



隆基泰和智慧能源控股有限公司
LONGITECH SMART ENERGY HOLDING LIMITED

(Formerly known as Long Ji Tai He Holding Limited)
(Incorporated in the Cayman Islands with limited liability)
Stock Code: 1281

Environmental, Social and Governance Report 2016

LONGITECH SMART ENERGY HOLDING LIMITED
Stock Code: 1281

Beijing

18/F, West Tower, WFC, No.1 East 3rd Ring Middle Road, Chaoyang District, Beijing
T. +86 10 5352 6588

Hong Kong

Unit 3606, 36/F, The Center, 99 Queen's Road Central, Hong Kong
T. +852 2969 6868 F. +852 2969 6898

Shijiazhuang

8/F, Provincial Merchants Building, No.127 Ziqiang RD, Shijiazhuang City
T. +86 311 8551 6111

www.longitech.hk





About the Report

LongiTech Smart Energy Holding Limited (hereinafter referred to as "LongiTech Smart Energy", the "Company", "we") is pleased to publish the first Environment, Social and Governance (ESG) report (the "Report"), focusing on relevant information of corporate environment and social responsibility. The report is released in Chinese and English, providing both the print (using environmental friendly paper) and online edition.

Report Accessibility

This Report can be brwosed and downloaded on the website of the Hong Kong Exchanges and Clearing Limited (<http://www.hkexnews.hk>) and our official website (<http://www.longitech.hk>).

Report Scope

The Report covers a period from January 1, 2016 to December 31, 2016, and may appropriately trace backward or forward. The data and cases disclosed in the Report are from the Company and its subsidiaries (the "Group").

Report Reference

The Report is compiled in accordance with the Environmental, Social and Governance Reporting Guide of Appendix 27 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

Report Reliability Assurance

The Company warrants that there are no false representations and misleading statements in this Report.

If you have any opinions or suggestions to this Report, you are welcome to send feedback through the website (<http://www.longitech.hk>) or IR email (investor@longitech.hk) to help us continually make improvements.



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Chairman's Statement

Energy is an important material basis for human survival and development, which is essential to the national economy and people's livelihood and national strategic competitiveness. Facing the profound adjustment of the current world energy structure and a relaxation of supply demand, a new round of energy revolution is vigorously risen. As the world's largest energy producer and consumer, China has made building the clean, low-carbon, safe and efficient modern energy system priority for the moment.

In the United Nations Sustainable Development Goals released in September 2015, a goal of "Affordable and clean energy" was clearly targeted. In March 2016, China "13th Five-Year" Development Plan proposed to actively build smart energy system and the National Development and Reform Commission and National Energy Administration also put forward guiding opinions on "promoting the construction of Internet+ smart grid, promoting the Internet+ smart energy", "based on intelligence, to build a green low-carbon, safe and efficient modern energy system". These key international and domestic policy trends coincide with our strategy.

We are committed to becoming China's leading smart energy solution provider for green cities, by building online smart energy cloud platform and providing offline energy optimization management, distributed energy and public energy trading, to provide a full range of smart energy services for energy consumers including energy monitoring, power trade, smart operation and maintenance, energy conservation transformation, distributed energy, etc.

2016 is a crucial year for the company's development. Through our persistent efforts, we have made great progress in all aspects:

We recognized the enormous potential of information technology in its comprehensive integration with the energy industry in the future, and entered into a solid cooperative partnership with IBM China to promote the construction of "Internet+ energy" to achieve diversification, large-scale

and wide application of smart energy. We engaged in the development and construction of solar power stations, and provision of relevant consultation management services mainly through self-direction and co-development model. We also launched a home photovoltaic system developed for household users (the "home photovoltaic system") and developed clean energy vigorously to help build a green environment and a beautiful city. To work together with industry partners, we are strict with procurement standards and procedures, support supplier growth and progress. Meanwhile, to strengthen communication and interaction with government and business partners, we actively participate in domestic and foreign trade exchanges to create a win-win industrial ecosystem.

We know well that talent is the core resource and precious wealth for enterprise development. In addition to the market, technology and knowledge, competition among enterprises is talent competition so that we actively protect the interests of employees, support employee career development and create a happy and harmonious working atmosphere for employees. We have created an efficient, united and competitive talent team. We organize staff volunteers walking into the surrounding community as well as develop themselves to carry out public welfare activities, helping the disadvantaged groups, which make them feel the warmth and love we send.

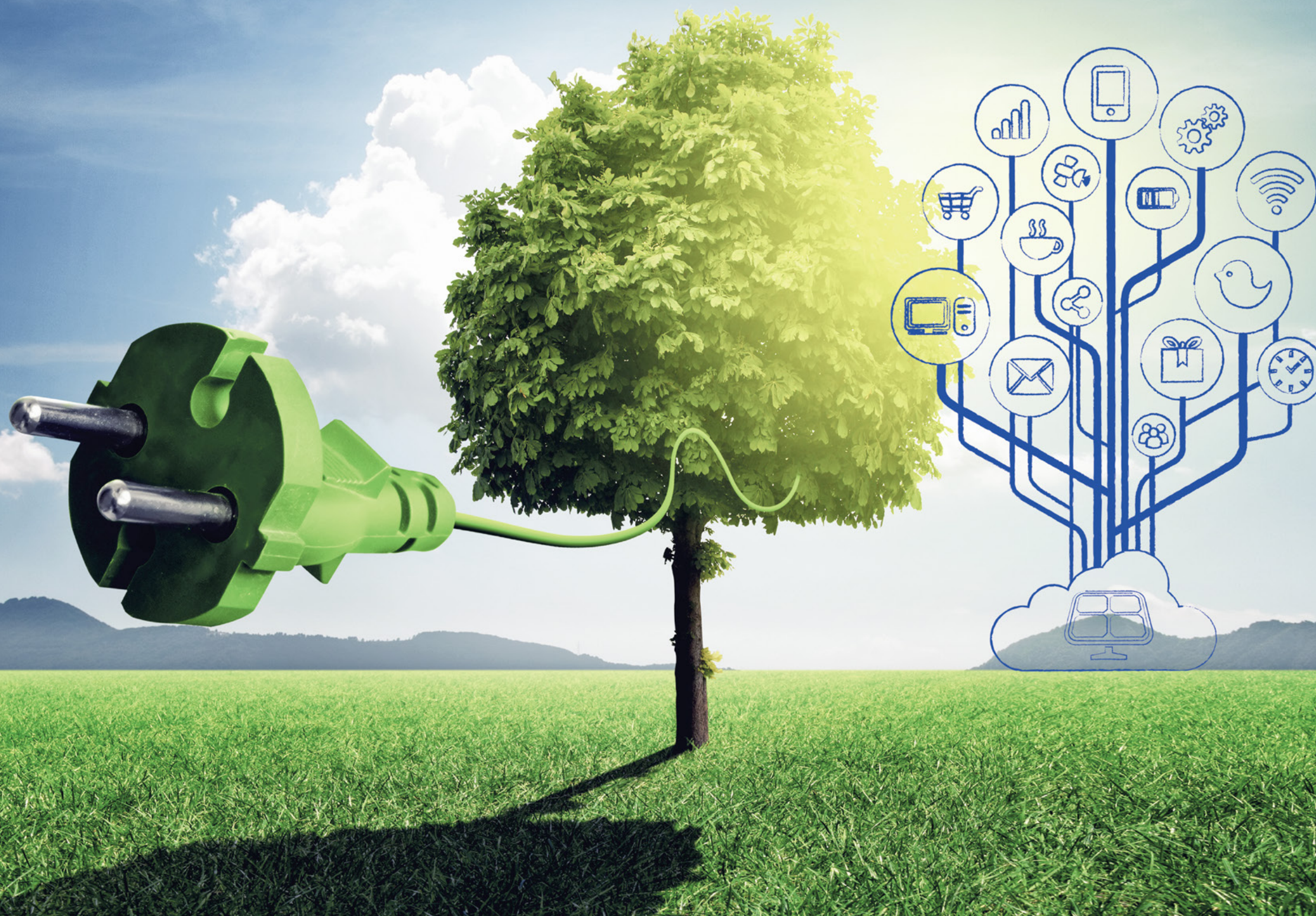
Energy is always an indispensable resource. In the future, it still has great potential for development. In 2017, we will exert efforts to cooperate with the stakeholders and commit to becoming a leading smart energy cloud platform operator in China. By continuing to create clean energy and the use of smart energy cloud platform, we will promote the integration of energy and information to build a new energy industry integration pattern.

