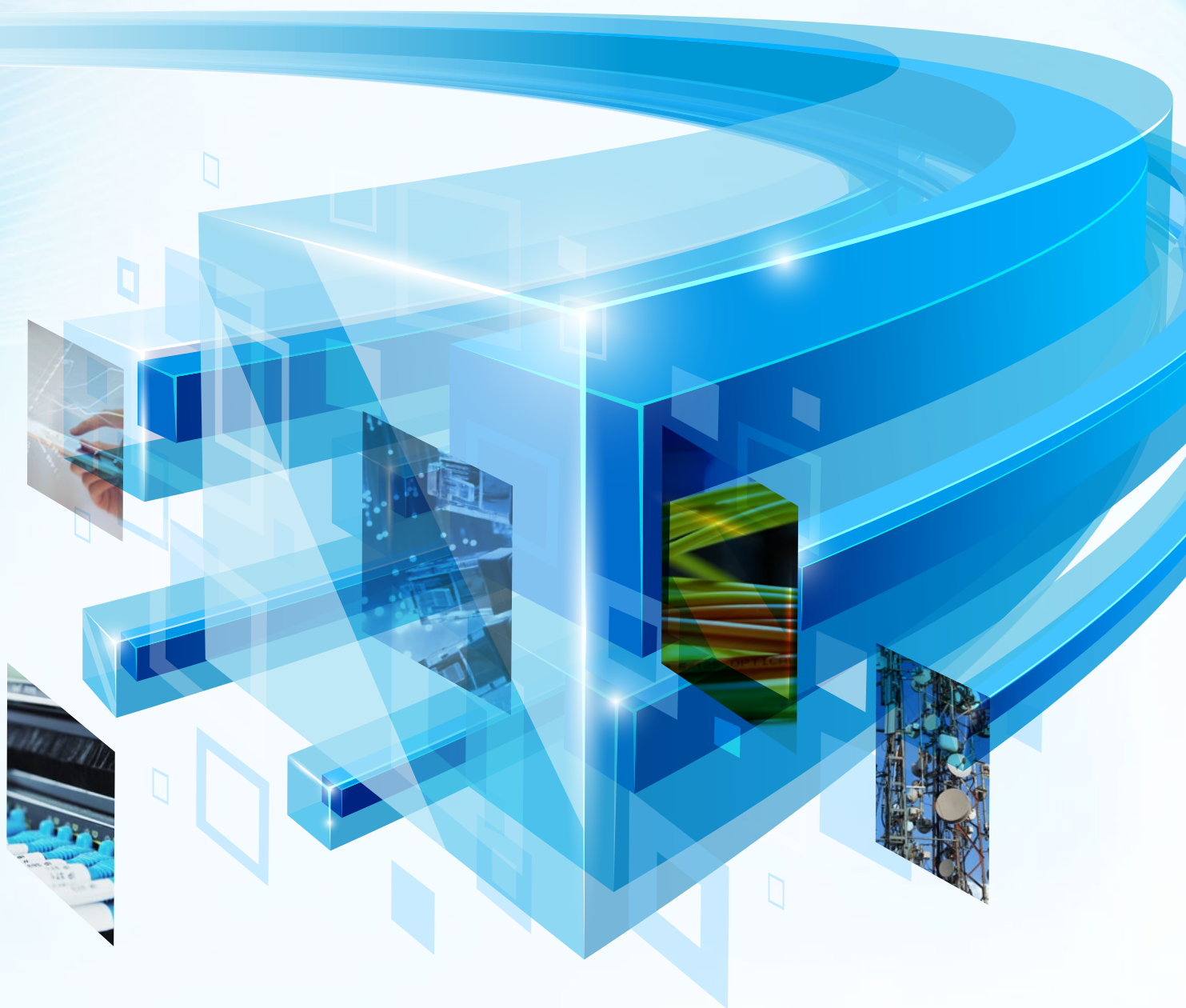


Stock code:01202

**Potevio**  
**中国普天**

**2017**

**ENVIRONMENTAL, SOCIAL AND  
GOVERNANCE REPORT**



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CHENGDU PUTIAN TELECOMMUNICATIONS CABLE COMPANY LIMITED

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# About This Report

**Potevio**

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## Reporting Period

This report covers the period from 1 January 2017 to 31 December 2017, partial content of which may be beyond such time range.

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## Publication Cycle

This report is the second environmental, social and governance report published by Chengdu PUTIAN Telecommunications Cable Company Limited with a view to disclosing to all the stakeholders the actions taken and the achievements made by the Company in the aspects of environment, society and governance during the reporting period.

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## Scope of the Report

The report covers all the relevant information of Chengdu PUTIAN Telecommunications Cable Company Limited and its subsidiaries

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## Basis of the Report

This report is prepared in accordance with the with the Guidelines to the State-owned Enterprises Directly under the Central Government on Fulfilling Corporate Social Responsibilities issued by the State-owned Assets Supervision and Administration Commission of the State Council of the People's Republic of China ("SASAC") with reference to the Environmental, Social and Governance Reporting Guide of Hong Kong Exchanges and Clearing Limited ("HKEx") and the Guidance on Social Responsibility (ISO 26000) of the International Organization for Standardization (ISO).

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## Reference Description

For ease of expression, "Chengdu PUTIAN", the "Company" and "we" will be adopted instead for the expression of Chengdu PUTIAN Telecommunications Cable Company Limited. Chengdu Zhongling Radio Communications Co., Ltd. will be referred to as "Zhongling", and Chengdu SEI Optical Fiber Co., Ltd. will be referred to as "SEI".

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## Report Availability

This report is available in both Chinese and English versions, the electronic version of which can be downloaded on the following websites:

Website of HKEx at <http://www.hkexnews.hk>

Website of Chengdu PUTIAN Telecommunications Company Limited at <http://www.cdc.com.cn>

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## A Message from the Management

In 2017, under the leadership of Potevio and the board (the “Board”) of directors (the “Directors”), Chengdu PUTIAN continued to adhere to the “Five Major Concepts”, the “Five Major Missions” and the spirit of a series of documents on the “1+N” reform of state-owned enterprises (“SOEs”), and propelled the Company to transform from a manufacturer to a manufacturer and service provider under the guiding ideology of taking industries and resources as two driving forces. Through such efforts, the Company achieved a positive profit attributable to the parent company for the first time in the past seven years, and accomplished the goals and tasks set at the beginning of the year in all aspects.

The Company strives to build a modern corporate management system and continuously strengthens and optimizes the corporate governance structure mainly comprising the general meeting, the Board, the Supervisory Committee and the management. Centered on the “Three Importance and One Greatness”, the Company exerts increasing efforts on system construction, and specifies the content and scope of the “Three Importance and One Greatness” system to govern the matters relating to “Three Importance and One Greatness”.

Adhering to the guiding principles of “innovation, integration and capital management”, the Company strengthens the strategic guidance, market synergy and sharing of resources, and refines the operation of major projects to boost business development. The Company has determined its business layout to cover three major industries, namely the optical telecommunication industry, the energy transmission cable industry and the smart electrical equipment industry, and has set out to establish a presence in the industrial park service industry.

The Company complies strictly with the laws and regulations on environmental protection, and has established an environmental protection responsibility system, formulated the general annual objectives and plans for environmental management and given specific assignments to all the units accordingly. The monitoring data is reported to the relevant government authorities responsible for environmental protection, and the Company has met the relevant national standards and the emission requirements set forth in emission permits in respect of the main pollutants, and has achieved clean production as planned.

In order to maintain a harmonious and stable employment relationship with its employees, the Company continuously perfects the remuneration management mechanism for the employees and exerts great efforts to improve the level of remuneration and performance management to stimulate and arouse the enthusiasm and creativity of the employees and gather the competitive efforts to promote the sustained, stable and healthy development of the Company.

The year 2018 will mark the 60<sup>th</sup> anniversary of Chengdu PUTIAN since its inception, during which the Company will resolutely adhere to the spirit of the 19<sup>th</sup> CPC National Congress and keep abreast of the policy trend in China to take advantage of its identify as a state-owned enterprise directly under the central government (“CSOE”) to capture market opportunities and strengthen its capacities to cope with industry competition. The Company will adhere to the five development concepts of innovation, coordination, green development, opening up and sharing, serve the “Five Major Missions” of cost reduction, de-stocking, deleveraging, cost reduction and improving underdeveloped areas, persist in reform and innovation, deepen the industrial transformation, and strive to raise quality and efficiency to achieve sustained profits.

# About Chengdu PUTIAN

## Company Profile

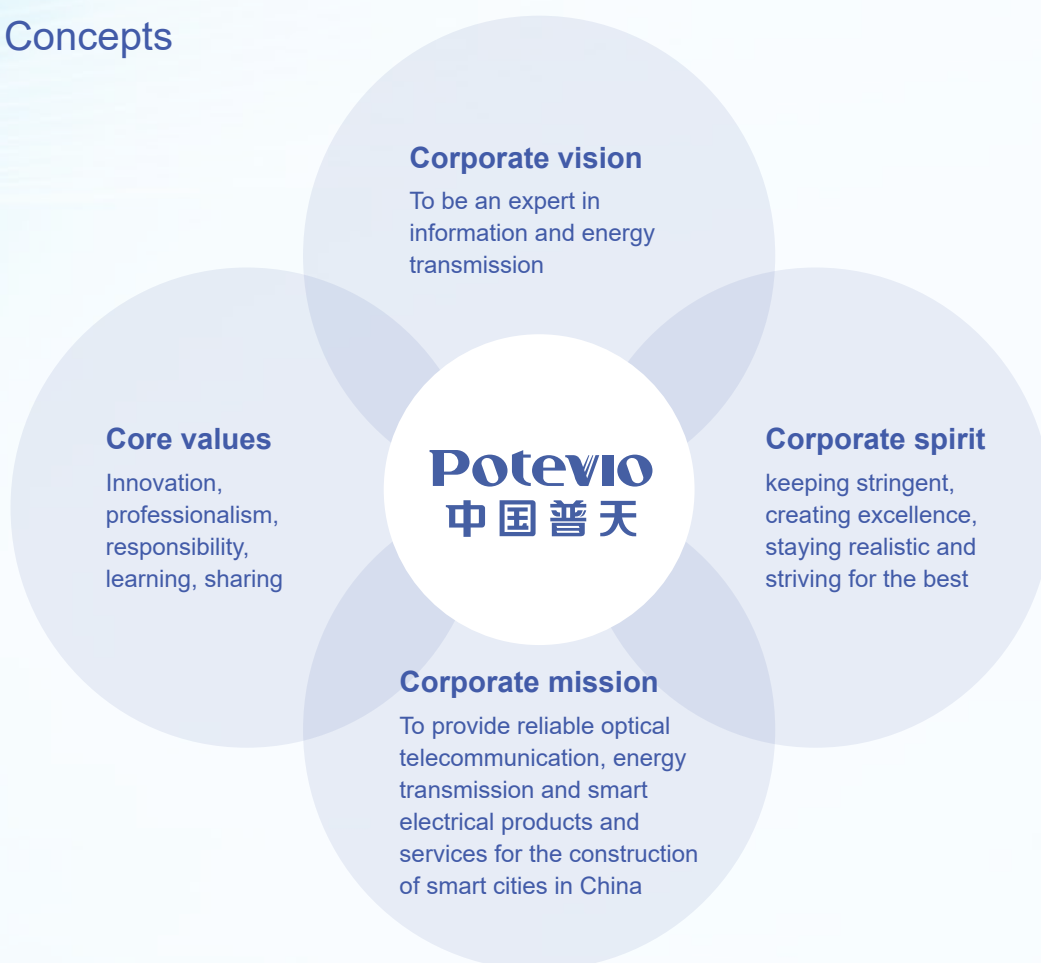
Chengdu PUTIAN Telecommunication Cable Company Limited is a professional wire and cable manufacturer controlled by the SASAC. The Company built a plant in Chengdu, Sichuan in 1958, and was listed on Hong Kong Stock Exchange through overall restructuring in 1994 (held as to 60% by China Potevio Co., Ltd.), with the stock name of "CHENGDU PUTIAN" and the stock code of "01202" for its H shares.

