list-style-type: none"> Direction for company development Service/product requirement Tendering requirement
 Partners (e.g. universities/ research organizations)	<ul style="list-style-type: none"> Cooperation meeting 	<ul style="list-style-type: none"> Irregular 	<ul style="list-style-type: none"> Technical requirement Application of the research result
 Community	<ul style="list-style-type: none"> Visit and study Community activities 	<ul style="list-style-type: none"> Irregular 	<ul style="list-style-type: none"> Performance on environmental protection Education on environmental protection Staff remuneration



A group of inspectors of Anhui Environmental Protection Department carried out inspections in Jixi Plant



Li Gongdong, mayor of Shangqiu City visited the Sixth Sewage Treatment Plant of Shangqiu City



Representative of the People's Congress of Chaohu City visited the Chaohu Plant



A group of inspectors of the Building a Hygienic City of the country and mayor of Rushan visit and inspect the Rushan Water Project



Committee member of the People's Political Consultative Conference of Shen County visited the factory area of Shen County



Officials of Linying County provided personal guidance on the upgrade and renovation projects

MATERIAL ESG ISSUES

In the course of preparation of this report, we have appointed an independent consulting company to provide assistance in a stakeholders survey. We collected stakeholders comments and expectation on the performance of Kangda International in the area of environment, staff relationship and community investment etc. for the past year through interaction with different groups of stakeholders by way of telephone interview and questionnaire, thereby identify the material ESG issues they concerned so as to help us establish the framework of this report. In December 2016, the independent consulting company collected more than 90 questionnaires. It also visited our headquarter in Chongqing and interview with approximately 15 stakeholders.

Having analyzed the result of questionnaire and the interview together with the media analysis about Kangda International, result of peer-to-peer analysis and reviewed the relevant documents, the independent consulting company identified 12 ESG issues that are material to Kangda International. The following 12 ESG issues are the focus in this report and we have discussed about those issues in first priority in this report.

Material ESG Issues

- Wastewater treatment
- Waste management
- Staff relationship
- Measures for retaining staff and recruiting talent
- Staff occupational health and safety management
- Staff development and training
- Service quality assurance and control
- Labour law compliance
- Intellectual Property rights protection
- Investment in technological research and development
- Stakeholders engagement
- Anti-corruption

SAFEGUARDING ENVIRONMENT, HEALTH AND SAFETY

In the course of our daily operation, we adhere to the environmental approach of Kangda International: “comply with laws and regulations save energy and reduce usage, emission meeting required standard, clean production, continuous improvement, and greenery development”. We have stipulated effective environment management system and obtained ISO14001 and GB/T24001 certificate successfully. President of Kangda International is the chief supervisor of the environment management system and is responsible for the establishment, implementation, maintenance and improvement of the system. The business department is responsible for arranging relevant professionals to make judgment on the significant environmental factors and material source of danger and to give technical direction on the significant environmental factors identified. Our subsidiaries are responsible for the execution of the above advice, to identify the source of danger and implement controlling measures, to ensure the smooth running of the relevant environmental policy. Close cooperation of different departments would be beneficial to the realization of the vision in relation to the greenery development of Kangda International.

Moreover, we uphold the occupational health safety direction of “Honesty and compliance with laws — reducing safety risk” and “humanity — constructing a harmonious corporation”. In all circumstances, safety of employees remains our most important consideration. To realize our commitment on occupational safety, we are devoted to perfect the occupational health and safety management system of the Group and obtained OHSAS 18001 and GB/T28001 certificate successfully. Meanwhile, we keep strengthening the protection measures on occupational health and arranged relevant trainings and regular emergency drill.

In 2016, a total amount of **712.6 million tonnes** of wastewater was treated

CARBON FOOTPRINT MANAGEMENT

In order to adhere to the ideology of clean production of Kangda International, we are committed to research and utilize advanced technology to assist us in enhancing operation efficiency to reduce our carbon emission. For example, through enhancing the operation efficiency of the pumps, to control the biological treatment of certain crafts and ratio of backflow; and to reduce the use of electricity by appropriate use of energy saving and technological improvement such as different price for electricity in different period of time, in order to reduce the emission of carbon emission from its origin.

Control of the back flow ratio



To reduce the backflow ratio to 70%-75%, our wastewater treatment plant in Feng County successfully reduces the backflow volume of sludge. This helps to solve the problem of solid loading of the secondary sedimentation tank and enhance the effectiveness of the segregation of water and sludge, saving electricity fee of approximately RMB1,500 per month.