Chairman of the Board
Wei Shaojun

April 28, 2017



About LongiTech Smart Energy



About LongiTech Smart Energy

Corporate Profile

The Company is a Hong Kong main board listed company on the Stock Exchange (stock code: 1281), as well as a leading provider of smart energy solutions in China. Through its smart energy cloud platform, the Company is committed to deepening development of energy demand-side services, providing a full range of smart energy services for energy consumers, including smart operation and maintenance, power trade, multi-energy complementation, distributed power and other value-added services.

Our main business fields include:



Smart energy: integrating information technologies and energy systems, and improving energy efficiency, to provide affordable energy with high quality and related services.



Clean energy: developing and designing ground and distributed photovoltaic power stations, launching the home photovoltaic system, and expanding clean energy based on smart energy service platform.



Land development: cooperating with local governments in the PPP mode (public-private-partnership) and carrying out infrastructure, urban village reconstruction and land consolidation projects.

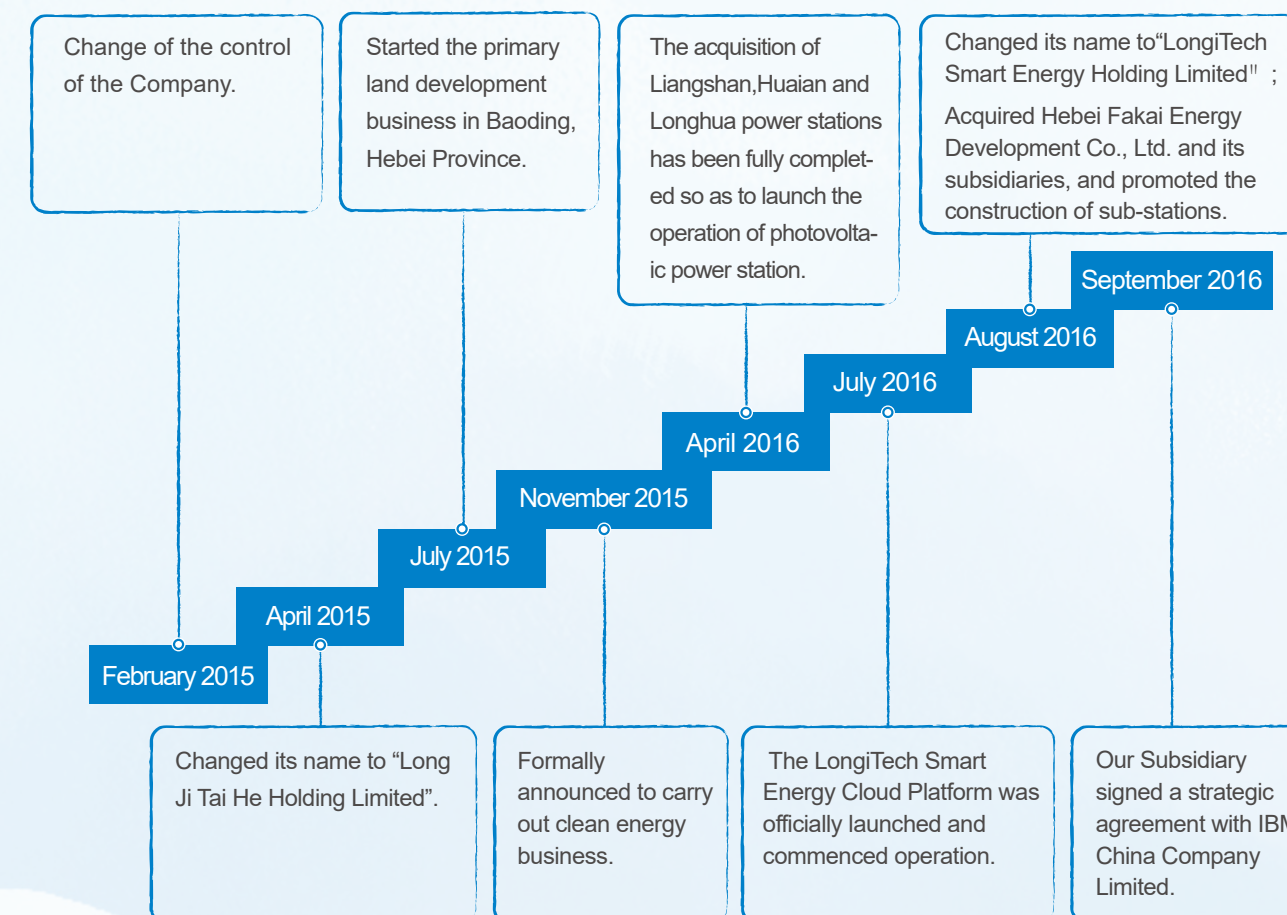
RMB 607,137,000

Operating income in 2016

RMB 51,946,000

Net profit in 2016

Company Development History



Corporate Governance

Mr. Wei Shaojun, the controlling shareholder of the company, is holding 59.25% of the issued shares of the Company as at the date of the Report.

The general meeting of shareholders is the highest authority of the Company. The board (the "Board") of directors (the "Directors") of the Company, which is under the general meeting, is the heart of the corporate governance, articulating

business strategy and development plan, guiding the management to implement the plan. In accordance with the relevant provisions of the Articles of Association and the Rules of the Board of Directors, adhering to the principles of openness, impartiality, fairness and independence. We elect Directors by the general meeting of shareholders. Each of the Directors are subject to retirement by rotation at least once every three years. Board of Directors consists of seven

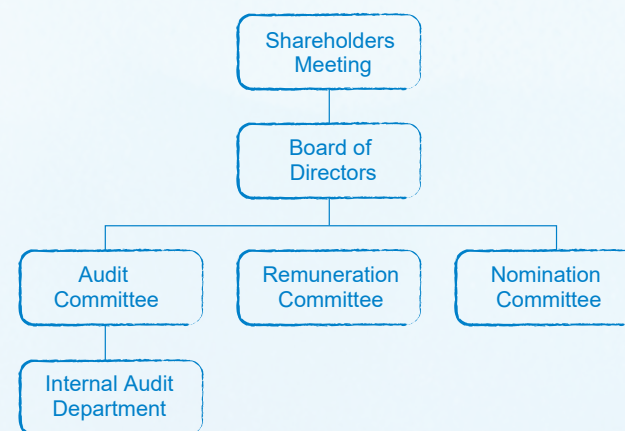
members at present. Mr. Wei Shaojun, Mr. Wei Qiang, Mr. Li Haichao, Ms. Zhen Xiaojing served as executive Directors. Mr. Han Qinchun, Mr. Wong, Yik Chung John, and Mr. Han Xiaoping served as independent non-executive Directors. The Board has three specialized committees, including the Audit Committee, Remuneration Committee, Nomination Committee, which are appointed and authorized by the Board of Directors and operate in accordance with its terms of reference. In 2016, the Board held a total of eight meetings.