Persistent in taking technology as the guide and quality as the core, the Company has developed into a conglomerate with business coverage on the optical telecommunication wire and cable industry, the energy transmission cable industry and the smart electrical equipment industry. The Company is mainly engaged in the production and sales of optical cable and energy transmission cable and wire, sales of smart electrical products and development of industrial parks. As of December 2017, the Company had three business departments, namely the energy transmission cable business department, the optical telecommunication

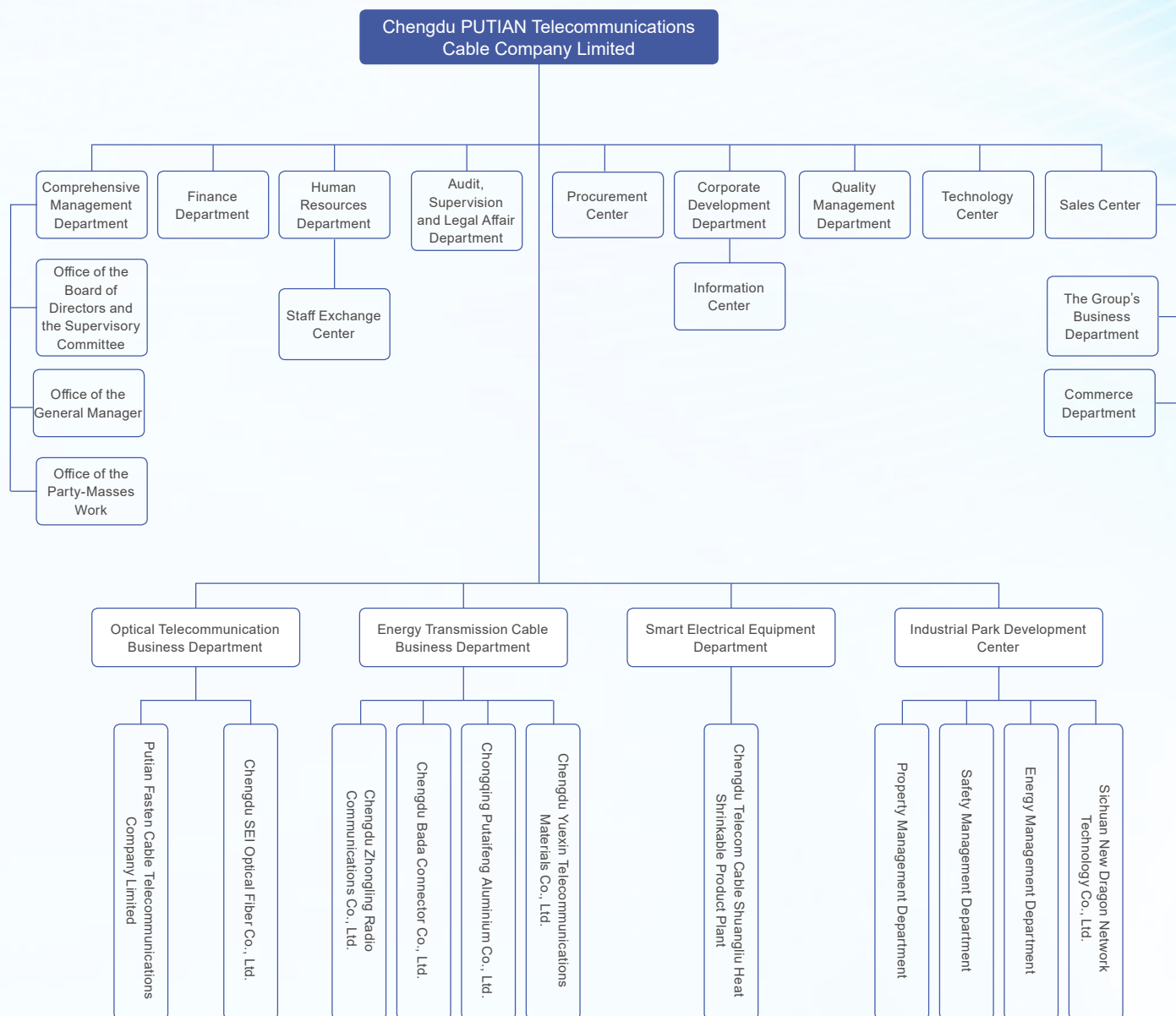
business department and the smart electrical equipment department, one center, i.e. the industrial park development center, a total of 3 wholly-owned or controlled subsidiaries and 5 copartnership companies.

The Company is committed to creating critical and reliable information and energy transmission channels to serve the smart era of "Internet Plus", providing customers with smart, environment-friendly, quality and reliable optical cables for information transmission and energy transmission as well as smart electrical products and related services, and serving as a smart and reliable servant for information and energy transmission. Relevant products have been widely applied in key national strategic projects, with a proven track record of success in various fields such as high-speed optical network and wireless transmission information network, new railway transportation network, new energy grid transmission network, high-end equipment internal transmission network and intelligent control.

## Core Concepts



## Organizational Structure





Chengdu PUTIAN strictly complies with the Listing Rules of the Hong Kong Stock Exchange and the Regulations on Supervision and Management of State-owned Assets of Enterprises promulgated by the SASAC, and is committed to maintaining an excellent corporate governance structure. The Company carries out organizational management and operation mainly under the leadership of the Board, and ensures the quality and efficient operation of the Company by virtue of the ISO9001/T19001 quality management system.

# 01

## Corporate Governance

The Company's operation management structure is as follows:



The Company attaches great importance to corporate governance and strives to keep its corporate governance in compliance with the Listing Rules and other relevant regulations. However, the Company failed to act according to the Listing Rules to make announcements and seek shareholders' approval for some continuing connected transactions in the financial years of 2013 and 2014 and the first half of the financial year of 2015. Most of such continuing connected transactions were related to the purchase or sales of optic fiber and relevant commodities from or to connected persons. Hence, the Company adopted remedial measures in 2017 including publishing announcements and seeking shareholders' approval in due time, and ensured that the relevant information was announced in due time. In order to prevent any such event from happening again, the Company approved the amendments to the Connected Transaction Management System to include the performance of the duties for connected transactions by the Company and all the units thereof into the scope of performance examination, and organized the operating units to sign the Connected Transaction Responsibility Statement according to their connected transactions during the year, so as to ensure that all the operating activities were carried out in compliance with relevant regulations and laws.

Meeting	Frequency	Matter
General meeting	1	Approved the Report of the Directors, Report of the Supervisory Committee and the financial report of the Company for 2016, etc.
Board meeting	10	Discussed the operating results, overall strategy, investment plan and operating and financial performance of the Company.
Remuneration and Appraisal Committee meeting	1	Approved the remunerations of the Company's executive Directors.
Nomination Committee meeting	1	Reviewed the composition of the senior management of the Company, examined the candidates for independent non-executive Directors and made suggestions thereon to the Board.
Audit Committee meeting	2	Reviewed the annual results and related accounts for 2016, the interim results and related accounts for the six months ended 30 June 2017, discussed the matters relating to the internal control of the Company and other work as required under the Corporate Governance Code.
Strategic Development Committee meeting	1	Deliberated on the ten-year (2017-2026) strategic planning and the preliminary three-year rolling plan of the Company.
Supervisory Committee meeting	2	Reviewed the resolutions of the Board.

Above Table: Records of the Management Meetings Held by the Company in 2017



## Board

The Board is the business decision making organ of Chengdu PUTIAN, and is accountable to the general meeting. Pursuant to the Company Law applicable in its domicile and the relevant requirements of the SASAC, the Board shall have the following authority, including but not limited to: formulating and approving all policy matters and overall strategies, internal control, risk management and supervising managerial staff, senior executives and employees; exercising management decisions with the authority delegated by the general meeting in respect of strategic development and planning, business planning, management structure, investment and financing, human resources and financial control, etc.; and developing and reviewing the Company's policies and practices for compliance with legal and regulatory requirements, as well as developing, reviewing and monitoring the code of conduct and compliance manual applicable to employees

and Directors.

The Board has to make decisions that are in the best interests of the Company and the shareholders, and all of the Company's substantial transactions or transactions with conflicts of interests are to be decided by the Board.

In 2017, the eighth session of the Board of the Company comprised 9 members, namely Mr. Zhang Xiaocheng as chairman of the Board and executive Director, Mr. Wang Micheng as vice chairman and executive Director, and Ms. Han Shu, Ms. Xu Liying, Ms. Liu Yun and Mr. Fan Xu as executive Directors, and Mr. Choy Sze Chung, Jojo, Mr. Xiao Xiaozhou and Mr. Lin Zulun as independent non-executive Directors. 10 Board meetings were held during the reporting period with 27 proposals considered.

## Supervisory Committee

The Supervisory Committee is the supervisory organ of the Company, and is accountable to the general meeting. The Supervisory Committee performs the supervisory duties to protect the legitimate rights and interests of the shareholders, the Company and its employees from infringement, review the financial position and the financial information of the Company pursuant to the Articles of Association, and monitor the decisions made by the Board and senior management for the operation and management

of the Company as to whether they are in accordance with relevant requirements of the laws and regulations

The Supervisory Committee of the Company currently comprises 3 supervisors (the "Supervisors"), including 1 employee representative and 2 shareholder representatives, and held 2 meetings of Supervisors with 27 proposals considered and approved.

## Audit Committee

The main functions of the Audit Committee include:

- Reporting to the Board, examining the quality and procedures of the Company's interim and annual financial reports, reviewing the connected transactions, monitoring the financial reporting procedure, and reviewing the soundness and effectiveness of the risk management and internal control systems of the Company;
- Considering the appointment of and coordinate

independent auditors, and reviewing their work efficiency and quality; and

- Studying the written reports of internal audit staff, and reviewing the feedback from the management on such reports.

During the reporting period, the Audit Committee comprised 3 independent non-executive Directors and held 2 meetings in total.

## Strategic Development Committee

The responsibilities and main functions of the Strategic Development Committee include:

- Studying and advising on the planning of the mid to long-term development strategy of the Company;
- Studying and advising on the material investment and financing proposals, significant capital operation and asset operation projects subject to the approval of the Board pursuant to the Articles of Association; and
- Studying and advising on other material matters which

have influence on the development of the Company and checking the implementation thereof.

The Strategic Development Committee will convene meetings and hold discussions in accordance with the proposal of the Company's management, and will submit the discussion results to the Board for consideration and report to the management of the Company.

The Strategic Development Committee held 1 meeting to deliberate on the ten-year (2017-2026) strategic planning and the preliminary three-year rolling plan of the Company.