Total emission of Greenhouse Gas (tonnes)







CO₂carbon dioxide

45,414,903

LIQUID WASTE MANAGEMENT

Liquid waste produced by the laboratory of wastewater treatment plant is one of the areas of concern by us. Inappropriate treatment of the liquid waste will pose material effect on the surrounding environment. Hence, our project company has implemented "Management System for three wastes of laboratory", expressly stipulating the prior treatment process of different liquid waste to avoid secondary pollution to the environment.

Our policy on the management of liquid waste are as follows:

Type of waste liquid	Controlling measure
 <p>Liquid waste containing phenol</p>	<p>High concentration waste liquid containing phenol shall be collected in liquid waste bucket and processed by the relevant department regularly.</p> <p>Low concentration waste liquid containing phenol can be mixed with sodium hypochlorite or bleach for the oxidative decomposition of phenol and the liquid waste is poured down into the pool and washed away with water.</p>
 <p>Liquid waste containing cyanide</p>	<p>Diluted liquid waste can be mixed with sodium hydroxide pH > 10, then potassium permanganate (3%) for the oxidative decomposition of cyanide.</p> <p>Liquid waste with higher concentration of cyanide can be treated by the alkali chloride method. Firstly, alkali is used to adjust the pH to above 10, then sodium hypochlorite is added for the oxidative decomposition of cyanide and the liquid waste is poured down into the pool and washed away with water.</p>
 <p>Liquid waste containing mercury</p>	<p>Liquid waste containing mercury will be mixed with an appropriate amount of ferrous sulfate. The supernatant fluid is poured down into the pool and washed away with water.</p>
 <p>Liquid waste containing chromium</p>	<p>Potassium permanganate powder can be added for oxidation after concentration and cooling, the liquid can be reused after manganese dioxide is filtered by sand funnel filter and precipitated. The residual hexavalent chromium in liquid waste containing chromium can be restored to trivalent chromium using waste iron scrap, and precipitated using lye and chromium hydroxide in the lime and producing low toxicity.</p>
 <p>Liquid waste containing arsenic</p>	<p>Mixed with calcium oxide, the pH value is adjusted and maintained at 8 for the formation of calcium arsenate and calcium arsenite, or adjusting the pH value of the liquid waste to 10 or above, or adding sodium sulfide and carryout arsenic reaction to produce insoluble and low toxicity sulfide precipitation. The supernatant fluid is poured down into the pool and washed away with water.</p>
 <p>Organic solvents</p>	<p>The liquid will go through distillation or fractionation process by washing, and purified by purification. If the liquid cannot be purified, it shall be collected in liquid waste bucket and processed by the relevant department regularly.</p>

WASTE MANAGEMENT

The waste produced in our daily operation mainly includes the sludge produced in the process of waste water treatment and the solid waste produced in the office. Accordingly, we enacted the "Solid Waste Management System" and entered into the "Sludge Treatment Agreement" with external contractors, to conduct a comprehensive management on the disposals of the water plant and office and reduce its impact on the environment. We have appointed external contractor to handle the sludge and disposals of the wastewater treatment plant to ensure the sludge is properly handled. Contents on the agreement with external contractor include treatment of the dewatered sludge, moisture content and transportation method of the dewatered sludge.

Our "Solid Waste Management System" strictly required all departments to set up collection points and collectors for waste. It also required the labeling of different kinds of hazardous waste for the convenient of classification and collection of hazardous waste. For the general disposals, we would try our best to collect the units that are recyclable and place them into the specific recycle bin and contact relevant parties for collection.

Total amount of hazardous waste produced in operation (tonnes)

Sludge	4,585,109
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Total amount of general waste produced in operation (tonnes)

General waste/domestic waste	3,837.65
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Total amount of recyclable waste generated (tonnes)

Waste paper	2.13
Plastic	0.48

UTILIZATION OF RESOURCES

Total usage

Electricity	66,985,386.11MW
Gas	12,949,880.35MJ
Oil	13,182,972.91Kg

UTILIZATION OF WATER

Total usage

Water	12,985,364.46m ³
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AMOUNT OF RESOURCES RECLAIMED

Total amount of waste recycled (tonnes)

Waste paper	1.33 (recovery rate: 62.48%)
Plastic	0.48 (recovery rate: 50.05%)

ENERGY-SAVING AND WATER-SAVING MEASURES AND EFFECTIVENESS

We are committed to become a resources-saving enterprise. Our ideology in saving energy and reducing waste is reflected in our daily operation, consumption of energy is reduced in our best endeavor. In the reporting period, we adopted different energy saving measures in respect of the usage of electricity in water plant and office, including:

- Enhancing the operation efficiency of pump
- Controlling the operating time of dissolved oxygen and roots blower
- Controlling the backflow ratio
- Using fluorescent lamps
- Using deep well water for making flocculants
- Improve reactive power compensation factor of the power station

Use of fluorescent lamps

We are detailed-minded, using fluorescent lamps for the lighting in the factory, saving 20 kWh daily, and saving approximately RMB500/month for the factory area.

