

China International Holdings Ltd

Sustainability Report

2017



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Board Statement

The Board of Directors is pleased to release the first Sustainability Report of the Group. The Group intends to include Sustainability Reports in the Annual Reports in future. Since the current main business segment of the Group is water treatment and distribution, the Group's Sustainability Report covers only CIHL (Tianjin) Water Development Limited. This Report is a first attempt to discuss sustainability issues in our operations.

The Board has identified the factors having sustainability impact:

Energy and chemical uses

Health and safety

Training and development

Employee engagement

Customer satisfaction

Corporate Development: A Summary

CIHL (Tianjin) Water Development Limited ("Tianjin Water") is an integrated water supply company involved in processing raw water and reclaimed water, and distribution of treated water, and providing engineering services to clients in Tianjin, China. It has its own processing plants and distribution networks. Tianjin Water was established in September 2004, and as of December 31, 2017, the Company owned and operated Beitang Water Plant and was also developing a new plant, the Xinha Water Plant.

Beitang Water Plant is located near Beitang Reservoir, and takes raw water from Beitang Reservoir as well Huanggang No. 1 Reservoir and Huanggang No. 2 Reservoir. Beitang Water Plant entered into operations in March 2006. The water treated by Beitang Water Plant meets the standard of non-drinking water for urban residential and industrial uses ("城市污水再生利用、城市杂用水水质标准").

The new plant under development is located in the Industry Development Zone for Tianjin Binhai Hi-tech and New-tech, and is designed to treat the water from a third-party-owned treatment plant that discharges which is National Standard Class One A ("国标一级A") to the standard of Tianjin Municipal Standard Class One A, suitable for discharge into the natural environment. In future, the discharged water will be treated further to meet the standards for non-drinking water for urban residential and industrial uses, using UF+RO processing technology. The treated water is suitable for non-drinking household use, as well for watering plants and industrial use.

The Company's network of pipelines covers Lingang Industrial Zone, between Haifang Road in the East and Tangjin Expressway in the West. It also covers Beitang Hi-tech Zone, Tanggu Ocean Hi-tech Zone, Dongxigu Area, Xiangluowan Business District, Lingang Economic Zone, Tianjin Port Bulk Cargo Logistic Centre, Central New Town North District, Tianjin Avenue area, South New Town. It will be further developed in accordance with the urban

development plans of the service area, which is approximately 300 square kilometers. Since its establishment, the Company has contributed greatly to the development of Tianjin Binhai New District (天津滨海新区).



Current Operations

By the end 2017, Beitang Water Plant has reached annual production capacity of 100,000 cubic meters (m³) daily, and Xinhe Water Plant has achieved a trial operational capacity of 70,000 m³ daily. During the year, the network of pipelines was extended by 36 kilometers, making the total network to over 330 kilometers, with over 400 corporate customers.

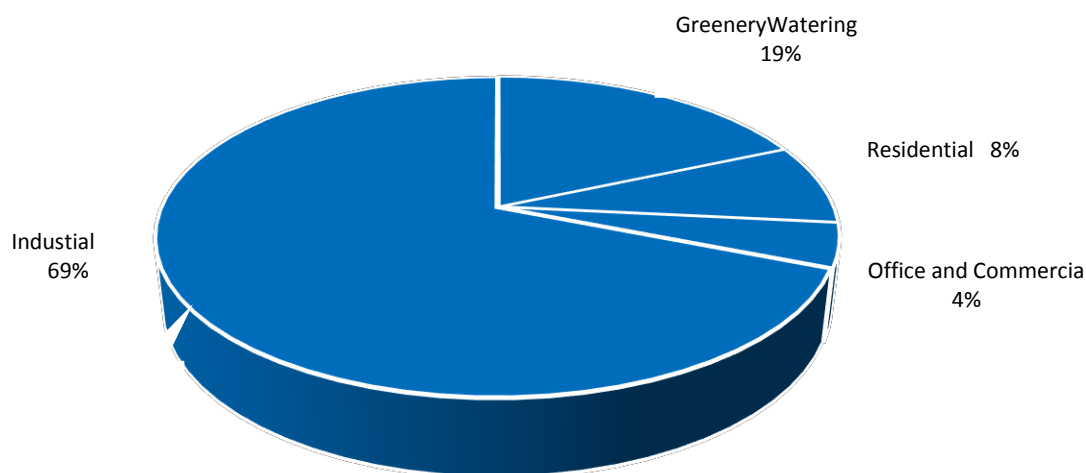
The area of plants and greenery watered by the water from our network increased by 1.35 million square meters, totaling to reach 21 million square meters.