## Remuneration and Appraisal Committee

The major duties of the Remuneration and Appraisal Committee include advising on and authorizing, approving and determining the remuneration policies, structures and packages of the executive Directors and senior management. The Remuneration and Appraisal Committee is responsible for establishing highly transparent procedures for the formulation of relevant remuneration policies and structures, so as to ensure that no Director or any of their associates shall participate in the decision-

making processes for their own remunerations, which will be determined with reference to their personal performance and the operating results of the Company, as well as the market practices and market conditions.

During the reporting period, the Remuneration and Appraisal Committee comprised five members, including 2 executive Directors and 3 independent non-executive Directors, and held 1 meeting in total.

## Nomination Committee

The major duties of the Nomination Committee include:

- Leading the process for the appointment of Board members, and identifying and nominating Board candidates for the approval of the Board;
- Reviewing the structure, size, composition and diversity (including but not limited to genders, ages, cultural and education backgrounds, etc.) of the Board at least annually and making recommendations on any proposed changes to the Board to complement the Company's corporate strategy, identifying individuals suitably qualified to become members of the Board and selecting or making recommendations to the Board on the selection of individuals nominated for directorships;
- Supervising the implementation of the policy on the diversity of the Board, reviewing such policy at least once a

year to ensure its effectiveness, and advising the Board on any proposed amendment to such policy;

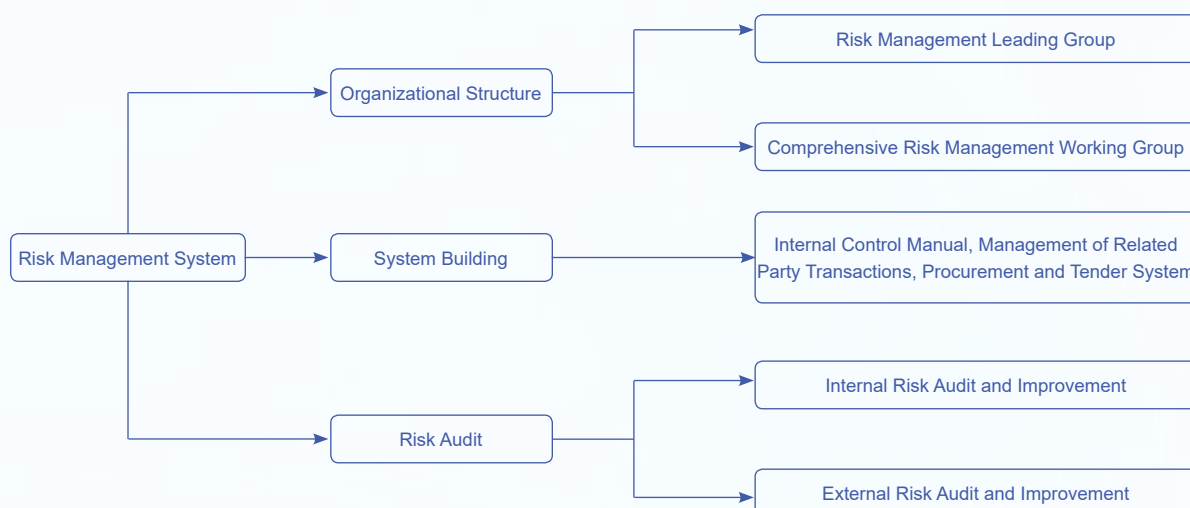
- Extensively searching for suitably qualified candidates for Directors and managers, and assessing the independence of independent non-executive Directors and making recommendations to the Board on the appointment or re-appointment of Directors and the proposed successors for Directors, in particular the chairman, vice chairman and chief executive officer of the Company; and

- Seeking opinions of the chairman of the Board on the process for the appointment of Board members and the proposals for identifying and nominating candidates as Board members.

During the reporting period, the Nomination Committee held 1 meeting in total.

## Risk Management

In order to make the Company's operating and sales activities more efficient and incorruptible, the Company has comprehensively improved its risk management in the aspects of organizational structure, system building and duty performance.





## In 2017, the Company took a series of effective measures in respect of comprehensive risk management:

- The Company set up a risk management leading group with the general manager as the main leader, and a comprehensive risk management working group with Xiong Ting, the deputy secretary of the party committee and secretary of the disciplinary committee, as the leader, and the majors persons in charge of departments and the major responsible persons of business operations as the joint participants;

- In March 2017, the Board of the Company approved the report on the comprehensive risk management for 2017, and specified that the Company shall take system optimization, process standardization and supervision enhancement as the main themes for the implementation of comprehensive risk management, in order to strengthen the awareness on risk prevention and control and practically implement risk prevention and control;

- In order to eradicate connected transaction, the Company released a list of connected persons, revised and promulgated the Connected Transaction Management System, and organized relevant trainings on connected transactions within the Company;

- The Company compiled and distributed the Internal Control Manual of Chengdu PUTIAN to clarify the responsibilities of relevant units and regulate the procedures for transaction execution; and signed the Connected Transaction Responsibility Statement with relevant operating units to put accountability into practice;

- The Company standardized the supplier management system, established a procurement center, amended the Administrative Measures for Tender Invitation and the Administrative Measures for Centralized Procurement, and

assigned the procurement center at the headquarters to manage the tender invitation and procurement processes of the companies controlled by the Company in a unified manner; established a supplier evaluation system, generated and maintained the List of Qualified Suppliers, and strived to establish a long lasting and stable cooperative relationship with the suppliers;

- According to the requirements of the supervision commission dispatched by the SASAC for the Company to sort out and rectify its management problems, the Company organized all the units to sort out the problems on a list, conscientiously summarize the prominent problems and material risks identified during the special inspection, external audit and performance audit, etc. to find out the deficiencies in systems and procedures as reflected by the problems, and analyzed in depth the causes of typical events at the system level and documented the rectification-related measures, achievements, opinions and suggestions. The sorting-out work is expected to be completed in the first quarter of 2018, and rectification will be carried out as required by the SASAC;

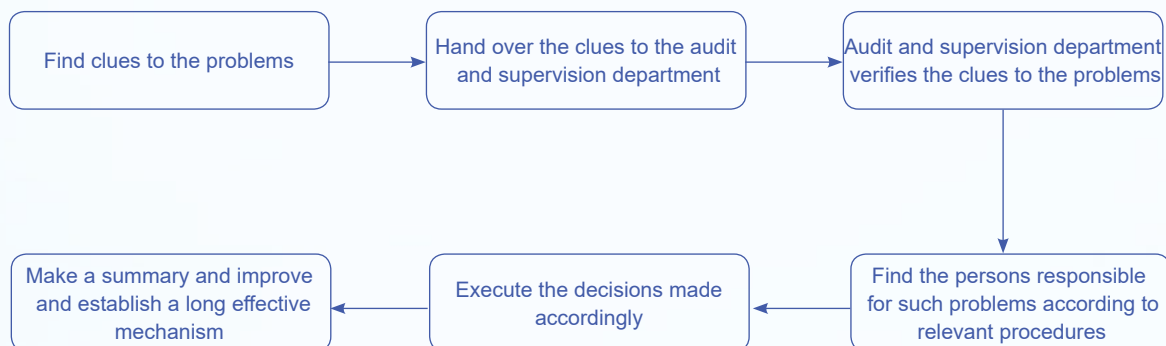
- The Company established the customer profile and credit management system, and stored and managed customer information in accordance with the provisions of the Regulations on Confidentiality; and

- The Company established a decision-making analysis system, which can generate budget consolidation and comparison statements and financial analysis statements based on the data from the software of yonyou and Join-Cheer and the financial budget system, etc. to provide decision-making analysis for the management of the Company.

## Anti-Corruption and Anti-Fraud

In the process of creating a corporate environment that emphasizes integrity, law observance and compliance, Chengdu PUTIAN formulated the procedures for accountability for illegal operation and investment in accordance with the Opinions of the General Office of the State Council on the Establishment of the Accountability System for the Illegal Operation and Investment of State-owned Enterprises (Guo Ban Fa [2016] No. 63) to eradicate corruption and fraud in the operating activities.

In the procedures for accountability for illegal operation and investment, the facts shall be taken as the basis, the laws, regulations and rules shall be taken as the standards and principles, and hierarchical management shall be implemented according to the authorities for personnel management. The work flow of the Company for the accountability of suspected illegal operation and investment activities is as follows:



The Company greatly improved its organizational structure and system construction in 2017, during which, the Company mainly carried out the following works in the area of anti-corruption and anti-fraud:

•In the first half of the year, the Company organized the party cadres above the middle level to participate in the video conference convened by China Potevio, the controlling shareholder of the Company, on integrity construction and anti-corruption work to further implement the main responsibilities and supervisory responsibilities, strengthen discipline construction and enhance supervision and inspection. The Company exerted consistent efforts to address formalism, bureaucratism, hedonism, and extravagance, put into practice the Eight Rules and strengthened supervision and discipline enforcement.

•In 2017, with consideration of the work plan for the year, the Disciplinary Commission of the Company tracked and inspected the performance of the main responsibilities for Party integrity construction and anti-corruption of the relevant business departments and the companies controlled by the Company, organized the audit and disciplinary inspection and supervision departments to conduct special inspections and audits on the material disposals of goods and materials of the Company, and tracked and supervised the material tenders and bids of the Company through the whole process.

During the reporting period, no act or event in violation of any law, regulation or the Articles of Association and no event involving any corruption or fraud of the Company or any of its employees was found during the internal and external audits of the Company.

## Supply Chain Management

In order to improve the procurement management level and strengthen centralized procurement management, Chengdu PUTIAN formulated the Administrative Measures for Centralized Procurement in October 2017 to establish a centralized procurement system in accordance with the requirements of the SASAC and China Potevio, a capital contributor. The office supplies, low-value consumables, computers and consumables, labor insurance products, property insurances and the productive materials that can be acquired under centralized procurement of the headquarters and the companies controlled by the Company will then be included in the centralized procurement system, which will come into force on 1 January 2018.

in accordance with the provisions of the Administrative Measures for the Information of Customers and Suppliers, takes advantage of the supplier code approval procedures for the approval of supplier codes, distributes supplier codes after verifying the credit and contract performance-related information of the suppliers, inputs the relevant information into the ERP (Enterprise Resource Planning) system of the Company for the purpose of process management, and keeps and manages relevant files in accordance with the Administrative Measures for Tender Invitation of the Company.

During the reporting period, the Company had 560 suppliers in total for productive materials, including 542 domestic suppliers and 18 overseas suppliers.

In the process of supplier management, the Company,





In the course of operation, Chengdu PUTIAN has been consistently improving its techniques and water recycling technology to minimize energy consumption and maximize resource efficiency.

In accordance with the Requirements and Guidelines for the Environmental Management System (GB/24001) promulgated by the General Administration of Quality Supervision, Inspection and Quarantine of the People's Republic of China and the Standardization Administration of the People's Republic of China, the Company formulated various systems and standards, including the Management System for Environmental Protection, the Administrative Measures for the Classification and Recycling of Solid Wastes and Packages, the Energy Management System and the Energy Management Standards, to regulate the emission and energy consumption in the course of operation and ensure their compliance with national standards.