Meanwhile, some processed waste water is recycled for use in the greenery process of the factory area so as to reduce the usage of in the area. In the reporting period, 17,131,976.4 tonnes of wastewater was recycled.

SAFE PRODUCTION

Kangda International is committed to provide a safe working environment to our staff. We have formulated a series of safe production measures and guidelines to protect the occupational safety of employees. We put great emphasis on the health of our staffs and organize occupational health check for them every two years. The health of employees will be assessed by professional healthcare personnel to ensure they are able to handle the daily work. Moreover, we will provide staffs with suitable personal protection items based on their job duties, including protective clothing, protective gloves, goggles, life jackets, earplugs etc. to reduce the occurrence of accident. In the reporting period, no work-related death or injury was recorded.

There are uncertainties in the production process of wastewater treatment which pose safety and health risk to the staffs. Therefore, Kangda International implemented serious inspection on the factory to ensure the safety of the production premises. The Group is aware that there are different safety issues in the sewage treatment plant, for example, there are many electric appliances in the factory, hence safe use of electricity is a must to prevent electric shock. There may be various toxic gases in the "digesting zone" and wastewater pool of the factory and special protection measures must be adopted to prevent accidents such as explosion and poison. The Group has arranged strict safety check in the factory for the assurance of professional standard of its equipment. All staffs also have to comply with the safety production discipline and operating procedures in a serious manner to ensure all measures for the guarantee of safety production are implemented. In certain festival period, we will carry out special checking on different kinds of equipment to identify the safety risk of the factory and decide the responding measures, in order to minimize the chance of accident.

OCCUPATIONAL SAFETY TRAINING

Kangda International pays great attention to the training of safety education. A thorough safety training program can effectively enhance the safety awareness to the staff and reduce the occurrence of non-compliance matters and promote the corporate safe production. Our training program is aligned with the general business planning, production and management objective of the Company and is formulated based on the safety inadequacy and the technical requirement of the staffs. Safety training program is provided based on different staffs, we provide customized training program to employees in different roles. All new staffs must receive basic education on safety knowledge and safety rules so as to implement the "Train before work" system. Every employee has to receive safety education and learn and get familiar with the safety production approach and general laws and regulation of a country regardless of their past experience. Each of the staff has to study the safety rules and regulations repeatedly in order to handle the procedure sophisticatedly and safely. As the safety awareness and technique of part-time workers are generally weaker, we have arranged customized safety training program for them. Our safety training is carried out in different forms, including lessons, on-site education, online education, demonstration, inviting external training organization and external training etc. We tried our best to provide vivid contents in the training and let our staff receive the safety instruction effectively by increasing interaction. Moreover, we will organize case study and regular examination to ensure our staff can understand and apply the knowledge on safety production and cultivate the ideology of "Safety and prevention come first".

All of our project companies will arrange "Safety production month" activity every year to further strengthen the safety awareness of our staffs. Activities of the "Safety production month" include safety meeting for all staffs, safety inspection, training on different safety topics (e.g. precautions of sewage treatment plant operation during rainy seasons) and emergency drills on different accident.

We have formulated "Emergency Preparedness Plan" for all factory zones. Emergency drills are held regularly to enhance the response ability of our staff when accidents such as fire, unusual influx of water occur, so that they will be equipped with the evacuating, life-saving and surviving skill during emergencies. In order to improve the management and response ability of the emergency plan, the project companies will invite experts to make an independent evaluation on the emergency plan for environmental risk of the factory zone to look for area of inadequacy. In June 2016, head of the Jiaozuo factory lead all of his staffs for an emergency drill on fire and electric shock. During the emergency drill, the head of factory explained in detail the function of different fire extinguisher and the procedure when there is a fire. Staffs are given a chance to use the fire extinguisher. During the emergency drill on electric shock, we formulated an accident of a staff having electric shock and staffs attempted the relevant first aid method. During the exercise, staffs' safety awareness in work place was enhanced by the explanation of the professionals, they also had a better understanding on the application of the fire safety knowledge.