The Company continuously provides Directors with relevant training and information of professional development to help Directors develop and review their knowledge and skills. In 2016, Directors participated in the training of briefing, introduction, industry development etc., provided by the Company secretary, and learn the latest requirements for the roles, functions and responsibilities of Directors through written training materials.

The Board understand that diversified board of directors

can improve the performance of the Board. The Company has adopted a policy of diversification of the Board to ensure the Directors has balance skills, experience and pluralistic perspectives which can be appropriate for business development needs. When the Company appointed directors, we take meritocratic principle, also considering a wide range of factors, including gender, age, culture and educational background, professional experience, skills, knowledge and service length.

Corporate Governance Structure



Internal Control and Risk Management

The Board is responsible for reviewing the Company's internal controls and effectiveness of risk management system, reviewing the improvement process of internal control measures and strengthening internal control and risk management measures. Internal audit function has been established in the Company, which is responsible for overseeing the Company's internal governance, reviewing the Company's financial situation and the operation of internal control and regularly conducting a comprehensive audit of the Company. The Company also has set up a risk management leading group and a risk management action group, which are responsible for the construction and operation of the risk control system.

In 2016, the Company reviewed the compliance of internal control and risk management systems. We set up a risk management mechanism at the company-level and business-level. Through continuous risk supervision and internal control evaluation, identifying company business risks on a regular basis, we continuously improve internal control and risk management system. We classify the risks as five categories of strategic risk, market risk, operational risk, legal risk and financial risk. We carry out the risk assessment and the management diagnosis, combing and summarizing departmental responsibility for risk control, authorization system and risk control matrix to ensure the timely monitoring and response to all kinds of major risks.

Listing rules compliance training



We have conducted training on the Hong Kong Listing Rules for the Company's executives and employees, covering the securities trading rules of directors and senior management, the disclosure rules of insider information, the rules for transaction disclosure, connected transactions and corporate governance rules. Management and staff were able to understand the Hong Kong Listing Rules and to remind them of their day-to-day work to ensure that the Company will comply with the rules and the relevant regulations.

Internal control and risk management training

For company executives and employees, we have risk management and business risk trainings explaining the Company's risk management process, how to describe the company's risk and risk response measures in detail to help employees understand the cause and effect of risk, principles of risk response and specific measures so that we make company's risk management mechanism in an orderly operation.

Legal risk management training

We held trainings about legal risk management, the coverage including basic legal provisions related to company's business and project, legal and regulatory requirements for the company qualification, legal and regulatory requirements for project execution and approval and possible legal problems in actual operation. These trainings interpreted for employees to avoid legal risks in their work.

ESG Management

In the course of operation and development, our company always pays attention to the protection of the environment, the focus on community and stakeholder communication. We are creating a long-term value for customers based on building a sustainable business ecosystem and the development of business. Working with industry partners, we are building a more promising energy industry, and playing a positive role in environmental impact to make use of green, low-carbon energy for the society to consume energy in a more environmentally friendly way. As an enterprise with humanitarian concern, we take a responsible way to hold the employees together and help employees with development, making them happy in work and live. We also care about the communities around us and benefit the people who need help in the communities through our company's development achievements.

framework according to the guide. In order to determine the reporting boundary, we also referred to the energy development planning policies and regulations issued by National Development and Reform Commission and National Energy Administration and the 17 Sustainable Development Goals in 2030 Agenda for Sustainable Development of UN to define the impact of the company's business on the interested parties and to disclose details in the report accordingly. The Board of Directors shall review this report and be responsible for the authenticity and validity of the information included in the Report.

We have established wide and efficient communication channels with interested parties and strengthen mutual trust and respects so that the formulation and development of company strategy will be able to fully reflect the concerns and expectations of all interested parties. All our interested parties mainly include the following categories:

In order to prepare this report, we studied the ESG Reporting Guide issued by the Hong Kong Exchanges and Clearing Limited (HKEX), selected key issues and developed reporting



Shareholders and investors



Government



Suppliers and partners



Employee



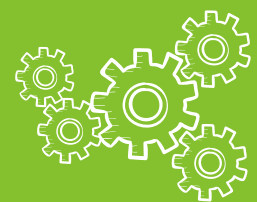
Customers



Environment



Community



Sustainable Business Ecosystem



Sustainable Business Ecosystem

Energy is the foundation of the modern society. The development and progress of human society are always accompanied by the constantly emerging of new energy and improvement of energy efficiency. Currently in China, while the energy shortage has been solved to a great extent, more and more concerns have been raised on the energy sustainability and efficiency of energy consumption. LongiTech Smart Energy sets its priority concern as to obtain and consume energy in a more economical way, how to minimize the environmental impact while consuming energy, and how to turn the energy industry into a more efficient engine for the economy and the industries. We are devoted to build a sustainable business ecosystem, promote customer development and industrial evolvement, and create a green low-carbon future through positive environmental influence.

Helping Customer Development

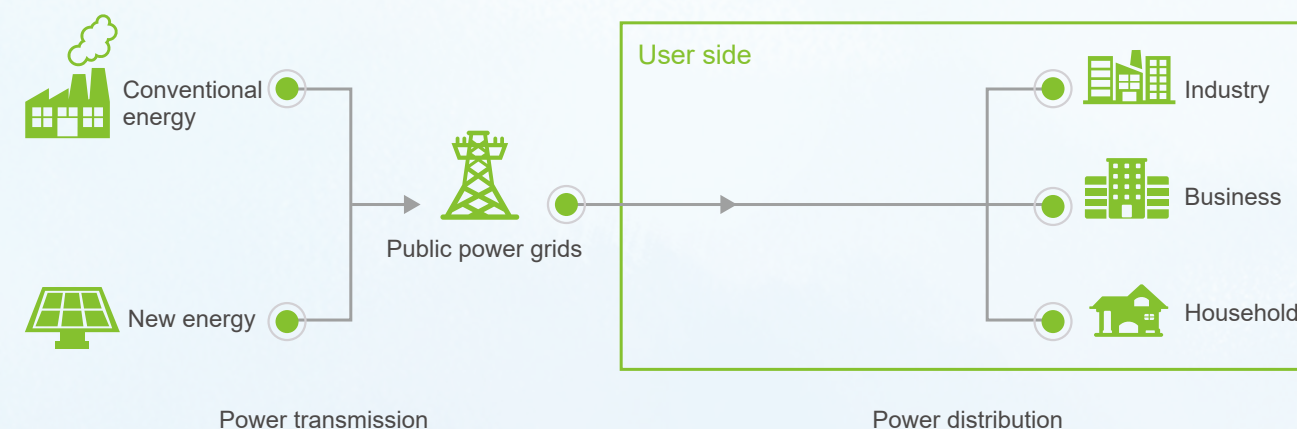
Smart Energy Cloud Platform and Operation/Maintenance

During the 13th Five-year Plan period, the National Development and Reform Commission and National Energy Administration have presented the smart energy development guidelines that promotes the construction of Internet + smart grid and Internet + smart energy, and builds green, low-carbon, safe and efficient modern energy system on the basis of intellectualization. These policies indicates a trend that is in consistency with our development strategy. We have understood the great potential of a profound integration between information technology and the energy industry. A smart energy system, base on an Internet+ platform, big data and other technologies, will enhance the interaction for the energy supply and demand, thus promote a coordinated development of energy production, transmission, consumption and storage.

