



Environmental Social and Governance Report

To Sustain and Grow with Stability
Kangda International Environmental Co., Ltd.

HONGKONG
Room3205, 32/F Alexandra House, No.18 Chater Road, Central Hong Kong
Tel: 852-24666136 Fax:852-24666067

CHONGQING
Uranus A, No.72 Avenue of Stars, High-Tech Park, North New Zone, Chongqing, The PRC
Tel: 86-23-61867777 Fax:86-23-61867775

ABOUT THIS REPORT



Overview and Principles

This is the third Environmental, Social and Governance (“ESG”) report of Kangda International Environmental Co., Ltd. (“Kangda International”, “Company” or “We”), which is compiled in accordance with the rules in the Appendix 27 of the Guidelines for Environmental, Social and Governance Reporting (“ESG Reporting Guidelines”) of the rules governing the listing of securities on The Stock Exchange of Hong Kong Limited (Hong Kong Stock Exchange) (“Listing Rules”), covering the Company’s performance and data in the areas of business development, environmental protection, employee caring, and community investment from January 1 to December 31, 2018.

Report Scope

The policies, statements, materials and data in this report cover the urban water projects, water environment comprehensive management and rural sewage treatment projects that the Company and its subsidiaries have major involvement. Unless otherwise stated, all currencies in this report refer to RMB.

The content of the report is derived mainly from the assessment and analysis of major issues and the opinions of the stakeholders. Please refer to the chapter “Practice Sustainable Management” for detailed procedures.

Confirmation and Approval

Being confirmed by the management, this report was approved by the board of directors on March 28, 2019.

This report is available in simplified Chinese, traditional Chinese and English for reader. The digital version of the report is available on the website of the Stock Exchange in the category of “Financial Statements/ESG Information” and it can also be obtained from the company website.

We value the opinions of stakeholders and welcome readers to contact us through the following contact methods. Your comments will assist us in further refining this report and enhancing our overall environmental, social and governance performance.

- Address: Uranus A, No.72 Avenue of Stars, High-Tech Park, North New Zone, Chongqing, The PRC
- Phone: +86-23 6186 7777
- Email address: kangda@kangdaep.com
- Fax: +86-23 6186 7775
- Official website: www.kangdaep.com



CONTENTS



03/ Chairman’s Statement

05/ Moving Forward Sincerely and Staying True to Our Original Aspiration

Being Committed to Water Ecological Construction 07

Company Profile
Business Overview
Economic performance

Practice Sustainable Management 14

ESG Concept
ESG Management and Stakeholder Communication
Corporate Governance

23/ Knowing the Source of the Water and Setting on the Way of Harmony

Operational Harmony 25

Working with Partners
Constructing Quality Projects
Creating a Win-win Society

Environmental Harmony 33

Improving Environmental Management
Optimizing Resource Us
Reducing Discharge

37/ The Metaphor of Ship and Water, Creating an Infinite Future

Employee Integration 39

Staff Profile
Caring for Staff

Employee Development 43

Health and Safety
Development and Support

47/ Trickling into the Sea, Building a Beautiful Home

Value Creation 49

Community Support 53

APPENDIX

57/ Content Index of the Environmental, Social and Governance Reporting Guide of the Hong Kong Stock Exchange

CHAIRMAN'S STATEMENT



In 2018, the awareness of "lucid waters and lush mountains are invaluable assets." has spread widely in China, and the focus of the environmental industry has shifted from the previous environmental pollution control to environmental quality improvement, elevating environmental protection to a new level. Kangda International has always been in line with the domestic policy direction as it utilized the development opportunities brought by the central government's environmental protection policies, integrated internal and external resources, and eventually achieved a stable development. As Kangda International operates and develops, it actively exerts its advantages in technology, market integration and financing, innovates businesses and develops new ideas, advocates the second reform, and has achieved multi-win development.

In respect of management and operation, Kangda International continues to enhance internal management innovation, optimize Company's internal organizational structure, tap potential and increase efficiency, and continuously enhances the business development capabilities of Kangda International. In terms of talent development, Kangda International has implemented a talent training program in depth, increased the investment in technology innovation and R&D, fully mobilized the enthusiasm of employees at all levels, enhanced comprehensive strength, and continuously enhanced the core competitiveness of Kangda International. As for social influence, Kangda International has fully utilized its environmental protection attribute, embodied environmental protection and governance in its own business, vigorously promoted ecological protection, publicized environmental protection culture, and carried out charitable activities. Kangda International promoted the development of environmental protection industry while giving back to the society, so that the influence of Kangda International has been continuously expanded.



Seeking improvement in stability and taking firm steps to develop the Company

With the vision of "leading the environmental protection industry and making Kangda International a century-old company", Kangda International is committed to implementing a 100-years development plan. In 2018, in order to support the company's strategy, Kangda International closely focused on market promotion, construction and operation for the division of labour based on business, so as to seize the development opportunities in the field of environmental protection more quickly and proactively. Kangda International is committed to delivering professional services and continues to promote the transformation from a traditional water treatment service provider to a comprehensive urban environment management service provider with an overall layout of "planning-investment-construction-operation", and actively establishes strategic partnership with local governments and local state-owned enterprises, jointly making efforts to establish regional environmental protection entities and forming complementary advantages. With rich development experience, the company's first-class environmental protection technology, management system and management experience have provided strong support for environmental protection and sustainable development, which has enabled Kangda International to steadily advance in the market fluctuation, achieve full coverage of the ecological chain in the environmental protection industry, and fully perform its corporate social responsibilities.

Developing comprehensively and improving the employee's development potential

Kangda International always regards the employees as its core competitiveness and attaches great importance to human resource management. We extend the notion that the talent is the first resource and spare no effort in personnel training and care. Due to the transformational development and strategic adjustment, we have made a considerable adjustment to the staff structure in 2018. Kangda International took this opportunity to profoundly optimize the recruitment and promotion mechanism and has achieved simultaneous improvement in quality and efficiency. As for the employee training and development, Kangda International has further improved the training management procedures, opened up an online learning platform, and promoted the internal talent development. We also attach great importance to the physical and mental occupational health of our employees by implementing the policy of "safety first, prevention first, comprehensive management". We have organized sports events, cultural festivals and other activities to promote team building while balancing employees' work and life and created a diverse, open, healthy and happy corporate culture.

Entailing a lasting flow by bearing social development responsibilities

In 2018, Kangda International continued the business philosophy of "honesty and responsibility, giving back to society", combining the Company's business with social responsibility. By following a sustainable development model that enables business development to drive the integration of ecological construction brought by and economic development, Kangda International gave full display of its social properties and took hold in the field of integrated urban environmental treatment by setting community living environment improvement and establishment of a beautiful home in urban and rural areas as its target. Along with its creation of a beautiful environment by its own business, Kangda International will actively cooperates with all stakeholders, supports the community, repays the society, actively carries out volunteer and public welfare activities, and gives back to the society while strengthening itself, maximizing the ultimate value of Kangda International to the society. As a Chinese saying goes: "a distant source and a lasting flow."

Going forward, Kangda International will continue to follow the policy trend, seize market opportunities, explore and innovate, improve project quality, and to promote sustainable development of society while developing itself and creating higher value for shareholders, customers, society and other stakeholders, making its own contribution to the healthy development of the social and business environment!

Moving Forward Sincerely and Staying True to Our Original Aspiration

Being Committed to Water Ecological Construction

Company Profile
Business Overview
Economic performance

Practice Sustainable Management

ESG Concept
ESG Management and Stakeholder Communication
Corporate Governance

Kangda International believes that the sustainable development of an enterprise is inseparable from the understanding and support of shareholders, the government, customers, employees, partners, communities and other interest relevant parties. With national policy adjustments and changes in the industry environment, Kangda International has always adhered to its initial intentions, meeting the expectations of all parties and creating comprehensive values for the environment and society.

2018,
Revenue 3,021,327 thousand yuan
Income tax expenses 145,801 thousand yuan
Donation 104 thousand yuan



BEING COMMITTED TO WATER ECOLOGICAL CONSTRUCTION



Company Profile

Kangda International Environment Co., Ltd. is a listed company of the Hong Kong Stock Exchange (stock code: 6136) with its water facility infrastructure investment, construction and operation as its core. We provide integrated water project solutions and services to our customers primarily through Build-Operate-Transfer (BOT), Transfer-Operate-Transfer (TOT) and Public-Private Partnerships (PPP). As of December 31, 2018, the asset of Kangda International totaled around 16.5 billion yuan.

As one of the first private enterprises in China's sewage treatment industry, in addition to striving to consolidate its traditional sewage treatment service business, Kangda International has vigorously

transformed itself into an integrated urban environmental treatment solution provider, and has rapidly expanded to other links of the water treatment service, including integrated the watershed management, sponge city, and recycled water, sludge, heat pump and photovoltaic.

With a rich experience of 26 years of practicing in the wastewater treatment industry, from the first BOT model waste water treatment project of Kangda International in 2003 until now, the coverage of its "urban water business" has expanded to 107 projects in 17 provinces and municipalities in Mainland China, with the total daily treatment reaching about 4.268 million tons.

Kangda International Total Assets

16.5 Billion yuan

Total Daily Treatment of Sewage Treatment

426.8 thousand tons



Company's Vision

"To lead the environmental protection industry and stand for a hundred years." With rich development experience, the Company's first-class environmental protection technology, management system and management experience have provided strong support for environmental protection and sustainable development. The Company will be committed to implementing the plan of developing for a century, improving its status and influence in the industry, and striving to be an ivy in the field of environmental protection.



Company's Philosophy

Kangda International practices its core values of "integrity and responsibility, and giveback to society". For many years, the Company has been recognized by local governments and society, and has won wide acclaim from customers, laying a solid foundation for the sustained, rapid, healthy and stable development.



Company's Policy

Kangda International pursues the policy of "following the rules, being self-disciplinary, and fulfilling responsibility"

Following the rules

nothing can be accomplished without norms or standards and discipline is the key to ensuring corporate execution

Being self-disciplinary

adhering to the selfless working style and devoting to the public interest in daily life and standardizing work behavior

Fulfilling responsibility

being determined to be highly responsible for the work and being professional in work



Competitive Advantages



- We are the leading private company in China investing in and operating wastewater treatment facilities, and enjoy the advantage of being able to benefit from the tremendous development opportunities of China's wastewater treatment industry.
- We are highly capable of obtaining projects and have a systematic evaluation mechanism for new projects.
- We are capable of offering our customers the integrated, customized and quality wastewater treatment solutions
- We have the management system that is designed to improve operational efficiency and have established a record of receiving sewage treatment fees by time.
- We have a diligent management team, backed by experienced and motivated professionals and employees, and a positive corporate culture.

Business Overview

Kangda International has always closely integrated the responsibility of environmental protection with the development of its own businesses, continuously promoted the Company's internal innovation, fully mobilized the enthusiasm of staff at all levels, and enhanced its comprehensive strength.



Urban Water Treatment

- Constructions and operations in urban water treatment
- Reclaimed water treatment and usage
- Sludge disposal
- Water distribution
- Operation and maintenance



Water Environment Comprehensive Remediation

- River harnessing and improvement
- Foul water body remediation
- Sponge city construction
- Pipeline network projects
- Urban comprehensive pipe tunnel



Rural Water Improvement

- The construction of a beautiful village
- Operation and maintenance
- Sludge treatment
- Pipeline for collecting wastewater
- Rural living environment improvement

Urban Water Treatment

Up to December 31, 2018, Kangda International has established 107 service franchise arrangement projects, including 100 sewage treatment plants, 3 water supply plants, 3 sludge treatment plants and 1 recycled water treatment plant. The total daily processing capacity of the newly acquired sewage treatment project in 2018 is 315,000 tons. In the future, the Company will further expand its urban water treatment industry chain, drive the industry forward, and raise the technical capability and environmental benefit.



Water Environment Comprehensive Remediation

In 2018, Kangda International signed two PPP projects and 13 Engineering, Procurement and Construction (EPC) projects in Henan, Jiangxi, Shandong and Hainan Provinces. In addition, the Company has 15 comprehensive water environment management projects under construction. All these have made a great contribution to the local environmental, economic and social development.

Rural Water Improvement

In 2018, Kangda International started 3 rural sewage treatment projects in Guangdong Province and Guizhou Province, which greatly push forward the "building the beautiful village" program. As the central government has promulgated environmental protection policies, we will seize the opportunity to actively respond to the country's rural revitalization strategy, and strive for more rural sewage treatment and environmental protection projects in the next few years, to improve rural sewage treatment capacity and make more efforts in environmental protection.