The water used for plants and greenery totaled 2.65 million m³, accounting for 18.46% of total water supplied by the Company.

In 2017, the total number of residential customers increased by 6,600 to reach 73,000. Residential customers used 1.16 million m³ of water, accounting for 8.10% of total water supplied. Water for commercial and office uses was 635.9 thousand m³, accounting for 4.43% of total water supplied.

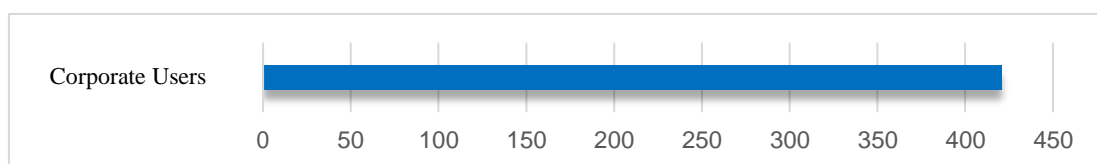
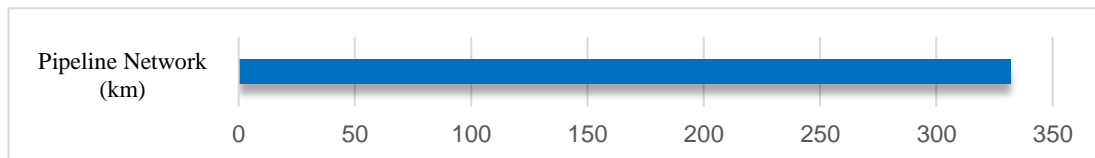
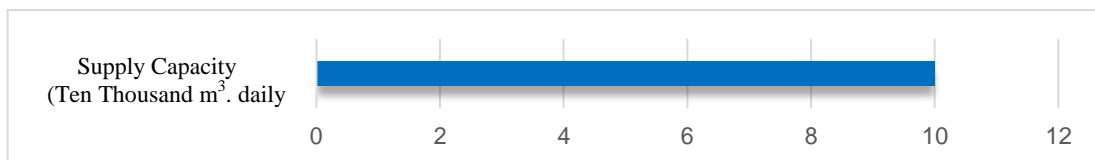
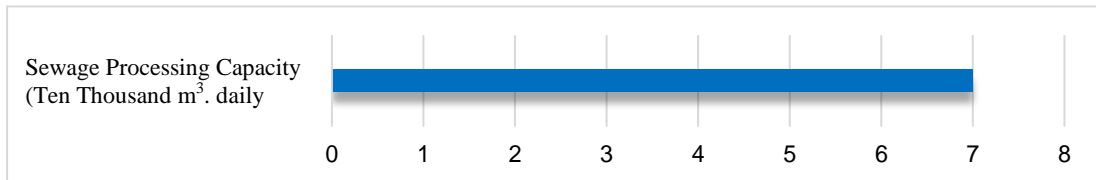
In 2017, the Company has gained two more industrial customers, to reach a total of 11 industrial customers. Water supplied to industrial users was 9.8812 million m³, accounting for 69%, an increase of 7.2% over 2016.

Water Use Analysis



Operational Statistics

By end of Dec. 31 2017



Xinhe Water Plant Expansion

At the end of December 2017, the Xinhe Water Plant established a temporary facility to treat discharged water from a third party sewage treatment plant. This extra treatment is necessary for such water to be suitable for discharging under the newly implemented local standards. The Xinhe Water Plant will expand into a full fledges facility to treat discharged water from 2018 and 2019.