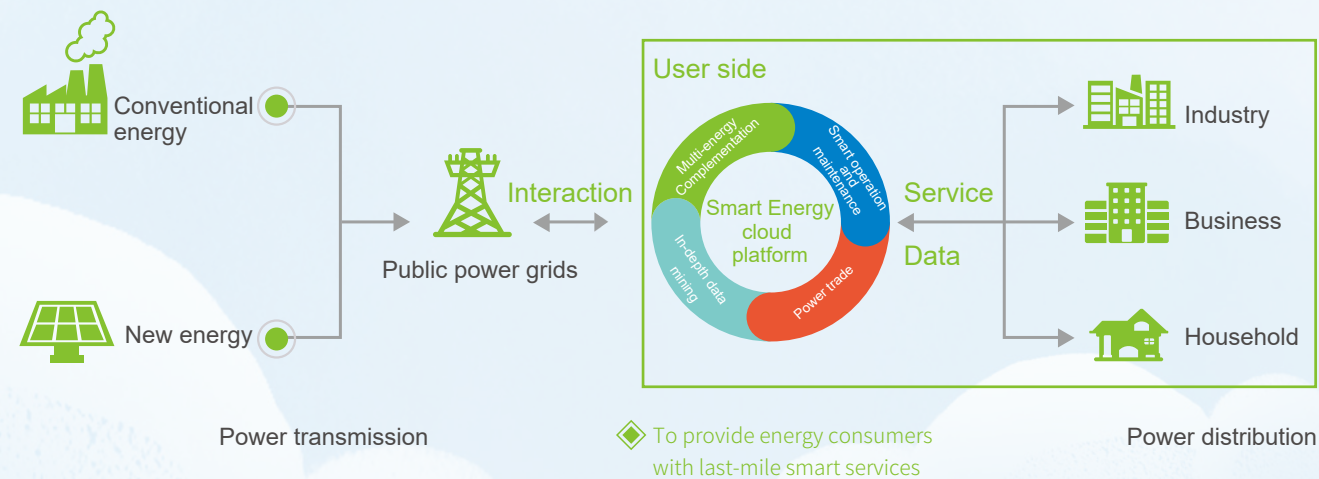
Smart energy is the Company's core business and our vision is to become the largest domestic operator of energy big data cloud platform. In July 2016, we launched the LongiTech Smart Energy Cloud Platform, which integrates energy systems and Internet technology, to achieve the automation and datamation of the entire energy usage process covering energy data collection, energy utilization monitoring, energy consumption analysis, energy consumption management, etc. Meanwhile, by gathering energy consumers and conducting analysis of energy big data, the Cloud Platform is able to provide energy consumers with an all-rounded smart energy service, including energy monitoring, power trade, smart operation and maintenance, energy conservation improvement and distributed energy, thus offering energy consumers the last-mile smart services.

Comparison between conventional energy and smart energy

Conventional energy model



New model



- **The monitoring operation and maintenance at user side**

The Cloud Platform can provide users with 24-hour real-time information management to improve user's risk precaution capability. By customizing power schemes for users, the Platform can cut labor and operation/maintenance costs, and improve the production efficiency and security.

- **The power trading at user side**

We can provide the power trading companies and power users with active response and dispatching of power consumption through the Platform's bidding management and power load prediction modules, which would reduce the power cost for users by predicting the power load more precisely.

- **Multi-energy complementation at supply side**

The Platform acts as a control center and integrates various energy supply models, such as distributed PV, waste heat recovery, etc., into the energy micro-grid. The Platform can improve the energy supply efficiency and allocate different energy sources for users at different time slots to save energy cost.

- **To explore deeply at energy consumption side**

Accurately collect and analyze the enterprise power data to assist companies to find out the problems in the energy consumption management and take targeted measures to improve energy efficiency. We will independently develop a big data analysis platform, including all kinds of energy data models, big data analysis algorithms, expert knowledge base and predictive analysis, etc.

Based on the technical support of the smart energy cloud platform, we are able to take online remote monitoring, operation and maintenance on users' power consumption and offline professional inspection and maintenance, achieving the entrusted services of specialized and intelligent operation and maintenance for the company's transformation and distribution system. Currently we have built demonstration of smart energy industry and business parks, such as the Lightway factory and Baigou shopping mall, and promoted our sub-station platform. As of March 22, 2017, we have 916 signed energy corporate customers, of which 169 have their real-time energy information integrated in our Cloud Platform. Meanwhile, we are proactively participating in electricity trading in Hebei province. The Hebei Fakai Energy Development Co., Limited acquired the electricity trading permission on February 6, 2017 and participated electricity trading at Hebei province. At present, our partners have covered the areas including energy distribution, air conditioning, air compressor, monitoring terminal, power installation, etc. In the future, we will adopt a more open mode to cooperate with outstanding energy enterprises, operation and maintenance enterprises and energy-saving transformation enterprises to provide energy services to customers.



Case 1: Energy saving transformation project of variable load phase advancer of roughing mill.

Based on the analysis of the platform loading curve, we found that roughing mill loading of one steel company was in impact type and there were cases of overload running. The average power factor was only 0.49. The platform analysis suggested the variable load phase advancer for improvement. The suggested scheme will increase the average power factor over 0.8 and save 200,000 kWh, RMB 140,000 for the Company if being used.

Case 2: Project of power-saving management

Based on the analysis of the platform curve and consideration of power consumption fluctuation, we identified a machine working pattern for a company. We raised a scheme of adjusting the machine start-stop time without affecting the normal production. This processing section involves 6 equipments. The suggested scheme will save RMB350,000 annual electricity cost for the company if being used without any prior investment.

Case 3: Transformer transformation project

Through the platform, we found that three transformers in one steel company were experiencing extremely low loading, which wasted power. By changing the transformer loading distribution, the transformer will run in economic range. In case of completely implementation of adjustment scheme, the company is expected to save electricity about 60,000 kWh each year. If no extra investment, the company will save RMB120,000 each year.

Clean Energy

Clean energy and renewable energy are the major areas of energy development in "13th Five-Year Plan" period in China. As one form of clean energy, PV power generation plays an essential role in China's future energy planning. Our business covers ground PV power station, distributed PV power station and home PV system. We will create the industry chain of "Green Smart Energy" with our first-mover advantages.

The Company is operating three PV power stations, including Bailong PV Power Station in Huai'an, Jiangsu province, Shengxiang PV Power Station in Liangshan, Shandong province, and Longhua PV Power Station in Hebei province with a total installed capacity of approximately 30MW.

In the future, we will carry out the "PV power station + smart energy" model by independent and joint research, and introduce the green clean energy to more areas. We will offer home PV system to householder customers, and create extra incomes for households, especially rural customers, to better implement the renewable energy strategy in China.



Longhua PV power station in Hebei is a power station with a complementary mix of agriculture and PV. Agricultural planting can be performed under the photovoltaic solar panels to increase income and improve the living standards for residents.

Land Development

We adopt the PPP model to cooperate with Baoding government and undertake the land development project of Donghu lake culture center in Baoding which involves public buildings and infrastructure construction such as Guan Hanqing Grand Theatre and museum, library, roads and pipes network in lake area, protection and greening in lake area, bus stations in lake area, Donghu campus of high School affiliated to Baoding Normal University, and grade A land comprehensive development and consolidation and urban village reconstruction. After completion, the project will significantly improve the landscape scene of Baoding and perfect the urban infrastructure and roads system, providing a better living and entertainment environment for citizens.