In the future, Kangda International will continue to promote the transformation from a traditional water treatment service provider to an integrated urban environmental management service provider, continuously expand water environment management services, keep pace with the times, timely seize the business opportunities in the environmental protection market, seize the opportunities brought by new environmental protection policies, to actively integrate the internal and external effective resources of the Company, continue to improve financial performance and industry status, adhere to the combination of ecological construction and economic development, innovate the business development thinking, and achieve win-win development.

Map of Kangda International Projects



Quantity Distribution of Kangda International's Projects

- 107 urban water service projects
- 3 rural sewage treatment projects
- 15 water environment comprehensive management projects

Key Project Display

Urban Water Treatment



Sewage Treatment Plant in Yuhe, Weifang
 The completion and operation of the Weifang Yuhe Sewage Treatment Plant has greatly improved the water quality of Weifang City and Bohai Sea Belt and people's living environment, as well as played an active role in the construction of ecological city and the sustainable and healthy development of Weifang City.



Shangqiu Water Co., Ltd. Sewage Treatment Plant
 Shangqiu Water Co., Ltd. Sewage Treatment Plant treats 180,000 tons of sewage per day. With its stable operation and its remarkable social and environmental benefits, it has been awarded multiple times by provincial and municipal authorities.

Water Environment Comprehensive Remediation



Integrated Treatment Project Tanghe River Watershed, Hebishan District
 The river course in the integrated treatment project of the Tanghe River Watershed of Hebishan District is about 23.6 km in length. The main construction contents include the following four aspects: comprehensive river improvement, pollution remediation of the basin, ecological restoration of the water environment and ecological landscape construction along the river. Through integrated measures combining water control, water diversion, water management, and water construction, the Tanghe River and the Sihe River Basin will be comprehensively improved and the Tanghe River will become clear and green.



Fuzhou Sanjiang Wetland Ecological Restoration Project
 The Fuzhou Sanjiang Wetland Ecological Restoration Project is located in the northwest of the old town in Fuzhou. It aims to create a theme tourism base and project with 7 major plates as the main line, supplemented by wetland restoration project including wetland restoration, water purification, bird habitat and citizen leisure and create an "ecological gateway, wetland paradise, migratory bird habitat, leisure resort, purified platform, a sightseeing spot".

Rural Water Improvement



Jiaoling County Domestic Sewage Treatment PPP Project
 In the domestic sewage treatment PPP project of Jiaoling County, Kangda International has built 5 new township sewage treatment facilities, with a total daily processing capacity of about 2,400 tons and a pipe network with the length of about 44,400 meters; 200 new village sewage treatment facilities, with the daily treatment capacity about 3,980 tons in total, and the length of the pipe network about 163,100 meters, benefiting nearly 70,000 people. It has been identified as one of the 15 model demonstration counties in terms of domestic sewage treatment in the province, which was approved by the Ministry of Housing and Urban-Rural Development of Guangdong Province.



PPP Project of Comprehensive Management over the Rural Environment of Xishui County
 In the PPP project of integrated environmental improvement of Xishui County, the whole county supported the construction of PPP project. In this process, Kangda International built 42 sewage treatment stations and drainage networks, built a new sewage collection and treatment facility system and started drinking water source protection construction and operation, and launched the boutique tourism project from Xishui County Dashui to Sanchahe, which has transformed the facades of the residential buildings on both sides of the scenic roads and supported the landscape greening and greatly improved the rural environment.

Economic Performance

In 2018, Kangda International actively deepened reforms under the circumstance of industry policies change, further improved its service capabilities, reduced operating costs, raised profitability, and strove to provide better returns to shareholders.

Socioeconomic value	2017	2018
Revenue	2,523,940 thousand yuan	3,021,327 thousand yuan
Total employee benefit expense	215,252 thousand yuan	263,829 thousand yuan
Income tax expense	109,187 thousand yuan	145,801 thousand yuan
Donation	85 thousand yuan	104 thousand yuan



PRACTICE SUSTAINABLE MANAGEMENT



Kangda International always regards sustainable management as the core driving force for its development and operation. In 2018, we adhered to the core values of "honesty, responsibility and giving back to society", further improved the sustainable development responsibility model,

implemented corporate social responsibility and sustainable development in every business step, and assumed more social responsibility with a high sense of mission and responsibility, promoting the sustainable development of the entire society.

ESG Concept

Since the establishment of Kangda International, we have made unremitting efforts to satisfy all expectation from stakeholders on social responsibility targets.



In order to reach our social responsibility target, Kangda International has constantly adjusted and optimized its social responsibility model to adapt to the targets and needs of different stages. During the reporting period, Kangda International further improved its social responsibility model according to the industry trend and company positioning. The Company carries forward the core concept of social responsibility of “water, the way of harmony”, takes “water” as the core business, actively explores ways and methods of comprehensive management over the environmental pollution, and is committed to the promoting of sustainable use of water resources, ecosystem construction, and the harmonious development of the economic society, striving to make the water clearer, the mountains greener, the sky bluer, and the city more livable.

Through the social responsibility model, Kangda International hopes to convey to society its social responsibility concept and its determination in realizing the concept: Kangda International not only influences the environment and industry like water droplets that induce ripples, but also actively works with all relevant parties, to create a sustainable development environment, converge water droplets into rivers, expand the scope of influence, nourish society while strengthening itself, and achieve mutual benefit and win-win cooperation, and to maximize the ultimate value of Kangda International for society in a step by step manner!



• Water, the way to harmony

ESG Management and Stakeholder Communication

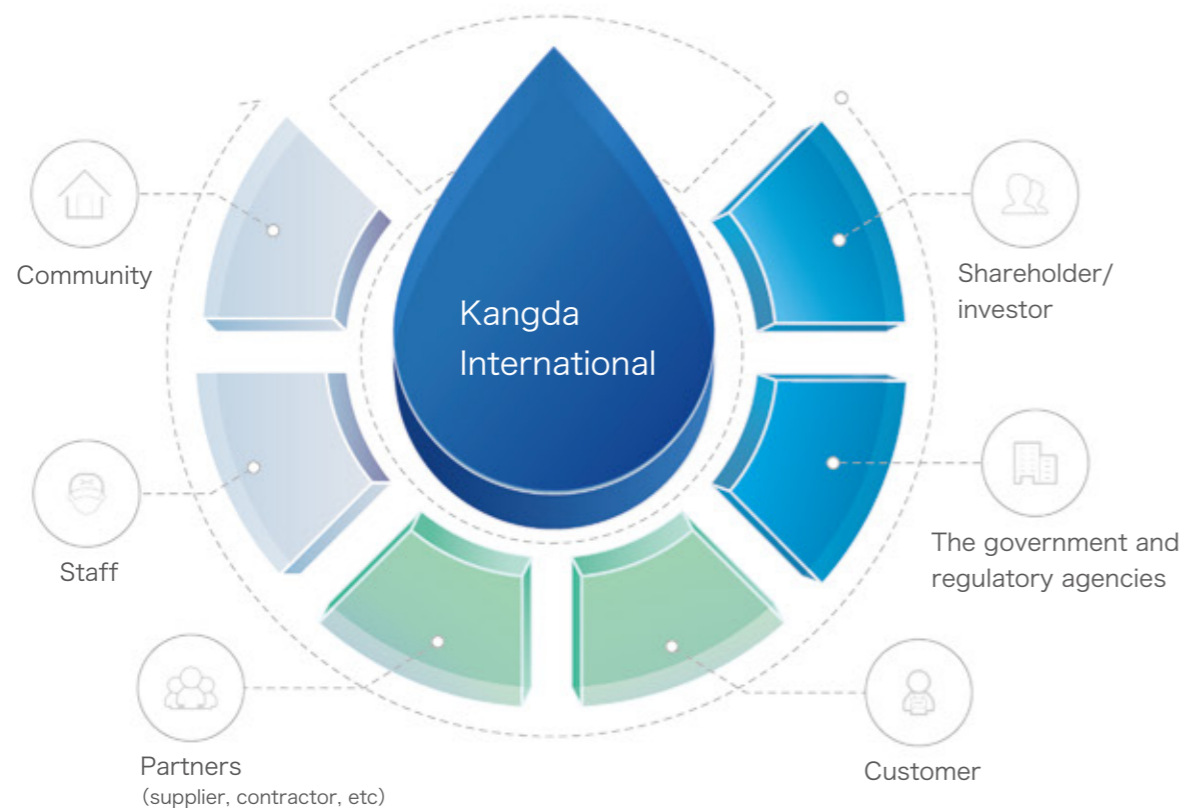
The orderly implementation of the ESG governance system is the fundamental guarantee for improving the management of ESG. In order to effectively implement ESG governance, the Company established a multi-level ESG internal management structure with the board of directors and the working committee as the core, and a daily working group as the main force. A full-time staff is assigned to be responsible for ESG-related

business communication, data collection and report preparation and other works. The board regularly evaluates and determines the effectiveness of the Company's ESG risk management and internal control systems, reviews the implementation of relevant management, and continuously improves and updates the objectives in light of changes in the Company's internal and external environment.

Stakeholder Identification and Communication

Kangda International actively establishes multi-faceted communication and contact with all stakeholders, and shares ideas and experience under a two-way transparent and regular communication mechanism to discuss issues closely related to the Company's development. We hope to achieve mutual benefit and a win-win cooperation on the basis of mutual trust and respect.

In 2018, we identified six major categories of stakeholders who have influence on the Company and are closely related to the Company:

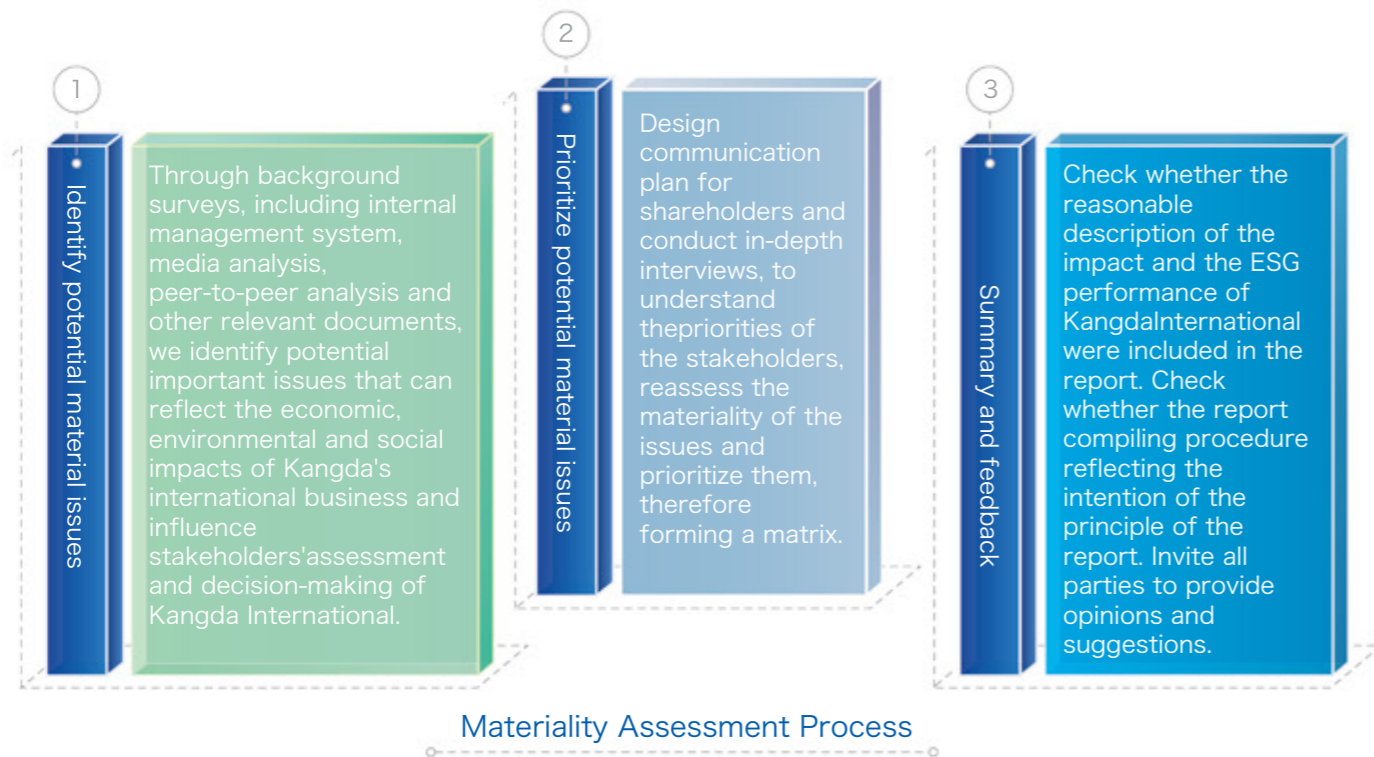


The Company communicates with various stakeholders to understand their concerns, and regularly reviews the effectiveness of the actions and improves communication channels. The issues of concern to different stakeholder groups and the Company's communication response during the reporting period are as follows.