02

**Green PUTIAN**

## Resource Utilization

Based on the data on energy consumption rate, Chengdu PUTIAN is an enterprise with low energy consumption, and consumed 0.036 tonnes of standard coal per RMB10,000 of operating revenue during the reporting period, representing 5.18% of the efficiency target of 0.695 tonnes of standard coal per RMB10,000 among the main indicators for energy development set forth in the Energy Development Planning of Sichuan Province for the Thirteenth Five-Year Plan Period.

Year	Total energy consumption (Unit: tonnes of standard coal)	Operating revenue (Unit: RMB 10,000)	Energy consumption density (Unit: tonnes of standard coal/RMB 10,000 of operating revenue)
2015	2125.16	77941.56	0.026
2016	2327.39	78227.24	0.030
2017	1905.67	52339.09	0.036

Above Table: Total Energy Consumption and Energy Consumption Rate of Chengdu PUTIAN for the Last Three Years

## Comparisons on the utilization of productive resources

Year	Water				Electricity			
	Zhongling		SEI		Zhongling		SEI	
	Water consumption (Unit: tonnes)	Water consumption rate (Tonnes/kilometer of cable)	Water consumption (Unit: tonnes)	Water consumption rate (Tonnes/10,000 kilometers of optical fiber)	Electricity consumption (Unit: kWh)	Electricity consumption rate (kWh/one kilometer of cable)	Electricity consumption (Unit: kWh)	Electricity consumption rate (kWh/10,000 kilometers of optical fiber)
2015	214	0.03	8,592	20.70	896,600	138.11	6,209,401	14,948
2016	261	0.03	8,645	17.20	1,169,800	150	6,688,613	13,343
2017	200	0.03	9,221	17.00	811,020	135.76	8,610,713	15,841

Year	Water (Unit: 10,000 tonnes)	Electricity (Unit: 10,000 kWh)	Natural gas (Unit: 10,000 cubic meters)
2015	4.4082	1603.562	7.962
2016	5.0910	1748.480	9.720
2017	3.9061	1475.246	3.870

2017 was a crucial year for the transformation and upgrade of the Company, during which the Company recorded a consecutive reduction in the total energy consumption, with the water, electricity and natural gas consumption only representing 76.73%, 84.37% and 39.81% of that in the

last year, respectively. In respect of the consumption rate of productive resources, the production entities of the Company improved their production techniques to continuously reduce the consumption rate in general.



## Use of Packaging Materials

In the product packaging process, the Company strives to use degradable and recyclable materials instead of non-degradable plastic packages, and recycle the wood materials used for packaging.

Statistics on packaging materials used for finished products in 2017 are as follows:

Packaging statistics	Zhongling	SEI
Total amount of packaging materials used for finished products (Unit: tonnes)	67.51	55
Amount of packaging materials used per production unit (Unit: tonnes/km)	0.01	0.01
Amount of packaging materials recycled from finished products (Unit: tonnes)	4.96	12.5

## Energy Conservation and Consumption Reduction

In the course of operation, Chengdu PUTIAN responded to the requirements of the Notice of the State Council on Publishing the Comprehensive Work Plan for Energy Conservation and Emission Reduction during the Thirteenth Five-Year Plan Period by enhancing the energy conservation in the industries, and had made an excellent achievement in that regard, with its total energy consumption in 2017 equal to 81.97% of that in the last year. The general energy

consumption per RMB10,000 of output value was 0.036 tonnes of standard coal/RMB10,000, representing a slight increase as compared to 0.030 tonnes of standard coal/RMB10,000 in 2016, which was due to the decrease in operating revenue resulting from the fact that Putian Fasten changed from a subsidiary controlled by the Company into a subsidiary not controlled by the Company.

During the reporting period, the measures taken by the Company for energy conservation and consumption reduction included but were not limited to:

- Continuously improving the water recycling technology, thus uplifting the overall water recycling rate from 94.37% in the last year to 95.42%;
- Putting into practice the principle of “determining output based on demand” for natural gas to reduce wastage, benefiting from which, the gas consumption during the reporting period decreased by 60% as compared to that of last year;
- Modifying the LED lights at the plants, which enabled the Company to save approximately 300,000 kWh of electricity and thus the corresponding electricity charges of approximately RMB216,000 during the reporting period; the modification of the LED lights in the parks will be completed in the next year;
- Lowering the idling rate of air conditioning units; and
- Implementing centralized management on the use of vehicles for business purpose, and reducing the number and the actual use of vehicles for business purpose to reduce carbon emission.

**95.42%**

Water recycling rate

**300,000**

Electricity conservation  
(unit: kWh)

**21.99%**

Energy  
conservation rate

### Example

In order to make full use of and recycle water resources in the production process, SEI placed three cooling towers in the cooling water for production use, and the maximum flow volume of water recycled by each cooling tower was 175 tonnes/hour. SEI also used six drawing wires to cool water during the cooling process in the course of production, with the flow volume of water cooled by each wire amounting to 8 tonnes/hour.

In 2017, benefiting from the improvement of the water cooling technology, the wastage rate of water for the whole production process was 0.3% and the water recycling rate was up to 99%.

## Lawful Emission

For the emission of wastewater, waste gas and noise at the plants, the Company formulated corresponding procedure management documents, and implemented management and regulation in strict accordance with the ISO14001 environmental management system.

In May 2017, Sichuan Province Academy of Industrial Environmental Monitoring, an independent detection agency, ran a detection on the wastewater, waste gas and noise and found that the actual emissions of wastewater, waste gas and noise were far lower than the national statutory standards.



Type of emission	Standards met	Statutory standard value	Detection result	Emission in 2017	Description
Chemical oxygen demand (COD)	Standards of the third level in Table 4 of the Integrated Wastewater Discharge Standard (GB8978-1996)	500mg/L	63mg/L	1.05 tonnes	Detection on wastewater emission
Ammoniacal nitrogen	Grade B standards in Table 1 of the Standards for the Quality of Wastewater Discharged into Urban Sewers (GB/T31962-2015)	45mg/L	21.1mg/L	0.35 tonnes	
Sulfur dioxide (SO <sub>2</sub> )	Emission standards in Table 3 of the Standards for the Emission of Air Pollutants by Boilers (GB13271-2014)	50mg/m <sup>3</sup>	Equivalent density of 10mg/Nm <sup>3</sup>	0.045 tonnes	Detection on waste gas emission
Nitrogen oxide	Emission standards in Table 3 of the Standards for the Emission of Air Pollutants by Boilers (GB13271-2014)	150mg/m <sup>3</sup>	Equivalent density of 66mg/Nm <sup>3</sup>	0.3015 tonnes	
Noise	Standards of the third class in Table 1 of the Standards for Noise Emission at the Boundaries of the Plants of Industrial Enterprises	Noise in the daytime: 65dB (A); and noise at night: 55dB (A)	Noise in the daytime: 55.5dB (A); and noise at night: 45.75dB (A)	N/A	Detection on noise emission

Above Table: Table of Detection Results for Waste Gas, Wastewater and Noise





Type of emission (Unit: tonnes)	2017	2016	2015
SO <sub>2</sub>	0.046	0.050	0.008
NO <sub>x</sub>	0.301	0.400	0.145
Ammoniacal nitrogen	0.019	0.020	0.033
CO <sub>2</sub>	149.54	288.90	236.95

Above Table: Emission Data of SO<sub>2</sub> and Other Greenhouse Gases

In 2017, after putting into practice the principle of “determining output based on demand” for the use of natural gas, the Company recorded a significant decline in carbon emission as compared with those of the last two years.

## Waste Management

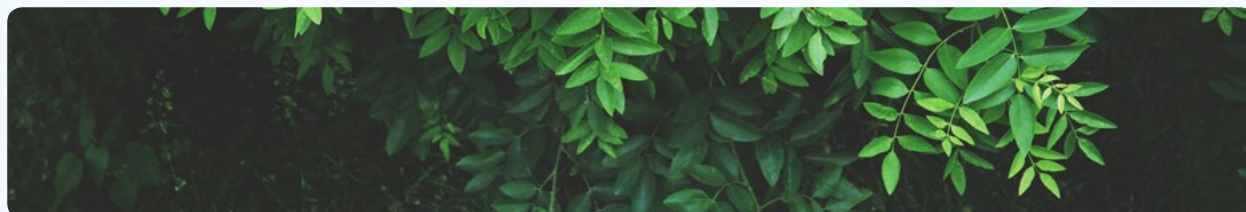
In respect of waste management, the Company formulated the Measures for the Classification and Recycling of Solid Wastes and Packages, and recycled all the solid wastes in accordance with such measures.

The statistics on the wastes in 2017 are as follows:

	Zhongling	SEI	Industrial Park Development Center
Total volume of hazardous wastes	1.165 tonnes	0.85 tonnes	0.21 tonnes [Note]
Volume of hazardous wastes generated per unit of production	0.00019501 (tonnes/km)	0.00000015 (tonnes/km)	Not applicable to non-production entity
Total volume of harmless wastes	0	0	0
Volume of harmless wastes generated per unit of production	N/A	N/A	N/A

[Note]: The Industrial Park Development Center of Chengdu PUTIAN does not generate any hazardous waste in the course of operation, and the total volume of wastes during the reporting period represents the accumulated wastes left over by the original locomotive cable business department of Chengdu PUTIAN.

For the dangerous wastes, the Company disposed such wastes in accordance with relevant laws and regulations including the Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Waste, the Administrative Measures for the Transfer of Dangerous Waste and the Regulations of Sichuan Province for the Prevention of Environmental Pollution by Solid Waste, and entered into the Entrustment Agreement for the Safe Disposal of Dangerous Waste with Sichuan ZM Environment Improvement Co., Ltd. (四川省中明环境治理有限公司) to engage the company to dispose of such wastes in a professional manner.



Product quality is the foundation of an enterprise, and also a responsibility owed to customers and the society. In 2017, a crucial year for the optimization of the industrial structure of the Company, the Company provided institutional safeguards for product quality by building management systems of high efficiency and high quality, and enjoyed sustainable power for launching high quality products by adhering to the development concepts of mind opening, green operation, coordination, innovation and sharing.

03

Quality PUTIAN



The Company has established, implemented and improved the quality management systems in accordance with the requirements of GB/T19001, and has established an improved the self-improving mechanism on the basis of internal control and preventive measures by centering on the customers, taking quality as the foundation and adhering to the principles, procedures and methods for quality management, so as to implement comprehensive quality management.

In 2017, in order to perfect the QEOHS management

system of the Company, the Company revised the Internal Audit and Control Procedures and the Management Review and Control Procedures based on the QEOHS Management Manual, with a view to inspecting, evaluating and improving the adequacy, effectiveness and suitability of the Company's current quality, environment, occupational health and safety management systems (including the guidelines, objectives and indicators), so as to maintain the continuously effective operation of the quality, environment and occupational health and safety management systems.

## Quality Assurance

### Institutional Safeguards

As a Chinese-foreign joint venture, Chengdu PUTIAN has completely inherited the technical and management advantages of both parties. The Company implements whole-process control from the procurement of raw materials to the design of production lines, requirements for production environment, the delivery of finished products and eventually to aftersales services. For the production processes, the Company strives to ensure that the first-time pass rate of the products can exceed 92% by implementing process management and daily cross check in addition to automatic environment supervision. During the reporting period, the first-time passing rates of all the Company's products reached over 94% (inclusive).