Fire drill by the staff of Wanfang factory



An emergency plan expert team formed by government, university and corporate professionals were evaluating the "Emergency plan for accidental environmental events" of the Shen County Guohuan Company and making advice for improvement

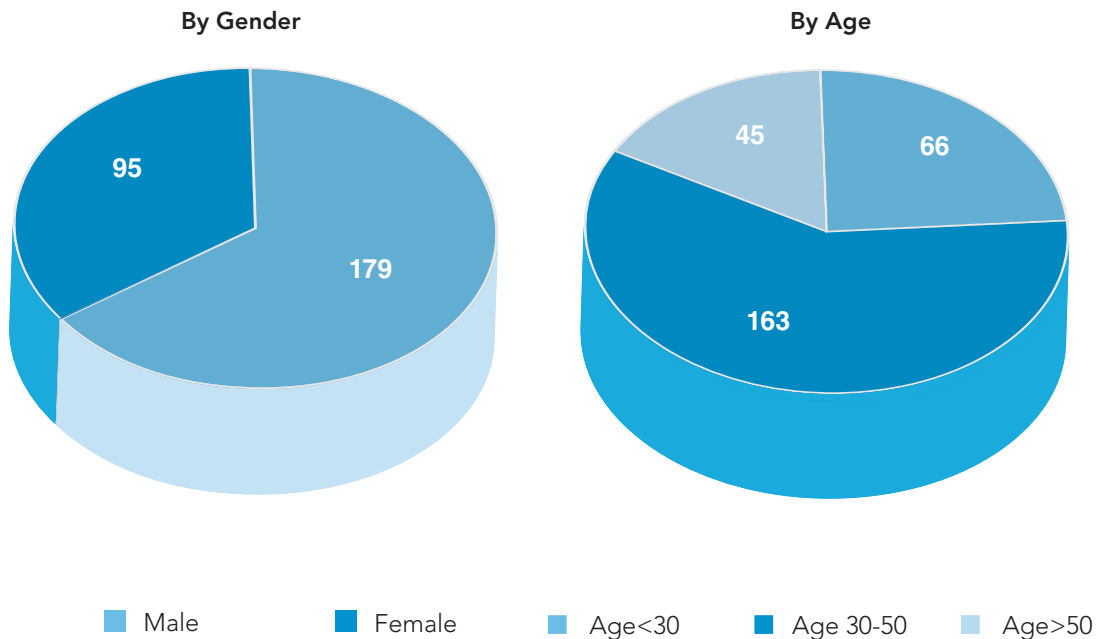
CARING FOR OUR PEOPLE

Kangda International regards its employees as the most valuable resources. With the establishment of system and culture, the Group protects the interest and respects the value of its staff, aiming to cultivate employees' growth under a fair, harmonious and enterprising atmosphere. We have developed its human resources policies based on the regulations of the countries and regions in which we operate. Adhering to the principle of fairness and impartiality, all appointments in Kangda International are made on a merit basis. Employees are treated equitably in terms of recruitment and remuneration.

