

China International Holdings Limited

2018 Sustainability Report



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Board Statement

The Board of Directors is pleased to present the 2018 Sustainability Report of the Group. As the Group's main business are in water treatment and distribution, this Sustainability Report will focus primarily on the water operations of CIHL (Tianjin) Water Development Limited during the year 2018.

The Board has identified the following factors that have significant impact on sustainability of our operations:

- Energy and Chemicals Consumption
- Health and Safety
- Training and Development
- Employee Engagement
- Customer Satisfaction

This Report comprises the following sections:

1. Corporate Development Update
2. Current Operations
3. Energy and Chemicals Consumption
4. Human Resource
5. Health and Safety
6. Customer Service and Community

1. Corporate Development Update

CIHL (Tianjin) Water Development Limited ("Tianjin Water" or "Company") is an integrated water supply company involved in the processing of raw water and reclaimed water, distribution of treated water for industrial and domestic no-drinking uses, and the provision of engineering services to clients in Tianjin, China. The Company owns its own processing plants and distribution networks. Tianjin Water was established in September 2004 and as of 31 December 2018, owns and operates the Beitang Water Plant and is in the process of developing a new plant, the Xinhe Water Plant.

The Beitang Water Plant is located near Beitang Reservoir, and takes in raw water from Beitang Reservoir as well Huanggang No. 1 Reservoir and Huanggang No. 2 Reservoir. Beitang Water Plant commenced operations in March 2006. The water treated by Beitang Water Plant complies with 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 Xinhe 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 industrial water to the standard of Tianjin Municipal Standard Class One A, which is suitable for discharge into the natural environment. In future, the discharged water will be further treated 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 uses.

The Company's network of pipelines covers the core area of Tianjin Binhai New District (天津滨海新区), which is located between Haifang Road in the East and Tangjin Expressway in the West. It 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 in size. Since its establishment, the Company through its water treatment services has contributed greatly to the development of Tianjin Binhai New District (天津滨海新区).