Shareholders	Concerned issues	Communication and response approaches	Frequency
Shareholder/investor	Business performance Policy influence Product and service quality Employee stability	Periodic report/temporary announcement Field inspection Telephone and mail communication	Regular/irregular Regular/irregular Irregular
The government and regulatory agencies	Policy influence Water ecology protection Hazardous waste management Sludge treatment	Periodic report/temporary announcement Correspondence Field inspection	Regular/irregular Irregular Regular/irregular
Customer	Product and service quality Business performance Supplier/contractor management Customer complaint handling	Hotline Information feedback Satisfaction survey	Irregular Irregular Regular/irregular
Staff	Occupational safety Employee stability Salary and benefits Business performance	Employee medical examination Professional training Employee activity	Regular Regular/irregular Regular/irregular
Partner (Supplier, contractor, etc.)	Supplier/contractor management Business performance Policy influence Construction site management	Open tender Field inspection Supplier conference	Irregular Regular/irregular Regular/irregular
Community	Charity Community relationship maintenance Water ecology protection Sludge treatment	Community activity Announcement/Press Release Access and investigation	Irregular Regular/irregular Irregular

Materiality Assessment

Based on the assessment result of the 2017's material issues, Kangda International conducted in-depth interviews with its stakeholders to understand their opinions and expectations on the Company's environmental, social and governance aspects, and these were strong basis for Kangda International to formulate a long-term ESG strategy and to revise its social responsibility model.

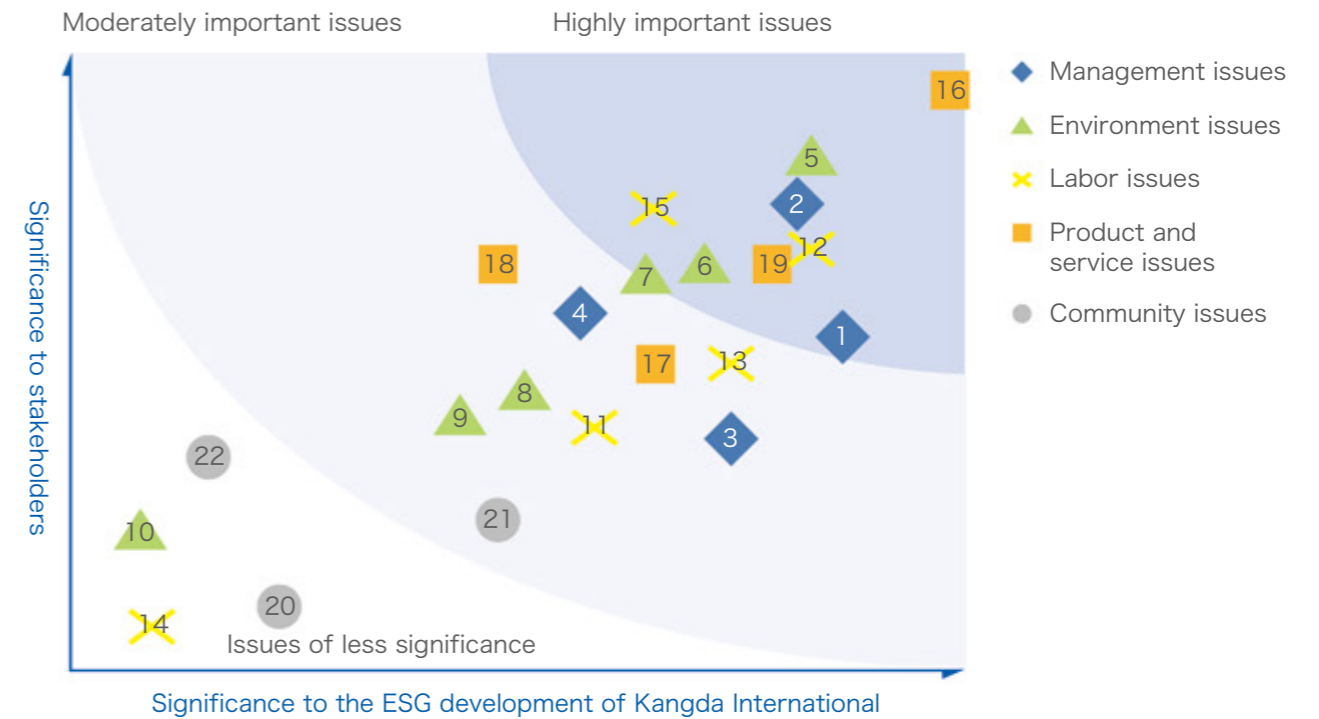


During the reporting period, Kangda International identified 9 ESG issues that were highly important to the Company, 9 moderately important ESG issues, and four less important ESG issues. The highly relevant issues constitute a key part of the content of this report, and we will disclose the relevant content in detail in this report.

Based on the assessment of material issues in 2017, we have adjusted and streamlined some of the issues based on the Company's operation. We integrated five sub-topics of "supplier management" into one "supplier/contractor management" issue, integrated "community contribution", "the impact of daily business on surrounding communities" into "local economic and development support", integrated

"community, local government relationship maintenance" and "immigrant resettlement and reemployment" "handling surrounding community complaints" into "maintenance of community relations" and expanded the "guarantee for the water quality" to "quality of products and services". At the same time, due to reasons such as changes in the industry environment and corporate strategy adjustments, the relevance of some issues has also been adjusted accordingly. For example, the issue of "employee stability" has increased in significance greatly in 2018 and has been re-evaluated as a highly important issue; the "customer privacy" issue has been slightly reduced in relevance, shifting from a highly important issue to a moderately important issue.

Kangda International 2018 ESG Materiality Matrix



Management issue			
1 Business performance	2 Policy influence	3 Operational concept	4 Anti-corruption

Environmental issues		Labor issues	
5 Water ecology protection	6 Sludge treatment	11 Salary and benefits	12 Occupational safety
7 Hazardous waste management	8 Construction site management	13 Career development and training	14 Diversity and equal opportunities
9 Energy management	10 Emission of greenhouse gases	15 Employee stability	

Product and service issues			
16 Product and service quality	17 Customer complaint handling	18 Customer privacy	19 Supplier/contractor management

Community issues		
20 Charity	21 Community relationship maintenance	22 Local economic and development support

Corporate Governance

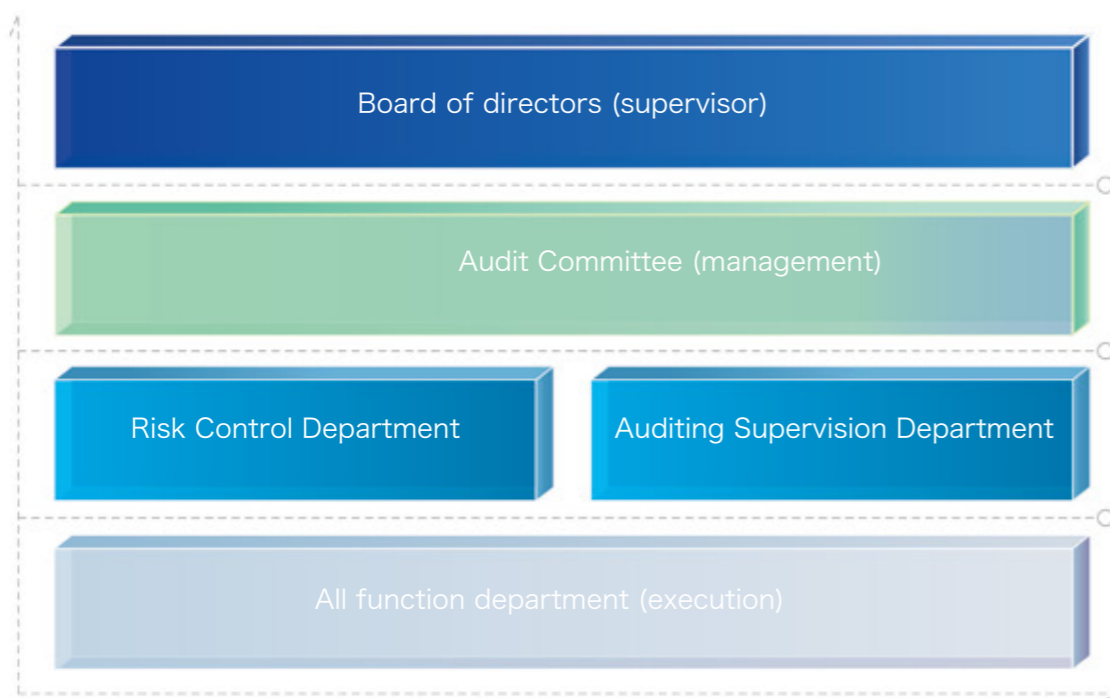
Good corporate governance and strict risk management are important prerequisites for the healthy development of a company. Kangda International is committed to creating a clear and transparent operating atmosphere, striving to establish a sound and effective internal control mechanism, strengthening the management requirements for external suppliers and contractors, and comprehensively implementing anti-corruption and integrity through internal and external powers and responsibilities, to protect the Company and customer's interest.

Corporate Management and Governance

Kangda International has established a highly effective corporate management and governance mechanism strictly as per the requirements of the *Company Law of the People's Republic of China*, *Securities Law of the People's Republic of China*, *Guidelines for the Governance of Listed Companies*, *Standard Code for Securities Transactions by Directors of Listed Issuers* and other relevant laws and regulations, as well as rules and regulatory documents of monitoring bodies, to protect the interests of shareholders

and other relevant stakeholders from the management system. Kangda International will continuously improve its company value, management transparency and responsibility traceability.

For the risk management and internal control, Kangda International has established a sound organizational structure to deal with and manage the risks faced by the Company.



For more corporate management and governance information, please refer to the "Corporate Governance Report" chapter of the 2018 Annual Report.



Anti-fraud and corruption

In order to strengthen the internal integrity management of the enterprise, improve the awareness of corruption, fraud, bribery, blackmail and money-laundry at all levels of managers and employees, and effectively reduce the risk of various business processes, Kangda International has closely followed *Company Law of the People's Republic of China*, *Anti-money Laundering Law of the People's Republic of China* and relevant laws and regulations and has established and strictly required employees to abide by the ethical guidelines and regulations in the Employee Handbook and encouraged personnel to practice integrity and diligence as well as to show dedication to prevent behaviors that will harm the interests of the Company and shareholders.

In 2018, Kangda International further expanded the scope of the internal audit, especially for newly acquired water plants, and carried out detailed audit work and prioritized trainings to control risks. Once a problem is noticed, it will be reported in time, and we will strictly implement the processing opinions and have a follow-up plan. According to the regulations, relevant departments shall report the rectification plan within one month and arrange for a second audit.

In order to ensure the effective implementation and standard operation of the Company's various rules and regulations, and to improve the Company's anti-fraud reporting and complaint mechanism, Kangda International has formulated the *Anti-fraud Management System of Kangda International Co., Ltd.* to clarify the reporting and handling procedures and reporting complaint protection methods, publicize the reporting letter, launch the ethics hot-line and reporting mailboxes mechanism, etc., set up special agencies to accept, encourage employees and related parties to lawfully and orderly report internal behaviors including violations of rules, violations of laws, fraud, and damage to the Company's interests and image. The problems reflected in the report shall be strictly investigated and settled with proper processing procedures. With such, we can promote the healthy and rapid development of the Company.

During the reporting period, there was no corruption or other misconduct involving violations of laws and regulations committed in Kangda International.