**>94%**  
First-time pass rate  
of the products

#### Statistics on the First-time Pass Rates of the Products in 2017

Name of product	First-time passing rate of the product		Producer
	Target	Monthly average	
Copper wire	98.5%	100% (January to December)	Chengdu PUTIAN
Electric cable for electrical equipment	97%	97.5% (January to December)	Chengdu PUTIAN
Physical foaming cable	90%	98.58% (January to September)	Zhongling
Single-mode optical fiber	92%	94.18% (January to December)	SEI



The Company has obtained the certificate for ISO 9001:2008 certification for the quality management system issued by Tell Certification Center (TLC), the only institution under the MIIT in China that is specialized in the quality management system certification, environmental management system certification, occupational health and safety management system certification and product certification for the enterprises in the post and telecommunication industry. Over the years, the Company has established, implemented and improved its quality management system in accordance with the requirements of such certification, and has established an improved the self-improving mechanism on the basis of internal control and preventive measures by centering on the customers, taking quality as the foundation and adhering to the principles, procedures and methods for quality management, so as to implement comprehensive quality management.

According to the requirements of ISO 9001:2008, the QEOHS system (i.e. the quality, environment, occupational health and safety management system) established by Chengdu PUTIAN has incorporated 34 programs, which cover various aspects including procurement, production, product and internal management, and provide a strong guarantee for the high product quality of the Company on a consistent basis.



Above Pictures: Certificate for Occupational Health and Safety Management System Certification and Certificate for Environmental Management System Certification

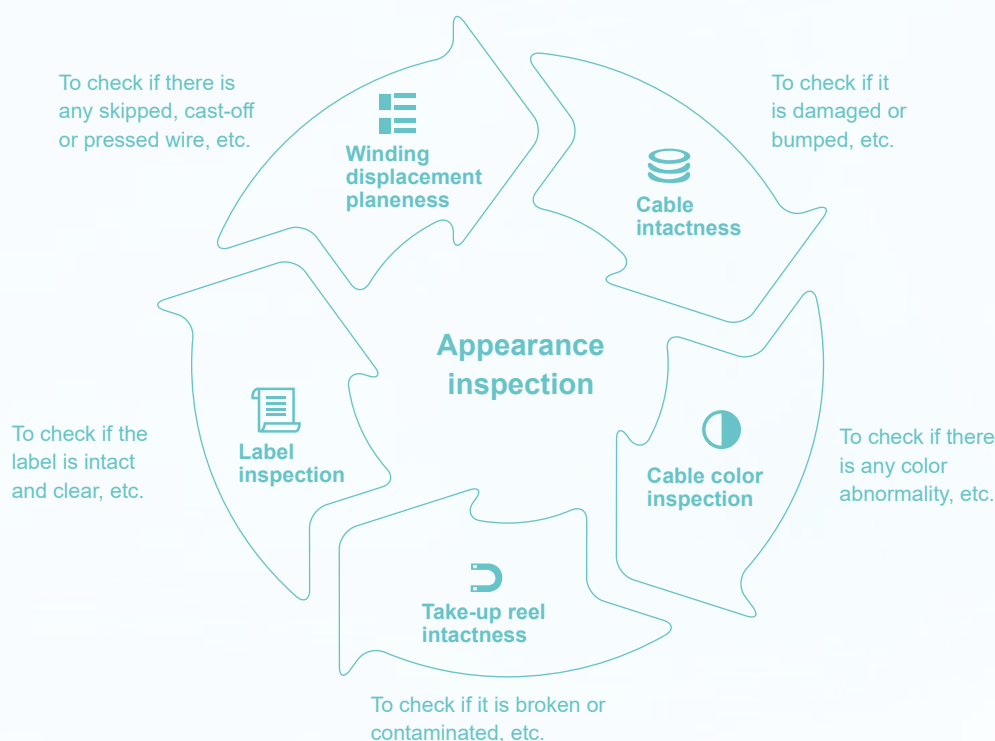
There was no change in the EHS certification system adhered to by the Company in 2017, and the Company will renew the certification for its quality management system in accordance with the GB/T19001-2016 standards.

## Quality Inspection

In 2017, the Company promulgated and implemented on a trial basis the Implementing Measures for the Examination of Inspection Disciplines, and completed the examination of the Company's performance of inspection disciplines by the specified deadline once every quarter, during which the Company had increased the frequency of examination if many problems were found. The scope of the examination covered the inspection process (in-process inspection

and finished product inspection) carried out by the product department, with a view to leveraging the system to ensure that the inspection work can be carried out in a normal and effective manner.

The products generally need to go through two tests, namely appearance test and finished product test, before the delivery out of the plants.





Products that have passed the appearance test will go through the next test, and those that have failed will be sent back to the screening process together with the requirements for the treatment of that reel of optical cable/wire. When necessary, the Inspection Report shall be completed, or the on-duty shift leader shall be informed, or

the relevant engineer shall handle accordingly.

Currently, there are three tests available for testing finished products, namely single-reel test, batch grading and sample grading. All such tests shall meet the requirements of the Standard Procedures for the Inspection of Finished Products.

## Random Inspection Results for the Products of Chengdu PUTIAN in 2017

No.	Random inspection time	Random inspection executor	Random inspection result
1	1 March 2017	China Railway Test & Certification Center	Qualified
2	18 April 2017	Sichuan Product Quality Supervision, Inspection and Testing Institute	Qualified
3	26 April 2017	Chengdu Bureau of Quality and Technical Supervision	Qualified
4	9 May 2017	UL Certification Center	Qualified
5	9 May 2017	China Railway Test & Certification Center	Qualified
6	11 May 2017	Chengdu Tairui Communication Equipment Testing Co., Ltd. (成都泰瑞通信设备检测有限公司)	Qualified
7	9 June 2017	China Quality Certification Center	Qualified
8	18 July 2017	Chengdu Product Quality Supervision and Inspection Institute	Qualified
9	18 July 2017	Administration of Quality and Technology Supervision of Sichuan Province	Qualified
10	9 August 2017	China Quality Certification Center	Qualified
11	19 September 2017	UL Certification Center	Qualified
12	26 September 2017	China Quality Certification Center	Qualified
13	10 October 2017	China Quality Certification Center	Qualified
14	29 November 2017	UL Certification Center	Qualified
15	16 November 2017	Tell Certification Center	Qualified



## Quality Management Training

In the process of accelerating the transformation and industrial upgrade of the Company, the Company needs to improve and strengthen the quality management level accordingly. In May, June, August and November 2017, the Company organized the quality management department to participate in relevant professional business trainings such as the Training on Tensile Testing Device Calibration, the Training on the Operation of JF-3 Oxygen Index Test Apparatus, the Training on the Examination of the Special Equipment Operator Qualification, the Training for Safety Supervisors, the Training on the Calibration Methods of Thermodynamic Instruments and the Training on the

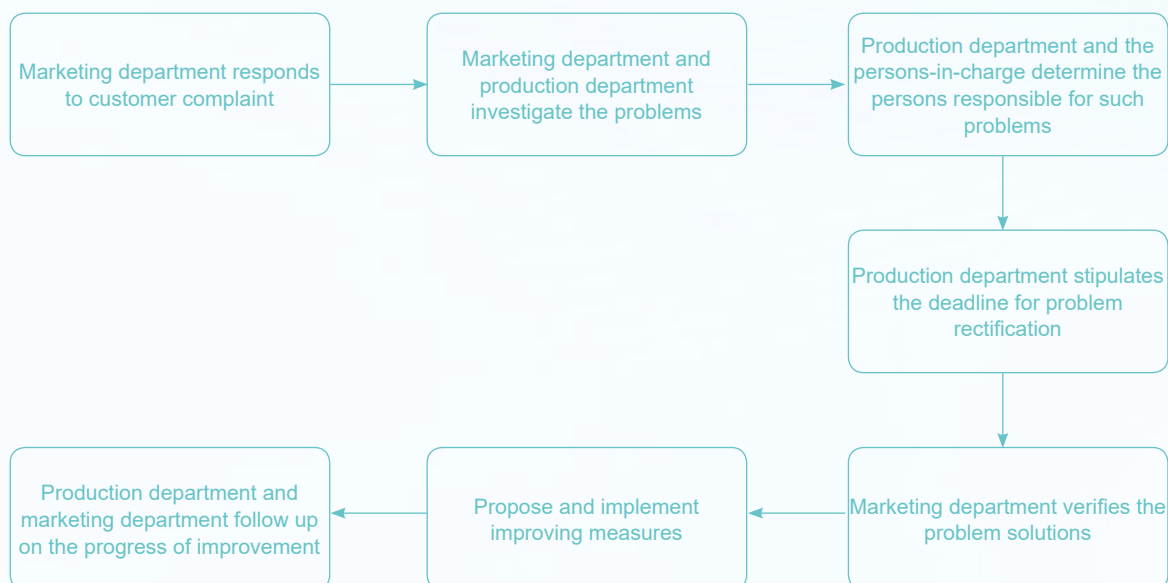
Operation of Dielectric Breakdown Apparatus, and relevant quality management trainings such as the Training on the Compilation of Quality and Environment Documents with New Standards.

After a series of trainings, the quality management department revised the QEOHS Management Manual and the Procedural Documents of the Company in the second quarter of 2017 according to the adjusted organizational structure and department rules of the Company and through repeated deliberations and discussions, and implemented the same in July 2017.

## Customer Satisfaction

Customer satisfaction directly reflects how the Company's products and services are received by the customers. In the meanwhile of providing quality products, Chengdu PUTIAN has also been committed to providing aftersales services of the same high quality. To this end, the Company has formulated various documents in such aspects as customer

feedback and complaint handling based on the requirements of ISO 9001:2008 to facilitate management and regulation, including the Procedures for Handling Customer Complaint and Feedback and the Procedures for Controlling Customer Satisfaction.



Above Chart: The Procedures for Handling Customer Complaint and Feedback

During the reporting period, the Company carried out satisfaction surveys on the customers who contributed 95% of the sales in aggregate by means of telephone and questionnaire, etc. Such surveys covered various aspects such as product quality, aftersales service, price and delivery, and were carried out on a quarterly or yearly basis.

In 2017, the Company did not receive any product or service-related complaint from any customer, i.e. zero customer complaint.

**0%**  
Annual customer  
complaint rate



Statistical period	SEI	Zhongling
First quarter	95.68%	Annualized
Second Quarter	95.50%	
Third Quarter	96.46%	
Fourth Quarter	96.54%	
Year 2017	96.05%	89.40%

Above Table: Customer Satisfaction for the Production Entities of Chengdu PUTIAN

## Intellectual Property

Chengdu PUTIAN attaches importance to the transformation and application of scientific research and innovation achievements, and has relatively complete mechanisms for technical innovation, intellectual property management and incentive. In order to support innovation activities,

the Company formulated various documents such as the Administrative Measures for Research and Development Projects, the Administrative Measures for Intellectual Properties and the Reward System for Technology Improvement.