What is PPP model?

PPP (Public-Private-Partnership) refers to a cooperative arrangement between public and private sectors and it is one kind of project operation model in the public infrastructure. Under this model, the private enterprises and private capital are encouraged to cooperate with the government taking part in the public infrastructure construction.



Being An Green Company

The Company's annual power generation is **3,580.71kWh**

Equivalent to reduce **3.57** tons of carbon dioxide

Saved **1.43** tons of standard coal

Reduced **0.107** tons of sulfur dioxide

Reduced **0.054** tons of nitrogen oxide.

Our business concentrates on clean energy. Through our business, the Company can assist customers and society to widely use clean energy and reduce the adverse environmental effect caused by consumption of traditional fossil energy, achieving energy saving and emission reduction. The Company shall take the environmental leverage effect as a company of clean energy and smart energy.

The three PV power stations we are running are all solar PV power stations. The PV power is a clean and renewable energy, which directly transforms solar energy to electricity. The operation and power generation of the station produce zero waste and emission, and do not cause pollution. We also adopt advanced methods for the solar PV panel cleaning, which will consume less water and prevent adverse effects on the environment.

Through the Smart Energy Cloud Platform, we can analyze and explore the users' energy consumption and identify the high-energy consumption stage and reasons to help the users with energy-saving transformation to improve energy efficiency and achieve energy saving.

The Smart Energy Cloud Platform also has the multi-energy complementation function, which supply clean energy by waste heat recovery and so on, to further reduce our dependence on conventional fossil fuels.

Rely on the big data analysis of our smart energy cloud platform, we can help the government to enhance the informatization and transparency of environmental supervision, and improve the overall supervision quality.

Environmental optimization design of PV power station



Layout design of PV modules-improve land using efficiency.

The place where Longhua power station is located is mountainous. The solar cell modules are installed according to the terrain. Based on the slopes of the hills, the whole area is divided accordingly and the net space between the front and back cell modules is calculated to maximize land utilization.

Cleaning design of PV power station-reduce water consumption

(1) The district of Longhua is an arid area. In order to save water to the largest extent, we adopt module cleaning scheme of water-saving which will deploy mobile cleaning water trucks. In the winter, pneumatic dust removal scheme is used as assistance to decrease the water consumption in the cleaning.

(2) The main pollutants in the air in Liangshan are inhalable particles. The main pollutants on the surface of PV modules are dust particles accompanied by mortar mix after rain and dust mix after condensation. We use the self-cleaning coating on the surface of the module and the flushing of rainwater can meet the module's requirement of cleanliness. In case of no rain for long time, the water-saving scheme will be adopted.

Environmental protection and soil and water conservation-reduce the impact on the local community environment.

Regarding the dust, noise, wastewater generated during the construction of PV power station project, we take the following measures to reduce the impact on the environment:

(1) Construction raised dust in order to effectively control the impact of dust during construction, we request the construction unit to take preventive measures as following:

1. Carrying out reasonable management on the construction site. The sand, stone and cement are stacked and covered by tarpaulins.
2. The temporary soil pile and bulk construction materials yard shall be pressed hard and covered tightly.
3. The construction waste shall be stacked in classification and cleaned timely. When transported, the waste shall be covered by tarpaulins to prevent dropping along the roads.
4. The transportation shall be carried out according to the designed transportation routes. The construction roads will be cement macadam surface. After full implementation of the above measures, the dust in the construction will not cause major impact on the environment of local villages.

(2) Construction wastewater: The wastewater generated during the project construction is mainly the domestic sewage generated by the construction workers. During the construction, the temporary anti-seepage pit toilet will be designed in the construction production and living area. All the domestic sewage generated by the construction workers will drain to the anti-seepage pit toilet which will be cleaned regularly by local villagers. The sewage will not be discharged out so that the local water will not be polluted.

(3) Construction noise: The construction noise is mainly caused by the construction machinery and transportation vehicles. The construction noise is periodical, temporary and not fixed, causing little effects on the local communities.

Landscape development of Donghu lake in Baoding



The land development project of Donghu lake which is developed in Baoding contains road and pipe network construction, protection and greening construction and public transportation construction, etc. for lake area. After the completion of this project, the citizens in Baoding will see a large, well-equipped and pleasant urban green landscape and will experience the beautiful nature in the urban area.

Building A Win-win Partnership

We attach importance to long-term and friendly cooperation with supply chain partners and build the standard suppliers' management mechanism to guarantee our suppliers' leading strength and strong sense of social responsibility, in order to achieve equality, compliance and mutual benefits in our cooperation.

Formulating Strict Procurement Process

We strictly abide by relevant national laws and regulations, such as the Tendering and Bidding Law of China and its Implementing Regulations (Exposure Draft). Conducting bid opening, bid assessment, bid negotiation and determining in manners of publicity, impartiality and fairness, we can reduce procurement cost and achieve a diversified win-win situation under meeting the requirements of construction progress.

In order to further standardize procurement activities, strengthen management and supervision of procurement activities, clarify functions of different department, and establish a high-quality, efficient and transparent procurement channel, we have formulated our Procurement Management Regulations to guarantee procurement quality, control procurement costs and reduce procurement risks. Our procurement activities include competitive negotiation, centralized procurement, bid negotiation procurement, minor procurement, and special procurement, while detailed provisions have been formulated according to different procurement types.

Strict procurement standards run through the whole procurement activities. In suppliers' evaluation and auditing stage, in addition to meeting the Selection Measures of Qualified Suppliers Shortlisted, we also require shortlisted enterprises should pass the ISO9000 series quality system certification and be in the valid term, while also should have certifications of quality management system and environmental system. We also ask products provided by our component suppliers should pass the TUV/UL/VDE certification with ISO guidelines. Based on above standards, the largest domestic outstanding photovoltaic inverter manufacturers such as Sungrow Power Supply Co., Ltd., Nanjing CNI Energy Engineering Company Limited, etc. have been selected into our procurement list. In 2016, we have finished evaluations and reviews on 220 suppliers totally.

Number of signing suppliers in the year	42
Number of suppliers in Chinese Mainland	39
Number of international suppliers	3

Growing Together with Suppliers

Besides suppliers' capabilities, we also attach great importance to their social responsibility performance and are committed to improve both of our economic power and promote implementation on corporate social responsibility. We actively provide optimizing proposals to help improve suppliers' capabilities, and especially put forward clear safety production requirements on EPC projects, in order to promote suppliers' continuous concerns on construction safety, environmental protection and other aspects.

Supporting Suppliers to Improve Their Abilities



Action 1: As for deficiencies and problems found in the process of suppliers' review, we timely contact with suppliers and offer reasonable and optimizing proposals.

Action 2: In the process of performing procurement contracts, we often appoint professional technical personnel to supervise manufacturing and offer optimizing proposals on problems found in the production process.

Action 3: Optimizing proposals on mutual cooperations and related segments are offered in the process of performing procurement contracts.



Inspection and Management Regulations on Construction Safety and Civilized Construction



In order to guarantee safety construction and civilized construction of photovoltaic power station construction projects, we hereby formulated regulations to conduct routine inspection weekly. Key points are as follows:

Personnel organization structure: The contractor must establish and improve their safety organization system and sign their safety objective management responsibility system; the contractor must set their full-time safety officer, while the sub-contractor also must set up their full-time or part-time safety officer.