Knowing the Source of the Water and Setting on the Way of Harmony

Operational Harmony

Working with Partners
Constructing Quality Projects
Creating a Win-win Society

Environmental Harmony

Improving Environmental Management
Optimizing Resource Use
Reducing Discharge

As Kangda International develops, we are better understanding the significance of operational controls and environmental risks for our sustainable development. We always adhere to the cooperation with both upstream and downstream partners, strive to provide high-quality services to customers, and promote the overall progress of the industry through our own R&D and industry exchange. While contributing to the ecological environment through our own operations, we also pay attention to resource conservation in our own operations, continuously reduce the negative impact on the environment, and promote the construction of a beautiful ecological environment.

In 2018,

The total number of qualified equipment suppliers is 113, and the total number of engineering contractors is 49.

Water environment comprehensive treatment and rural sewage treatment effluent pass rate are 100%

The Company headquarters obtained ISO14001 environmental management system certification

Unit income greenhouse gas emissions is 7.5 tons equivalent/10,000-CNY of revenue

Comprehensive energy consumption density is 1.3 tons of standard coal/10,000-CNY of revenue



OPERATIONAL HARMONY



The high-quality business operation lies in the effective operational risk management. Therefore, we focus on the factors that may affect service quality in the operation process, including supplier contractor management, quality system building, technology upgrade, customer communication, and research and innovation. Through continuous improvement and self-enhancement, we have helped the water industry as a whole to flourish while achieving harmonious operation of the Company.



Working with Partners

The operation and development of Kangda International cannot be separated from the support of business partners. The Company attaches importance to the impact of the supply chain on the environment and society, and is committed to encouraging suppliers and contractors to fulfill their corporate social responsibility and achieve sustainable development.

The Company's procurement projects include materials and equipment for its investment projects, civil works, and installation and supervision, among which exist mainly risks of supply quality, environmental impact on production and construction, and the health and safety of the employee. In order to standardize the Company's management of suppliers and contractors, and to guarantee the quality of the

Company's engineering projects, the Company adheres to the principle of open, fair and impartial management, and follows the *Condition Management System of Kangda Group and the Contract Management System of Kangda Group*, to effectively control the quality of supplied products and realize environmental chain compliance, labor health and safety, anti-corruption and prevent other sustainable development risks. In order to ensure the fairness in choosing suppliers, the pre-inspection process, evaluation and assessment process of the supplier and contractor and the management of the supplier and contractor database require the participation of at least two departments. In addition, we try our best to choose the nearest suppliers and contractors to reduce the carbon footprint while supporting the local economy and creating employment opportunities.

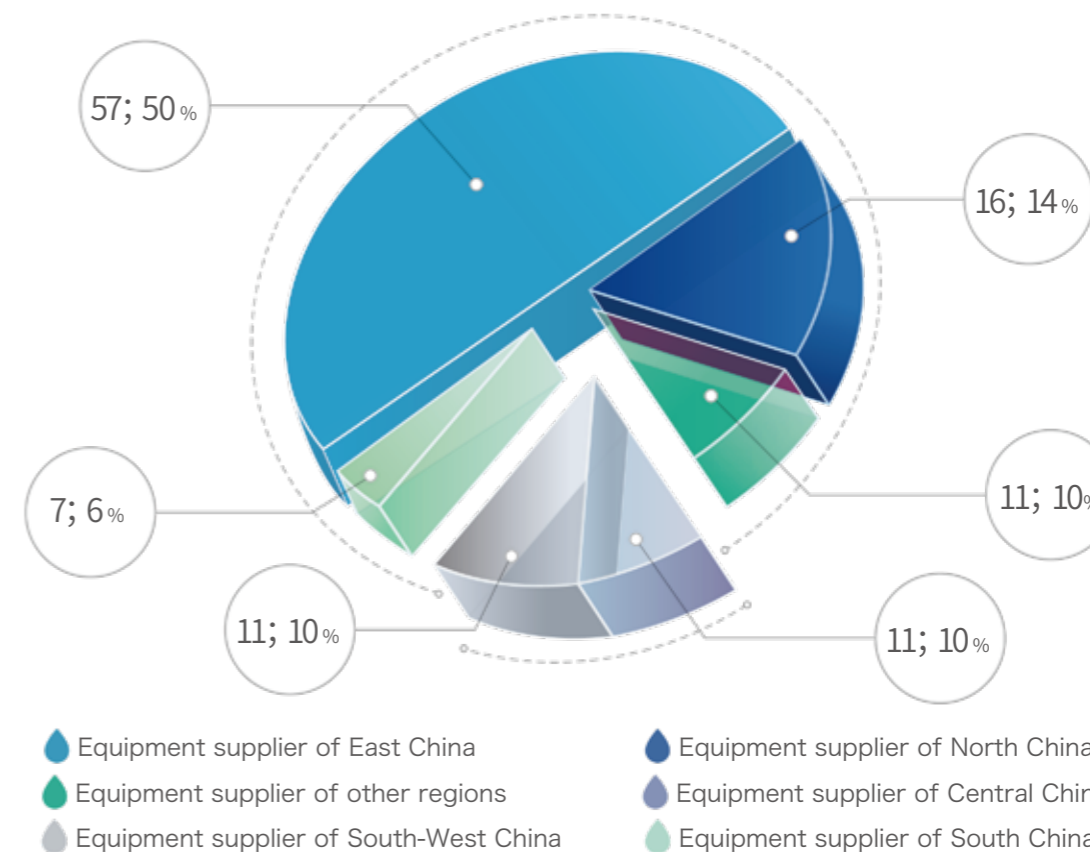


Pre-inspection during the bidding phase	Examination and Evaluation during the construction and operation phase
Under the premise that technical, texture, performance, quality and other requirements are met, we mainly focus on the environmental protection and energy-conserving property of the products as well as the certification condition of the Company's environmental system.	We have a high requirement on the quality of products offered by our suppliers and contractors, and will conduct ex-factory inspection and field inspection on the quality, specification, performance and quantity of the delivery.
Meanwhile, we also take into consideration the occupational health and safety management conditions of our suppliers and contractors, including the past accidents in construction.	We will comprehensively evaluation the supplier by the cooperation at the early stage, on-time product delivery and after-sale services; we will also consider the civil engineering installment project management and their performance of the contract to evaluation.

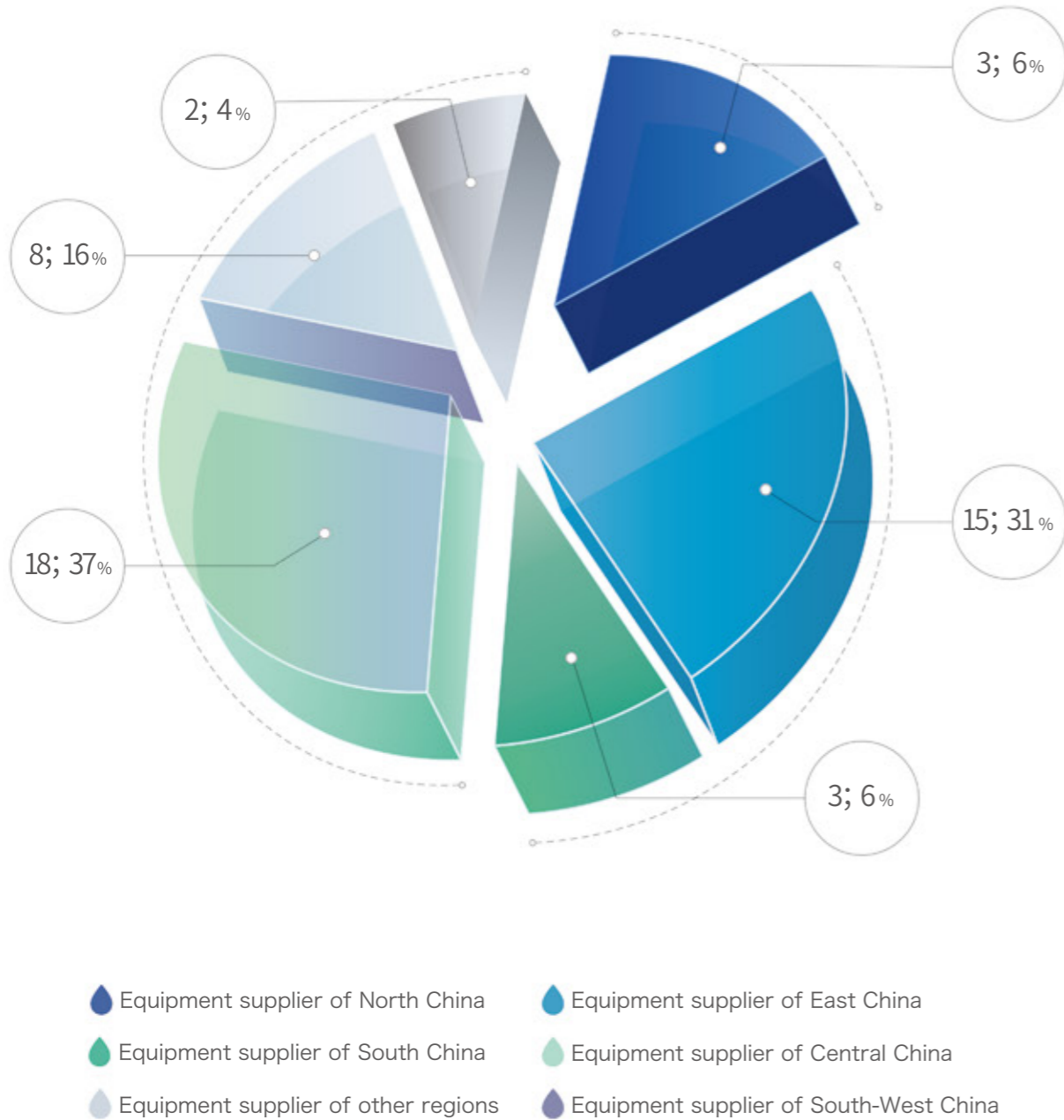
Kangda International strictly controls the supply chain procurement products, sticks to the entry barriers of suppliers and contractors, and strengthens procurement supervision. In the process of building a responsible supply chain, we maintain a good partnership, positively influence suppliers and contractors, promote their fulfillment of corporate social responsibility, and promote common progress.

Equipment suppliers and engineering contractors are our most important partners. At present, our total number of our qualified equipment suppliers is 113 and the total number of engineering contractors is 49. The geographic distribution is as follow:

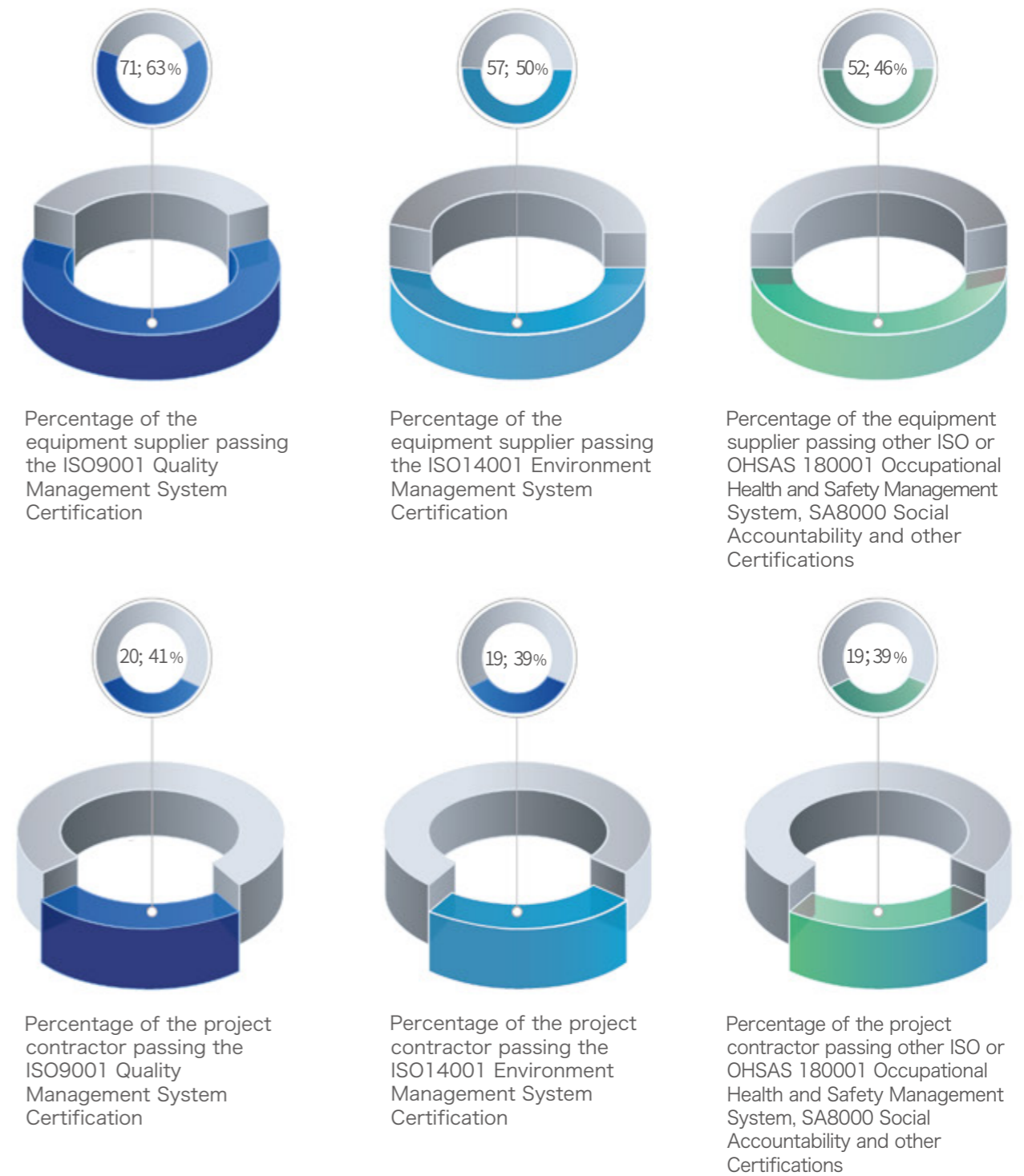
Quantity of equipment supplier according to geographic distribution