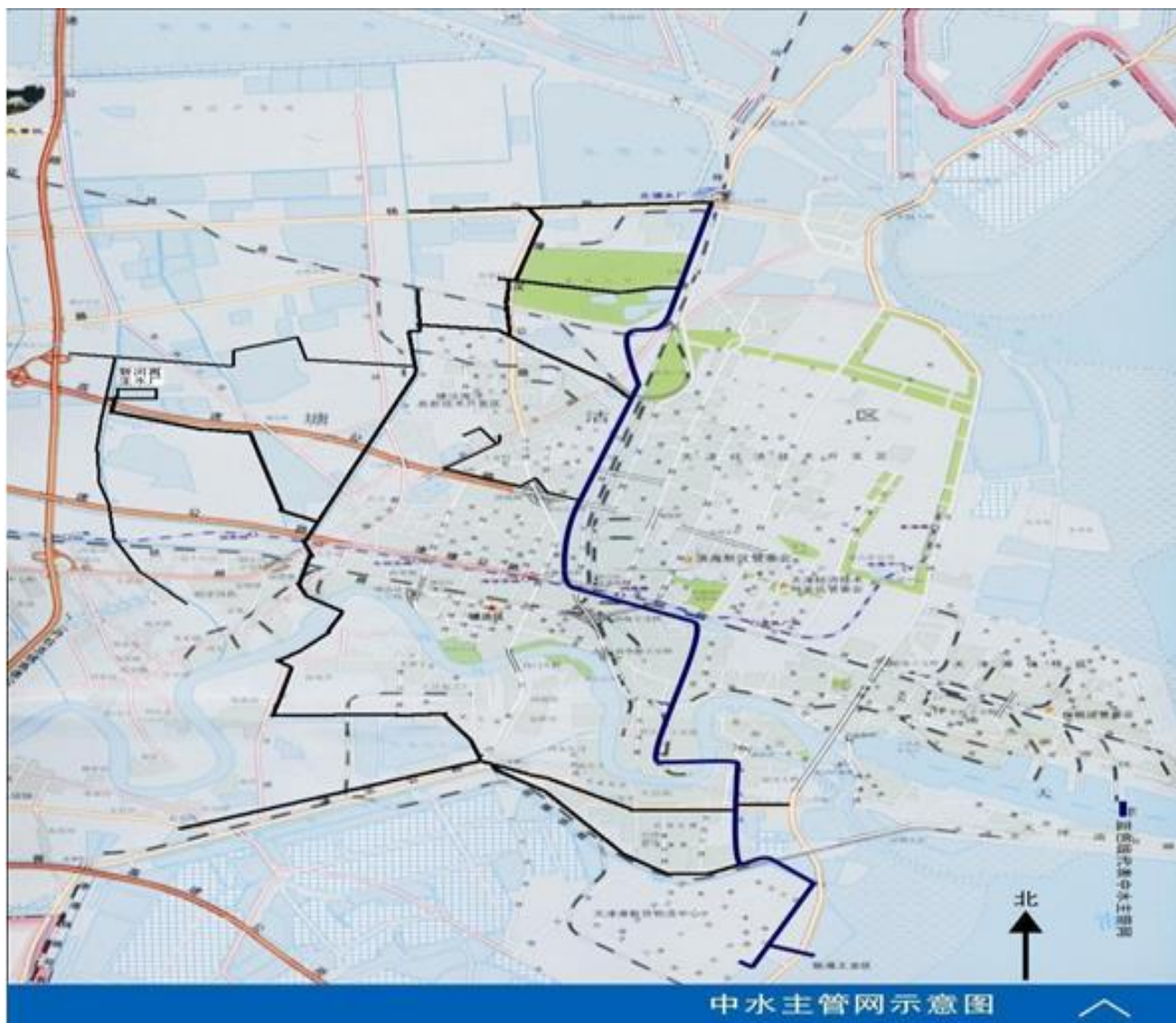


Chart 1: Route Map of the network of main pipelines

Xinhe Water Plant Expansion

At the end of December 2017, the Xinhe Water Plant had established a temporary facility to treat discharged water from a third party sewage treatment plant. This extra treatment is necessary to enable the discharged water to meet the newly implemented local standards before discharge. During 2018, the Xinhe Water Plant was under construction when completed in 2019, it will expand into a fully operational facility to treat discharged water.

Beitang Water Plant

During 2018, the Beitang Water Plant has started to take water from the Huanggang No.2 Reservoir as the Beitang Reservoir had been reclassified by the government as water resources protection zone.

2. Current Operations

By the end 2018, Beitang Water Plant has reached annual production capacity of 100,000 cubic meters (m³) daily. The Xinhe Water Plant has achieved a trial operational capacity of 70,000 m³ daily. During the year, the network of pipelines increased by 44 kilometers, to reach a total network size of 376 kilometers, serving 476 corporate customers.

The total area of plants and greenery watered by the water from our network has increased by 1.66 million square meters to reach 22.55 million square meters. Water used for watering plants and greenery was about 2.34 million m³, accounting for 16.38% of total water supplied by the Company.

In 2018, the total number of residential customers serviced by the Company increased by 18,537 to about 920,000 homes. Residential consumption reached 1.23 million m³ of water, accounting for 8.66% of total water supplied, while commercial and office use was 406.3 thousand m³, and accounting for 2.84% of total water supplied.

In 2018, five more industrial customers came on board, bringing total industrial customers to 16. Water supplied to industrial users amounted to 10.30 million m³, accounting for 72.12%, an increase of 4.3% over 2017.

Chart 2 reflects the distribution of the different uses of water supplied by the Beitang Water Plant.