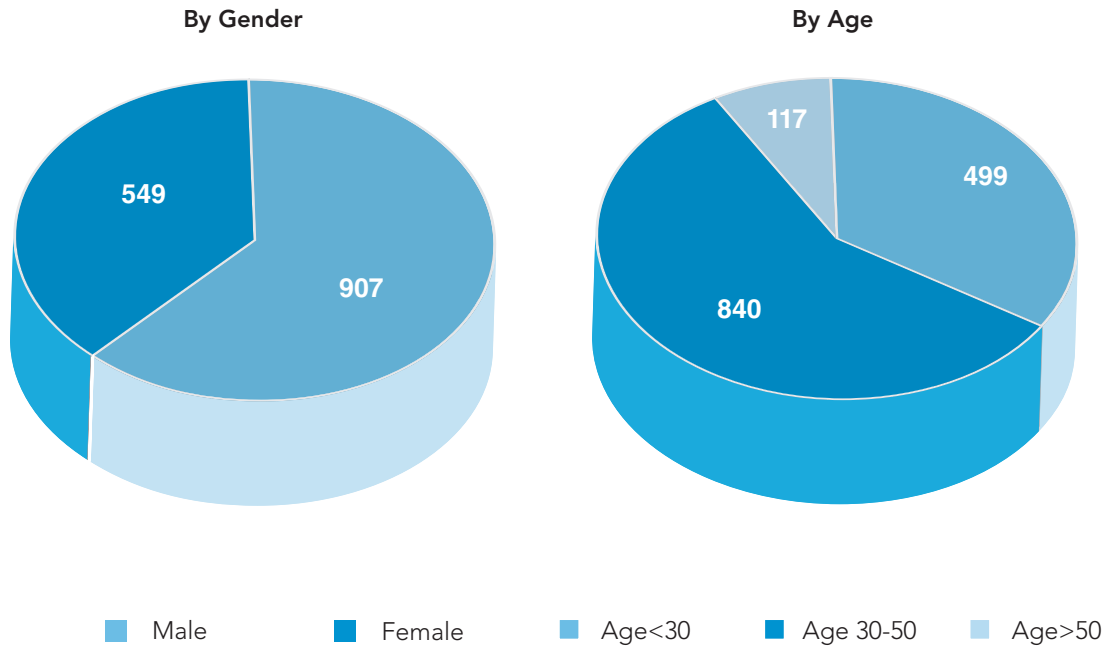
HUMAN RESOURCES POLICIES

In order to grow steadily, Kangda International attracts talents with various backgrounds. We give equal opportunities to talents with different skills, professional knowledge and education background to enrich the composition of staff. Our human resources policies are in compliance with applicable labour laws and regulations of China and Hong Kong. Adhering to the principle of fairness and impartiality, all appointments in Kangda International are made on a merit basis. Employees are treated equitably in terms of recruitment and remuneration. All forms of child labour and forced labour are strictly forbidden in our operation. During the reporting period, we did not identify any cases of child or forced labour in our branches or project companies. Throughout the recruitment process, the major consideration is the work-related conditions of a candidate, for example attitude, knowledge and professional skill. The employees are not deprived of such opportunities on the basis of personal background like gender, age, marital status, etc. To retain quality employees, the Group offers competitive remuneration and welfare packages fairly to staff in return for their efforts. Insisting on the concept of letting people demonstrate their talents, we are able to provide efficient and quality services in our work. As of 31 December 2016, Kangda International had 1,932 employees in total.

The number of employees in Chongqing headquarter is set out below:



The number of employees by their projects is set out below: (includes the operating projects only)



REMUNERATION AND BENEFITS

Remuneration and benefits are always the major concerns to our employees. Kangda International is committed to provide competitive remuneration packages to our staff team based on its clear salary ladder. Salaries are adjusted annually according to the prevailing market terms and operation conditions, enabling the employees to enjoy the fruits of their hard work. The Group encourages its employees to perform at the highest levels and provides performance-based remuneration. The Group adopted a consolidated performance appraisal system to assess the performance of employees in different areas comprehensively. Salaries of employees can be adjusted upwards depending on its own efforts. Besides, the Group has also established an incentive bonus system to recognize the efforts employees made throughout the year.

Apart from reasonable remuneration system, a comprehensive welfare system is also contributed to attract and retain talents. Kangda International has provided employees with social insurance schemes to guarantee the staffs' basic living standard and support them to ride through the accidents. The Group also offers various subsidies, such as holiday allowance, travelling allowance, correspondence fee allowance, work allowance, etc., to take care their other needs in daily life.

STAFF COMMUNICATION

To fully understand the needs of employees, effective communication is indispensable. We host regular staff meetings to announce the latest policies and discuss the job status with the attendants. Management can also take this opportunity to listen to suggestions from staff and understand their needs, and review existing policies and systems based on their opinions. Besides, if the employees are in any doubts and difficulties, the Group encourages them to consult the directors of their corresponding departments, executives and human resources department, the unit in charge will respond positively to their questions in a good atmosphere for communication. The Group has also set up an office automation system. If the employees have any suggestions on his work, he can also express his views on the "Voice of Staff" in the system. The management will actively adopt any feasible suggestions. Our internal monthly newsletter "Kangda People" provides employees with a platform, on which employees can express their own opinions freely.

STAFF DEVELOPMENT AND TRAINING

In view of the fast development of modern society, we have to continue to provide staff with different trainings to enhance their knowledge and technical level. Good training and development practices not only enhance the competitiveness of the Company, but also enables employees to increase their personal value and have more promotion opportunities. The Company encourages internal and external training program. Our internal training programs are tailored to the level and departmental needs of the employees. Employees can also participate in external training programs to obtain professional qualifications and skills. We follow the management principle of "Heart to Heart Management", and build a team of employees with competitiveness and a sense of belonging from three aspects: training incentive, emotional incentive, career and competitive incentive.