• Quantity of project contractor according to the geographic distribution



We encourage and promote suppliers and contractors to carry out quality and environmental management system certification, and continuously improve the standard of responsibility management. At present, the number of equipment suppliers and engineering contractors that have passed the relevant system certification are as follow:



Constructing Quality Projects

Adhering to the laws and regulations including the *Product Quality Law of the People's Republic of China and the Law of People's Republic of China on Protection of Consumer Rights and Interests*, Kangda International has established a strict quality management system, which has passed the ISO9001 quality management system certification of sewage treatment operation management and municipal public works construction general contracting (level one) and the environmental engineering construction professional contract (level two). We carried out comprehensive supervision of the quality control and engineering acceptance of the project, so that the quality and safety of our products are effectively guaranteed, enabling the continue provision of quality and reliable water project services to the society.



- November 2018, Kangda International won two first-class certifications in China's environmental services (domestic sewage/industrial wastewater).

Sewage treatment is the traditional business of Kangda International, and it is always the focus of Kangda International to ensure the stable plant effluent quality. In order to strictly abide by the national industrial standards and regulations including the *Discharge Standard of Pollutants for Municipal Wastewater Treatment Plant, Technical Specification for the Operation, Maintenance and Safety of Municipal Wastewater Plants* and the water quality standards required in the *Franchise Agreement* signed with the government, we have developed the *Management Manual for the Operation Sewage Treatment Plant*. The manual specifies the water quality testing management, operation and maintenance and performance appraisal to ensure the stable operation of the sewage collection system, the efficient sewage treatment and the qualified rate of effluent. In 2018, under the circumstance of stricter environmental protection inspections over the country, all localities have also formulated and introduced stricter sewage discharge standards. In order to improve the qualified rate of the effluent, we mainly set about from the following three general directions:

- Kangda International has taken concrete measures to improve the qualified rate of the effluent 2018

Improve the production and management capability of the water plants

Based on the internal exchange mechanism of the Technical Committee, quickly identify the root of the problem in the production and operation of the plant and put forward highly effective solutions

Organize various forms of trainings and skill competition for the staff to improve their professional ability

Strengthen inspection work; according to the water quality from the inlet, get to know and update the relevant operating parameters in time and improve the technical control

By upgrading and reconstruction, improve the industrial chain and strength the weak spot

Strengthen external coordination

By using external usable carbon source to change the water quality feature of low carbon, high nitrogen and high phosphorus

Report standard-exceeding situation of water quality in time and request to check the sewage network condition and the upstream emission enterprises

Technical updating

Improve system processing efficiency by adjusting process parameters such as aeration mode, reflux ratio, and sludge

Improve processing capacity by adding dephosphorization reagent, denitrification carbon source and so on

To strengthen the technical weak spots by putting forward a new deep bed denitrification filter, coagulating basin settlement, ozonation and other technologies

In 2018, the efficient passing rate of the water environment comprehensive remediation and rural water improvement is 100%, and the efficient passing rate of urban water treatment is 97.32%. In order to prevent the subsequent water quality of the sewage treatment plant entering the sewage treatment plant from far exceeding the design standard or the treatment capacity of the sewage treatment plant, resulting in the quality rate of the effluent below the standard. Kangda International, on one hand, strengthened the influent water quality detection and controlled and identified the sensitive water body in advance. On the other hand, it reduced the system impact and improved system impact resistance through technical adjustment to ensure the qualified rate of effluent.

Renovating the effluent weir of the concrete pool to further improve the effluent quality

In order to raise the passing rate of effluent and meet the stricter requirements of environmental protection inspection, Jiaozuo No. 1 Plant reformed the effluent enthalpy of the coagulation tank to effectively precipitate suspended solids such as floc unit that were blocked at the outlet triangle of the effluent, so that the effluent water quality can be improved from the national A level to a higher level.



High-quality customer service relies on a flexible and convenient customer communication channel. We pay great attention to the construction of customer communication channels, and continuously improve customer communication experience by collecting timely the customer opinions before, during and after the project. Through strict management of the project quality, we achieved zero customer complaints in 2018.

Creating a Win-win Society

Kangda International has a complete industrial chain of water industry, and has actively established strategic partnerships with local governments and local state-owned enterprises, making joint efforts to establish a regional environmental entity, forming complementary advantages and creating its own advantageous market field. Regarding the three major water services we provide - urban water treatment, water environment comprehensive remediation and rural water improvement, we continue to protect urban and rural water sources, to ensure the ecological environment of the basin and to contribute to the sustainable development of the economy by implementing the BOT, TOT, PPP, BOO, EPC and O&M contracts. We are also committed to the discovering of new energy solutions for the traditional water industry, applying clean energy technologies such as organic waste recycling, water source heat pumps and photovoltaic power generation for the daily operations of sewage treatment plants, adding environmental value to wastewater treatment projects and further promoting the development of the regional environmental protection.

- BOO**
Building-Ownning-Operation
- EPC**
Engineering Procurement Construction
- O&M**
Operation and Maintenance

Government grants received in 2018:

Government grants	Amount
The value-added tax refund and the environmental protection funds for environmental technological improvements granted by government authorities	119,365 thousand yuan

Kangda International not only continues to contribute to the environmental protection and water service industry for the whole society, but also promotes the development of the entire water industry through technological innovation. In 2018, Kangda International published a number of research papers in various major journals covering various aspects such as sewage treatment and equipment management. Among them, 13 papers were included in the Excellent Technical Symposium of 2018 and 3 of them received awards. We use our experience, expertise and network to provide the latest water solutions for the environmental era through technological innovation, leading the overall prosperity of the water industry.



ENVIRONMENTAL HARMONY



Improving Environmental Management

As the State increasingly emphasizes the ecological and environmental protection and with the official implementation of the 2018 *Environmental Protection Tax Law of the People's Republic of China*, Kangda International has further strengthened its environmental management. Based on the latest requirements and future trend, the relevant policy processes have been updated and refined. In the daily operation, the Company complies with the environmental policy of "compliance with laws and regulations, energy conservation, standardized emission, clean production, continuous improvement, and green development", strictly controls the environmental impact of its business operations, and takes into consideration the environmental impact in our decision-making and management to enhance the positive impact on the ecological environment and natural resources. At present, the Company's headquarter has passed the ISO14001 environmental management system certification, and in accordance with the *Environmental, Occupational Health and Safety Inspection System, Environmental Factors, Hazard Source Identification Evaluation Management System* and other relevant management systems, the national environmental management standards and specifications GB/T 24001 environmental management system has been put into practice.



Optimizing Resource Use

The efficient use of resources not only helps the Company to reduce costs, but also contributes to environmental protection. Kangda International attaches great importance to the value of saving its own resources and energy, and implements policies to improve resource utilization efficiency in accordance with laws and regulations including the *Energy Conservation Law* and the *Design Standards for Public Building Energy Efficiency* and other industry standards. In 2018, the Company analyzed the control aspects of energy consumption, water use, packaging materials use, chemical use, and greenhouse gas emissions involved in project design and construction, formulated and optimized environmental risk management measures, and encouraged the construction party to use the energy-saving construction equipment of frequency conversion technology to avoid the high-load construction machinery and equipment operating for a long time with a low load, to improve the energy utilization. In the comprehensive management of water environment new project, the company requested that the green building standards must be fully implemented in the design stage of the new project to ensure the environmental benefits of the project.



In addition to environmental considerations during project construction, the Company also promotes energy conservation and emission reduction in the operation process, selects equipment that meets process requirements and with suitable rate of power, to improve the process technology, operational processes, and to optimize resource and energy use rates. Meanwhile, the company pays attention to green office in its daily operations, promotes energy conservation and emission reduction through the use of LED lights and the repeated use of office paper, and encourages employees to use public transportation or walk to work to enhance employees' environmental awareness.

The indirect energy use of Kangda International mainly includes power use and natural gas use during project operation and office operation, covering working area equipment, office lighting and equipment, canteens, etc. Direct energy use mainly includes various types of machinery and equipment, diesel and gasoline required by official vehicles.

• Energy Consumption

Energy category	Energy	2018
Direct energy	Diesel (liter)	5,826
	Gasoline (liter)	171,684
	Natural gas (cubic meters)	6,683
Indirect energy	Outsourcing power (kWh)	326,959
Total energy consumption (ton of standard coal)		40,330
Comprehensive energy consumption density (tons of standard coal/10,000 CNY of revenue)		1.3

• Greenhouse Gas Emissions

Emission of greenhouse gases	2018
Greenhouse gas emissions - direct emissions (tons of carbon dioxide equivalent)	435
Greenhouse gas emissions - indirect emissions (tons of carbon dioxide equivalent)	226,404
Total greenhouse gas emissions (tons of carbon dioxide equivalent)	226,839
Greenhouse gas emissions per unit of income (tons of carbon dioxide equivalent/10,000 CNY of revenue)	7.5

Kangda International needs to use chemicals of certain specifications in the treatment and improvement of water quality. As the medicament, the chemicals used mainly include inorganic analytical reagents, organic classification reagents, specific effects reagents, reference reagents and so on.

• Chemical Consumption

Chemical supplies	2018
Chemical use (tons)	169,597



The resources used by Kangda International mainly include construction consumables, water resources during construction and operation, and office paper. While standardizing the using efficiency of its own material resources, Kangda International also drives engineering contractors to jointly improve resource efficiency and to achieve cost reduction and efficiency.

• Resource Consumption

Resource	2018	
Construction consumables	1,164,504.87	
Water resources (cubic meters)	Construction water	6,579
	Office and operation water	28,516.45
Paper (tons)	1.62	

• Reducing Discharge

Kangda International attaches great importance to the control of pollutants discharged from the atmosphere, sewage, solid waste, hazardous waste, noise, etc., and Kangda International, in accordance with the Law of the People's Republic of China on the Prevention and Control of Atmospheric Pollution, Law of the People's Republic of China on the Prevention and Control of Water Pollution, Law of the People's Republic of China on the Prevention and Control of Solid Waste Pollution, Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Wastes, Law of the People's Republic of China on Prevention and Control of Pollution From Environmental Noise and other laws and regulations, have issued a series of management manuals and took special actions for pollution treatment. For the production and domestic waste generated during the construction process, Kangda International has specially formulated the *Standard for Safety and Civilization Construction of Construction Sites*, which requires the collection, storage and recycling of wastes and timely delivery to designated recycling stations. For waste materials

such as metals, plastics, wood, and building materials, the Company prioritizes recycling to reduce waste emissions.

In response to the sludge generated during the project, Kangda International would test the content of nitrogen, phosphorus and heavy metals contained in the sludge, evaluates the sludge treatment application plan firstly. And then enhance the comprehensive utilization value of sludge by adopting harmless treatment technology, manufacturing construction materials technology, land utilizing technology and other harmless and resource utilizing technologies. In 2018, the amount of sludge generated from urban water industry was 912,838 tons, and the average water content was 73%; the amount of sludge generated from water environment comprehensive treatment was 11,050 tons, and the average water content was 80%, all of which were dried and reduced and reused.