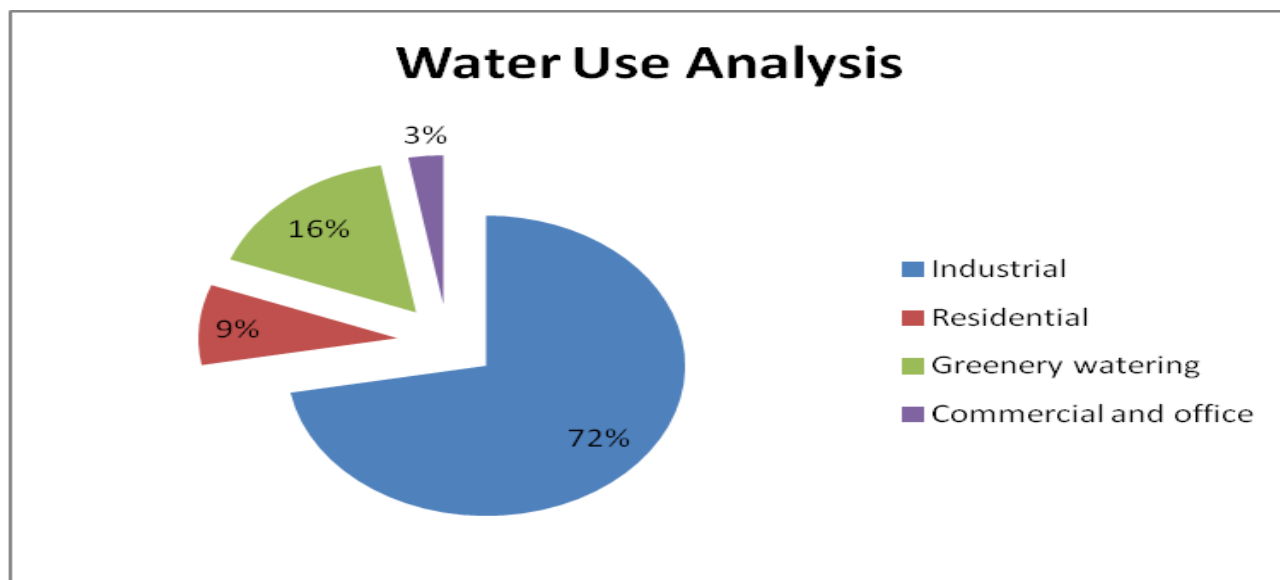


Chart 2: Distribution of Water utilisation

3. Energy and Chemical Consumption

The Company continually strives to increase efficiency in its consumption of energy and chemicals.

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 through centralized video links. This has resulted in higher 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 and better work conditions, thus ensuring smoother operations.

The Company has established energy and chemical consumption levels as key performance targets for staff throughout the various processes of the operations. Monthly competitions are organized for work teams and extra incentive bonus is 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 2018 compared to the previous year:

Year	Water Supplied (m ³)	Electricity Used (kw.h)	Energy Consumption (kw.h/1000 m ³)	Decrease
2017	16,598,814	2,441,208	147.07	
2018	16,916,298	2,423,736	143.28	2.58%

Chart 3: Energy Consumption Reduction

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 consumption in our plants:

Category	Names	Total Quantity (t)	Use per Unit (kg/1000m ³)
Purifying Agent	Poly Aluminum Chloride	268.72	15.89
	Sodium chloride	64.41	3.81
Sanitising Agent	Hydrochloric Acid	190.84	11.28
	Sodium hypochloride	66.78	3.95

Chart 4: Current levels of Chemical consumption

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 influence the uses of chemicals include seasonality, weather, source of raw water, quality of raw water as well as users' requirements.

The Company is in the process of setting targets for chemical consumption and the relevant evaluation mechanism. It is intended that industry technical consultants would be retained after Xinhe Water Plant is fully operational to conduct a review of the requirements.

4. Human Resource

CIHL (Tianjin) Water has 63 employees and all employment contracts are signed in accordance to PRC Labor Laws.

Recruitment and Promotion

The employees are fully protected by the PRC Labor Laws. The Company seeks applicants through the open labor market and employs a merit based recruitment system. On-job training is provided to employees and staffs are offered long term career development paths.

Salaries and Benefit

All employees are covered by social insurance and state pension(“五險一金”). Employees are also provided with subsidies in transportation, communication subsidies, paid annual leave as well needs-based financial aid.