Based on their departments and levels, the Company arranges a wide range of internal trainings to every employee (including management and general staff) in Kangda International. All new employees are required to take induction training, whose content covers the basic information of the Company, development process, strategic objectives, corporate culture, basic system processes and business knowledge, with an aim to help them adapt to the new working environment as soon as possible. Our project companies regularly organize different types of trainings, to improve the staff's personal conduct, management skills and occupational skills all-roundedly, so as to further enhance operation efficiency. We also conducts monthly business knowledge training, whose content combined with the actual work situation, so that employees can apply what they have learnt to the practice. On every Wednesday in February 2016, Xuzhou Water arranged staff training courses, covering the study of general rules on "urban sewage treatment plant operation, maintenance and safety technical regulations", and discussions on basic requirements such as operation and management, safe operation, maintenance, technical indicators. Through a series of training courses, their skills in the relevant areas are effectively enhanced. In April 2016, our branch office in Northern Anhui organized a laboratory technology training seminar, and invited engineers, who worked for the city monitoring station, to join and explain theories. During the seminar, employees learnt the basic operation of COD and BOD and notices, and were given opportunities to practice. Staffs were invited to join an on-site demonstration in relation to analysis of laboratory skills and field operation. Employees responded and discussed enthusiastically during the seminar, their theoretical knowledge and experimental level have been greatly improved. In mid-July, the Gulf plant conducted a study, including learning the code of conduct and chairman speeches, participating in learning and education activities "two learning one doing" for being a qualified employee, in order to ensure the effective implementation of the Company policy "Abiding by rules, be self-disciplined, be responsible", and staff understanding of the fact that their work and behavior are indispensable for achieving enterprise development goals.

Kangda International agrees with the concept of lifelong learning. The operation of an enterprise involves knowledge in different areas, thus requires external parties to provide more refined training for employees. We fully subsidizes our staff to join external training and certificate training, covering a wide range of knowledge such as finance, information technology, management, marketing and business operations. The above trainings help employees obtain recognized professional skills, further enhancing the quality of staff and enabling the Group to maximize its value.

During the reporting period, the professional staff trainings and activities organized by the Company are as follows:

- Basic Information of enterprise and introduction of human resource management system
- Financial management system
- Introduction of urban and industrial wastewater project
- Introduction of town sewage project
- Skill training on sludge dewatering system
- Personal professional ethics theme activities

Kangda International Project Company actively responding to World Environment Day

5 June, 2016 is the World Environment Day, the Chinese Ministry of Environmental Protection also set the theme of China as "Improve the quality of the environment, promote green development", echoing with the theme of "cry for life" announced by the United Nations Environment Program. Kangda International, as an environmental-friendly corporation, actively responds to the call from central government by organizing different activities on the World Environment Day.

Our plant in Jixi held a training session named "Green production and environmental protection" on the World Environment Day. At the training session, the host introduced the origin of the World Environment Day, outlined the severe challenges the world environment, natural ecology and natural resources faced with, enabling employees to understand the importance of their work from a macro perspective. In addition, the training session elaborated on the profound significance of the theme of the World Environment Day, and explained the relationship between "Green Production and Environmental Protection" and the theme of China on World Environment Day "Improve the quality of the environment, promote green development". This event enabled employees to understand the importance of green production, contribute to the improvement of the national environment, advocated staff to protect the environment consciously, and raised their awareness of the environment, so as to contribute to building an environmental friendly society.



EMPLOYEES CARING ACTIVITIES

The Group pays much attention to the physical and mental health of employees. In addition to ensuring the safety of the workplace, we often organize meaningful leisure events, providing employees with various recreational activities in spare time, to release their stress from work and strengthen the cohesion among employees. We also held events in special festival to enjoy the festive moments with staffs. In Lunar New Year, the Group held a New Year Gala, in which the various departments showed their talents. The staff from human resources center performed dancing "Yong Chun", drawing enthusiastic applause from audiences. Employees can enjoy the performance of their colleagues as spectators, as well as performers, and establish profound friendships with their peers during practice and performance, thereby strengthening team spirit.

We also render full support in the promotion of the sports culture, enabling employees to exercise in their leisure time. The Group's Shangqiu Water Co., Ltd. organizes Employees' Sports Games annually, in which employees participate in different sport games. Employees participated in tug of war as a team enthusiastically with high team spirits, being one of the focuses on that day. Besides, our staff in Hebi Baoshan Sewage Treatment Plant, including Factory Manager and Deputy Factory Manager, took part in the "Yubei Chemical Cup" basketball tournament organized by Hebi City Sports Bureau. Both the head and deputy head of the factory participated in the game. The chairman of the union led the staff of plant to support the competition. The employees enjoyed the competition very much and made all-out effort for the glory of the Company, demonstrating the charisma of sportsmanship.