• The amount of produced waste

Category	Waste	2018
Domestic and factory wastewater discharge (cubic meters) Note: factory effluent includes construction water, excluding sewage plant effluent		23,413.16
Domestic waste (tons)		15.83

The Metaphor of Ship and Water, Creating an Infinite Future

Employee Integration

Staff Profile
Caring for Staff

Employee Development

Health and Safety
Development and Support

Kangda International cares for every employee, and provides employees with rights protection, development support and welfare care in strict accordance with laws and regulations, so that employees in different positions have a sustainable career path and employees and the company can develop together.

In 2018,
2,308 full-time employees
Employee turnover rate was 16.2%
Work injury loss hours decreased by 63.6% compared to 2017
Apply Kangda online learning platform, namely E-learning platform



EMPLOYEE INTEGRATION

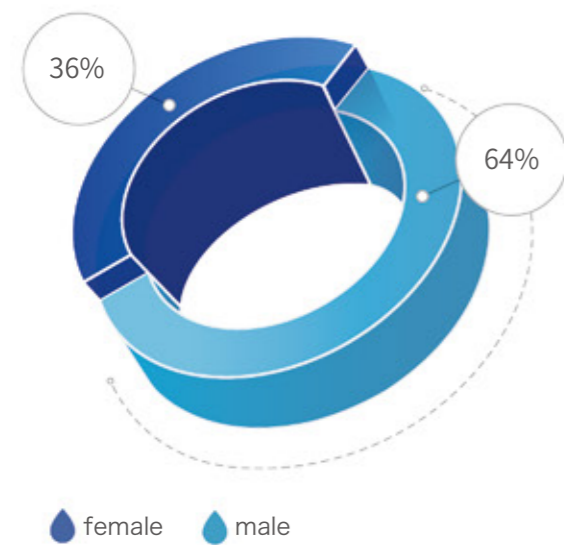


Staff Profile

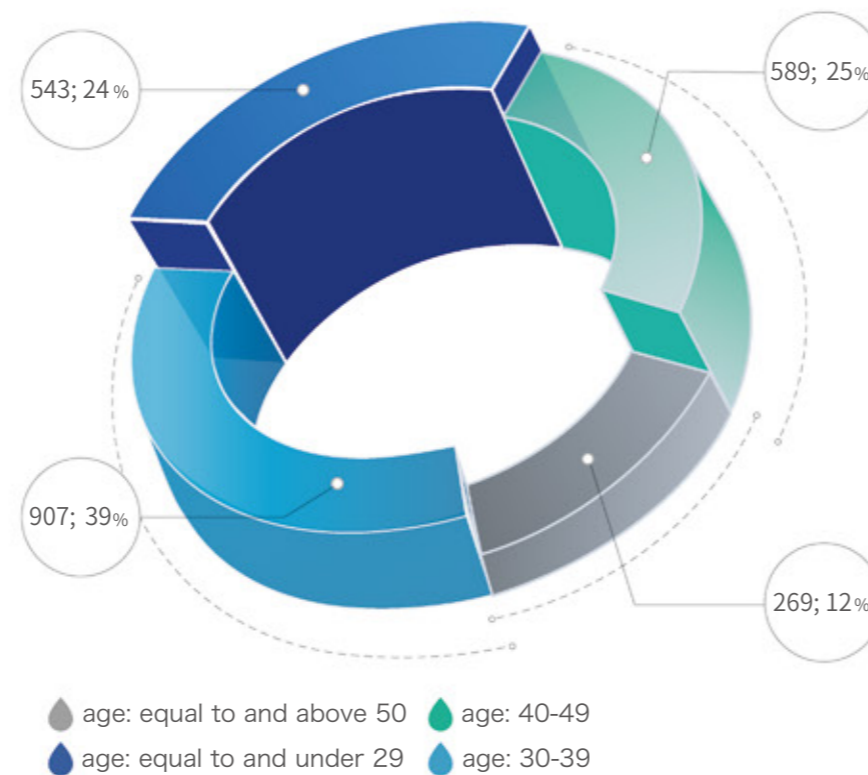
Kangda International attaches great importance to human resource management, implements the "people-oriented" principle. Following the *Labor Law of People's Republic of China* and the *The Labor Contract Law of the People's Republic of China* and other relevant laws and regulations, Kangda International has formulated a variety of labor employment systems such as the *Recruitment Management System*, *Training Management System* and the *Special Working Hours Application System* to regulate the recruitment

process and ensure comprehensive legal employment and employees' legitimate rights and interests, and also strictly eliminate child labor and forced labor. In the recruitment process, the Company insists on open plans, open positions, fair process, and fair evaluation, without unequal Competition due to gender, geography, race, age, and cultural background. As of December 31, 2018, the Company officially contracted 2,308 employees.

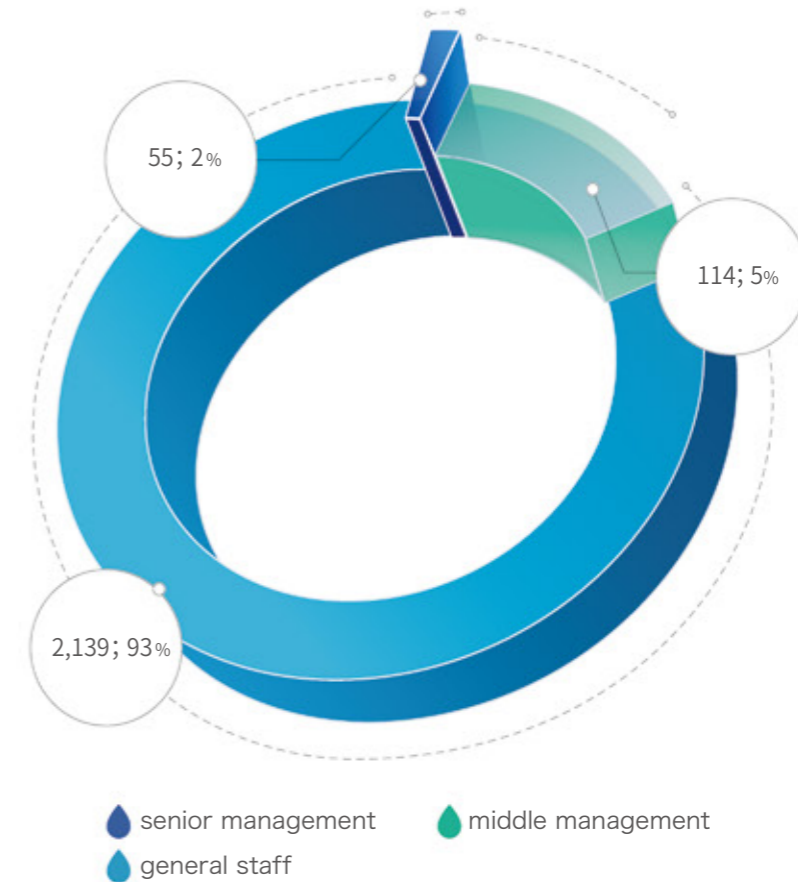
• Number of employees by gender



• Number of employees by age



• Number of employees by level



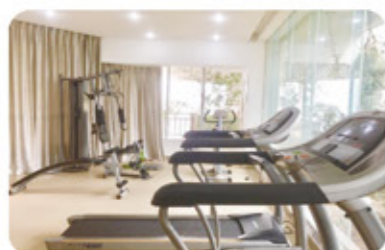
Caring for Staff

In addition to providing reasonable wages, working hours and treatment in accordance with labor laws, Kangda International has also established a comprehensive compensation and benefits system to provide employees with reasonable and competitive remuneration and social insurance compliant with regulations based on work experience, job nature and performance. In order to ensure the physical and mental health of employees, the Company regularly arranges employees to go to designated hospitals for medical examinations, and provides free physical examination services and occupational disease prevention inspections.



Optimizing the office environment

In order to establish healthy work concept and optimize the working environment of employees, Kangda International advocates green office. The administration department has signed a green plant lease maintenance contract with professional plant leasing units to ensure the green, warm and comfortable office environment. In addition, the Company has equipped the office with an air purifier to optimize office air quality and improve work efficiency.



In addition, the Company has set up a gym in the roof garden of the office building, equipped with professional fitness equipment for employees to work out, relax and balance work and life better.



Improving canteen management

Kangda International set up a canteen to meet staff catering needs. The Company strictly implements the canteen management system and adheres to the principle of food safety and hygiene. The supply of ingredients is insisted on being delivered daily by the large supermarket Metro, and is designated by designated personnel to ensure the freshness and quality of the dishes. The canteen staff conducts physical examination every year, carries out food sample storage according to relevant regulations, and deploys special disinfection cabinets to ensure timely disinfection of tableware to ensure the richness and safety of employees' meals.

Enhancing employee well-being

The Company hopes to become a platform for employees to grow and enjoy life. In order to enrich the spiritual life of our staff, we organize a number of cultural and leisure activities and sports activities, such as cultural performances, voluntary tree planting activities, football competitions, etc., to enhance mutual exchanges between employees and also enhance cohesion and invigorate the work and life of employees.

At the same time, Kangda International pays close attention to the employees in difficulty. If there are employees who are hospitalized due to illness or the death of their immediate family members, the Company not only gives appropriate financial subsidies, but also organizes departmental staff to go to the scene to express condolences and put the Company's concern for employees into practice.



Harbin Thematic Cultural Event on Mid-Autumn Festival

On September 20, 2018, the labor union of Harbin Qunli Sewage Treatment Plant held a Thematic Cultural Event entitled "Celebrating Mid-Autumn Festival and Celebrating National Day". Through calligraphy and painting exhibitions, original recording exhibitions, live guessing riddles and other activities, the staff's talents and good wishes for the festival will be fully demonstrated, and at the same time, a strong cultural atmosphere will be created to enrich the staff's amateur cultural life.

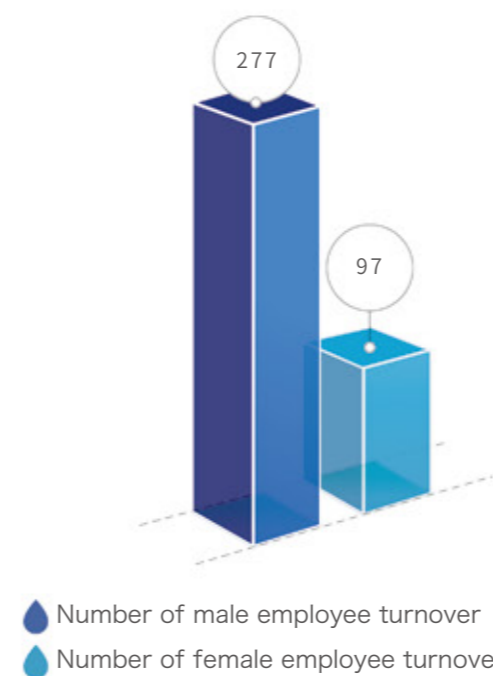


Tug-of-war competition for welcoming "May Day"

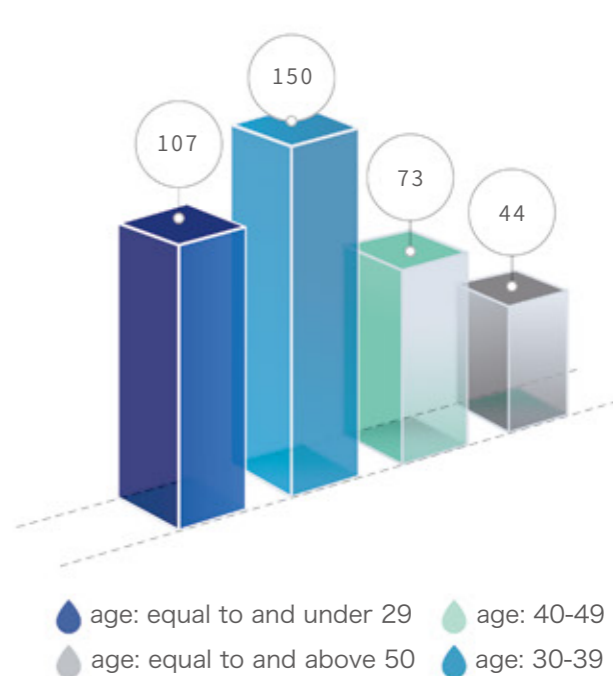
On April 26, 2018, Jiaozuo Branch selected employees to participate in the "May Day" tug-of-war competition organized by The NDRC Party Committee and construction labor union of the Jiaozuo Municipal Housing and Construction Bureau. Through this competition, the spirit of unity and collaboration among employees was increased, and the spirit of Kangda employees' efforts to be aggressive and high-spirited was demonstrated.