The main patents obtained by the Company during the reporting period are as follows:

Type	No.	Name
Invention patent	1	Online tuning system for optical fiber drawing collet
	2	Online tuning system for optical fiber coating die holder
	3	Concentricity monitoring system for optical fiber coating
Utility model patent	4	Online tuning system for optical fiber drawing collet
	5	Online tuning system for optical fiber coating die holder
	6	Optical fiber curing system capable of automatically adjusting optical power
	7	Optical fiber curing system capable of automatically adjusting oxygen content
	8	Concentricity monitoring system for optical fiber coating



It is the strategic choice of a state-owned enterprise to perform social responsibilities for the purpose of adhering to and implementing in depth the scientific development concept and building a harmonious socialist society. Chengdu PUTIAN has, through self-management and the enhancement of operating capability and with the goal of building itself into a green enterprise with low energy consumption and high growth, kept in heart the expectations and requirements of stakeholders, coordinated and promoted the sustainable development of itself and society as a whole, and strived to maximize the comprehensive value in terms of the economy, society and environment.

04

**Responsible  
PUTIAN**



We are of the opinion that, the fulfillment of social responsibilities by the Company is an important embodiment for the core requirement of people orientation and the ultimate goal of harmonious development, as well as the strategic choice for the Company to adapt to the evolving economic and social development, adhere to and implement in depth the scientific development concept and







contribute to the realization of a harmonious society. To this end, the Company has integrated environmental and social responsibilities into the strategic operations of the Company, communicated adequately with the stakeholders, participated in community development, and devoted itself to becoming an enterprise that shoulders both product liability and social responsibility.

## Communication with Stakeholders

As a community of social responsibilities and social benefits, Chengdu PUTIAN has maintained continuous communication with the stakeholders, including investors, customers, employees, governmental and regulatory

authorities and partners, and strived to establish an open, transparent, multi-channel, regular and close communication mechanism to grow tougher with the stakeholders.

### Expectations of Stakeholders and Responses Thereto

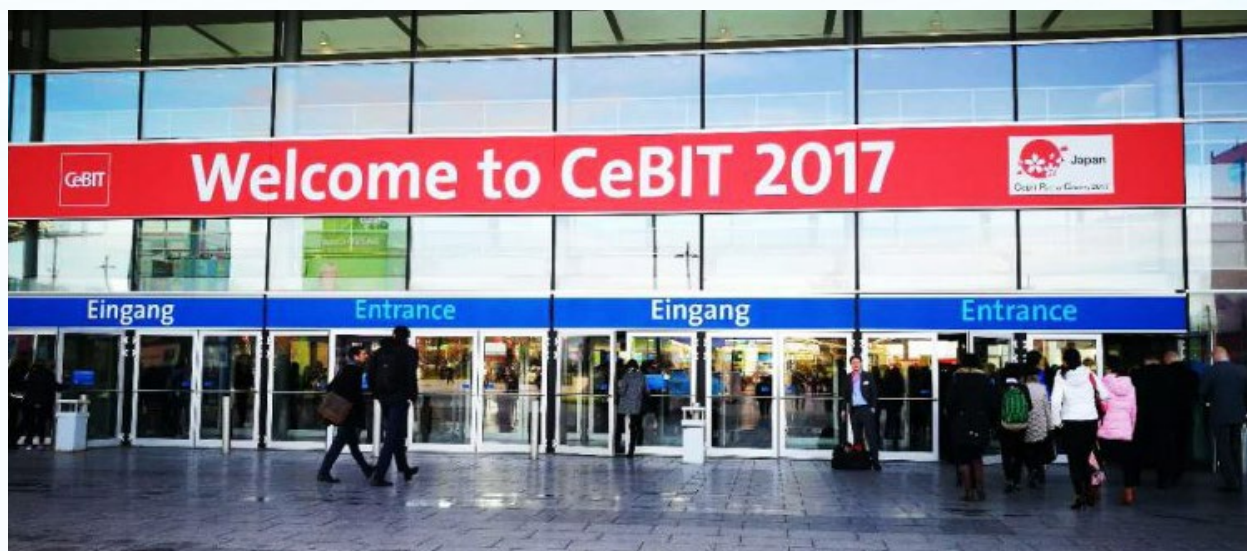
Key stakeholder	Subject of concern	Major ways of communication	Main actions and responses
 <b>Investors</b>	<ul style="list-style-type: none"> <li>•Shareholders' rights and interests</li> <li>•Corporate governance and risk management</li> </ul>	<ul style="list-style-type: none"> <li>•General meeting</li> <li>•Financial reports</li> <li>•Results reports</li> </ul>	<ul style="list-style-type: none"> <li>•Ensuring the quality and efficiency of information disclosure</li> <li>•Keeping close communication</li> <li>•Treating shareholders equally</li> </ul>
 <b>Customers</b>	<ul style="list-style-type: none"> <li>•Product quality</li> <li>•Service quality</li> <li>•Protection of customer information</li> </ul>	<ul style="list-style-type: none"> <li>•Customer survey</li> <li>•Aftersales service and complaint</li> <li>•Customer satisfaction survey</li> </ul>	<ul style="list-style-type: none"> <li>•Providing and ensuring product quality</li> <li>•Conducting survey on and improving customer satisfaction</li> </ul>
 <b>Employees</b>	<ul style="list-style-type: none"> <li>•Employees' rights and interests</li> <li>•Remuneration system</li> <li>•Training and development</li> <li>•Work environment</li> <li>•Physical and mental health</li> </ul>	<ul style="list-style-type: none"> <li>•Daily activities of the union</li> <li>•Employee training</li> <li>•Employee activities</li> <li>•Safety</li> </ul>	<ul style="list-style-type: none"> <li>•Supporting employees to join the union</li> <li>•Supporting employee training and skill training</li> <li>•Providing occupational health inspection for the employees</li> <li>•Monitoring work environment</li> </ul>
 <b>Governmental and regulatory authorities</b>	<ul style="list-style-type: none"> <li>•Lawful operation</li> <li>•Governance transparency</li> <li>•Tax payment in full</li> <li>•Resource conservation</li> </ul>	<ul style="list-style-type: none"> <li>•On-site inspection</li> <li>•Official documents</li> <li>•Policy implementation</li> <li>•Information disclosure</li> </ul>	<ul style="list-style-type: none"> <li>•Consciously assuming tax obligations</li> <li>•Contributing to the development of the industry by sharing experience</li> <li>•Ensuring the quality of information disclosure</li> <li>•Enhancing corporate governance</li> </ul>
 <b>Partners</b>	<ul style="list-style-type: none"> <li>•Fair competition</li> <li>•Lawful operation</li> <li>•Mutual benefit</li> </ul>	<ul style="list-style-type: none"> <li>•Public tender and bid</li> <li>•Negotiation on cooperation</li> </ul>	<ul style="list-style-type: none"> <li>•Ensuring the public and transparent disclosure of tender and bid-related information</li> <li>•Sharing technologies</li> </ul>
 <b>Communities and the public</b>	<ul style="list-style-type: none"> <li>•Environmental protection</li> <li>•Social public benefits</li> <li>•Excellent brand image</li> </ul>	<ul style="list-style-type: none"> <li>•Information disclosure</li> <li>•Public enquiry</li> </ul>	<ul style="list-style-type: none"> <li>•Improve security level</li> <li>•Publishing environmental, social and governance report</li> </ul>

## Responsibility to the Industry

Chengdu PUTIAN is a high-tech enterprise certified by the Technology Bureau of the Chengdu Hi-tech Industrial Development Zone, with various products such as optical fiber, cable and feeder listed in the Recommended Catalogue of Local Famous Products in Chengdu, the Recommended Catalogue of Rail Transit Supporting Products in Chengdu and the Catalogue of Promotion Applications Used and Invested in by the People's Government of Chengdu". Under the leadership of Chengdu Municipal Commission of Economy and Information

Technology, the Company has participated in various activities on the platform of the Alliance of Suppliers and Demanders of Famous Products in Chengdu, including product exhibitions and recommendations.

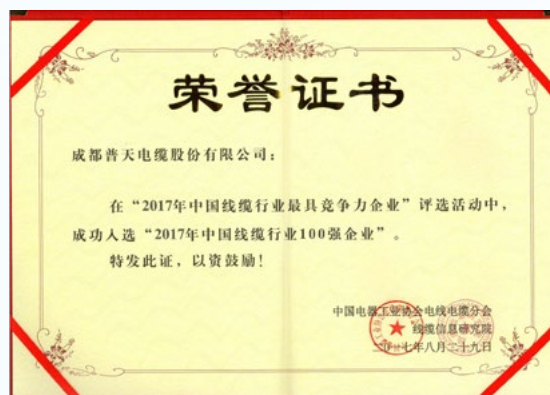
In March 2017, Chengdu PUTIAN participated in the CeBIT as one of the exhibitors. At the grand gathering for ICT (Information Communications Technology) players, Chengdu PUTIAN exhibited and promoted to overseas customers the smart electrical products of the Company.



Above Picture: CeBIT 2017

On 29 June, the Company participated in the Promotion for the Construction Projects of Chengdu Tianfu International Airport and the Products of Advantageous Enterprises in Sichuan to promote its products. As the largest civil transportation hub in China planned to be constructed during the Thirteenth Five-Year Plan period, Chengdu Tianfu

International Airport is positioned as an international air transportation hub at the national level. Chengdu PUTIAN, in the capacity of one of the Top 100 Enterprises in the Cable Industry in China, promoted a series of products and services, including cable, layout design and installation, involved in the construction of the airport at the promotion.



Left Picture Above: Certificate for Chengdu Manufacturing Top 100 Enterprises Won by Chengdu PUTIAN; Right Picture Above: Certificate for Top 100 Cable Enterprises in China in 2017 won by Chengdu PUTIAN



In the course of development through transformation and upgrade, Chengdu PUTIAN actively participated in various communication activities in the industry, including China Electric Wire and Cable Industry Conference (Shanghai) and the 3rd World Optical Fiber & Cable Conference (Wuhan) in August and November 2017, respectively, at which it listened to and learnt from industry leaders as to their valuable experience, and learnt a lot in various aspects, including industry consolidation, corporate merger and reorganization, international market exploration, international development, and innovation in market operation mode, technical R&D mode and quality management mode, as well as communication cable design and raw material development.



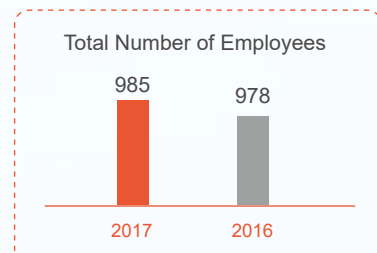
## Responsibility to the Employees

Chengdu PUTIAN complies with the Labor Law of the People's Republic of China, the Law of the People's Republic of China on Employment Contracts and relevant national, provincial and municipal laws, has developed a human resource management system suitable for its actual conditions, establishes employment relationship with employees in accordance with law, and strives to eradicate any conduct or policy relating to employment discrimination because of gender, race, religion, age, family status or any other factor. Chengdu PUTIAN clearly specifies the contents such as the working hours, breaks and holidays, labor protection and work conditions in the employment contracts to protect the legitimate rights and interests of the employees.

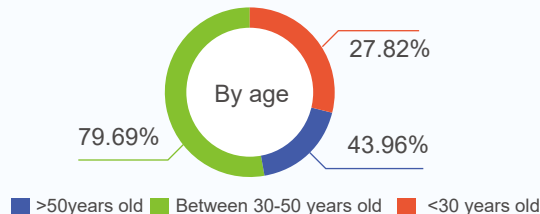
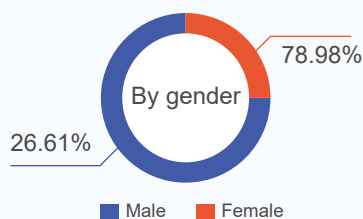
In the meanwhile, Chengdu PUTIAN prohibits the use of child labor and forced labor in any production unit under any of its subsidiaries or any of the companies controlled by it. Any case in violation of the above, once identified, will be reported to relevant law enforcement authorities and will be punished by the Company accordingly.