Energy and Chemical Consumption

The Company strives to increase efficiency in the use of energy and chemical.

In 2017, the Company upgraded the automation for plant operations, improved safety and efficiency measures for operations, and implemented the remote monitoring of the plant operation and the distribution network on a 24/7 basis with centralized video links. This has resulting in increased efficiency and reduced costs.

The Company also improved the sanitation equipment to reduce chlorine use. This achievement has resulted in higher safety, lower maintenance requirements, better work conditions and smoother operations.

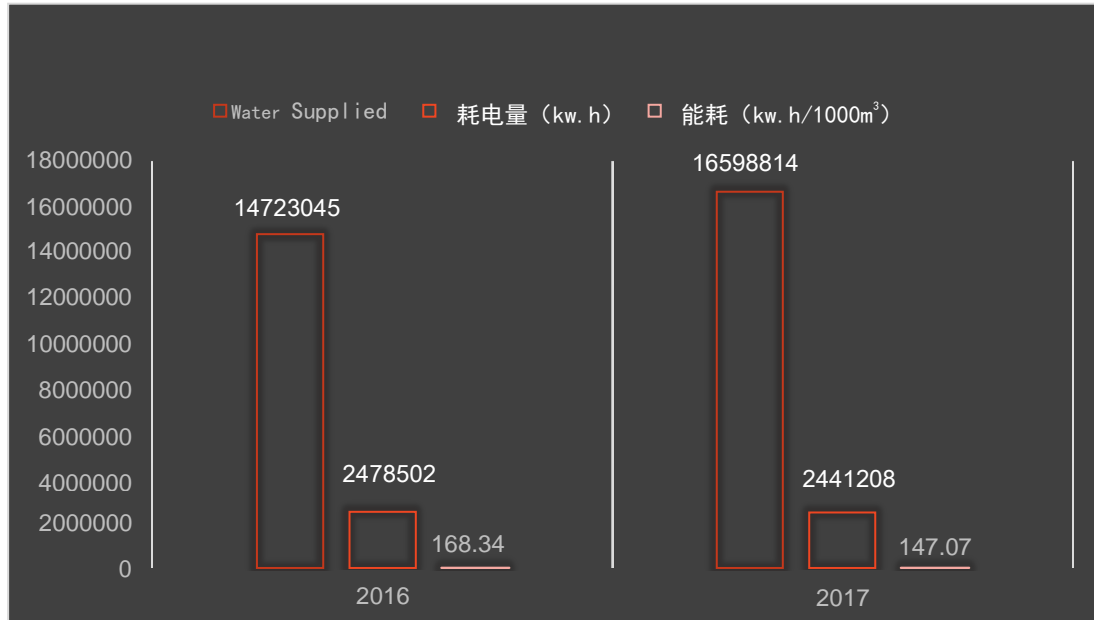
The Company has set energy and chemical consumption as key performance targets for workers throughout various processes of the operation. Monthly competitions are organized for work teams and bonus are paid in accordance with the competition results at the end of year.

The following tables and charts show the results of energy efficiency results achieved in 2017, as compared with 2016:

Energy Consumption Reduction

Year	Water Supplied (m ³)	Electricity Used (kw. h)	Energy Consumption (kw. h/1000 m ³)	Decrease
2016	14,723,045	2,478,502	168.34	
2017	16,598,814	2,441,208	147.07	12.64%

Energy Consumption Comparison



Environment Impact

The raw water and discharged water are main sources of raw materials for our plants. A number of chemicals are used in the process as purifying agents and sanitizing agents. The table below shows the current levels of chemical use in our plants:

Category	Names	Total Quantity (t)	Use per Unit (kg/1000m ³)
Purifying Agent	Poly Aluminum Chloride	513.55	30.94
	Sodiumchloride	76.67	4.62
Sanitising Agent	Hydrochloric Acid	229.05	13.80
	Sodium Hypochloride	145.98	8.79

Target and Evaluation of Chemical Uses

The uses of chemicals depend on the characteristics of raw materials to be processed, ie, raw water and discharged water, as well as the standard for the products of process. External factors which may influence the uses of chemicals include seasonality, weather, the source of raw water, quality of raw water as well as the requirements of our users.