In 2018, in the case of a relatively low industry environment, the employee turnover rate was 16.2%. At the same time, the Company actively helped employees to accomplish transformation and gave employees psychological care.

Number of employee turnover by gender



Number of employee turnover by age



EMPLOYEE DEVELOPMENT



Health and Safety

As a responsible and humane care company, Kangda International adheres to the principle of “safety first, prevention foremost, comprehensive administration” to ensure safety in production management, process operation, etc., and has passed OHSAS 18001 occupational health and safety management system. In order to protect the health and safety of employees, the Company has developed a series of safety management manuals, including the project construction management system *Management Methods of Chongqing Kangda International for Construction Projects (Trial)*, *Integrated Planning of Kangda International, for Emergency Response to Production Safety Accidents and Standard Collective Drawings for Safe and Civilized Construction at Construction Site*, stipulates that if there is a safety liability accident involving one or more serious injury or death, a one-vote veto is imposed on the assessment, In 2018, the number of hours of work injury decreased by 63.6% compared to 2017.

Number of employees injured due to work (person)	17
Hours of work injury (hours)	2,445
Employee death due to work (person)	0
Number of traffic accidents on the way to and from work of employees (times)	0

Safety training

In the process of production and operation, there are many potential safety hazards, such as fires and hazardous chemical leaks. In order to further improve the safety awareness and related skills of all employees, Kangda International invites relevant professionals to carry out focused and level-oriented training for employees. Kangda International supervises and urges employees to apply the training to practice, further improves the ability of employees to properly handle accidents and coordinate cooperation in daily work and emergency situations to actively ensure the normal operation of production.

Organize specific training to improve safety awareness

On November 22, 2018, Tianjin Kangda Environmental Protection Water Co., Ltd. invited senior lecturers in safety production of Ninghe District Safety Production Association to address the hazards in the industry, the methods to prevent dangerous chemical poisoning, and the risk analysis and prevention of the sewage industry as well as emergency rescue and other aspects of the explanation and actual operation. The training focused on the analysis of hidden dangers in the process, infrastructure, technical equipment, operating environment, prevention and control measures, effectively improved the safety awareness and business skills of the cadres and workers of the whole plant, and cultivated a politically competent and skill proficient employee teams, which effectively prevents accidents and occupational hazards, achieves zero casualties and zero accident rates.

Emergency drills

In order to improve employees' ability to respond to emergencies, Kangda International adheres to the principle of “prevention foremost, safety first” and has formulated the *2018 Emergency Rescue Exercise Plan*. Among them, in response to fire hazards, the Company has formulated the *Fire Safety Emergency Plan for Kangda International Office Building* in accordance with the relevant provisions of the *Fire Prevention Law of The People's Republic of China*, which lists the causes, preventive measures, handling routines, employees that may cause accidents and evacuate escape plans, and regularly organizes emergency drills to improve employees' safety awareness, responsibility awareness and overall awareness.

Improving emergency response capabilities and enhancing safety production

In December 2018, the Kangda Zi River Wastewater Treatment Plant organized an emergency plan drill. The exercise simulated the treatment method when the content of hydrogen sulfide was high, including rescue of the victim, evacuation of the organization, measures to protect other personnel in the hazardous area, and timely control of serious over-standard conditions entering the sewage treatment plant to quickly control the situation. Besides, the hazards caused by accidents are detected and monitored, and the hazard area, hazard nature and hazard level of the accident are determined. The drill successfully completed the basic tasks of the rescue and improved the emergency response capability of the employees.



Simulated rescue of victims in the drill

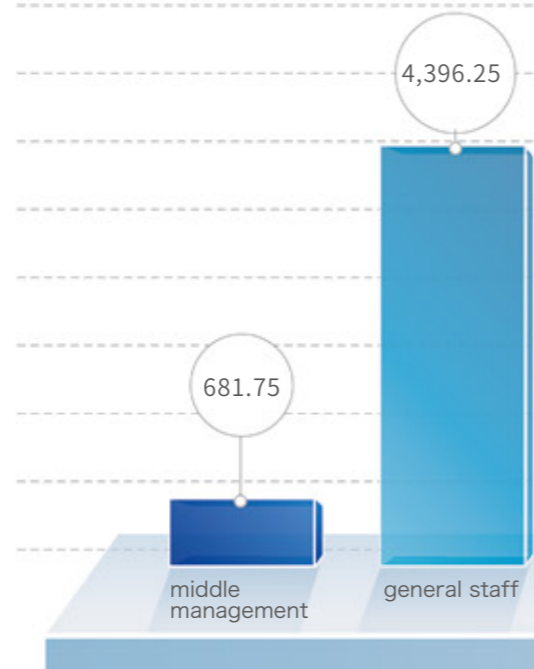


Development and Support

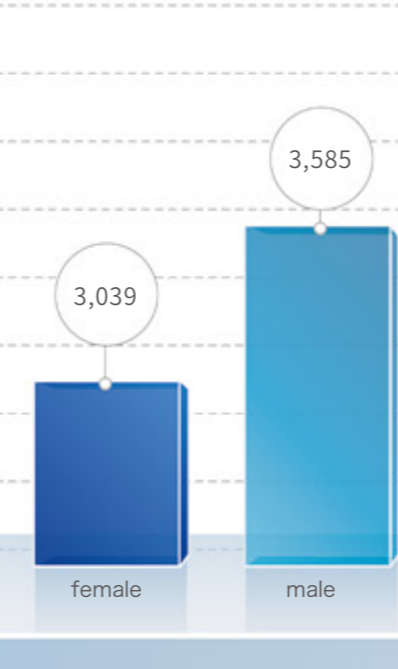
The development of employees is an important support for the Company's continuous advancement. According to the different nature of the employees' positions, the Company has established three major grades, namely management grades, professional technical grades, and skill assignment grades, providing employees with different career development channels and increasing career development for employees and also invests in and finds ways that are both suitable for the employee's ability and for the Company's development needs.

The Company has formulated relevant policies such as *Training Management System* and *Management Measures for Competitive Employment*, standardized and optimized training methods and contents, established a relatively complete staff training and development support system, and actively helped employees improve their skill level and work efficiency to ensure the Company's overall competitiveness and sustainable development. In response to the Company's transformation and development and strategic adjustment in 2018, the Company advocated secondary reforms to assist employees in their transformation and development, and to enhance their professional skills and versatility.

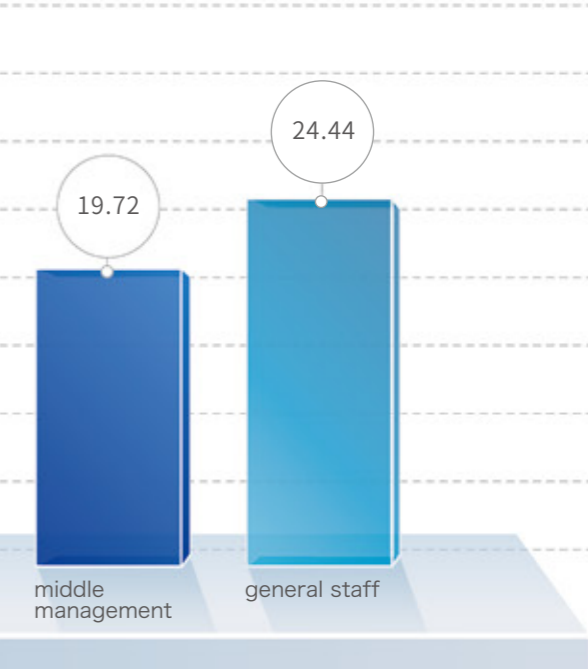
Employee training by level (person time)



Employee training by gender (person time)



Average training hours by level



Developing online training platform, enhancing training flexibility and efficiency

The Company launched the "Kangda Online Learning Platform" on March 12, 2018, which is the E-learning platform. The platform is open to all Kangda employees and is divided into compulsory, elective and special courses. Employees need to pass the corresponding credit management and assessment to meet the knowledge and skills needs of different stages. At present, the course has covered more than 4,000 courses such as leadership, management communication, risk management, business etiquette, and vocational skills, all of which are taught by well-known experts and professors in the form of videos. Compared with traditional offline teaching, the E-learning platform can provide a more flexible learning method, allowing employees to arrange according to their own time, and access more resources to select and learn the courses that they are interested in.

Organizing knowledge contests on environmental laws and regulations, deepening awareness of environmental protection

On December 4, 2018, Kangda Environmental Protection (Shangqiu) Water Co., Ltd. organized a knowledge contest on environmental protection laws and regulations with the theme of "Environmental protection, my first move", with more than 90 participants. The competition was conducted by means of a written test. The questions were based on the *The Environmental Protection Law of the People's Republic of China and the Action Plan for Prevention and Control of Water Pollution* and other laws and regulations, especially the final short-answer questions, allowing employees to express their own environmental protection in light of their work. The views and the development of ecological civilization fully mobilized the enthusiasm of employees. Through this environmental knowledge contest, it not only strengthens employees' awareness of environmental protection, but also enables employees to more deeply understand the far-reaching significance of environmental protection and ecological civilization.



Trickling into the sea, Building a beautiful home

Value Creation

Community Support

In line with the persistent pursuit of "honesty and responsibility, returning to the society", Kangda International gives full play to its business advantages, aiming to improve the living environment of residents and build a beautiful home in urban and rural areas, and is committed to contributing to building a beautiful homeland; supports environmental education and it is enthusiastic about youth charities, support the community, and gives back to the community.

In 2018, A total of 107 urban water treatment projects, 15 water environment comprehensive remediation projects, and 3 rural water improvement projects have been launched. Handling 1,004.9 million tons of sewage



VALUE CREATION



Kangda International attaches great importance to giving back to society and embodying environmental protection and governance in its own business. In addition to striving to consolidate the traditional sewage treatment service business, it has vigorously transformed itself into an urban environmental comprehensive treatment solution provider. In 2018, with its rich experience and technical expertise, Kangda International continues to contribute to the cleanliness and beautification of the urban environment.

Urban treatment projects

107

Water treatment capacity

315.7

10,000 cubic meters per day

Annual Actual Processing Volume

1.005

Billion cubic meters

Urban water treatment

Urban water service is the main business of Kangda International, including the construction and operation of urban water services, reclaimed water treatment and use, sludge treatment, water supply services as well as operations and maintenance (operation and maintenance of water or sewage treatment facilities). In 2018, Kangda International operated a total of 107 urban water treatment projects, with a water treatment capacity of 3.157 million tons/day, and an actual annual processing capacity of 1.005 billion cubic meters. In the water utility business segment, the company reduced COD by 232,200 tons, ammonia nitrogen by 26,000 tons, total phosphorus by 3,500 tons, and sludge by 912,800 tons. The Company continuously carries out process adjustment and continuously carries out process control. According to the water quality of the incoming water, it timely adjusts relevant operating parameters, improves the process chain, and continuously improves the urban sewage treatment capacity.

COD treatment capacity	232,200 tons
Ammonia nitrogen treatment capacity	26,000 tons
Total phosphorus treatment capacity	3,500 tons
Sludge treatment capacity	912,800 tons

Water environment comprehensive remediation

In the comprehensive treatment of water environment, the Company mainly deals with urban water system management, black and odor water treatment, and sponge city. We attach great importance to the living environment of residents, and are committed to continuously improving the urban ecological environment, enhancing the image of the city, and promoting regional industrial and economic development with its own business.

The Company actively responded to the state's promotion and launched the sponge city project and the wetland park project to create a city ecology that combines functionality and landscape to enhance residents' comfort. During this year, Kangda International actively carried out services such as comprehensive river basin management, water treatment and sludge treatment. The sludge treatment plant designed a daily treatment capacity of 150 tons, the actual sludge daily treatment capacity was 52 tons, and the 2018 annual sludge disposal capacity was 9,531 tons.