Apart from sports events, our factories also organized a wide range of recreational activities. In February 2016, Hebi City Baoshan sewage treatment plant held 2016 Union Party for staff and their families. The party was entertaining and amusing, as the employees performed self-directed art pieces and played lots of funny games. Staff and their families had a pleasant day. In March 2016, our branch office in Shangqiu carried out a tree-planting campaign themed as "Protect our environment and dedicated to green", afforesting the factory area into a greenery area. During the process, the staff not only enjoyed the fun of tree-planting, but also bonded with the nature, thereby raising the awareness of the environment protection. A wasteland, which was originally a landfill of our sewage treatment plant in Quohuan, Linqing, was cultivated as a "happy farm" by the staff. Our employees not only solved the inherent hygiene issues of the wasteland, but also spiced up their spare time. When harvest time arrives, they can taste their own fruit with satisfaction.



Staff participated in Employees' Sports Games



Staff from Hebi Baoshan Sewage Treatment Plant participated in "Yubei Chemical Cup" basketball tournament



Our branch office in Luxi organized fundraising activities for sick employees



Our branch office in Shangqiu organized a keynote speech contest themed as "Effective implementation in timely manner".

GIVING BACK TO THE COMMUNITY

To improve the living environment of in urban area, Kangda International always bears in mind of fulfilling its social responsibility by participating in public welfare businesses while pursuing its business development. Kangda International takes the initiative to understand the needs of the communities where it operates, so as to ensure that the operation of the Company takes the social interests into account. We actively promote the development of the surrounding areas, and assume our social responsibility in a variety of ways, such as supporting local education, health care and environmental protection activities, as well as caring for the elderly and children, to contribute to the growth of society.

CASE STUDY

Sunshine Foundation of Weifang

Kangda International has been adhering to the belief “share sunshine and overcome the adversity”, with a view to contributing to the growth of society and sharing positive energy with our community. Weifang Branch of Kangda International formally established the “Sunshine Foundation of Weifang Branch” on 8 January 2016. All branch staff became the members of the foundation automatically. The purposes of the foundation are to share positive energy and provide caring services by sharing happiness and adversity with the members and rewarding the excellence while helping the poor, with an ultimate goal of advocating the spirit of mutual help. The funds of foundation will be used primarily for the following five purposes:

- Academic awards: the children of members, who are studying for bachelor degree, master degree and doctor degree in key universities, are entitled to the awards.
- Hardship subsidies: members who suffered from emergencies (such as accidents, critical illnesses) are entitled to the hardship subsidies.
- Birthday cash gifts: the parents of members and their spouses who aged over 60 are entitled to the birthday cash gifts.
- Special rewards: members and their spouses, parents, children, who widely recognized by the community or relevant units because of standing up against injustice, respect for elderly and children, good deeds, etc., are entitled to the special rewards from the foundation.
- Charitable donation: the foundation actively supports social welfare activities and assumes social responsibilities according to its status.

The foundation is mainly funded by donation of the members, corporate funding, charitable funding or sponsorship. On the day of establishment, the foundation organized a fund-raising event, and raised funds of approximately RMB400,000.



Since its establishment, the foundation has provided assistance to two employees who suffered from crucial illness, given cash gift to over 300 family members of employees for their birthday, and helped one child who suffered from burning, with total donation of more than RMB100,000.



Rushan Public Welfare Union

Rushan Public Welfare Union is established by our employees. Since 2007, Rushan Public Welfare Union has jointly carried out fund-raising activities with Gesanghua Education, Tibetan Society and Aiweihai Web under the support of society. In 2009, our staff set up Rushan QQ public welfare group with more than 200 existing members. The group has organized hundreds of voluntary relief activities, and through five large-scale fund-raising activities, raised more than RMB60,000, successfully providing assistance to more than 20 households in need.

Our staff actively organized different public welfare activities, such as leading net friends to participate in the baby go home action. The action helped Ni Liang, who was kidnapped more than a decade, to get in touch and reunite with its parents successfully.



Employees actively organized visiting activities, such as visiting the elderly in elderly care home and disabled children in CDPF rehabilitation center, letting them feel the care from others.



DONATION OF USED CLOTHES AND LEARNING MATERIALS

Since 2008, our employees have donated used clothes to children in the western poor areas. In every September and October, they will send the cotton clothes donated by enthusiastic people to the children lived in remote areas in Tibet, helping them resist in even the coldest winters. Apart from clothes, they will also donate learning materials to children to support their study, so as to develop their potential and improve learning efficiency. As of the end of 2016, Rushan Public Welfare Union has donated thousands of clothes, more than 100 boxes of books and stationeries.

In recent years, we come up with new ideas and change the way of relief, from simple donations to shift in mindset, helping poor families back on track of economic and social development, so as to get rid of poverty. We also organized various activities to help children in poor families to contact and understand society, with an aim to increasing their ability of assimilating into society and contributing to their healthy growth.