The Company has yet to set the targets for chemical use and the relevant evaluation mechanism. It is intended that industry technical consultants would be retained in 2018/2019 to conduct a review of what is appropriate.

Human Resources

CIHL (Tianjin) Water has 53 employees with contracts. Employment contracts are signed subject to PRC Labour Laws.

Recruitment and Promotion

The employees are fully protected by the PRC Labour Laws. The Company seek applicants through the open labour market with a merit based recruitment system. The Company provides on-job training to employees and offers staff long term career development paths.

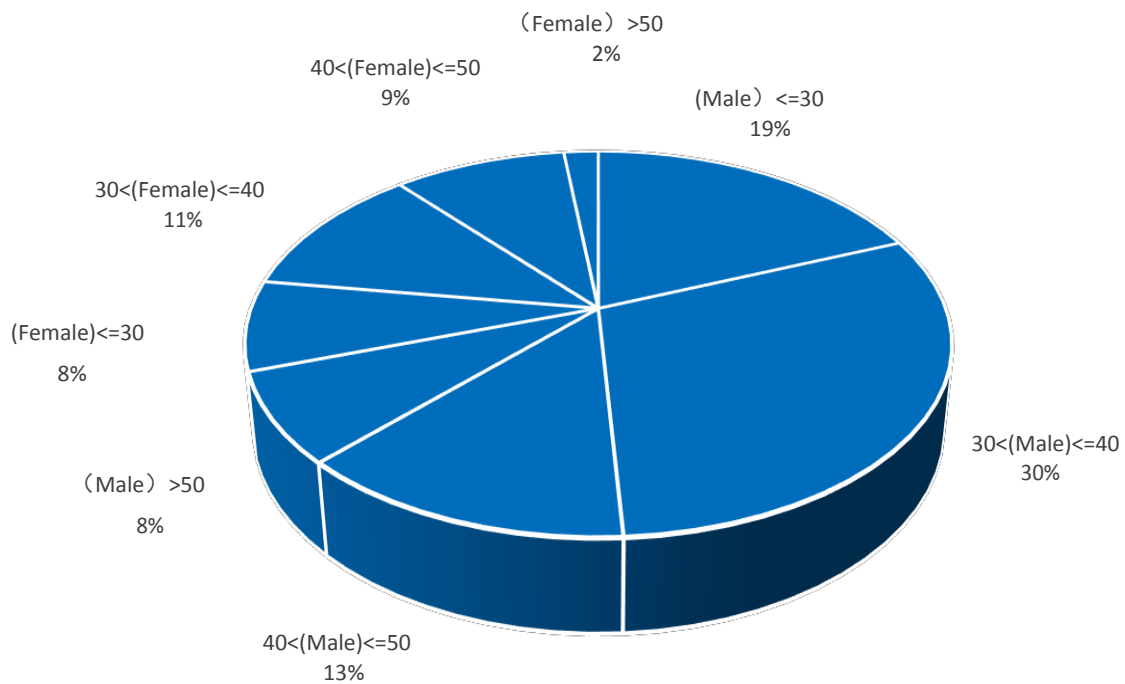
Salaries and Benefit

All employees are covered by social insurance and state pension(“五险一金”). Employees are also provided with subsidies such as transportation, communication subsidies, paid annual leave as well needs-based financial aid.