Safety organizational management: The contractor should strengthen propaganda and education on safety construction, and ask all workers being registered to accept safety education and sign labor contracts; the contractor must establish and improve their safety leadership team, conduct a comprehensive safety inspection each week, and make corrections on problems within a limited time.

Safety in using power: The construction site must be set up according to requirements of "3-Class Power Distribution and 3-Class Protection"; professional electricians and protection appliances must be equipped; everyone should obey related regulations on installation of power line, temporary cable, distribution box and switch box, living power distribution and other aspects.

Fireproofing requirement: Formulating the fire control management system and strictly carrying out fire operation approval procedure; collocating fire extinguishers and other fire-fighting equipment, and

conducting routine inspections; assigning special person to clean up each construction area every day; properly meeting fire-fighting and sanitary requirements of original buildings, finished products and living areas.

Hoisting safety: All cranes must have corresponding qualifications and QC; the drivers and commanders must be trained professionally and obtain operation certificates; selecting proper cranes; crane wire rope, buckle and hanger, etc. must meet requirements; drivers must adhere to the principle of "10-Forbidden Lifting" in the operation; hoisting process must abide by corresponding provisions.

Scaffold and limb construction safety standards: Scaffold erection must meet the relevant safety technical standards; accessible roof scaffold erection, scaffold steel pipe color, spacing and limb protection, etc. must meet requirements; the butt joint is prohibited under the same horizontal and vertical distance in the process of erecting scaffold.

Other requirements of safety and civilized construction: Meeting national safety and civilized construction standards and local rules, and our relevant provisions; all materials, construction plans, warning boards and green space protection during the construction progress must meet relevant provisions.

Collaboration for Industry Improvement

We attach importance to industrial ecological construction, jointly seek cooperation opportunities with our industry partners, and actively participate in industrial communications, to promote industrial collaborations and help build healthy, active and sustainable industrial environment.



Platform market promotion conference

Contributing to Industry Development

We continuously communicate with local governments and industrial enterprises, and explore strategic cooperation opportunities, to plan win-win future development.

In Hebei, we cooperated with the government to hold power service management platform trainings, respectively in Shijiazhuang, Handan, Xingtai, Langfang and other cities, in order to help power

operation departments at all levels and attending enterprises understand the electric power service management platform, and guide sub-stations' constructions of the platform.

Signing the Strategic Cooperation Agreement with Zhangze Power



In September 2016, we signed a strategic cooperation agreement with Shanxi Zhangze Power Co., Ltd. with cooperation intentions on layout of multi-energy complement smart energy business in advance, rapid development of new energy business, and joint development of Beijing-Tianjin-Hebei-Shanxi electricity sales market.

Zhangze Power is an listed company which mainly focusing on thermal power business and covering thermal power, new energy, coal, finance, energy conservation, environmental protection, information, power engineering, electricity sales, etc. It controls 13 thermal power enterprises, 3 wind power enterprises and 5 photovoltaic enterprises in total.

Along with our sustainable and in-depth cooperation with Zhangze Power, both parties will further share superior resources for mutual development and help us expand Shanxi and the whole national markets as soon as possible.



Signing a cooperation agreement with Zhangze Power

Developing In-Depth Cooperation on Smart Energy with IBM

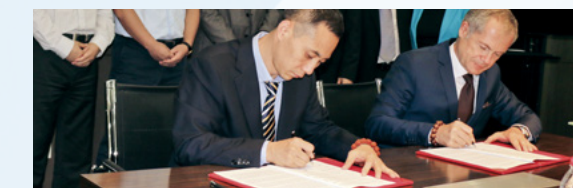


International Business Machines (China) Corporation (referred to as "IBM China"), a leading enterprise of global information industry, boosts to improve business and social development based on their innovation, data and professional ability, and provides world first-class technology products and services in fields of hardware, software, information and consulting.

We developed cooperations with IBM China in the establishment, optimization and improvement of our cloud platform, mainly including Internet of Things data access, big data storage, energy data mining and

insight, typical applications, user experience and other relevant technology consulting and implementation work, in order to support rapid development of users, improvement of data standard, enhancement of data integration capability, accumulation of algorithm model and other business requirements of core assets.

Our smart energy business will achieve strategic enhancement on technology and service depending on IBM China's strong professional ability in software development, information and consulting services.



Signing the cooperation agreement with IBM

Jointly Promoting Industrial Exchange

We actively participate in industry exchange meetings at home and abroad, share industrial experiences and discuss industrial development and cooperation opportunities with each party.

Participating in the 10th China New Energy International Forum



On April 20, 2016, the 10th China New Energy International Forum & the 10th Anniversary of China New Energy Chamber of Commerce was held in China National Convention Center. With its theme of "Celebrating Brilliant Ten Years and Discussing Innovative Growth", the forum mainly focused on global energy industrial development experience and the future development of Chinese energy industry.

As a sponsor of the forum, we fully showed our good image of being actively committed to the industry progress and industrial communications, while also discussed current energy industry development, trend and relevant topics with industrial leaders, government officials at home and abroad, as well as experts and scholars in the meeting, and delivered an impressive speech in terms of industry technology development.

The forum held successfully, not only showing the great development achievements of Chinese energy industry, but also reflecting our confidence on energy development.



Delivering a speech in the forum

Participating in SNEC 10th (2016) International Photovoltaic Power Generation Conference & Exhibition



On May 24, 2016, SNEC 10th (2016) International Photovoltaic Power Generation Conference & Exhibition (referred to as "SNEC") was convened grandly. As an exhibitor, we firstly appeared on the SNEC stage.

services to attending business partners and conducted in-depth exchange and communications with respect to smart energy, power station investment, first-class development, green finance and other topics. Creative booth design and thoughtful exhibition services fully demonstrated our corporate culture and abilities.

At the exhibition, we introduced our products and



Communicating with industry partners

Participating in 2016 Distributed Project Cooperation and Innovative Finance Summit & the 10th Anniversary of SOLARZOOM



On June 30, 2016, SOLARZOOM, the third-party platform pioneer of distributed PV, held the "2016 Distributed Project Cooperation and Innovative Finance Summit & the 10th Anniversary of SOLARZOOM" in Shanghai. It conducted an in-depth discussions on distributed PV industrial pain spots, financial innovation, tipping points and tipping conditions, and other problems with participants for different fields, and

started the second phase project to promote industrial cooperation.

As the sponsor of the evening party, we set up our reception desks outside the meeting ball for communications with participants, and prepared fine gifts for VIPs to deepen our brand awareness in the whole industry.



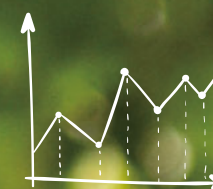
Showing our business services on the forum



Responsible
Humanistic
Care



IDEA



Responsible Humanistic Care

Along with the development of the times, the society puts forward a higher expectation in the mission of enterprises. As a leading domestic smart energy solution provider, we also actively undertake our responsibilities for employees and communities while boosting the economic development. We respect each employee's efforts and career contribution, providing a wide development platform and good working environment for them, protecting labor rights and interests, helping them achieve their career dreams, and bringing happy energy for employees through rich and colorful cultural activities. We actively integrate into local communities in the process of business development, by strengthening communications, contributing and contributing to community development and progress, and participating in charity activities, to give back to the whole society with action and love.