During the reporting period, all the employees of the Company were full-time employees, and the Company had entered into employment contracts with and made social insurance contributions for 100% of the employees. The Company entered into 12 new or renewed employment contracts, terminated the employment contracts with 19 employees and newly recruited 3 employees, with 7 employees turning into official employees and 7 employees retired as scheduled. No labor dispute occurred during the reporting period, and the harmonious employment relationship had provided a guarantee for the normal operations of the Company.

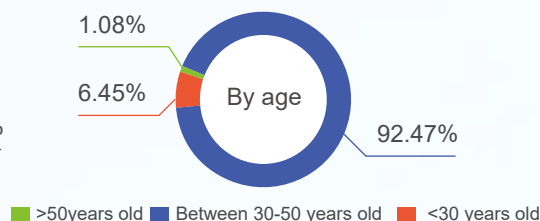
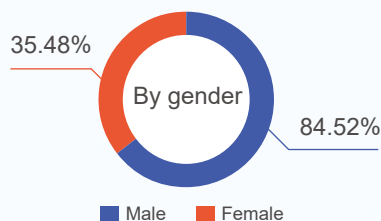
In 2017, according to the requirements for enhancing the management on the managers at level three or above, the Company completed the annual employment renewal of 57 managers of the Company at level three or above, and further refined the relevant measures for cadre management, so as to ensure that the cadres had the comprehensive capability and quality required by the respective posts.



In 2017, the Company did not have any foreign employee, and the analysis of the Company's employees by gender and age is illustrated in the following charts.



During the reporting period, 93 employees left the Company in total, the analysis of whom by gender and age is as follows:



## Occupational Health and Safety

In 2017, the Company further refined the safe production responsibility contracting management system, and formulated a list of major dangerous sources and key environmental factors for focused monitoring. The Company

also exerted greater efforts on safety training and safety hazard inspection and rectification to eradicate safety hazards and ensure lawful operation and safe production.

### Major measures adopted included:

- Organizing safety education for the employees, strictly implementing all the rules for safe operation, conducting safety hazard investigation and rectification, and ensuring no irregular operation;
- Providing necessary labor protection articles and requiring employees to use them according to regulations. Implementing management on and control over dangerous wastes and industrial emission, and entrusting the disposal thereof to qualified units;
- Carrying out pressure vessel monitoring, occupational health control monitoring and environmental pollution control monitoring on a periodic basis, and correcting the problems identified in time.

Chengdu PUTIAN strictly complies with the national regulations, rules and regulatory requirements on safe production, including, but not limited to, the Special Equipment Safety Law, the Regulations on the Safety Monitoring of Special Equipment, the Regulations on the Safety Monitoring of Hoisting Machinery and the Safe Labor Law. At the same time, the Company has passed the OHSAS 18001: 2007 GB/T 28001-2011 Standard Certification of China Quality Certification Center for its occupational health and safety management system, and formulated the Management Manual for the Occupational Health Safety Management System accordingly.

In respect of safe production management, the headquarters of the Company will formulate the general objective and indicators according to the actual production, and the specific implementation measures shall be proposed by the units involved in production and the subsidiaries controlled by the Company, which shall be summarized eventually to prepare the General Objective, Indicators, Management Measures for Safe Production Management of the Company for each year, which consist of six aspects, namely legal compliance, fire safety, environmental safety, occupational health and safety, security and standardization of safe production, with 20 specific objectives, 43 indicators and 66 feasible measures that are examined at the middle and the end of the year as to the progress of completion. The units involved in production and the subsidiaries controlled by the Company can make specific arranges based on these measures, and implement and put into practice such arrangements from the aspects of organizational structure, system construction, objective breakdown, determination and monitoring of indicators and performance evaluation, etc.

SEI passed the ISO 9001 quality management system certification in 2001, the ISO14001 environmental management system certification and the OHSAS18001 occupational health and safety management system certification in 2005, and the Tell Product Certification in 2006, and the effective operation

of the abovementioned systems has provided an effective guarantee on the premium quality of SEI. All such certifications are audited and reviewed in accordance with regulatory requirements, and the valid certificates for such certifications are as follows.

20  
Safety Objectives

43  
Safety Indicators

66  
Feasible Safety Measures



Above Pictures: Certificate for the Environmental Management System Certification, Certificate for the Occupational Health and Safety Management System Certification, Certificate for the Quality Management System Certification and Certificate for Product Certification of SEI





## Zero safety accident throughout the year

While providing comfortable and safe work environment for the employees, Chengdu PUTIAN also attaches equal importance to the occupational health of the employees. The Company provides its employees with all the necessary and rigid safety precautions and safe operation trainings in strict compliance with the relevant requirements of various regulations such as the Measures for the Supervision and Administration of Employers' Occupational Health Surveillance, the Provisions on the Supervision and Administration of Occupational Health at Workplaces and the Provisions on the Supervision and Administration of Labor Protective Articles.



Above Picture: Certificate on Compliance with Safe Production Laws from the Office of the Safe Production Commission of Chengdu Hi-Tech Industrial Development Zone

During the reporting period, Chengdu PUTIAN recorded zero accident throughout the year with no work injury accident, and obtained the Certificate on Compliance with Safe Production Laws from the Office of the Safe Production Commission of Chengdu Hi-Tech Industrial Development Zone.

## The Company has mainly taken the following measures to protect the occupational health of the employees:

- Providing 52 special physical inspections for the employees at special posts in addition to the general physical inspections provided for all the employees;
- Providing safety trainings for 274 employees and amending and revising 72 safety management measures in 2017;
- Investing RMB711,200 on the improvement of safety technologies and safe operation during the reporting period;
- Regularly distributing labor protective articles and heatstroke prevention supplies amounting to RMB52,000 in total during the reporting period; and
- Organizing emergency drills on a regular basis, with 3 large-scale emergency drills organized in 2017.



Safety Trainings for 274 Employees



Amendments and Revisions to 72 Safety Management Measures



RMB711,200 Invested in Safety Technology Improvement and Safe Operation

## Example

In line with the general objective of the Company for safe production management, Zhongling set up a safe production committee and a leading group for emergency rescue, broke down and assigned the safety indicators and management measures to specific persons-in-charge, and examined the responsibility performance at the middle and the end of the year.

In addition to the implementation of safe production measures, SEI also carried out 62 behavior-based safety inspections in 13 aspects including, amongst others, the water and electricity management, paper management, management of other office supplies, waste management and management of chemical and oil products, to rectify every non-standard behavior in a timely manner and eradicate safety hazards at source.





Above Picture: Explanation before Fire Drill of Zhongling in 2017



Above Picture: Fire Fighting Exercise in the Fire Drill of Zhongling in 2017



Above Picture: Fire Fighting Demonstration in the Fire Drill of Zhongling in 2017



Above Picture: Emergent Evacuation during the Dangerous Chemical Leakage and Fire Fighting Drill of SEI in 2017



Above Picture: Fire Fighting Scene in the Dangerous Chemical Leakage and Fire Fighting Drill of SEI in 2017



Above Pictures: Fire Drill for the Low-Voltage Capacitor Compensation Cabinet at the Industrial Park Development Center in 2017 (Left Picture: Power Cut-off Exercise; Right Picture: Fire Fighting Exercise)



## Performance Management

Chengdu PUTIAN has formulated the Performance Management Measures for the Employees of the Company, the Performance Management Measures for the Managers of the Company at Level Three or Above, the Administrative Measures for Remuneration Incentive and the Administrative Measures for the Work Planning System to establish a sound remuneration system and specify the requirements on the remuneration structure, remuneration standards and remuneration management. Employees obtain remunerations corresponding to the level of their posts, competency and the level of work performance, and are

entitled to performance bonus and remuneration adjustment based on the results of performance examination.

In respect of remuneration rationalization, Chengdu PUTIAN has managed the total salaries in compliance with the Interim Measures for the Management of Total Salary Budgets of Central Enterprises (SASAC doc.: Guo Zi Fa Fen Pei [2010] No. 72), the Implementation Rules for the Interim Measures for the Management of Total Salaries of Central Enterprises (SASAC doc.: Guo Zi Fa Fen Pei [2012] No. 146) and the administrative measures of the headquarters for the total salaries.

## Employee Training

As talents are important cornerstones for the development of Chengdu PUTIAN, the Company has formulated the Administrative Measures for Employee Training and Education. At the beginning of each year, the human resources department formulates the year-round training work plan based on the annual training plans collected from each unit, and distribute the same to all the subordinate units in the form of document. The trainings of the Company are divided into two levels. The first-level trainings refer to the pre-job trainings suitable for everyone, and the second-level trainings refer to the job skill trainings planned by each business and intelligence department.

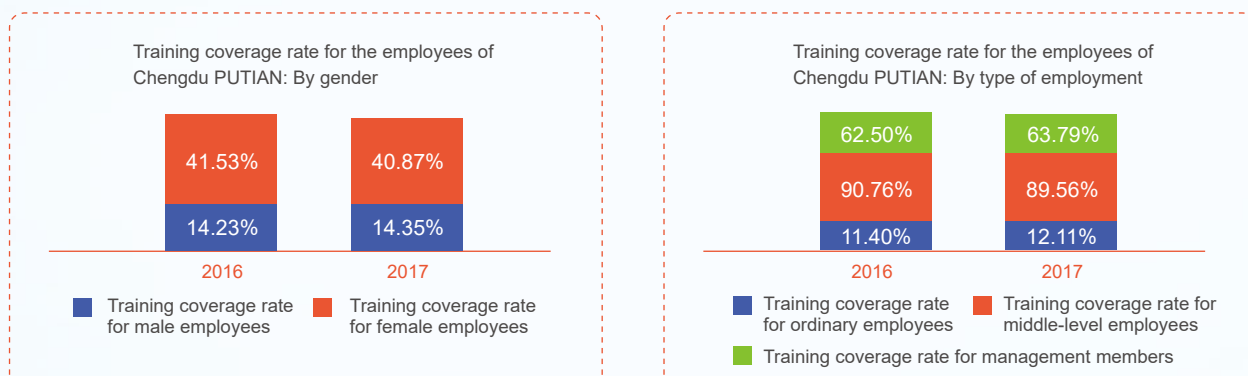
In 2017, 41 employees participated in the first-level trainings with a total length of 212 hours, which mainly included the pre-job trainings for freshmen to help them get familiar with the environment and business of the Company and turn from students into professionals as soon as practicable. In 2017, the mainly content of second level training including as follows:

- Safety management trainings were related to the safety management techniques for the full-time and part-time safety management personnel of the Company and the persons of chief safety responsibility of the production-related units for the purpose of improving safety management capability.

- Legal affair trainings enabled the employees to further study and understand the information disclosure, risk control and system building of listed companies. The training on the new version of standards for the compilation of management system documents enabled the trainees to learn and understand the provision of the new standards and the techniques for document compilation in a comprehensive and systematic manner by offering analysis on relevant standards and training exercises.