Uplifting and upgrading project for wastewater treatment plant of PPP project for water supply and drainage in Rushan City

Water Supply and Drainage PPP Project Sludge Disposal Center of Rushan City Realizes Circular Economy

In 2018, Kangda International undertook the ecological and environmental engineering construction project that was mainly introduced in Rushan City - the PPP project for water supply and drainage in Rushan City. The project is the first project in Weihai to achieve zero discharge of solid waste and circular development of the industrial chain. It is a demonstration window for Rushan City to "promote green development and build a happy Rushan". The form of the project "Sewage Treatment Plant + Sludge Disposal Center" effectively reduces the damage to the ecological environment and improves the living environment of the people through water environment management. The completion of the project will further improve the water supply and drainage capacity of the city, improve the living environment of the citizens, improve the quality of the city, and effectively promote the economic development of Rushan.

The Rushan Solid Waste Recycling Economy Industrial Park Sludge Disposal Center Project (referred to as Rushan Sludge Disposal Center) is one of the sub-projects of the PPP project for urban water supply and drainage in Rushan City. It will be installed and commissioned at the end of June 2018. At the end of October 2018, it completed the production process commissioning and trial operation, and has now entered the formal commercial operation stage.

The Rushan Sludge Disposal Center is located in the Rushan Economic Development Zone. The project has a maximum daily processing capacity of 150 tons of municipal sludge with a water content of 80%. The treatment process uses "filter press filter dewatering + solar sun shed drying" technology. The sludge can be treated to a moisture content of 40% or less. The dried sludge can be transported by incineration or used in comprehensive utilization such as brick making to effectively control urban environmental pollution and air pollution caused by sludge landfill.

Design of Sewage Disposal Plant
Daily processing capacity

47,500

Cubic meters

Actual daily sewage treatment capacity

600

Cubic meters

Annual Governance Project Qualification rate of effluent

100%

Rural water improvement

In response to the national call and policy orientation, Kangda International will develop beautiful rural areas, rural sewage and other EPC projects in addition to PPP projects, expand business types according to rural sewage treatment and rural environmental protection needs, and refine business services to improve township water services and make unremitting efforts to improve the water environment in villages and towns.

This year, the Company continued to refine the scope of rural sewage treatment projects. From the previous county and township projects, to the village, township, and social projects, the Company pays attention to people's livelihood, and earnestly closes to the three rural areas and serve the three rural areas. The Company actively cooperates with the local government to help the villagers understand the value of rural water utility and water environment projects and continuously improve the rural living environment and the quality of life of villagers.

In 2018, Kangda International Rural Wastewater Treatment Plant designed a daily processing capacity of 47,500 cubic meters with actual daily processing capacity was 600 cubic meters. This year, the Company's rural sewage treatment project has a qualified rate of 100%, and the water plant reduced COD by 121.50 tons, ammonia nitrogen by 28.74 tons, and total phosphorus by 2.60 tons.



The rural environment in Xishui County has been greatly improved

Comprehensive improvement of rural environment and promotion of PPP development in Xishui County

Kangda International actively participates in rural sewage treatment and infrastructure construction, guarantees the quality of life of rural residents, and strives to improve the living standards of rural residents. In the comprehensive environmental improvement of the rural

environment in Xishui County, Kangda International has built 42 sewage treatment stations and drainage pipe network for Longxing Town, Liangcun Town, Huilong Town, Guandian Town, Erli Town and Tongmin Town to protect the living facilities of rural residents.

In addition, the Company carried out new projects including environmental protection projects and landscape projects to further enhance the living environment of rural residents and enhance residents' awareness of environmental protection and water conservation. The Company built a new sewage collection and treatment facility system, drinking water source protection construction and operation, and carried out the landscape project of the Dashui to Sanchahe tourism boutique line in Xishui County, which was the renovation and landscaping of the residential facades on both sides of the scenic road and greatly improved the rural environment.



Domestic PPP Project of Sewage Treatment in Jiaoling County

Kangda International has played its own business attributes and has continuously provided municipal public facilities such as water supply, gas supply, sewage and garbage disposal for villages and towns to improve the living standards of the villagers. The construction of Jiaoling County sewage treatment facilities carried out by the Company as one of the specific construction projects for the "clean home" special action was identified by the Guangdong Provincial Department of Housing and Urban-Rural Development as one of the 15 domestic sewage treatment demonstration counties. The project includes the design, construction, operation and maintenance of the urban sewage treatment plant and supporting pipe network, town-level sewage treatment facilities and village-level domestic sewage treatment facilities in Jiaoling County. Through the implementation of the project, Kangda International has continuously improved the rural infrastructure and promoted the modernization of the countryside.



Kangda International further uses rural sewage treatment facilities to plant flowers to beautify the environment

In the Jiaoling County domestic sewage treatment PPP project, Kangda International has built five new town-level sewage treatment facilities, namely Guangfu Town, Wenfu Town, Lanfang Town, Nanxun Town and Sanzhen Town; the daily processing scale is 2,400 tons and the length of the pipe network is about 44,400 meters. There are 200 new village-level sewage treatment facilities, with a total daily processing capacity of about 3,980 tons and a pipe network length of about 163,100 meters, benefiting nearly 70,000 people.

Whole County Domestic Sewage Treatment of Junan County Bundled PPP Project

The whole county sewage treatment and disposal PPP project in Yunan County includes 12 township sewage treatment facilities and supporting pipe network, county urban and central town sewage collection pipe network, 903 rural sewage treatment facilities construction, operation, maintenance and handover, and implementing a comprehensive improvement project for human settlements in 15 central villages. Through the implementation of this project, the county's domestic sewage is basically collected and treated effectively, solving the problem of sewage collection in the township and the domestic sewage treatment of 250,000 rural residents. In 2018, the project's sewage treatment facilities operated well, and the effluent was stable and discharged to the standard. It was well received by the majority of residents and villagers in Yunan County.



COMMUNITY SUPPORT



While building a beautiful environment through its own business, Kangda International supports the community, gives back to the society, and actively carries out volunteers and charity activities. In 2018, Kangda International organized 53 people to participate in public welfare activities, and spent a total of 24 hours in community public welfare. At present, Kangda International carries out a number of activities in the field of environmental protection, public welfare and youth education.

Supporting environmental education

As a pioneer in improving the ecological environment, Kangda International will also instill the spirit of protecting the environment, supporting greening and into corporate culture, and actively carry out volunteer activities and environmental education publicity, and transfer the concept of improving ecology, water conservation and environmental protection to more people.

Don't miss spring, volunteer to plant trees - Tree Planting of Kangda International Volunteer

On the morning of March 12, 2018, Kangda International actively responded to the theme of public welfare breeding for the theme of "Lucid Waters and Lush Mountains are Invaluable Assets", more than 20 volunteers from the Company came to the north of Xinglong District. Zhennan Tianmen Village Forest Park to carry out the voluntary tree planting activities of Kangda International's 2018 "Greening Lush Mountain and Protecting Beautiful Homeland".



2018 tree planting activity of Kangda International volunteer

At the same time, the branches of Kangda International also responded to the call on the day of Arbor Day and carried out various thematic activities: Shangqiu Branch launched a four-day "Hug Spring, Sowing Green" theme activity; Wanbei Branch launched "beautifying the environment, greening homeland" theme activity; the eight water plants under the jurisdiction of the Western Shandong Branch and the water plants under the jurisdiction of the Company also carry out related activities. All of Kangda International has taken practical actions to implement the concept of "Lucid Waters and Lush Mountains are Invaluable Assets" and take the ecological priority and green development road, and promote the high-quality development of local environmental protection economy.

Linyi Sewage Treatment Plant conducts environmental protection and water conservation education activities

In order to enrich the spiritual and cultural life of primary school students and enhance the environmental awareness and water saving concept of children and adolescents and "starting from the children" concept, the Company advocates a green, low-carbon, healthy and civilized lifestyle. On the morning of August 5, Linyi Wastewater Treatment Plant launched an environmental protection festival to carry out water education activities. The teachers, students and parents of Jindun Primary School in Linyi City jointly formed a tour group to visit and carry out planting and water conservation activities with the theme of "small hand and big hand building a clear blue sky together".



Parents of teachers and students of Jindun Primary School visited Linyi Sewage Treatment Plant

After the event, the teachers and students expressed their feelings: "we benefit a lot from this activity. And we will call on the people around us to save water and healthy water consumption in the future, and call on other relatives around us to start from the trivial things, protect the water resources, and cherish our water environment."



Attaching great importance to youth development

As a company that incorporates "returning the society" into its core values, Kangda International attaches great importance to education, focuses on society, reflects humanistic care everywhere, pays attention to the development of young people and children, and actively carries out charitable public welfare.



Kangda International Volunteer Team Brings Children's Day Blessing to Chongqing Children's Welfare Institute

"Let every angel bloom happily in the sun" --visiting children welfare institute on "Children's Day"

On the eve of the "Children's Day" in 2018, the Kangda International Volunteer Service Team went to the Chongqing Children's Welfare Institute with condolences and full love, bringing the care and blessings of Children's Day to the children of the Welfare Institute.

In order to raise public awareness of the vulnerable groups of orphans and disabled children and the philanthropy, Kangda International has always adhered to the front line of charity. As General Secretary Xi Jinping said, "It is very important to have a grateful heart, and all people must have a grateful heart." While focusing on its own business development, Kangda International dedicates its strength to and is enthusiastic about charity and needs more care.

Weifang Branch Sunshine Foundation helps the students to achieve their dream

Kangda International Weifang Branch attaches great importance to public welfare and education, and establishes the Sunshine Foundation to issue incentive funds for the children of employees who have obtained national-level undergraduate colleges in 2018. On August 25, the Sunshine Foundation of Kangda International Weifang Branch issued a reward fund for the eligible three children's children, in order to encourage these students to fly their dreams and sail.



APPENDIX



Content Index of the Environmental, Social and Governance Reporting Guide of the Hong Kong Stock Exchange

Subject Areas, Aspects, General Disclosures and KPIs		Index
A. Environmental		
Aspect A1: Emissions		
General Disclosure	relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste. (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer	P33
KPI A1.1	The types of emissions and respective emissions data.	P36
KPI A1.2	Greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	P35
KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	P36
KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	P36
KPI A1.5	Description of measures to mitigate emissions and results achieved.	P33-35
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	P36
Aspect A2: Use of Resources		
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	P33
KPI A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	P35
KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	P36

KPI A2.3	Description of energy use efficiency initiatives and results achieved.	P33-35
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	No issue in sourcing water
KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	Not applicable, the product does not involve packaging materials
Aspect A3: The Environment and Natural Resources		
General Disclosure	Policies on minimising the issuer's significant impact on the environment and natural resources.	P49-52
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	P49-52
B. Social		
Employment and Labor Practices		
Aspect B1: Employment		
General Disclosure	relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare. (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer	P39
KPI B1.1	Total workforce by gender, employment type, age group and geographical region.	P39-40
KPI B1.2	Employee turnover rate by gender, age group and geographical region.	P49-52
Aspect B2: Health and Safety		
General Disclosure	relating to providing a safe working environment and protecting employees from occupational hazards. (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer	P43-44



KPI B2.1	Number and rate of work-related fatalities.	P43
KPI B2.2	Lost days due to work injury.	P43
KPI B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	P43-44
Aspect B3: Development and Training		
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	P45-46
KPI B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	P45-46
KPI B3.2	The average training hours completed per employee by gender and employee category.	P45-46
Aspect B4: Labor Standards		
General Disclosure	relating to preventing child and forced labor. (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer	P39
KPI B4.1	Description of measures to review employment practices to avoid child and forced labor.	P39
KPI B4.2	Description of steps taken to eliminate such practices when discovered.	No violations
Operating Practices		
Aspect B5: Supply Chain Management		
General Disclosure	Policies on managing environmental and social risks of the supply chain.	P25-26
KPI B5.1	Number of suppliers by geographical region.	P26-37
KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	P25-28
Aspect B6: Product Responsibility		
General Disclosure	relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress. (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer	P29-32

KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	No products recalled for safety and health reasons.
KPI B6.2	Number of products and service related complaints received and how they are dealt with.	P31
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	P32
KPI B6.4	Description of quality assurance process and recall procedures.	P30-31
KPI B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	Not applicable, we do not require privacy data from consumer
Aspect B7: Anti-corruption		
General Disclosure	relating to bribery, extortion, fraud and money laundering. (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer	P22
KPI 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.	P22
KPI B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	P22
Community		
Aspect B8: Community Investment		
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	P53-54
KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	P53-54
KPI B8.2	Resources contributed (e.g. money or time) to the focus area.	P53-54