Absorbing Talents

Corporate competitions not only exist in areas of market, technology and knowledge, but also talents. Therefore, it is very important for each enterprise to know how to effectively and reasonably absorb talents, help employees achieve their values and create a happy and harmonious working atmosphere. We treat all employees as our partners, effectively protecting their rights and interests through our promotion of equal employment and employee benefits, helping employees achieve their career dreams through scientific career development paths and professional training plans, and stimulating their vitality and wisdom through strict safety management and rich culture activities.

Protecting Employees' Rights

We respect and maintain employees' labor rights and development requirements, strictly abide by national laws and regulations, such as the Labor Law and Labor Contract Law, and sign labor contracts with employees. We adhere to principals of gender equality and equal pay for equal work, while fight against discrimination, child labor and forced or compulsory labor. We strictly follow the principle of equal employment, and do not involve any discriminatory provisions during our recruitment process, such as "Sex, Ethnicity, Marital and Fertility Status, Religion and Whether Carrying the Hepatitis B Virus".

In 2016, we did not receive any complaints related with labor problems and any labor disputes.

2016 Basic Employee Information



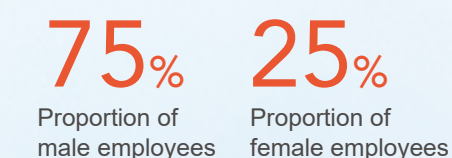
Employee Age Distribution



Employee Ethnicity Distribution



Employees Gender Distribution



Gender Distribution of Management Employees



In order to ensure the fairness and efficiency of recruitment work, we actively extend and standardize recruitment channels, focusing on encouraging internal and external recommendations and optimizing interview details, to ensure all talents being arranged to right positions. We also strengthen probation period management to guarantee basic rights and interests of probationary employees.

We have drawn up the Management Measures of Position Rank and Position Setting with setting dual promotion channels of management sequence and professional sequence, and providing employees with full development opportunities, in order to standardize and manage employees' promotion procedure. In addition, we set up the Employee Performance Management System to create a good performance culture, adjusting employees' post, remuneration, rating and choiceness, and bonus based

on their presentation, ability, attitude and other evaluation factors quarterly and annually. We timely communicate with employees through performance face to face feedbacks, while employees can also express their disagreements through the complaint mechanism, which respects their discourse right.

We pay attention to employee benefits and respect employees' right to rest. In accordance with Leave Management System, we clarify employees' salary payment and other benefits during their annual leave, marriage leave, maternity leave, paternity leave, leave in lieu and so on, in order to continuously optimize the employees' well-being. Meanwhile, we also timely send welfare and concerns to employees through internal purchase discount and other activities to help them keep a balance between work and life.

Caring Employees by "Delivering Coolness"



On August 19, 2016, our annual "Delivering Coolness" activity was launched. The chosen gifts were herbal tea and functional drinks, to help employees relax themselves and work happily in their busy works. During the activity, our management personnel directly sent these coolness gifts to employees, making them feel great care and concerns.



Delivering Coolness to Employees

2016 Employee Turnover



150 Person

Total number of new employees



114 Person

Total number of new male employees



36 Person

Total number of new female employees



100%

Rate of female employees returning to work after maternity leave

Focusing on Career Growth

We attach great importance to employees' growth and development, provide full and equal training and promotion opportunities, and help employees realize individual values and improve working abilities through establishing our talent training system and leadership development plan.

>> For new employees:

We customize training plans for new employees, in order to strengthen their acceptance of corporate culture and strategic objective, help new employees rapidly integrate into their teams and positions, and enhance their comprehensive qualities and professionalism.

"Two-step Strategy" of new employees	How do we conduct trainings	Help employees acquire something
New employee orientation	<ul style="list-style-type: none">• Online learning• Study Employee Handbook independently	<ul style="list-style-type: none">• Learning corporate culture, organization structure and other basic information• Clarifying corporate system and entry procedure as well as corporate standards and requirements on attendance, dressing and other aspects
Universal knowledge	<ul style="list-style-type: none">• Outward development trainings• Classroom lectures	<ul style="list-style-type: none">• Improving teamwork awareness and strengthening full understanding to our company• Promoting professional awareness and legal compliance awareness, and rapidly adapting to our working environment



New employee trainings

>> For management level:

We cultivate management talents for a long term, building an echelon management structure, and formulate plans for different employees' training requirements, in order to improve perspectives, vision and commercial awareness of senior management level and shape their outstanding leaderships. We focus on enhancing team management, project management and execution and control performance abilities of middle management level, and cultivating their outstanding execution capabilities.

Leadership development	Middle management	Senior management
Routine trainings	<ul style="list-style-type: none">• Organizing internal trainings, invite experts or experienced professionals to conduct external trainings, and providing online learning platform and self-learning resources• Encouraging employees to timely grasp experience and methods of general management and project management	<ul style="list-style-type: none">• Organizing special trainings and carry out expert trainings• Helping employees understand methods of corporate compliance operation
Advanced trainings	<ul style="list-style-type: none">• Providing employees with higher education opportunities of President Class for long-term study• Carrying out short-term and interim professional trainings based on their own wishes and cultivation directions	<ul style="list-style-type: none">• Sending employees to President Class of Tsinghua University and Peking University for long-term study, to enhance comprehensive abilities in collective communications• Recommending employees to access EMBA for systematic learning• Irregularly selecting employees with excellent potential to access external learning

Releasing "Prehistorical Powers" through Employees' Outward Development Activities



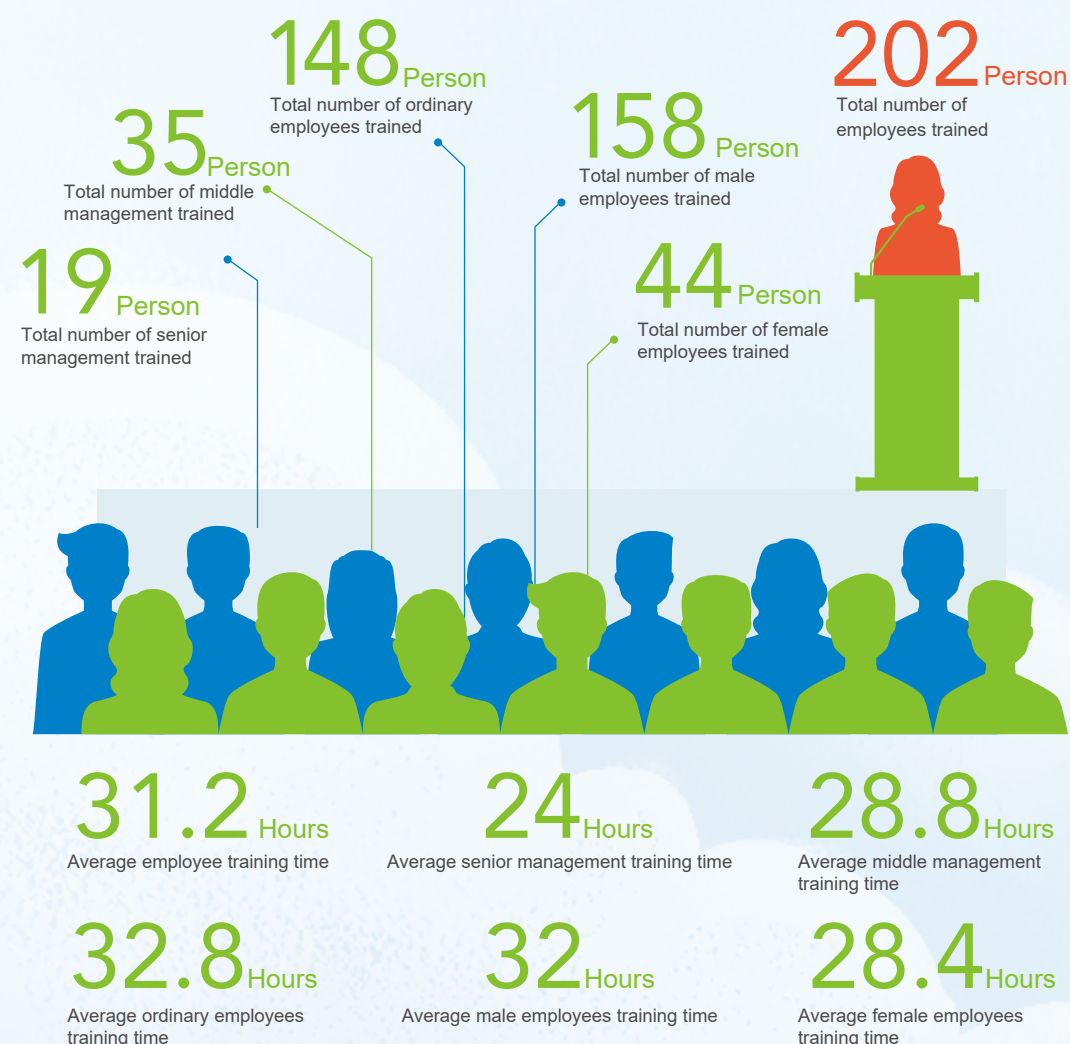
On August 12, 2016, our outward development activities were implemented nearby the Great Water Wall of Huairou District, Beijing. "Seven-Piece Puzzle Project" was a combination of thinking training and team collaboration which encouraged trainees to actively think, communicate and hold together. The "Raiders of the Lost Ark Project" was led by team leaders to complete designated tasks, such as observation, photography, painting and designated tasks.