Employee Age Stucture

	Age Groups	Numbers of Employees	Percentage
Male	Age<=30	10	19%
	30< Age <=40	16	30%
	40< Age <=50	7	13%
	Age>50	4	8%
Female	Age<=30	4	8%
	30< Age <=40	6	11%
	40< Age <=50	5	9%
	Age>50	1	2%

Age Structure



Job Distribution

Categories	Sex	No.	Percentage	Remarks
Senior Management	Male	2	67%	GM、Deputy GM
	Female	1	33%	Deputy GM
Middle Management	Male	6	75%	Manager
	Female	2	25%	Manager
Technical Staff	Male	1	25%	Chief Engineer
	Female	3	75%	Laboratory
Other Staff	Male	28	74%	
	Female	10	26%	

Sex Ratio, Local Staff Ratio, Turnover

Total No. of Employees	53
Female	30%
Local Staff Ratio	70%
Annual Staff Turnover	3.8%

Health and Safety

Health

The Company provides employees free annual health checks.

Safety

The Company has set up safety operation system and put in place measures to enforce the system. For pipeline network maintenance, the Company adopts regular patrols, together with a centralized video monitoring system. In the water plants, the Company sets up proper fences around the water pools, and places life vessels inside the pools. There are various warnings systems in the plants to highlight various risks. When entering work space, a work team must have at least two members walking together. Wearing of life jackets and reporting to central monitoring office in and out of work space are standard procedures.

In the past three years, the Company has recorded no incidents which resulted death or injury to its workers.

We have established relevant model code for safe operations and protection measures. We have stringent inspection rules in relation to network monitoring and maintenance. For example, we have installed security surveillance camera system covering all areas in our water plants with alarm system in major areas. Our protection facilities include protection bars over precipitation pools advection pool, lifebuoys in designate places, water level alarm, alarm in chlorine room, and safety goggles. When working at precipitation pools, our staff is required to notify the central control room before entering the room and live monitoring is activated for the entire process from the central control room. Our staff must work in pair and wear safety jacket in that room. New joiners must pass swimming test and other safety tests. We have adopted a practicable emergency management plan. We emphasize on strict compliance in model code for safety operation and protection measure and regular maintenance and repair to our facilities to ensure safety operation.

Our philosophy has always been “Safety Production” when it comes to production. We are active in adopting all relevant rules and guidelines from our supervisory bodies, especially the “Notice on Commencing Deep Safety Operation Inspection” announced by Water Authority and Safety Committee of Binhai New District. We have established a safety operation team and a network safety operation team respectively headed by our vice general manager and internal supervisory department and reward system are also established at the same time.

Training and Development



The Company trains new employees before deploying them to their jobs. The training covers skills, work environment, process, as well as corporate culture. The purpose is to allow new employees to team up quickly with experienced employees.

On-job training involves training in the area of specialized skills, fire-fighting, and specialized technology.

We also provide work related training courses, including fire drill, safety knowledge, technical skills, etc., to improve our staff's operational skills and professional quality.



Corporate Culture

The Company has established a corporate culture which is focused on humanity, practicality, and sound management system.

The Company promotes the corporate culture through all forms of corporate activities. The Company maintains an Employees Guidebook, which provides guidance on all aspects of operations. Employees and management are required to comply with the guide book.

The Company highlights Company Logo and other identification tools in the office and other business environment and holds corporate events to promote corporate culture on a regular basis.

Honors Received

2008 Model Institution for Water Saving Society



Work Environment

Beitang Water Plant



Customer Service and Community

Our customers of reclaimed water can make payment via ATM at 8 branches of the Bank of China. We have a professional after-sales service and maintenance team to see to the needs of our customers.

In June 2017, Baoshandao Branch of Bank of China and DongfangMingju Branch of Bank of China commenced trial operations to receive payment from our customers via their ATMs.

Since October 2017, all of our customers of reclaimed water can settle their water bills via ATM at 8 branches of the Bank of China around the clock.

In 2017, we received a total of 5,860 service requests from our customers, of which 63.7% relating to general enquiry and the remaining relating to repair and maintenance. We are determined to provide quality customer service to our reclaimed water customers.

Binhai New District is undergoing rapid development and construction. We anticipate that the demand of fresh water for social economic and environmental use will increase rapidly as a result. Scarcity in fresh water in the Binhai New District may emerge over time. We will provide quality and efficient service with a constant focus on rigorous management and stable production with an aim to build our community as a water-conservation community.