ENVIRONMENTAL EDUCATION PROGRAMS

On 25 October 2016, about 30 teachers and students from Linxi Town Central Primary School visited our Jixi Sewage Treatment Plant. Our assistant director provided them with a lively and interesting field environmental education lesson. Teachers and students first visited the main buildings in the factory and the processing facilities, during which our staff briefed them on each process of sewage treatment and the importance of protecting the environment. In addition to the deepened understanding of sewage treatment, this event also raised awareness of environment protection of the students, and increase the interaction and influence between the factory and the surrounding community.



“Love In Jianghuai” Donation

To demonstrate our commitment to social responsibility, Kangda Environmental Protection (Suzhou) Water Co., Ltd. responded to the charitable donation organized by the Urban Management Bureau, and carried out a series of activities in relation to disaster relief, helping poor, providing education, subsidizing medical treatment and celebrating festival, contributing to the harmony and stability of Suzhou.

Organization of poverty alleviation work

We visited and understood the basic situation of Xiao Li Zhuang villagers in Changxian Village, Xiao County, and organized specific measures in poverty relief, including cash, materials and necessities donations, in order to improve their living condition. Besides, we also arranged regular and occasional visits to follow up the situation of the villagers, letting them feel the care of Kangda International employees.

APPENDIX — SEHK ESG REPORTING GUIDE CONTENT INDEX

Subject Areas, Aspects, General Disclosures and KPI.s	Description	Relevant chapter(s) in ESG Report 2016/ Other Explanation
A. Environment		
Aspect A1: Emissions		
General Disclosure	Information on the policies and compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste	Safeguarding Environment, Health and Safety
A1.1	Types of emissions and respective emissions data	Safeguarding Environment, Health and Safety
A1.2	Greenhouse gas emissions in total (in tonnes) and where appropriate, intensity (e.g. per unit of production volume, per facility)	Safeguarding Environment, Health and Safety
A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility)	Safeguarding Environment, Health and Safety
A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility)	Safeguarding Environment, Health and Safety
A1.5	Description of measures to mitigate emissions and results achieved	Safeguarding Environment, Health and Safety
A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved	Safeguarding Environment, Health and Safety
Aspect A2: Use of Resources		
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	Safeguarding Environment, Health and Safety
A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (in kWh) and intensity (e.g. per unit of production volume, per facility).	Safeguarding Environment, Health and Safety
A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility)	Safeguarding Environment, Health and Safety
A2.3	Description of energy use efficiency initiatives and results achieved.	Safeguarding Environment, Health and Safety
A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	Safeguarding Environment, Health and Safety
A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	N/A

Subject Areas, Aspects, General Disclosures and KPI.s	Description	Relevant chapter(s) in ESG Report 2016/ Other Explanation
Aspect A3: The Environment and Natural Resources		
General Disclosure	Policies on minimising the issuer's significant impact on the environment and natural resources.	Safeguarding Environment, Health and Safety
B. Society		
Aspect B1: Employment		
General Disclosure	Information on the policies and compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	Caring for Our People
B1.1	Total workforce by gender, employment type, age group and geographical region	Caring for Our People
Aspect B2: Health and Safety		
General Disclosure	Information on the policies and compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	Safeguarding Environment, Health and Safety
B2.1	Number and rate of work-related fatalities.	Safeguarding Environment, Health and Safety
B2.2	Lost days due to work injury.	Safeguarding Environment, Health and Safety
B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	Safeguarding Environment, Health and Safety
Aspect B3: Development and Training		
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	Caring for Our People
Aspect B4: Labour Standard		
General Disclosure	Information on (a) policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	Caring for Our People

Subject Areas, Aspects, General Disclosures and KPI.s	Description	Relevant chapter(s) in ESG Report 2016/ Other Explanation
Aspect B5: Supply Chain Management		
General Disclosure	Policies on managing environmental and social risks of the supply chain.	Our Green Business
B5.1	Number of suppliers by geographical region.	Our Green Business
B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	Our Green Business
Aspect B6: Product Responsibility		
General Disclosure	Information on (a) policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	Safeguarding Environment, Health and Safety
Aspect B7: Anti-corruption		
General Disclosure	Information on the policies and compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	Social Responsibility Management
B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	Social Responsibility Management
B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	Social Responsibility Management
Aspect B8: Community Investment		
General Disclosure	Policies on community engagement to understand the needs of the communities where operates and to ensure its activities take into consideration the communities' interests.	Giving Back to the Community
B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	Giving Back to the Community
B8.2	Resources contributed (e.g. money or time) to the focus area.	Giving Back to the Community



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