- China Potevio, the controlling shareholder of the Company, organized trainings for cadres and leaders to enlighten the ideals and faith of the cadres and leaders, and help them to adapt to the strategic development and business innovation of the Company and continuously strengthen their comprehensive competency.

Comparisons between the training coverage rates of the employees during the reporting period and in the previous year are as follows:



In terms of gender, the training coverage rate for female employees was higher than that for male employees by 26.52%; in terms of employment level, the coverage rate for the middle-level employees of the Company was wider. During the reporting period, 89.56% of the middle-level employees participated in trainings.



## Employee Benefits

While providing employees with a healthy and quality work environment, Chengdu PUTIAN has also been committed to protecting the legitimate rights and interests of the employees. The Company complies with national and regional laws and regulations, and provides employees with various benefits and convenience through the Collective Contract, Staff Manual and various rules, systems and activities involving employee benefits. The main benefits provided by the Company for the employees include:

Employee allowance	Employee vacation	Employee welfare insurance	Employee care
Shift work subsidy	Annual leave	Health insurance	Caring program
High temperature subsidy	Shift work rest	Supplementary insurance	Employee support
	Other holidays		Work meals
			Transportation subsidy

In addition to the benefits above, the Company has also organized various sports games, such as friendly competitions for table tennis and badminton, for consecutive years in order to enrich their life after work.



Above Pictures: Badminton Competition of Chengdu PUTIAN in 2017



Above Pictures: Table Tennis Competition of Chengdu PUTIAN in 2017

In 2017, in order to create a great study environment for the employees to read, think and interact, the Company decided to keep the book house open all day on weekdays, and introduced a batch of new books, which brought the total number of books to 548. During the National Day holiday, the union of the Company arranged the on-duty employees in a unified manner to read books during the holiday.

## Responsibility to the Community

In addition to the commitment to building a harmonious employment relationship, the Company further strives to earnestly care for its employees by taking practical actions. On Children's Day, the union of the Company will send love and caring to the employees of the Company that are single parents or confronted with difficulties, including those that have faced to living difficulties for a long time due to single parenting or for other special reasons, or the employees or their families that have suffered from material accidents or encounter living difficulties because of serious illness in a given year.

At the very beginning of every school year in September in autumn, the union of the Company will provide admission rewards and support for the unionist employees who have children studying in public senior high schools or junior colleges or technical secondary schools and are confronted with living difficulties and for the unionist employees whose

children have passed the grade limits for the entrance examinations for ordinary universities in Sichuan Province and have obtained the letters of admission issued by the universities in accordance with the requirements on "education support and reward" as set out in the Measures for the Help and Support for the Employees in the Union of Chengdu PUTIAN. During the reporting period, 8 families in total were granted education support, reward and assistance.

In respect of social charity and donations, SEI, a subsidiary of Chengdu PUTIAN, has been making donations of RMB30,000 to the Charity Federation of Chengdu Hi-tech Industrial Development Zone in every June since 2005, which are specially used for education support and purchase of teaching equipment for the schools in impoverished areas.

## Party Building

### Two Studies, One Action

The Company actively responds to the call of the CPC, and organizes study and education activities centered on "Two Studies, One Action", i.e. to study the CPC's constitution and rules, to learn the important speeches of Mr. Xi and become competent party members, among all the party members. The party committee of the Company has been following the requirements of strictly governing the party members in all aspects by organizing study and education activities centered on "Two Studies, One Action" to consolidate and make further achievements in the same, continuously improve the style of work and uphold integrity, and ensure governance and discipline are implemented in a conscientious manner and in the long term, so as to provide a strong guarantee for the reform and development of Chengdu PUTIAN;

The Company has put into practice and enhanced the

ideological and political construction of the party by carrying out study and education activities centered on "Two Studies, One Action", to enable all the party members to maintain firmer ideology, faith and political orientation, keep in strict compliance with political disciplines and political rules, and consciously adhere closely to requirements of the central committee of the party with Mr. Xi Jinping as the general secretary in terms of ideology, politics and action. Thirdly, the Company has procured every party member and every party branch to fulfill the requirements on party management and governance by carrying out study and education activities centered on "Two Studies, One Action", and monitored their fulfillment in a regular, meticulous and continuous manner, to gather all the strong forces to overcome difficulties and firmly win the challenging battle faced by the Company to turn from loss suffering into profit making.



Above Picture: Kick-off Meeting of the Party Committee of the Company for "Two Studies, One Action"



The party committee of the Company organized 10 themed party activities in May to June, where the leaders of the party committee provided party lectures for the party members and re-read the admission oath all together.

On 30 June, China Potevio held the Conference for Commemorating the 95th Founding Anniversary of the

CPC and Commending the Outstanding Party Workers, Outstanding Party Members and Advanced Grassroots Party Organizations in Beijing, and the award winners of the Company went to attend the conference in Beijing to accept the awards. The party branch of SEI won the honor of "Advanced Grassroots Party Organization" and Sun Liquan won the honor of "Outstanding Party Worker".

## Adherence to the Spirit of the 19th CPC National Congress

On 18 October 2017, right before the convening of the 19th Communist Party of China National Congress (the "19th CPC National Congress"), the party committee of Chengdu PUTIAN made unified arrangements to organize all the party members and members of the Communist Youth League to watch the opening ceremony in the reporting hall, and the general party branch for retired party members organized retired party members to watch the opening ceremony in their communities. On the same day, 102 leaders of the party members, on-job party members and members of the Communist Youth League in total watched the opening ceremony at the headquarters of Chengdu PUTIAN, who carefully listened to the report made by General Secretary Xi Jinping, clearly understood the four important judgments of "new era, new ideology, new objective and new journey", and studied the four important concepts raised in the report, namely that the socialism with Chinese characteristics has entered into a new era and that the main social contradictions in China have been transformed, as well as the thought on socialism with Chinese characteristics for a new era and the target of building itself into a great modern socialist country.



Above Pictures: Party Members of the Company Watching the Live Broadcast of the 19th CPC National Congress

On 17 November 2017, the party committee of Chengdu PUTIAN convened a meeting for central group expansion and studied and put into practice the spirit of the 19th CPC National Congress. Members of the central group, members of the party committee, members of the disciplinary commission and secretaries of party branches gathered in the first meeting room to study the report of "Grand Meeting for Laying Foundation for the New Era – Interpretation on the Spirit of the 19th CPC National Congress" made by Professor Chen Kailong from the Party School of the Central Committee, and made arrangements accordingly.



Above Picture: Vice Inspector at the Party School of Chengdu Municipal CPC Committee Professor Xu Changyi Making a Special Report during the Themed Lectures of the Company for Commemorating the 96th Founding Anniversary of the CPC

In order to study and put into practice the spirit of the 19th CPC National Congress in depth, and practically capture the spiritual essence and core gist of the report made at the 19th CPC National Congress, the temporary party committee of Putian Logistics organized a special party lecture to study

the spirit of the 19th CPC National Congress in the afternoon of 13 November, and all the party members and activists of party application of the company in Beijing attended the lecture.



Above Picture: Special Lecture of Chengdu PUTIAN for Studying and Putting into Practice the Spirit of the 19th CPC National Congress in Depth

This special party lecture was provided by Professor Chen Kailong from the Party School of the Central Committee under the name of Grand Meeting for Laying Foundation for the New Era – Interpretation on the Spirit of the 19th CPC National Congress. Through the study during this special lecture, the participants acquired further and deeper knowledge on the significant historical meaning of the 19th CPC National Congress in two aspects, namely the theme of the 19th CPC Congress and the historical development stages that the Chinese nation went, is going and will go through from standing up to prosperity and further to powerfulness from 1840 to 2050, and gained a deep and comprehensive understanding on the main innovative efforts proposed during the 19th CPC National Congress in five aspects, namely the scientific judgments that China has entered into a new era for the development of the socialism with Chinese characteristics, and that the major social contradiction in China has transformed

into the contradiction between the growing demand of the people for a better life and the unbalanced and insufficient development, Xi Jinping's thought on and general plan for the socialism with Chinese characteristics for the new era, the arranges and plans for comprehensively building itself into a strong modern socialist country in nine aspects, strict party governance in all aspects and the improvement of the leadership and executive capability of the CPC.

The participants in the lecture have confirmed that, in the course of studying and putting into practice the spirit of the 19th CPC National Congress, they will highlight the key points, follow the essence, adhere to authentic principles, lead the scientific development of the Company with the spirit of the 19th CPC National Congress, and play a leading and exemplary role in promoting the innovative party building of the Company and giving full play to the vanguard role of Party members.





## Appendix: ESG reporting Guide Index

Indicator	Brief		In this report
A. Environmental			
Aspect A1: Emission			
General Disclosures			Green PUTIAN
KPIs	A1.1	The types of emissions and respective emissions data	Lawful Emission
	A1.2	Greenhouse gas emissions in total and intensity	
	A1.3	Total hazardous waste produced and intensity	Waste
	A1.4	Total non-hazardous waste produced and intensity	Management
	A1.5	Description of measures to mitigate emissions and results achieved	Energy Conservation and Consumption Reduction
	A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved	
Aspect A2: Use of Resources			
General Disclosures			Green PUTIAN
KPIs	A2.1	Direct and/or indirect energy consumption by type and intensity	Resource
	A2.2	Water consumption in total and intensity	Utilization
	A2.3	Description of energy use efficiency initiatives and results achieved	Energy Conservation and Consumption Reduction
	A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved	
	A2.5	Total packaging material used and per unit produced	Use of Packaging Materials
Aspect A3: The Environment and Natural Resources			
General Disclosures			Green PUTIAN
KPI	A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them	Energy Conservation and Consumption Reduction
B. Society			
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General Disclosures			Responsibility to the Employees, Performance Management
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	B1.2	Employee turnover rate by gender, age group and geographical	
Aspect B2: Health and Safety			
General Disclosures			
KPIs	B2.1	Number and rate of work-related fatalities	Occupational Health and Safety
	B2.2	Lost days due to work injury	
	B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored	

Indicator	Brief		In this report
Aspect B3: Development and Training			
General Disclosures			
KPIs	B3.1	The percentage of employees trained by gender and employee category	Employee Training
	B3.2	The average training hours completed per employee by gender and employee category	
Aspect B4: Labour Standards			
General Disclosures			
KPIs	B4.1	Description of measures to review employment practices to avoid child and forced labour	Responsibility to the Employees
	B4.2	Description of steps taken to eliminate such practices when discovered	
Aspect B5: Supply Chain Management			
General Disclosures			
KPIs	B5.1	Number of suppliers by geographical region	Supply Chain Management
	B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored	
Aspect B6: Product Responsibility			
General Disclosures			Quality PUTIAN
KPIs	B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons	Not Applicable for our products
	B6.2	Number of products and service related complaints received and how they are dealt with	Customer Satisfaction
	B6.3	Description of practices relating to observing and protecting intellectual property rights	Intellectual Property
	B6.4	Description of quality assurance process and recall procedures	Quality Inspection
	B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored	Not Applicable for our products
Aspect B7: Anti-corruption			
General Disclosures			
KPIs	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	Anti-Corruption and Anti-Fraud
	B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored	
Aspect B8: Community Investment			
General Disclosures			
KPIs	B8.1	Focus areas of contribution	Responsibility to the Community
	B8.2	Resources contributed to the focus area	





**Potevio**

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