Outward Development Activity nearby the Great Water Wall in Huairou District

All employees made great contributions to our activities, and also enjoyed beautiful outdoor landscape while meeting these team challenges.

2016 Employee Training Performance



Creating a Happy Environment

Workplace safety and health are the most basic protection and respects for employees. We attach great importance to establish our safe production system and ensure employees' safety and health in both our offices and power station sites.



Power Station Operation Project Management System

- **General Manager** is the general leader of a project and the first responsible person of onsite safety, fully taking charge of safety management work and actively achieving each safe production indicators.
- **Safety Supervisor** is responsible for directing and supervising safety work, carrying out safety trainings, as well as potential risks identification, overhauling and supervision, and fire protection and maintenance, to standardize employees' safety behaviors.
- **Regional Manager** is responsible for assisting General Manager to complete safety production work, implementing safety technology measures, organizing dangerous point analyses, and preparing emergency plans.
- **Safety Officer** is required to carefully implement safety standards, participate in safety related trainings and examinations, distribute labor protection appliances, and grasp electric shock first-aid method as well as artificial respiration.

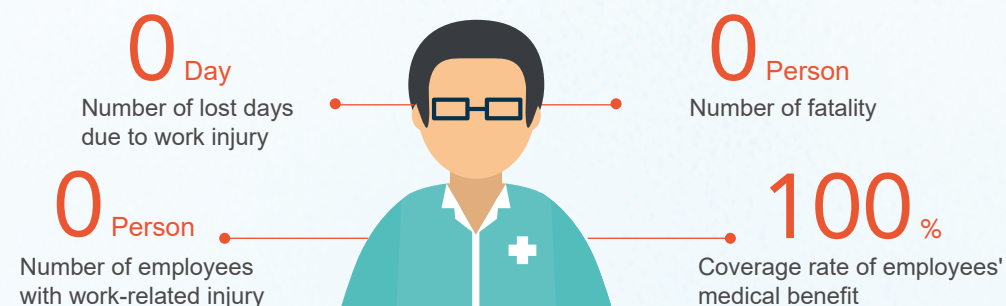
Security System

We formulated the Safety Management Standards, including safety objectives, safety management, standard implementation, safety management evaluation, safety emergency plan and other management policies.

Safety Education and Practices

- In consideration of recent work emphasis and safety situation, we carry out safety activities once a week, which covers safety specification, safety discussion, fire-control knowledge, traffic safety, etc.
- We carry out safety analysis meetings once a week to analyze safety situation, and ask all employees involved to participate in these meetings.
- We ask all front-line employees to study Labor Safety Knowledge Manual, attend safety education trainings, including fire emergency, high-place operation, infectious disease precaution, etc., and sign safety responsibility commitment agreements.

Occupational Health and Safety Performance



We advocate the balance of work and life, and continuously create effective, relaxed and caring working atmosphere for employees to enhance their happiness, to help employees be optimistic with multiple interests.

"Interesting Sports Holding Us together" Sports Meeting: Do You Do Sport Today?

May was our passionate "Sports Month", during which all employees experienced the great joy of doing sport and competitions.

In games of table tennis and badminton, employees played flexibly and technically within exiting competition atmosphere.

In Family Games, parents and their kids participated in activities together to enjoy sporting happiness.

Chess and card games mainly focused on competition of wisdom and resistance to pressure.

As to interesting activities, some teams experienced "Jungle Adventure", some walked on shiatsu plates, some waded across the river by feeling their way, some crossed the Minefield Area with a single leg, and some jumped across thorns like a kangaroo.

On the football field, all teams actively organized effective attacks, conducted tactical adjustments after losing ball, and also organized flexible defense after turning the tide.



Waded across the river by feeling their way



Experienced "Jungle Adventure"



Wonderful basketball games



Running race

Devoting to Social Welfare

The United Nations' Sustainable Development Goals (SDGs) put forward to build sustainable cities and communities. We are always committed to driving local community development along with our growth, by actively carrying out philanthropy activities and taking care of local disadvantaged groups.

Helping Tiny Wishes and Realizing Children's Dreams

In November 2016, our volunteers went to three primary schools in rural areas of Gaobeidian city, Hebei province, to send wish gifts to 16 children, including books, copybooks, school bags, study materials, etc. Our volunteers felt great comforts while looking at their smiling faces and decided to help realize more children's dreams in the future.



Volunteers sent wish gifts to children



Our Outlook

Facing the serious trend of global climate change, it has been a global consensus to actively deal with climate changes and promote the green low-carbon development. Driving by all kinds of domestic policies, the constant energy industry reform and industrial favorable policies are both opportunities and challenges for us.

In 2017, we will keep up with the development trend and actively fulfill our responsibilities and missions:

Sustainable business ecosystem: We will continue to develop our business in the Beijing-Tianjin-Hebei area, vigorously promote the cloud platform sub-station construction and customer development, and undertake smart power operation and maintenance based on big data, to further highlight the value of data resources from our smart energy cloud platform. We will insist on using environment protection technologies in the process of corporate operation and constructions, and practicing energy conservation and emission reduction, to become an environment-friendly enterprise. We will further strengthen suppliers management, actively participate in industrial communications and cooperate with the whole industry chain for joint development, to achieve a win-win future.

Responsible humanistic care: We will continuously insist on our principle of "People Oriented", ensuring employees' rights and welfare, further expanding employees' promotion channels, helping employees enhance their working abilities based on diversity trainings, and creating active, equal, friendly working and living environment, to provide our employees with an safe and happy environment. We will strengthen communications with related communities and encourage employees to participate in volunteering activities to help vulnerable groups, in order to bring hopes and warmth for their lives.



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Hong Kong Exchanges and Clearing Limited, ESG Reporting Guide

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