The following tables list further information of the age profile and job composition of the Company's employees:

	Age Group	Numbers of Employees	Percentage
Male	30 and below	12	19%
	30< Age <=40	16	25%
	40< Age <=50	11	18%
	Above 50	4	6%
Female	30 and below	10	16%
	30< Age <=40	4	6%
	40< Age <=50	5	8%
	Above 50	1	2%

Chart 5: Employee Age Structure

Categories	Sex	No.	Percentage	Remarks
Senior Management	Male	3	100%	GM、Deputy GM
	Female	-	-	-
Middle Management	Male	7	78%	Manager
	Female	2	22%	Manager
Technical Staff	Male	1	20%	Chief Engineer
	Female	4	80%	Laboratory
Other Staff	Male	32	70%	
	Female	14	30%	

Chart 6: Job Distribution

Total No. of Employees	63
Male	68%
Female	32%
Local Staff Ratio	78%
Annual Staff Turnover	4.8%

Chart 7: Sex Ratio, Local Staff Ratio, Turnover

Corporate Culture

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

The Company promotes the corporate culture through all forms of corporate activities. There is an Employees Guidebook which provides guidance on all aspects of operations. Staff and management are required to comply all rules set out in 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 and staff bonding on a regular basis.

Honors Received



Chart 8: 2008 Model Institutions for Water Saving Society

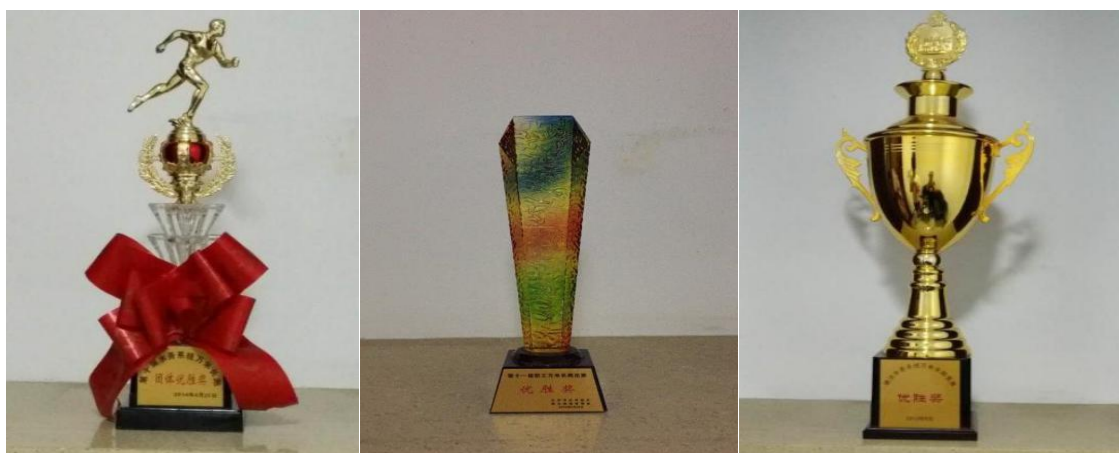


Chart 9: Won the group prize of 10,000 meters long distance race of Binhai New District water system for three consecutive years

5. Health and Safety

Health

The Company provides employees with free annual health checks.

Safety

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

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

The Company has also established relevant model code for safe operations and protection measures. Stringent inspection rules have been set up for network monitoring and maintenance. For example, security surveillance camera system with alarms has been installed to cover all areas in our water plants. 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, all staff are required to notify the central control room before entering the room and live monitoring is activated during the entire process from the central control room. Staff must work in pairs and wear safety jackets in that room. All new joiners must pass a swimming test and other safety tests. We have adopted a practicable emergency management plan. The Company emphasizes on strict compliance in model code for safety operations with adequate protection measure and regular maintenance and repair to our facilities to ensure safety.

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” set by the 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. A rewards system has also been established.

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 drills, safety knowledge, technical skills, etc., to improve our staff's operational skills and professional quality.

Work Environment

Chart 10: Beitang Water Plant

6. Customer Service and Community

In April 2018, The Company opened a customer centre in Tianqi International Centre in Xianglongwan Business District to provide comprehensive customer services on site.

Customers can make payments via ATM at 8 branches of the Bank of China 24 hours a day. There is a professional after-sales service and maintenance team who sees the needs of our customers.

In 2018, our customer service line received a total of 7,066 calls from our customers, of which 42.2% were related to service requests. We are determined to provide quality customer service to our reclaimed water customers.

The 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. The Company will provide quality and efficient service with a constant focus on rigorous management and stable production with an aim of building a water-conservation aware community in the area we operate.



Reception Desk of Tianjin Water
